

**COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2013**

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COUNTY OF HUMBOLDT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

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COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
JUNE 30, 2013

BOARD OF SUPERVISORS
(as of June 30, 2013)

<u>Name</u>	<u>Office</u>
Rex Bohn	Supervisor, District 1
Estelle Fennell	Supervisor, District 2
Mark Lovelace	Supervisor, District 3
Virginia Bass	Supervisor, District 4
Ryan Sundberg	Supervisor, District 5

FINANCE ADMINISTRATORS

<u>Name</u>	<u>Office</u>
Phillip 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, California (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Board of Supervisors
County of Humboldt
Eureka, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Roseville, California
March 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. Readers are encouraged to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section. The discussion focuses on the County's primary government and, unless otherwise noted, does not include separately reported component units.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the most recent fiscal year by \$451,637,033 (*net position*). Net position of \$108,771,945 are restricted for specific purposes (*restricted net position*), and \$349,803,619 represents net investment in capital assets. Unrestricted net position was a negative \$6,938,531, primarily due to Governmental Accounting Standards Board (GASB) Statement No. 54, which requires presentation of certain long-term payroll liabilities as unrestricted net position. The government's total net position, as adjusted, decreased by \$435,381 in comparison with the prior year.
- The County's net investment in capital assets, decreased by \$9,364,039.
- The County's governmental funds reported combined fund balances of \$109,968,118, an increase of \$2,964,951 in comparison with the prior year, as adjusted. The unassigned portion of those fund balances was \$8,629,316.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all County assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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, 2013

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, 2013**

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, combined assets exceeded liabilities by \$451,637,033 at the close of the most recent fiscal year. Of these combined net position 77.5% reflects the County's investment in capital assets, net of related debt. Another 24% of the County's net position is subject to external restrictions on how they may be used. The unrestricted portion of net position is negative due to the presentation requirements of GASB 54, as discussed earlier in this document.

The County's Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current and Other Assets	\$ 138,553,649	\$ 127,309,610	\$ 1,004,536	\$ 569,244	\$ 139,558,185	\$ 127,878,854
Capital Assets	334,755,120	341,646,792	33,821,492	34,737,738	368,576,612	376,384,530
Total Assets	<u>473,308,769</u>	<u>468,956,402</u>	<u>34,826,028</u>	<u>35,306,982</u>	<u>508,134,797</u>	<u>504,263,384</u>
Current Liabilities	12,055,497	9,775,546	248,312	284,963	12,303,809	10,060,509
Long-Term Liabilities	44,076,517	42,004,206	117,438	126,255	44,193,955	42,130,461
Total Liabilities	<u>56,132,014</u>	<u>51,779,752</u>	<u>365,750</u>	<u>411,218</u>	<u>56,497,764</u>	<u>52,190,970</u>
Net investment in capital assets	315,982,127	324,432,367	33,821,492	34,735,291	349,803,619	359,167,658
Restricted	108,771,945	98,887,791	--	--	108,771,945	98,887,791
Unrestricted	<u>(7,577,317)</u>	<u>(6,143,508)</u>	<u>638,786</u>	<u>160,473</u>	<u>(6,938,531)</u>	<u>(5,983,035)</u>
Total Net Position	<u>\$ 417,176,755</u>	<u>\$ 417,176,650</u>	<u>\$ 34,460,278</u>	<u>\$ 34,895,764</u>	<u>\$ 451,637,033</u>	<u>\$ 452,072,414</u>

A significant portion of the County's net position, \$349,803,619, reflects the amount invested in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the County's net position, \$108,771,945, represents resources that are subject to external restrictions by grantors and other governments on how they may be used.

The unrestricted portion of the County's net position due to governmental activities is a negative \$7,577,317 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, 2013

The County's net position, as adjusted, increased by \$2,065,602 during the current fiscal year. The increase in net position represents the degree to which increases in ongoing revenues exceeded ongoing expenses.

The County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues						
Program Revenues:						
Fees, fines and charges for services	\$ 45,090,726	\$ 47,417,235	\$ 3,914,523	\$ 3,146,721	\$ 49,005,249	\$ 50,563,956
Operating grants/contributions	150,191,299	145,613,690	--	--	150,191,299	145,613,690
Capital grants/contributions	5,713,779	9,798,208	350,444	3,001,359	6,064,223	12,799,567
General Revenues:						
Property taxes	42,514,158	38,771,630	--	--	42,514,158	38,771,630
Sales taxes	6,809,786	6,879,774	--	--	6,809,786	6,879,774
Transient occupancy tax	1,274,941	1,193,382	--	--	1,274,941	1,193,382
Other taxes	2,679,907	2,800,841	--	--	2,679,907	2,800,841
Interest and investment income	1,534,182	1,132,234	5,921	11,755	1,540,103	1,143,989
Other	3,764,263	2,227,274	54,744	43,370	3,819,007	2,270,644
Total Revenues	259,573,041	255,834,268	4,325,632	6,203,205	263,898,673	262,037,473
Expenses						
General government	12,625,366	13,619,615	--	--	12,625,366	13,619,615
Public protection	67,300,781	69,579,578	--	--	67,300,781	69,579,578
Public ways and facilities	29,728,077	30,183,567	--	--	29,728,077	30,183,567
Health and sanitation	57,330,382	56,600,747	--	--	57,330,382	56,600,747
Public assistance	85,193,376	79,403,056	--	--	85,193,376	79,403,056
Education	3,543,069	3,413,162	--	--	3,543,069	3,413,162
Recreation and cultural services	2,431,009	2,014,842	--	--	2,431,009	2,014,842
Interest and long-term debt	1,031,212	763,734	--	--	1,031,212	763,734
Aviation	--	--	4,761,118	4,504,112	4,761,118	4,504,112
Total Expenses	259,183,272	255,578,301	4,761,118	4,504,112	263,944,390	260,082,413
Increase(decrease) in net position before transfers	389,769	255,967	(435,486)	1,699,093	(45,717)	1,955,060
Transfers	--	(188,524)	--	188,524	--	--
Change in Net Position	389,769	67,443	(435,486)	1,887,617	(45,717)	1,955,060
Net Position - Beginning	417,176,650	417,298,011	34,895,764	33,008,147	452,072,414	450,306,158
Prior period adjustments	(389,664)	(188,804)	--	--	(389,664)	(188,804)
Net Position - Ending	\$ 417,176,755	\$ 417,176,650	\$ 34,460,278	\$ 34,895,764	\$ 451,637,033	\$ 452,072,414

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, 2013

At June, 30, 2013, the County's governmental funds reported combined fund balances of \$109,968,118. Of these combined fund balances, \$8,629,316 constitutes unassigned fund balance of the General Fund, which is available to meet the County's current and future needs. The restricted fund balance, \$101,045,789 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, 2013, unassigned fund balance was \$8,629,316, while total fund balance was \$79,737,628. 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 3.9% of total General Fund expenditures, while the total fund balance represents 36.1% 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 \$2,964,951 in comparison with the prior year. The major governmental funds had changes in fund balance as follows: General Fund increased \$5,327,427, Roads Fund increased \$1,009,461 and Headwaters Mitigation Fund decreased \$1,219,877. The non-major governmental funds decreased by \$2,152,060.

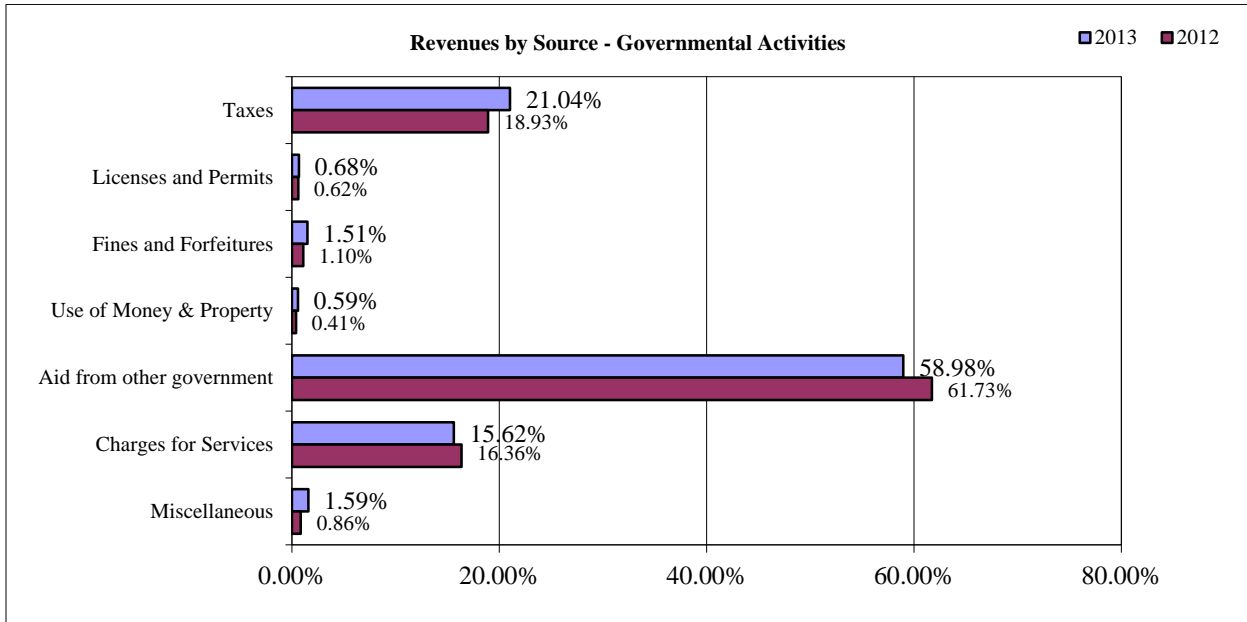
The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source
Governmental Funds

	FY 2013		FY 2012		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 53,278,792	21.04%	\$ 49,645,627	18.93%	\$ 3,633,165	7.32%
Licenses and Permits	1,721,765	0.68%	1,635,760	0.62%	86,005	5.26%
Fines and Forfeitures	3,812,971	1.51%	2,877,139	1.10%	935,832	32.53%
Use of Money & Property	1,492,349	0.59%	1,069,349	0.41%	423,000	39.56%
Aid from other government	149,353,140	58.98%	161,900,340	61.73%	(12,547,200)	-7.75%
Charges for Services	39,555,990	15.62%	42,904,336	16.36%	(3,348,346)	-7.80%
Miscellaneous	4,029,157	1.59%	2,260,110	0.86%	1,769,047	78.27%
Total Revenue by Source	<u>\$ 253,244,164</u>	<u>100.00%</u>	<u>\$ 262,292,661</u>	<u>100.00%</u>	<u>\$ (9,048,497)</u>	

COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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



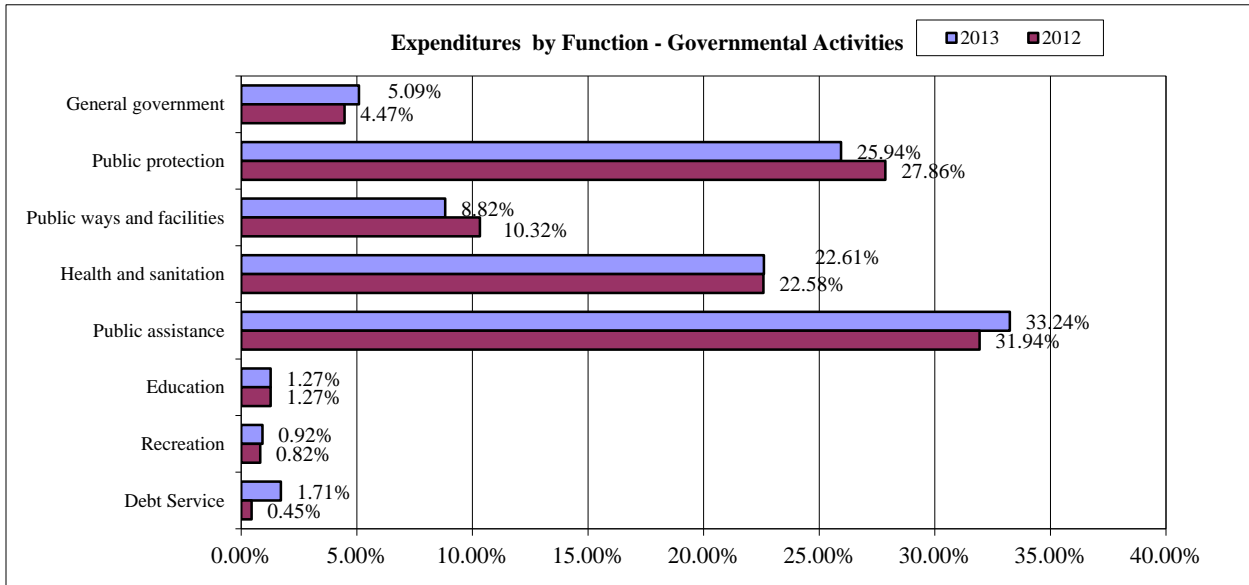
The following table presents expenditures by function compared to prior year amounts.

Expenditures Classified by Function
 Governmental Funds

	FY 2013		FY 2012		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 13,049,788	5.09%	\$ 11,154,136	4.47%	\$ 1,895,652	17.00%
Public protection	66,518,302	25.94%	69,527,276	27.86%	(3,008,974)	-4.33%
Public ways and facilities	22,623,498	8.82%	25,762,059	10.32%	(3,138,561)	-12.18%
Health and sanitation	57,973,127	22.61%	56,359,337	22.58%	1,613,790	2.86%
Public assistance	85,236,405	33.24%	79,697,552	31.94%	5,538,853	6.95%
Education	3,268,008	1.27%	3,173,619	1.27%	94,389	2.97%
Recreation	2,363,945	0.92%	2,051,002	0.82%	312,943	15.26%
Debt Service	4,389,705	1.71%	1,113,987	0.45%	3,275,718	294.05%
Capital outlay	981,384	0.38%	705,528	0.28%	275,856	
Total by Function	\$ 256,404,162	100.00%	\$ 249,544,496	100.00%	\$ 6,859,666	

COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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



Proprietary funds reporting focuses on determining operating income, changes in net position (or cost recovery), financial position, and cash flows using the full accrual basis of accounting.

Enterprise funds report the business-type activities of the County. Enterprise funds are used to account for the operations of the airport.

Enterprise fund net position net investment in capital assets at fiscal year end was \$33,821,492. Unrestricted net position of the enterprise funds at fiscal year end was \$638,786. The net position of the enterprise funds decreased \$435,486 from the prior fiscal year.

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

Total net position of the internal service funds at fiscal year-end were \$12,683,658 and include \$8,940,086 invested in capital assets. The net position of the internal service funds increased \$3,108,312 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, 2013**

Differences between the General Fund's original budget and the final amended budget resulted in a \$28,190,475 increase in appropriations. The major components of the appropriations increase are briefly summarized as follows: \$16,330,249 increase in public protection and a \$10,054,725 increase in general government. Other budgetary categories were increased by lesser amounts.

Even with these adjustments, actual expenditures were \$59,669,066 below final budget amounts. Revenues available for appropriation were \$58,019,634 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	\$ 258,119,959	\$ 278,109,031	\$ 19,989,072	7.19%
Total Expenditures	(252,078,451)	(280,268,926)	(28,190,475)	10.06%
Other Financing Sources (Uses)	(482,156)	(523,767)	(41,611)	7.94%
Net Change in Fund Balances	<u>\$ 5,559,352</u>	<u>\$ (2,683,662)</u>	<u>\$ (8,243,014)</u>	

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

	Budgetary Comparison General Fund			
	Final	Actual	Net Change	
	Budget	Amounts	Amount	Percent
Total Revenues	\$ 278,109,031	\$ 220,089,397	\$(58,019,634)	-26.36%
Total Expenditures	(280,268,926)	(220,599,860)	59,669,066	-27.05%
Other Financing Sources (Uses)	(523,767)	(1,643,512)	(1,119,745)	68.13%
Net Change in Fund Balances	<u>\$ (2,683,662)</u>	<u>\$ (2,153,975)</u>	<u>\$ 529,687</u>	

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounted to \$368,576,612 (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, 2013**

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	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,912,856	\$ 3,912,856	\$ 1,976,177	\$ 1,976,177	\$ 5,889,033	\$ 5,889,033
Structures & Improvements	98,238,450	96,660,589	35,135,221	25,229,695	133,373,671	121,890,284
Equipment	32,001,797	29,616,076	287,514	1,812,115	32,289,311	31,428,191
Infrastructure	595,788,523	591,110,855	--	--	595,788,523	591,110,855
Construction In Progress	5,561,935	4,549,170	14,485,265	23,696,011	20,047,200	28,245,181
Total	735,503,561	725,849,546	51,884,177	52,713,998	787,387,738	778,563,544
Accumulated Depreciation	(400,748,441)	(384,202,754)	(18,062,685)	(17,976,260)	(418,811,126)	(402,179,014)
Net Capital Assets	<u>\$ 334,755,120</u>	<u>\$ 341,646,792</u>	<u>\$ 33,821,492</u>	<u>\$ 34,737,738</u>	<u>\$ 368,576,612</u>	<u>\$ 376,384,530</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 \$18,772,993. Of this amount, \$16,685,000 comprise bonds that are secured by the County's lease rental payments and other dedicated sources of revenue. The remainder of the County's debt represents loans secured solely by specified revenue sources.

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

	Long-Term Debt Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of participation	16,685,000	\$ 11,915,000	\$ --	\$ --	\$ 16,685,000	\$ 11,915,000
Unamortized premium	--	33,215	--	--	--	33,215
Capital Lease Obligations	2,087,993	5,266,210	--	--	2,087,993	5,266,210
Notes Payable	--	--	--	2,447	--	2,447
Total Debt	18,772,993	17,214,425	--	2,447	18,772,993	17,216,872
Less Current Portion	(1,702,277)	(1,381,183)	--	(2,447)	(1,702,277)	(1,383,630)
Net Long-Term Debt	<u>\$ 17,070,716</u>	<u>\$ 15,833,242</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,070,716</u>	<u>\$ 15,833,242</u>

The County took advantage of prevailing low interest rates to refinance its certificates of participation and pay off a large amount of its capital lease obligations during 2012-13. Overall, outstanding debt was increased by \$1,556,121. Approximately five million dollars in debt issuance proceeds are currently in a trust fund waiting to be spent on new facilities projects.

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 2013-14 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, 2013

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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 84,999,465	\$ 938,909	\$ 85,938,374
Receivables, net:			
Accounts	18,753,156	166,894	18,920,050
Other governmental agencies	10,661,843	196,534	10,858,377
Due from external parties	730,338	--	730,338
Inventory	327,991	183,335	511,326
Deposits and other assets	1,631,786	--	1,631,786
Loan receivable	20,967,934	--	20,967,934
Internal balances	481,136	(481,136)	--
Capital assets:			
Nondepreciable	9,474,791	16,461,442	25,936,233
Depreciable, net	325,280,329	17,360,050	342,640,379
Total Assets	<u>473,308,769</u>	<u>34,826,028</u>	<u>508,134,797</u>
LIABILITIES			
Accounts payable	\$ 6,973,367	\$ 248,312	\$ 7,221,679
Accrued salaries and benefits	2,448,643	--	2,448,643
Interest payable	157,460	--	157,460
Unearned revenue	1,883,561	--	1,883,561
Other liabilities	592,466	--	592,466
Long-Term Liabilities:			
Portion due or payable within one year:			
Certificates of participation	1,140,000	--	1,140,000
Capital leases	562,277	--	562,277
Compensated absences	8,834,696	117,438	8,952,134
Claims liability	1,851,306	--	1,851,306
Portion due or payable after one year:			
Certificates of participation	15,545,000	--	15,545,000
Capital leases	1,525,716	--	1,525,716
Compensated absences	6,557,598	--	6,557,598
OPEB liability	8,059,924	--	8,059,924
Total Liabilities	<u>56,132,014</u>	<u>365,750</u>	<u>56,497,764</u>
NET POSITION			
Net Investment in capital assets	315,982,127	33,821,492	349,803,619
Restricted for:			
Economic development	35,932,684	--	35,932,684
Debt service and capital projects	1,421,382	--	1,421,382
Other grants and special taxes	71,417,879	--	71,417,879
Unrestricted	(7,577,317)	638,786	(6,938,531)
Total Net Position	<u>\$ 417,176,755</u>	<u>\$ 34,460,278</u>	<u>\$451,637,033</u>

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

COUNTY OF HUMBOLDT

Statement of Activities
For the Year Ended June 30, 2013

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	\$ 12,625,366	\$ 4,444,921	\$ 1,405,121	\$ 1,559,810
Public protection	67,300,781	9,286,247	36,435,426	--
Public ways and facilities	29,728,077	3,201,083	10,306,296	4,153,969
Health and sanitation	57,330,382	22,460,744	32,704,378	--
Public assistance	85,193,376	5,125,457	68,863,030	--
Education	3,543,069	71,145	388,056	--
Recreation and culture	2,431,009	501,129	88,992	--
Debt Service				
Interest	1,031,212	--	--	--
Total Governmental Activities	<u>259,183,272</u>	<u>45,090,726</u>	<u>150,191,299</u>	<u>5,713,779</u>
Business-Type Activities:				
Aviation	4,761,118	3,914,523	--	350,444
Total Business-type Activities	<u>4,761,118</u>	<u>3,914,523</u>	<u>--</u>	<u>350,444</u>
Total Humboldt County	<u>\$ 263,944,390</u>	<u>\$ 49,005,249</u>	<u>\$ 150,191,299</u>	<u>\$ 6,064,223</u>

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Transient occupancy tax

Other

Unrestricted interest and investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Prior period adjustments

Net Position - End of Year

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,215,514)	\$ --	\$ (5,215,514)
(21,579,108)	--	(21,579,108)
(12,066,729)	--	(12,066,729)
(2,165,260)	--	(2,165,260)
(11,204,889)	--	(11,204,889)
(3,083,868)	--	(3,083,868)
(1,840,888)	--	(1,840,888)
<u>(1,031,212)</u>	<u>--</u>	<u>(1,031,212)</u>
<u>(58,187,468)</u>	<u>--</u>	<u>(58,187,468)</u>
<u>--</u>	<u>(496,151)</u>	<u>(496,151)</u>
<u>--</u>	<u>(496,151)</u>	<u>(496,151)</u>
<u>(58,187,468)</u>	<u>(496,151)</u>	<u>(58,683,619)</u>
42,514,158	--	42,514,158
6,809,786	--	6,809,786
1,274,941	--	1,274,941
2,679,907	--	2,679,907
1,534,182	5,921	1,540,103
3,764,263	54,744	3,819,007
<u>58,577,237</u>	<u>60,665</u>	<u>58,637,902</u>
389,769	(435,486)	(45,717)
417,176,650	34,895,764	452,072,414
<u>(389,664)</u>	<u>--</u>	<u>(389,664)</u>
<u>\$ 417,176,755</u>	<u>\$ 34,460,278</u>	<u>\$ 451,637,033</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, 2013

	General Fund	Headwaters Mitigation Fund	Road Fund	Other Governmental	Total
<u>Assets</u>					
Cash and investments	\$ 50,760,518	\$14,242,335	\$ 5,477,613	\$ 6,748,426	\$ 77,228,892
Department cash funds	--	--	--	865	865
Receivables, net					
Accounts	18,437,219	28,429	270,458	78	18,736,184
Other governmental agencies	10,661,843	--	--	--	10,661,843
Due from other funds	742,334	--	--	--	742,334
Advances to other funds	104,932	167,218	--	--	272,150
Loans receivable	16,806,912	4,161,022	--	--	20,967,934
Prepays and other assets	289,282	--	4,114	--	293,396
Total Assets	<u>\$ 97,803,040</u>	<u>\$18,599,004</u>	<u>\$ 5,752,185</u>	<u>\$ 6,749,369</u>	<u>\$128,903,598</u>
<u>Liabilities</u>					
Accounts payable	4,552,814	\$ 208,158	\$ 356,127	76,433	\$ 5,193,532
Accrued salaries and benefits	2,162,061	--	124,608	92,746	2,379,415
Due to other funds	--	--	--	11,996	11,996
Unearned revenue	633,924	--	--	--	633,924
Other liabilities	54,770	--	--	--	54,770
Total Liabilities	<u>7,403,569</u>	<u>208,158</u>	<u>480,735</u>	<u>181,175</u>	<u>8,273,637</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	<u>10,661,843</u>	--	--	--	<u>10,661,843</u>
<u>Fund Balances</u>					
Nonspendable	288,899	--	4,114	--	293,013
Restricted	70,819,413	18,390,846	5,267,336	6,568,194	101,045,789
Unassigned	8,629,316	--	--	--	8,629,316
Total Fund Balances	<u>79,737,628</u>	<u>18,390,846</u>	<u>5,271,450</u>	<u>6,568,194</u>	<u>109,968,118</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 97,803,040</u>	<u>\$18,599,004</u>	<u>\$ 5,752,185</u>	<u>\$ 6,749,369</u>	<u>\$128,903,598</u>

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

COUNTY OF HUMBOLDT

Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2013

Fund Balance - total governmental funds (page 19)	\$ 109,968,118
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	325,660,504
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	10,661,844
Internal service funds are used by the County to charge the cost of its motor pool and copier pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	12,683,658
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.	(157,460)
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	(16,685,000)
Capital leases	(1,933,463)
Other post employment benefits liability	(8,059,924)
Compensated absences	<u>(14,961,522)</u>
Net position of governmental activities (page 15)	<u>\$ 417,176,755</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, 2013

	General Fund	Headwaters Mitigation Fund	Road Fund	Other Governmental	Total
Revenues:					
Taxes	\$ 47,418,997	\$ --	\$ 2,599,333	\$ 3,260,462	\$ 53,278,792
Licenses and permits	1,643,402	--	78,363	--	1,721,765
Fines, forfeitures and penalties	3,242,762	--	--	570,209	3,812,971
Use of money and property	447,404	310,044	13,674	721,227	1,492,349
Aid from other governments	129,386,041	--	15,491,054	4,476,045	149,353,140
Charges for services	36,400,877	--	3,089,468	65,645	39,555,990
Other revenues	3,633,503	--	57,467	338,187	4,029,157
Total Revenues	222,172,986	310,044	21,329,359	9,431,775	253,244,164
Expenditures:					
Current:					
General government	13,049,788	--	--	--	13,049,788
Public protection	61,165,668	--	--	5,352,634	66,518,302
Public ways and facilities	2,203,346	--	20,420,152	--	22,623,498
Health and sanitation	57,973,127	--	--	--	57,973,127
Public assistance	85,236,405	--	--	--	85,236,405
Education	139,689	--	--	3,128,319	3,268,008
Recreation and culture	834,024	1,529,921	--	--	2,363,945
Debt service:					
Principal	--	--	72,542	4,317,163	4,389,705
Interest and other charges	--	--	7,153	974,231	981,384
Total Expenditures	220,602,047	1,529,921	20,499,847	13,772,347	256,404,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,570,939	(1,219,877)	829,512	(4,340,572)	(3,159,998)
Other Financing Sources (Uses):					
Refunding certificates of participation issued	5,400,000	--	--	12,460,000	17,860,000
Payment to refunded debt escrow agent	--	--	--	(11,915,000)	(11,915,000)
Capital leases	--	--	179,949	--	179,949
Transfers in	--	--	--	1,738,474	1,738,474
Transfers out	(1,643,512)	--	--	(94,962)	(1,738,474)
Total Other Financing Sources (Uses)	3,756,488	--	179,949	2,188,512	6,124,949
Net Changes in Fund Balances	5,327,427	(1,219,877)	1,009,461	(2,152,060)	2,964,951
Fund Balances, Beginning of Year	74,410,201	19,610,723	4,261,989	8,720,254	107,003,167
Fund Balances, End of Year	\$ 79,737,628	\$ 18,390,846	\$ 5,271,450	\$ 6,568,194	\$ 109,968,118

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, 2013

Net change to fund balance - total governmental funds (page 21)		\$ 2,964,951
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 7,821,832	
Less: current year depreciation	<u>(15,999,187)</u>	(8,177,355)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		4,992,128
<p>Long-term debt proceeds provide resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Inception of capital lease		(179,949)
Principal payments on certificates of participation and capital leases		4,387,884
Payment to escrow agent for refunding of certificates of participation		11,915,000
Certificates of participation issued		(17,860,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on debt	(55,412)	
Change in other post employment benefits	(1,205,435)	
Change in compensated absences	864,174	
Change in amortization of debt premium	<u>33,215</u>	(363,458)
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>2,710,568</u>
Change in net position of governmental activities (page 16)		<u><u>\$ 389,769</u></u>

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

COUNTY OF HUMBOLDT

Statement of Net Position
Proprietary Funds
June 30, 2013

	Business -Type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Aviation</u>	
<u>ASSETS</u>		
Current Assets:		
Cash and investments	\$ 938,509	\$ 7,769,708
Departmental cash funds	400	--
Accounts receivable	166,894	16,972
Due from other governments	196,534	--
Due from other funds	--	1,273,256
Inventory	183,335	327,991
Prepaid expenses	--	1,338,390
Total Current Assets	<u>1,485,672</u>	<u>10,726,317</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable	16,461,442	--
Depreciable, net	<u>17,360,050</u>	<u>9,094,616</u>
Total Noncurrent Assets	<u>33,821,492</u>	<u>9,094,616</u>
Total Assets	<u>35,307,164</u>	<u>19,820,933</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	248,312	1,779,835
Accrued salaries and benefits	--	69,228
Due to other funds	208,986	1,064,270
Unearned revenue	--	1,249,638
Other liabilities	--	537,696
Advances from other funds	272,150	--
Provision for estimated claims	--	1,851,306
Capital leases	--	154,530
Compensated absences	<u>117,438</u>	<u>340,709</u>
Total Current Liabilities	<u>846,886</u>	<u>7,047,212</u>
Noncurrent Liabilities:		
Compensated absences	<u>--</u>	<u>90,063</u>
Total Noncurrent Liabilities	<u>--</u>	<u>90,063</u>
Total Liabilities	<u>846,886</u>	<u>7,137,275</u>
<u>NET POSITION</u>		
Net investment in capital assets	33,821,492	8,940,086
Unrestricted	<u>638,786</u>	<u>3,743,572</u>
Total Net Position	<u>\$ 34,460,278</u>	<u>\$ 12,683,658</u>

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

COUNTY OF HUMBOLDT

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	<u>Business -Type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Aviation</u>	
Operating Revenues:		
Charges for services	\$ 3,914,523	\$ 31,418,437
Other revenue	54,744	3,363,562
Total Operating Revenues	<u>3,969,267</u>	<u>34,781,999</u>
Operating Expenses:		
Salaries and benefits	1,136,325	3,057,854
Services and supplies	2,503,612	4,560,263
Claims expense	--	24,333,167
Depreciation and amortization	1,031,463	1,431,086
Total Operating Expenses	<u>4,671,400</u>	<u>33,382,370</u>
Operating Income (Loss)	<u>(702,133)</u>	<u>1,399,629</u>
Non-Operating Revenue (Expenses):		
Investment income	5,921	41,833
Gain/(loss) on sale of capital assets	--	(264,894)
Interest expense	(89,718)	(25,810)
Total Non-Operating Revenue (Expenses)	<u>(83,797)</u>	<u>(248,871)</u>
Income (Loss) Before Capital Contributions	(785,930)	1,150,758
Capital contributions	350,444	1,559,810
Total capital contributions	<u>350,444</u>	<u>1,559,810</u>
Change in Net Position	(435,486)	2,710,568
Net Position - Beginning of Year	34,895,764	9,575,346
Prior period adjustment	--	397,744
Net Position - End of Year	<u>\$ 34,460,278</u>	<u>\$ 12,683,658</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, 2013

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Aviation	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers and other funds	\$ 3,998,281	\$ --
Cash receipts from internal fund services provided	--	34,790,313
Cash paid to suppliers for goods and services	(1,930,415)	(27,371,584)
Cash paid to employees for services	(1,163,078)	(2,993,028)
Net Cash Provided (Used) by Operating Activities	<u>904,788</u>	<u>4,425,701</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Due from other funds	--	573,679
Due to other funds	(68,598)	(501,813)
Advances from other funds	(349,957)	--
Transfers in	--	22,697
Transfers out	--	(22,697)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(418,555)</u>	<u>71,866</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	350,444	--
Purchase of capital assets	(694,780)	(2,048,957)
Principal paid on capital debt	(2,447)	(145,282)
Interest paid on capital debt	(89,718)	(19,614)
Capital contributions	--	627,104
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(436,501)</u>	<u>(1,586,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,921	35,637
Net Cash Provided (Used) by Investing Activities	<u>5,921</u>	<u>35,637</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,653	2,946,455
Cash and Cash Equivalents, Beginning of Year	<u>883,256</u>	<u>4,823,253</u>
Cash and Cash Equivalents, End of Year	<u>\$ 938,909</u>	<u>\$ 7,769,708</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Fund Net Position		
Cash and investments	\$ 938,509	\$ 7,769,708
Department cash funds	400	--
Total Cash and Cash Equivalents	<u>\$ 938,909</u>	<u>\$ 7,769,708</u>

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

continued

COUNTY OF HUMBOLDT

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2013

	Business-Type Activities - <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
	<u>Aviation</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	(702,133)	\$ 1,399,629
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,031,463	1,431,086
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	29,014	38,734
Inventories	(3,951)	--
Prepays	13,853	(71,200)
Increase (decrease) in:		
Accounts payable	563,295	1,082,572
Accrued salaries and benefits	(20,383)	19,345
Compensated absences	(6,370)	39,491
Claims payable	--	132,991
Unearned revenue	--	(13,470)
Other liabilities	--	366,523
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 904,788</u>	<u>\$ 4,425,701</u>
Noncash Investing, Capital and Financing Activities:		
Transfer of equipment	<u>\$ 579,563</u>	<u>\$ --</u>

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

COUNTY OF HUMBOLDT

Statement of Net Position
Fiduciary Funds
June 30, 2013

	Investment Trust Fund	Agency Funds
<u>Assets</u>		
Pooled cash and investments	\$ 149,390,882	\$ 33,370,831
Taxes receivable	--	9,469,538
Due from other funds	--	793,173
	<u> </u>	<u> </u>
Total Assets	<u>\$ 149,390,882</u>	<u>\$ 43,633,542</u>
<u>Liabilities</u>		
Accounts payable	\$ --	\$ 2,268,768
Due to other funds	--	1,523,511
Agency funds held for others	--	39,841,263
	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u>43,633,542</u>
<u>Net position</u>		
Net position held in trust for investment pool participants	<u>\$ 149,390,882</u>	<u> </u>
	<u> </u>	<u> </u>
Total Net Position	<u>\$ 149,390,882</u>	<u>\$ --</u>

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

COUNTY OF HUMBOLDT

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Investment Trust Fund</u>
<u>Additions</u>	
Contributions to pooled investments	\$ 379,154,891
Investment income	<u>1,003,683</u>
Total Additions	<u>380,158,574</u>
<u>Deductions</u>	
Distributions from pooled investments	<u>345,521,995</u>
Total Deductions	<u>345,521,995</u>
Change in net position	34,636,579
Net Position - Beginning of Year	<u>114,754,303</u>
Net Position - End of Year	<u><u>\$ 149,390,882</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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Description of the Reporting Entity**

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

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

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

Blended Component Units

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

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

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

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

A. **Description of the Reporting Entity** (continued)

Blended Component Units (continued)

Capital Assets acquired or constructed by the Corporation are included in the Statement of Net Position – Governmental Activities column.

The County has 14 special districts referred to as Special Districts Under the Board of Supervisors. Each is established for the purpose of providing specific services in a defined geographic area. Their board members are the same as the County Board of Supervisors. These agencies are reported in the Special Districts Under the Board of Supervisors special revenue fund. These districts are as follows: Fortuna Fire Protection District, Loleta Fire Protection District, Whitethorn Fire Protection District, Garberville Lighting District, Hydesville Lighting District, Loleta Lighting District, Rohnerville Lighting District, Weott Maintenance and Lighting District, Redcrest Lighting District, Myers Flat Lighting District, Pacific Manor Street Maintenance and Lighting District, Humboldt County Flood Control District – Subzone 1-1, and Janes Creek Drainage District.

B. **Basis of Presentation**

Government-Wide Financial Statements

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

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

When both restricted and unrestricted net position are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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, 2013

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, 2013**

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.

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.

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.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

E. Property Tax (continued)

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 2012-2013, 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, 2013

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. Unavailable Revenue and Unearned Revenue

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

J. Compensated Absences

County employees are granted vacation, holiday, comp time and sick leave in varying amounts. In the vent of termination, an employee is reimbursed for accumulated vacation, holiday and comp time at 100%. Employees are reimbursed for accumulated sick leave based on years of service and date of hire.

The County accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The liability for governmental funds is reflected in the government-wide statement of net position. 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, 2013

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 Position/Fund Balance

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, 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, 2013

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

L. **Net Position/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.

N. **New Accounting Pronouncements – Current Year**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements.

Governmental Accounting Standards Board Statement No. 63

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previously, GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

N. New Accounting Pronouncements – Current Year (continued)

Governmental Accounting Standards Board Statement No. 65

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. It improves the financial reporting for state and local governments by reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

O. New Accounting Pronouncements – Future Years

Government Accounting Standards Board Statement No. 66

GASB Statement No. 66, *Technical Corrections – 2012*, is effective for periods beginning after December 15, 2012. It improves financial reporting for state and local governments by resolving conflicting guidance that resulted from the Issuance of GASB Statement Nos. 54 and 62.

Government Accounting Standards Board Statement No.67

GASB Statement No. 67, *Financial Reporting for Pension Plans*, is effective for periods beginning after June 15, 2013. It improves financial reporting for state and local governments by improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability.

Government Accounting Standards Board Statement No. 68

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for periods beginning after June 15, 2014. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: **CASH AND INVESTMENTS**

At June 30, 2013, total County cash and investments were as follows:

Cash:	
Cash on hand and imprest cash	\$ 37,220
Deposits	11,842,120
Total Cash and Deposits	<u>11,879,340</u>
Investments:	
In Treasurer's pool	266,827,178
Total Investments	<u>266,827,178</u>
In Transit:	
Outstanding checks	(11,992,949)
Other	1,986,518
	<u>(10,006,431)</u>
 Total	 <u>\$ 268,700,087</u>

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

Primary Government:	
Governmental activities	\$ 84,999,465
Business-type activities	938,909
Investment trust fund	149,390,882
Agency funds	<u>33,370,831</u>
 Total	 <u>\$ 268,700,087</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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%	N/A
Commercial Paper	270 days	40%	N/A
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%	N/A
California Asset Management Program	N/A	None	N/A
Joint Powers Agreement	N/A	20%	N/A
Local Agency Investment Fund (LAIF)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits	5 years	N/A	N/A

At June 30, 2013, the County had the following investments:

	Interest Rates	Maturities	Par	Fair Value	Carrying Value	WAM (Years)
Investments in Investment Pool						
Federal Agency Issues - Coupon	0.50% - 1.50%	1/13/2016 - 6/26/2018	\$ 125,760,000	\$ 124,755,669	\$ 125,736,674	4.46
Negotiable CDS	0.45% - 1.00%	7/14/2013 - 11/8/2014	60,000,000	60,000,000	60,000,000	0.73
Government National Mortgage Assoc.	8.00% - 12.00%	7/15/2014 - 4/15/2017	2,587	2,800	2,547	3.75
Local Investment Agency Fund	Variable	On Demand	81,087,957	81,087,957	81,087,957	--
Total Investments in Investment Pool			<u>\$ 266,850,544</u>	<u>\$ 265,846,426</u>	<u>\$ 266,827,178</u>	

The fair value of the investments is obtained by the County's safekeeping agent. At June 30, 2013, the difference between the cost and fair value of cash and investments was not material (fair value was 99.63% 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, 2013**

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, 2013.

	Moody's	% of Portfolio
Federal National Mortgage	AAA	16.41%
Federal Home Loan Bank	AAA	8.58%
Federal Home Loan Mortgage Corp.	AAA	13.73%
Federal Farm Credits	AAA	8.20%
Certificates of deposit		22.57%
California Local Agency Investment Fund	Unrated	30.51%
Total		100.00%

At June 30, 2013, 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	\$	43,979,674	16.48%
Federal Home Loan Bank		23,000,000	8.62%
Federal Home Loan Mortgage Corp.		36,759,000	13.78%
Federal Farm Credits		21,998,000	8.24%

COUNTY OF HUMBOLDT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Agency Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

Local Agency Investment Fund

At June 30, 2013, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$81,087,957, 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 \$58,803,312,428 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 position and changes in net position for the Treasurer's investment pool as of June 30, 2013:

Statement of Net Position

Net position held for pool participants	<u>\$ 268,667,267</u>
Equity of external pool participants	\$ 149,390,882
Equity of internal pool participants	<u>119,276,385</u>
Total net position	<u>\$ 268,667,267</u>

Statement of Changes in Net Position

Net position at July 1, 2012	\$ 226,494,307
Net change in investments by pool participants	<u>42,172,960</u>
Net position at June 30, 2013	<u>\$ 268,667,267</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 3: INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2013 are as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 730,338
	Nonmajor Governmental Funds	11,996
Internal Service Funds	Internal Service Funds	1,064,270
Internal Service Funds	Aviation Fund	208,986
Investment Trust Fund	Investment Trust Fund	22,697
Agency Funds	Agency Funds	793,173
		\$ 2,831,460

The due to/from other funds account balance primarily resulted from interfund cash transactions to eliminate cash deficits at June 30, 2013 for reporting purposes.

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Headwaters Mitigation Funds	Aviation Fund	\$ 167,218
General Fund	Aviation Fund	104,932
		\$ 272,150

The advances resulted from interfund loans from the Headwaters Fund and the General Fund to the Aviation Fund.

Transfers

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

Transfer from	Transfer to	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 280,192	Library operating subsidy
	Nonmajor Governmental Funds	1,363,320	Debt service payments
Internal Service Funds	Internal Service Funds	16,711	Insurance funds
Nonmajor Governmental Funds	Nonmajor Governmental Funds	94,962	Debt service payments
		\$ 1,755,185	

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2013
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,912,856	\$ --	\$ --	\$ --	\$ 3,912,856
Construction in progress	4,549,170	4,603,943	--	(3,591,178)	5,561,935
Total capital assets, not being depreciated	<u>8,462,026</u>	<u>4,603,943</u>	<u>--</u>	<u>(3,591,178)</u>	<u>9,474,791</u>
Capital assets, being depreciated:					
Infrastructure	591,110,855	2,125,718	--	2,551,950	595,788,523
Structures and improvements	96,660,589	371,432	--	1,206,429	98,238,450
Equipment	29,616,076	2,440,769	(1,582,317)	1,527,269	32,001,797
Total capital assets, being depreciated	<u>717,387,520</u>	<u>4,937,919</u>	<u>(1,582,317)</u>	<u>5,285,648</u>	<u>726,028,770</u>
Less accumulated depreciation for:					
Infrastructure	(316,275,088)	(12,597,827)	--	--	(328,872,915)
Structures and improvements	(48,336,787)	(2,735,306)	--	--	(51,072,093)
Equipment	(19,590,879)	(2,097,140)	1,316,207	(431,621)	(20,803,433)
Total accumulated depreciation	<u>(384,202,754)</u>	<u>(17,430,273)</u>	<u>1,316,207</u>	<u>(431,621)</u>	<u>(400,748,441)</u>
Total capital assets, being depreciated, net	<u>333,184,766</u>	<u>(12,492,354)</u>	<u>(266,110)</u>	<u>4,854,027</u>	<u>325,280,329</u>
Governmental activities capital assets, net	<u>\$ 341,646,792</u>	<u>\$ (7,888,411)</u>	<u>\$ (266,110)</u>	<u>\$ 1,262,849</u>	<u>334,755,120</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ --	\$ --	\$ --	\$ 1,976,177
Construction in progress	23,696,011	694,780	--	(9,905,526)	14,485,265
Total capital assets, not being depreciated	<u>25,672,188</u>	<u>694,780</u>	<u>--</u>	<u>(9,905,526)</u>	<u>16,461,442</u>
Capital assets, being depreciated:					
Structures and improvements	25,229,695	--	--	9,905,526	35,135,221
Equipment	1,812,115	--	(46,514)	(1,478,087)	287,514
Total capital assets, being depreciated	<u>27,041,810</u>	<u>--</u>	<u>(46,514)</u>	<u>8,427,439</u>	<u>35,422,735</u>
Less accumulated depreciation for:					
Structures and improvements	(16,779,756)	(1,027,316)	--	--	(17,807,072)
Equipment	(1,196,504)	(4,147)	46,514	898,524	(255,613)
Total accumulated depreciation	<u>(17,976,260)</u>	<u>(1,031,463)</u>	<u>46,514</u>	<u>898,524</u>	<u>(18,062,685)</u>
Total capital assets, being depreciated, net	<u>9,065,550</u>	<u>(1,031,463)</u>	<u>--</u>	<u>9,325,963</u>	<u>17,360,050</u>
Business-type activities capital assets, net	<u>\$ 34,737,738</u>	<u>\$ (336,683)</u>	<u>\$ --</u>	<u>\$ (579,563)</u>	<u>\$ 33,821,492</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,392,083
Public protection	1,217,602
Public ways and facilities	12,708,599
Health and sanitation	132,230
Public assistance	210,310
Education	264,940
Recreation and culture	73,423
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	<u>1,431,086</u>
Total Depreciation Expense - Governmental Functions	<u><u>\$ 17,430,273</u></u>

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

Aviation	<u><u>\$ 1,031,463</u></u>
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NOTE 5: **LEASE COMMITMENTS**

Operating Leases

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

At June 30, 2013, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,		
2014	\$	3,711,135
2015		2,512,317
2016		1,913,382
2017		1,714,081
2018		1,291,181
2019		180,564
		<u><u>\$ 11,322,660</u></u>

Rent expenditures were \$3,871,372 for the year ended June 30, 2013.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013:

	Stated Interest Rate	Present Value of Remaining Payments as of June 30, 2013
Road equipment	2.61%	\$ 537,987
Phone system	2.80%	154,530
Building remodel	5.10%	1,395,476
Total		\$ 2,087,993

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

Road equipment	\$ 610,529
Phone system	685,538
Building remodel	3,619,634
Less: accumulated depreciation	(1,310,028)
Total	\$ 3,605,673

As of June 30, 2013, future minimum lease payments under capital leases was as follows:

Year Ending June 30:	
2014	\$ 642,044
2015	475,395
2016	475,395
2017	475,396
2018	223,774
2019-2023	2,972
Total Future Minimum Lease Payments	2,294,976
Less: Interest	(206,983)
Present Value of Minimum Lease Payments	\$ 2,087,993

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities					
Certificates of participation	\$ 11,915,000	\$ 17,860,000	\$ (13,090,000)	\$ 16,685,000	\$ 1,140,000
Unamortized premium	33,215	--	(33,215)	--	--
Compensated absences	16,216,977	6,944,426	(7,769,109)	15,392,294	8,834,696
Capital lease obligations	5,266,210	179,949	(3,358,166)	2,087,993	562,277
Liability for unpaid claims	1,718,315	2,507,950	(2,374,959)	1,851,306	1,851,306
Total Governmental Activities Long-term liabilities	<u>\$ 35,149,717</u>	<u>\$ 27,492,325</u>	<u>\$ (26,625,449)</u>	<u>\$ 36,016,593</u>	<u>\$ 12,388,279</u>
Business-type Activities					
Notes payable	\$ 2,447	\$ --	\$ (2,447)	\$ --	\$ --
Compensated absences	123,808	127,215	(133,585)	117,438	117,438
Total Business-type Activities Long-term liabilities	<u>\$ 126,255</u>	<u>\$ 127,215</u>	<u>\$ (136,032)</u>	<u>\$ 117,438</u>	<u>\$ 117,438</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, 2013, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Certificates of Participation	
	Principal	Interest
2014	\$ 1,140,000	\$ 440,978
2015	1,180,000	410,967
2016	1,215,000	379,420
2017	1,250,000	347,189
2018	1,285,000	314,043
2019 - 2023	7,065,000	1,037,070
2024 - 2028	3,550,000	184,254
	<u>\$ 16,685,000</u>	<u>\$ 3,113,921</u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

Long-term debt at June 30, 2013, consisted of the following:

<u>Governmental Activities:</u>	<u>Issue</u>	<u>Maturity</u>	<u>Rates</u>	<u>Installments</u>	<u>Amount</u>	<u>at June 30, 2013</u>
Certificates of Participation						
2012 issue to refund the outstanding principal of the County's COP 2003 Series A						
Certificates of Participation	2012	2026	2.53% - 2.80%	\$365,000 - \$ 670,000	<u>9,490,000</u>	<u>8,820,000</u>
2012 issue to refund the outstanding principal of the County's COP 2004 Series A						
Certificates of Participation	2012	2024	2.53% - 2.80%	\$185,000 - \$315,000	<u>2,905,000</u>	<u>2,720,000</u>
2012 issue for Capital Projects of Eathquake and Juvenile Hall						
Certificates of Participation	2012	2027	2.53% - 2.80%	\$266,680 - \$362,500	<u>5,465,000</u>	<u>5,145,000</u>
Total Governmental activities					<u>\$ 17,860,000</u>	<u>\$ 16,685,000</u>

Refunding Certificates of Participation

On July 3, the County entered into a private placement of debt obligation agreement with Bank of America to refund 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 percent to 2.8 percent and are due in semi-annual payments on May 1, and November 1 each year, maturing on May 1, 2024, 2026 and 2027. The new issue will reduce total debt service payments for the County by a total of \$3,028,909 with a present value economic gain of \$1,338,509.

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7: NET POSITION/FUND BALANCES (continued)

Classification

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned. A detailed schedule of fund balances at June 30, 2013 is as follows:

	General Fund	Headwaters Fund	Road Fund	Other Governmental Funds	Total
Nonspendable:					
Prepays and inventory	\$ 288,899	\$ --	\$ 4,114	\$ --	\$ 293,013
Advances	--	--	--	--	--
Total Nonspendable	<u>288,899</u>	<u>--</u>	<u>4,114</u>	<u>--</u>	<u>293,013</u>
Restricted for:					
General government	7,150,575	--	--	--	7,150,575
Public protection	20,557,801	--	--	4,521,192	25,078,993
Public ways and facilities	3,351,148	--	5,267,336	--	8,618,484
Health and sanitation	7,532,290	--	--	--	7,532,290
Public assistance	14,247,953	--	--	--	14,247,953
Education	437,807	--	--	625,620	1,063,427
Economic development	17,541,838	18,390,846	--	--	35,932,684
Debt service	--	--	--	1,421,382	1,421,382
Total Restricted	<u>70,819,413</u>	<u>18,390,846</u>	<u>5,267,336</u>	<u>6,568,194</u>	<u>101,045,789</u>
Unassigned	<u>8,629,316</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,629,316</u>
Total Fund Balance	<u><u>\$ 79,737,628</u></u>	<u><u>\$ 18,390,846</u></u>	<u><u>\$ 5,271,450</u></u>	<u><u>\$ 6,568,194</u></u>	<u><u>\$ 109,968,118</u></u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7: NET POSITION/FUND BALANCES (continued)

Restatement of Fund Balances/Net Position

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

	<u>Government- wide Statements</u>	<u>Governmental Fund Statements</u>	<u>Proprietary Fund Statements</u>
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Internal Service</u>
Net position/fund balance as of June 30, 2012, as previously reported	<u>\$ 417,176,650</u>	<u>\$ 74,410,201</u>	<u>\$ 9,575,346</u>
<u>Implementation of New Accounting Standard</u>			
The County implemented GASB Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i> , which requires debt issuance costs to be recognized as an expense in the period incurred. Prior to GASB No. 65, the County was recognizing the debt issuance costs as an expense in a systematic manner over the duration of the related debt.	(389,664)	-	-
<u>Restatement</u>			
Capital lease reclassification from Internal Services Fund to Road Fund.	<u>-</u>	<u>-</u>	<u>397,744</u>
Total prior period adjustment	<u>(389,664)</u>	<u>-</u>	<u>397,744</u>
Net position/fund balance as of July 1, 2012, restated	<u><u>\$ 416,786,986</u></u>	<u><u>\$ 74,410,201</u></u>	<u><u>\$ 9,973,090</u></u>

NOTE 8: EMPLOYEE'S RETIREMENT SYSTEM

A. Plan Description

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

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 8: **EMPLOYEE'S RETIREMENT SYSTEM** (continued)

B. Funding Policy

Active plan members in the Miscellaneous and the Safety Plan are required to contribute 7.731% 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 2012/2013 was 20.489% for miscellaneous employees, and 25.0371% 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 2012/2013, the County's annual pension cost was \$19,430,666 and the County actually contributed \$19,430,666. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2012/2013 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) 7.5% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service ranging from 3.30% to 14.20% for the Miscellaneous Plan (3.00% to 14.20% 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, 2013 for the Miscellaneous Plan and the Safety Plan were 19 years and 29 years, respectively.

Three Year Trend Information for PERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 16,979,948	100%	\$ --
June 30, 2012	18,535,040	100%	--
June 30, 2013	19,430,666	100%	--

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2012, the date of the latest actuarial valuation, is as follows:

	Safety	Miscellaneous
Actuarial accrued liability (AAL)	\$ 153,983	\$ 534,848
Actuarial value of plan assets	124,855	414,296
Unfunded actuarial accrued liability (UAAL)	\$ 29,128	\$ 120,552
Funded ratio (actuarial value of plan assets/AAL)	81.1%	77.5%
Covered payroll (active Plan members)	14,679	79,838
Unfunded actuarial accrued liability as a percentage of covered payroll	198.4%	151.0%

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 \$105.00 per month that the County designates for PEMHCA. The \$105.00 per month was increased by law to \$108.00 for 2011, and will be indexed with medical inflation (CPI) for years 2011 and thereafter.

Post-Retirement Coverage

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

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 year ended June 30, 2013, the amount actually contributed to the plan, and changes in the County's Net OPEB Obligation/(Asset):

Annual Required Contribution	\$ 1,844,932
Interest on Net OPEB Obligation/(Asset)	342,684
Adjustment to Annual Required Contribution	<u>(445,844)</u>
Annual OPEB cost (expense)	1,741,772
Contributions made	<u>(536,337)</u>
Increase in Net OPEB Obligation/(Asset)	1,205,435
Net OPEB Obligation/(Asset) - Beginning of year	6,854,489
Net OPEB Obligation/(Asset) - End of year	<u><u>\$ 8,059,924</u></u>

COUNTY OF HUMBOLDT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, 2012, and 2011 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>
6/30/11	\$ 1,957,162	\$ 460,608	23.53%	\$ 5,607,464
6/30/12	1,760,531	513,506	29.17%	6,854,489
6/30/13	1,741,772	536,337	30.79%	8,059,924

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, 2007	\$ --	\$ 10,765	\$ 10,765	0.0%	\$ 75,032	14.35%
July 1, 2009	--	13,517	13,517	0.0%	85,602	15.79%
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, 2011. 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 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 2 years. These assumptions reflect an implicit 4 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2013 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, 2013**

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, 2012</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at June 30, 2013</u>
Liability and auto	\$ 1,434,000	\$ 753,811	\$ (649,811)	\$ 1,538,000
Dental	100,184	1,334,535	(1,334,535)	100,184
Unemployment	184,131	419,605	(390,614)	213,122
	<u>\$ 1,718,315</u>	<u>\$ 2,507,951</u>	<u>\$ (2,374,960)</u>	<u>\$ 1,851,306</u>

	<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>

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 2012. Actuarial reviews of dental and unemployment programs were last performed by Demsey, Filliger 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, 2013

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	Tax Corporation

NOTE 11: **JOINT VENTURES**

The County participates in several joint ventures under joint powers agreement (JPAs). The relationship between the County and the JPAs is such that none of the JPAs is a component unit of the County for financial reporting purposes.

The County participated in the following JPAs at June 30, 2013:

- 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, 2013, 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, 2013

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

B. Legal Actions

In the opinion of County Counsel, there are potential liabilities as of June 30, 2013 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, 2013, there were outstanding commitments of \$3,014,951 for road and bridge projects and \$2,567,000 for airport projects.

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

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

	<u>Accumulated Deficit</u>
Debt service	\$ 11,996
Dental insurance	672,467
County insurance	98,054
Liability insurance	1,271,937
Medical insurance	285,510
Unemployment	688,624
Employee benefits	23,220

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

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF HUMBOLDT

Required Supplementary Information
For the Year Ended June 30, 2013

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, 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%
June 30, 2012	534,847,693	414,295,763	120,551,930	77.5%	79,838,717	151.0%

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, 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%
June 30, 2012	153,983,383	124,855,367	29,128,016	81.1%	14,679,134	198.4%

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 ¹	--	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%

(1) Actuarial was not prepared for June 30, 2010 and June 30, 2012.

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 45,390,808	\$ 45,538,960	\$ 47,523,468	\$ 1,984,508
Licenses and permits	1,690,805	1,695,805	1,643,402	(52,403)
Fines, forfeits and penalties	1,673,687	1,673,687	1,759,038	85,351
Use of money and property	206,200	206,200	177,821	(28,379)
Aid from other governments	160,585,745	176,354,293	130,064,631	(46,289,662)
Charges for services	43,645,255	44,511,562	36,124,352	(8,387,210)
Other revenue	4,927,459	8,128,524	2,796,685	(5,331,839)
Total Revenues	<u>258,119,959</u>	<u>278,109,031</u>	<u>220,089,397</u>	<u>(58,019,634)</u>
Expenditures:				
Current:				
General government	16,128,388	26,183,113	13,049,379	13,133,734
Public protection	64,464,939	80,795,188	61,165,669	19,629,519
Public way and facilities	2,703,588	2,720,968	2,201,567	519,401
Health and sanitation	66,423,706	68,128,758	57,973,127	10,155,631
Public assistance	99,936,976	100,676,646	85,236,405	15,440,241
Education	134,743	139,693	139,689	4
Recreation and culture	1,051,111	1,087,279	834,024	253,255
Debt Service:				
Interest	235,000	245,839	--	245,839
Contingencies	1,000,000	291,442	--	291,442
Total Expenditures	<u>252,078,451</u>	<u>280,268,926</u>	<u>220,599,860</u>	<u>59,669,066</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,041,508</u>	<u>(2,159,895)</u>	<u>(510,463)</u>	<u>1,649,432</u>
Other Financing Sources (Uses):				
Transfers in	4,238,100	4,238,100	--	(4,238,100)
Transfers out	(4,720,256)	(4,761,867)	(1,643,512)	3,118,355
Total Other Financing Sources (Uses)	<u>(482,156)</u>	<u>(523,767)</u>	<u>(1,643,512)</u>	<u>(1,119,745)</u>
Net Change in Fund Balances	5,559,352	(2,683,662)	(2,153,975)	529,687
Budgetary Fund Balances - Beginning of Year	<u>19,357,366</u>	<u>19,357,366</u>	<u>19,357,366</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 24,916,718</u>	<u>\$ 16,673,704</u>	<u>\$ 17,203,391</u>	<u>\$ 529,687</u>

continued

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule (continued)
General Fund
For the Year Ended June 30, 2013

(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	\$ 220,089,397
Receipts from funds reclassified from County Agency Funds, not budgeted	<u>2,083,589</u>

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 222,172,986</u></u>
--	------------------------------

Uses/outflows of resources

Disbursements from funds reclassified from County Agency Funds, not budgeted	\$ 220,599,860
	<u>2,187</u>

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 21)	<u><u>\$ 220,602,047</u></u>
--	------------------------------

COUNTY OF HUMBOLDT

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,411,441	\$ 2,394,061	\$ 2,599,333	\$ 205,272
Licenses and permits	81,000	81,000	78,363	(2,637)
Use of money and property	30,000	30,000	13,674	(16,326)
Aid from other governments	19,559,395	19,583,395	15,491,054	(4,092,341)
Charges for services	3,994,500	3,994,500	3,089,468	(905,032)
Other revenue	97,100	110,100	57,467	(52,633)
Total Revenues	<u>26,173,436</u>	<u>26,193,056</u>	<u>21,329,359</u>	<u>(4,863,697)</u>
Expenditures:				
Current:				
Public way and facilities	28,962,832	29,009,288	20,420,152	8,589,136
Debt service - principal	--	--	72,542	(72,542)
Debt service - interest	--	--	7,153	(7,153)
Contingencies	780,000	770,544	--	770,544
Total Expenditures	<u>29,742,832</u>	<u>29,779,832</u>	<u>20,499,847</u>	<u>9,279,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,569,396)</u>	<u>(3,586,776)</u>	<u>829,512</u>	<u>4,416,288</u>
Other Financing Sources (Uses):				
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(3,569,396)	(3,586,776)	829,512	4,416,288
Budgetary Fund Balances - Beginning of Year	<u>4,261,989</u>	<u>4,261,989</u>	<u>4,261,989</u>	<u>--</u>
Budgetary Fund Balances - End of Year	<u>\$ 692,593</u>	<u>\$ 675,213</u>	<u>\$ 5,091,501</u>	<u>\$ 4,416,288</u>

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2013

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, 2013

	Special Revenue		
	Family Support	Courthouse Construction	County Library
<u>Assets</u>			
Cash and investments	\$ 1,415,651	\$ 1,433,300	\$ 723,276
Departmental cash funds	--	--	865
Accounts receivable	--	78	--
	\$ 1,415,651	\$ 1,433,378	\$ 724,141
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 8,287	\$ --	\$ 63,053
Salaries and benefits payable	57,278	--	35,468
Due to other funds	--	--	--
	65,565	--	98,521
<u>Fund Balance</u>			
Restricted	1,350,086	1,433,378	625,620
	1,350,086	1,433,378	625,620
<u>Total Liabilities and Fund Balances</u>	\$ 1,415,651	\$ 1,433,378	\$ 724,141

continued

COUNTY OF HUMBOLDT

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue		
	Fish and Game Propagation	Special Districts Under County Board of Supervisors	Total Special Revenue
<u>Assets</u>			
Cash and investments	\$ 46,412	\$ 3,129,787	\$ 6,748,426
Departmental cash funds	--	--	865
Accounts receivable	--	--	78
	<u>\$ 46,412</u>	<u>\$ 3,129,787</u>	<u>\$ 6,749,369</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 3,224	\$ 1,869	\$ 76,433
Salaries and benefits payable	--	--	92,746
Due to other funds	--	--	--
	<u>3,224</u>	<u>1,869</u>	<u>169,179</u>
Fund Balance			
Restricted	<u>43,188</u>	<u>3,127,918</u>	<u>6,580,190</u>
	<u>43,188</u>	<u>3,127,918</u>	<u>6,580,190</u>
Total Liabilities and Fund Balances	<u>\$ 46,412</u>	<u>\$ 3,129,787</u>	<u>\$ 6,749,369</u>

continued

COUNTY OF HUMBOLDT

Combining Balance Sheet (continued)
 Nonmajor Governmental Funds
 June 30, 2013

	<u>Debt Service</u>	
	Public Property Leasing	<u>Total</u>
<u>Assets</u>		
Cash and investments	\$ --	\$ 6,748,426
Departmental cash funds	--	865
Accounts receivable	--	78
	<hr/>	<hr/>
Total Assets	<u>\$ --</u>	<u>\$ 6,749,369</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities:</u>		
Accounts payable	\$ --	\$ 76,433
Salaries and benefits payable	--	92,746
Due to other funds	11,996	11,996
	<hr/>	<hr/>
Total Liabilities	<u>11,996</u>	<u>181,175</u>
 Fund Balance		
Restricted	<u>(11,996)</u>	<u>6,568,194</u>
Total Fund Balances	<u>(11,996)</u>	<u>6,568,194</u>
 Total Liabilities and Fund Balances	 <u>\$ --</u>	 <u>\$ 6,749,369</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue		
	Family Support	Courthouse Construction	County Library
Revenues:			
Taxes	\$ --	\$ --	\$ 2,310,970
Fines, forfeitures and penalties	--	543,117	--
Use of money and property	11,455	13,029	2,491
Intergovernmental	4,086,677	--	380,343
Charges for services	--	--	65,645
Miscellaneous	256	--	196,466
Total Revenues	4,098,388	556,146	2,955,915
Expenditures:			
Current:			
Public protection	4,289,451	--	--
Education	--	--	3,128,319
Debt Service:			
Principal	--	272,142	--
Interest and Other Charges	--	75,858	--
Total Expenditures	4,289,451	348,000	3,128,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	(191,063)	208,146	(172,404)
Other Financing Sources (Uses):			
Refunding certificates of participation issued	--	--	--
Payment to refunded debt escrow agent	--	--	--
Transfers in	--	--	280,192
Transfers out	--	(74,385)	(20,577)
Total Other Financing Sources (Uses)	--	(74,385)	259,615
Net Change in Fund Balances	(191,063)	133,761	87,211
Fund Balances - Beginning of Year	1,541,149	1,299,617	538,409
Fund Balances - End of Year	\$ 1,350,086	\$ 1,433,378	\$ 625,620

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue		
	Special Districts		
	Fish and Game Propagation	Under County Board of Supervisors	Total Special Revenue
Revenues:			
Taxes	\$ --	\$ 949,492	\$ 3,260,462
Fines, forfeitures and penalties	27,092	--	570,209
Use of money and property	219	20,976	48,170
Intergovernmental	--	9,025	4,476,045
Charges for services	--	--	65,645
Miscellaneous	--	141,464	338,186
Total Revenues	27,311	1,120,957	8,758,717
Expenditures:			
Current:			
Public protection	10,545	1,052,638	5,352,634
Education	--	--	3,128,319
Debt Service:			
Principal	--	--	272,142
Interest and Other Charges	--	--	75,858
Total Expenditures	10,545	1,052,638	8,828,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,766	68,319	(70,236)
Other Financing Sources (Uses):			
Refunding certificates of participation issued	--	--	--
Payment to refunded debt escrow agent	--	--	--
Transfers in	--	--	280,192
Transfers out	--	--	(94,962)
Total Other Financing Sources (Uses)	--	--	185,230
Net Change in Fund Balances	16,766	68,319	114,994
Fund Balances - Beginning of Year	26,422	3,059,599	6,465,196
Fund Balances - End of Year	\$ 43,188	\$ 3,127,918	\$ 6,580,190

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	<u>Debt Service</u>	
	Public Property Leasing	<u>Total</u>
Revenues:		
Taxes	\$ --	\$ 3,260,462
Fines, forfeitures and penalties	--	570,209
Use of money and property	673,057	721,227
Intergovernmental	--	4,476,045
Charges for services	--	65,645
Miscellaneous	1	338,187
Total Revenues	<u>673,058</u>	<u>9,431,775</u>
Expenditures:		
Current:		
Public protection	--	5,352,634
Education	--	3,128,319
Debt Service:		
Principal	4,045,021	4,317,163
Interest and Other Charges	898,373	974,231
Total Expenditures	<u>4,943,394</u>	<u>13,772,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,270,336)</u>	<u>(4,340,572)</u>
Other Financing Sources (Uses):		
Refunding certificates of participation issued	12,460,000	12,460,000
Payment to refunded debt escrow agent	(11,915,000)	(11,915,000)
Transfers in	1,458,282	1,738,474
Transfers out	--	(94,962)
Total Other Financing Sources (Uses)	<u>2,003,282</u>	<u>2,188,512</u>
Net Change in Fund Balances	(2,267,054)	(2,152,060)
Fund Balances - Beginning of Year	<u>2,255,058</u>	<u>8,720,254</u>
Fund Balances - End of Year	<u>\$ (11,996)</u>	<u>\$ 6,568,194</u>

INTERNAL SERVICE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,443,235	\$ 386,638	\$ 52,709
Accounts receivable	4,857	4,640	--
Due from other funds	--	--	--
Inventory	261,101	--	--
Prepaid expenses	3,531	--	--
Total Current Assets	<u>1,712,724</u>	<u>391,278</u>	<u>52,709</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>3,194,633</u>	<u>184,380</u>	<u>--</u>
Total Noncurrent Assets	<u>3,194,633</u>	<u>184,380</u>	<u>--</u>
Total Assets	<u>4,907,357</u>	<u>575,658</u>	<u>52,709</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	139,959	99,361	1,233
Accrued payroll and benefits	12,306	23,585	2,913
Due to other funds	--	--	--
Other liabilities	--	--	--
Deferred revenue	--	--	--
Capital leases	--	154,530	--
Compensated absences	118,574	95,736	9,130
Provision for estimated claims	--	--	--
Total Current Liabilities	<u>270,839</u>	<u>373,212</u>	<u>13,276</u>
Long-term Liabilities:			
Compensated absences	<u>89,792</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>360,631</u>	<u>373,212</u>	<u>13,276</u>
<u>Net Position</u>			
Net investment in capital assets	3,194,633	29,850	--
Unrestricted	<u>1,352,093</u>	<u>172,596</u>	<u>39,433</u>
Total Net Position	<u>\$ 4,546,726</u>	<u>\$ 202,446</u>	<u>\$ 39,433</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Internal Service Funds
June 30, 2013

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 64,963	\$ 3,158,597	\$ 2,663,566	\$ 7,769,708
Accounts receivable	--	--	7,475	16,972
Due from other funds	--	241,100	1,032,156	1,273,256
Inventory	--	66,890	--	327,991
Prepaid expenses	--	--	1,334,859	1,338,390
Total Current Assets	<u>64,963</u>	<u>3,466,587</u>	<u>5,038,056</u>	<u>10,726,317</u>
Noncurrent Assets:				
Capital assets, net of depreciation	<u>201,425</u>	<u>5,495,935</u>	<u>18,243</u>	<u>9,094,616</u>
Total Noncurrent Assets	<u>201,425</u>	<u>5,495,935</u>	<u>18,243</u>	<u>9,094,616</u>
Total Assets	<u>266,388</u>	<u>8,962,522</u>	<u>5,056,299</u>	<u>19,820,933</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	28,030	133,444	1,377,808	1,779,835
Accrued payroll and benefits	954	5,800	23,670	69,228
Due to other funds	--	--	1,064,270	1,064,270
Other liabilities	--	5,131	532,565	537,696
Deferred revenue	--	--	1,249,638	1,249,638
Capital leases	--	--	--	154,530
Compensated absences	--	21,459	95,810	340,709
Provision for estimated claims	--	--	1,851,306	1,851,306
Total Current Liabilities	<u>28,984</u>	<u>165,834</u>	<u>6,195,067</u>	<u>7,047,212</u>
Long-term Liabilities:				
Compensated absences	<u>271</u>	<u>--</u>	<u>--</u>	<u>90,063</u>
Total Liabilities	<u>29,255</u>	<u>165,834</u>	<u>6,195,067</u>	<u>7,137,275</u>
<u>Net Position</u>				
Net investment in capital assets	201,425	5,495,935	18,243	8,940,086
Unrestricted	<u>35,708</u>	<u>3,300,753</u>	<u>(1,157,011)</u>	<u>3,743,572</u>
Total Net Position	<u>\$ 237,133</u>	<u>\$ 8,796,688</u>	<u>\$ (1,138,768)</u>	<u>\$ 12,683,658</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
Operating Revenues:			
Charges for services	\$ 2,137,196	\$ 2,384,483	\$ 278,129
Miscellaneous revenues	<u>716,227</u>	<u>49</u>	<u>11,428</u>
Total Operating Revenues	<u>2,853,423</u>	<u>2,384,532</u>	<u>289,557</u>
Operating Expenses:			
Salaries and benefits	779,193	1,215,715	166,902
Services and supplies	1,392,977	859,700	141,017
Self-insurance claims and purchase premiums	--	--	--
Depreciation	<u>461,689</u>	<u>200,958</u>	<u>--</u>
Total Operating Expenses	<u>2,633,859</u>	<u>2,276,373</u>	<u>307,919</u>
Net Operating Income (Loss)	<u>219,564</u>	<u>108,159</u>	<u>(18,362)</u>
Non-Operating Revenues (Expenses):			
Interest income	7,912	--	--
Gain/(loss) on sale of capital assets	(6,328)	--	--
Interest expense	<u>--</u>	<u>(14,476)</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>1,584</u>	<u>(14,476)</u>	<u>--</u>
Income (Loss) Before Capital Contributions	<u>221,148</u>	<u>93,683</u>	<u>(18,362)</u>
Capital contributions	1,284,923	--	--
Change in Net Position	<u>1,506,071</u>	<u>93,683</u>	<u>(18,362)</u>
Net Position - Beginning of Year	2,642,911	108,763	57,795
Prior Period Adjustments	<u>397,744</u>	<u>--</u>	<u>--</u>
Net Position - End of Year	<u>\$ 4,546,726</u>	<u>\$ 202,446</u>	<u>\$ 39,433</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position (continued)
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Communications</u>	<u>Motor Pool</u>	<u>Insurance Funds</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 113,141	\$ 2,225,222	\$ 24,280,266	\$ 31,418,437
Miscellaneous revenues	119,080	1,482,039	1,034,739	3,363,562
 Total Operating Revenues	 <u>232,221</u>	 <u>3,707,261</u>	 <u>25,315,005</u>	 <u>34,781,999</u>
Operating Expenses:				
Salaries and benefits	63,694	355,581	476,769	3,057,854
Services and supplies	124,882	1,888,837	152,850	4,560,263
Self-insurance claims and purchase premiums	--	--	24,333,167	24,333,167
Depreciation	20,684	743,237	4,518	1,431,086
 Total Operating Expenses	 <u>209,260</u>	 <u>2,987,655</u>	 <u>24,967,304</u>	 <u>33,382,370</u>
 Net Operating Income (Loss)	 <u>22,961</u>	 <u>719,606</u>	 <u>347,701</u>	 <u>1,399,629</u>
Non-Operating Revenues (Expenses):				
Interest income	--	18,010	15,911	41,833
Gain/(loss) on sale of capital assets	--	(258,566)	--	(264,894)
Interest expense	--	--	(11,334)	(25,810)
 Total Non-Operating Revenues (Expenses)	 <u>--</u>	 <u>(240,556)</u>	 <u>4,577</u>	 <u>(248,871)</u>
 Income (Loss) Before Capital Contributions	 <u>22,961</u>	 <u>479,050</u>	 <u>352,278</u>	 <u>1,150,758</u>
Capital contributions	--	274,887	--	1,559,810
 Change in Net Position	 <u>22,961</u>	 <u>753,937</u>	 <u>352,278</u>	 <u>2,710,568</u>
Net Position - Beginning of Year	214,172	8,042,751	(1,491,046)	9,575,346
Prior Period Adjustments	--	--	--	397,744
 Net Position - End of Year	 <u>\$ 237,133</u>	 <u>\$ 8,796,688</u>	 <u>\$ (1,138,768)</u>	 <u>\$ 12,683,658</u>

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Heavy Equipment</u>	<u>Information Technology</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,862,636	\$ 2,379,892	\$ 289,557
Cash paid to suppliers for goods and services	(1,311,750)	(844,710)	(142,382)
Cash paid to employees	<u>(807,975)</u>	<u>(1,206,528)</u>	<u>(166,177)</u>
Net Cash Provided (Used) by Operating Activities	<u>742,911</u>	<u>328,654</u>	<u>(19,002)</u>
CASH FLOWS FROM NONCAPITAL FINANCING			
Due from other funds	--	--	3,268
Due to other funds	--	--	--
Transfers in	--	--	--
Transfers out	--	--	--
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>--</u>	<u>3,268</u>
CASH FLOWS FROM CAPITAL AND RELATED			
Purchase of capital assets	(778,461)	(183,399)	--
Principal paid on capital debt	--	(145,282)	--
Interest paid on capital debt	--	(14,476)	--
Capital contributions	<u>407,228</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(371,233)</u>	<u>(343,157)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	<u>7,912</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Investing Activities	<u>7,912</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	379,590	(14,503)	(15,734)
Cash and Cash Equivalents, Beginning of Year	<u>1,063,645</u>	<u>401,141</u>	<u>68,443</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,443,235</u>	<u>\$ 386,638</u>	<u>\$ 52,709</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2013

	Communications	Motor Pool	Insurance Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from interfund services provided	\$ 232,768	\$ 3,744,819	\$ 25,280,641	\$ 34,790,313
Cash paid to suppliers for goods and services	(128,747)	(1,818,336)	(23,125,659)	(27,371,584)
Cash paid to employees	(64,014)	(350,092)	(398,242)	(2,993,028)
	<u>40,007</u>	<u>1,576,391</u>	<u>1,756,740</u>	<u>4,425,701</u>
Net Cash Provided (Used) by Operating Activities				
CASH FLOWS FROM NONCAPITAL FINANCING				
Due from other funds	--	36,484	533,927	573,679
Due to other funds	--	--	(501,813)	(501,813)
Transfers in	--	--	22,697	22,697
Transfers out	--	--	(22,697)	(22,697)
	<u>--</u>	<u>36,484</u>	<u>32,114</u>	<u>71,866</u>
Net Cash Provided (Used) by Investing Activities				
CASH FLOWS FROM CAPITAL AND RELATED				
Purchase of capital assets	(43,048)	(1,035,266)	(8,783)	(2,048,957)
Principal paid on capital debt	--	--	--	(145,282)
Interest paid on capital debt	--	--	(5,138)	(19,614)
Capital contributions	--	219,876	--	627,104
	<u>(43,048)</u>	<u>(815,390)</u>	<u>(13,921)</u>	<u>(1,586,749)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	--	18,010	9,715	35,637
	<u>--</u>	<u>18,010</u>	<u>9,715</u>	<u>35,637</u>
Net Cash Provided (Used) by Investing Activities				
Net Increase (Decrease) in Cash and Cash Equivalents	(3,041)	815,495	1,784,648	2,946,455
Cash and Cash Equivalents, Beginning of Year	68,004	2,343,102	878,918	4,823,253
Cash and Cash Equivalents, End of Year	<u>\$ 64,963</u>	<u>\$ 3,158,597</u>	<u>\$ 2,663,566</u>	<u>\$ 7,769,708</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2013

	<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)	219,564	108,159	(18,362)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	461,689	200,958	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	12,744	(4,640)	--
Prepaid expenses	(3,531)	--	--
Increase (decrease) in:			
Payables	81,227	14,990	(1,365)
Accrued salaries and benefits	(1,296)	2,386	(136)
Compensated absences	(27,486)	6,801	861
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 742,911</u></u>	<u><u>\$ 328,654</u></u>	<u><u>\$ (19,002)</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended June 30, 2013

	<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)	22,961	719,606	\$ 347,701	\$ 1,399,629
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	20,684	743,237	4,518	1,431,086
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	547	37,558	(7,475)	38,734
Prepaid expenses	--	--	(67,669)	(71,200)
Increase (decrease) in:				
Payables	(3,865)	70,501	921,084	1,082,572
Accrued salaries and benefits	(362)	510	18,243	19,345
Compensated absences	42	(152)	59,425	39,491
Claims payable	--	--	132,991	132,991
Unearned revenue	--	--	(13,470)	(13,470)
Other liabilities	--	5,131	361,392	366,523
 Net Cash Provided (Used) by Operating Activities				
	<u>\$ 40,007</u>	<u>\$ 1,576,391</u>	<u>\$ 1,756,740</u>	<u>\$ 4,425,701</u>

INSURANCE FUNDS

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COUNTY OF HUMBOLDT

Combining Statement of Net Position
Insurance Funds
June 30, 2013

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ --	\$ 16,698	\$ --
Accounts receivable	6,296	--	--
Due from other funds	--	--	1,032,156
Prepaid expenses	28,000	--	--
Total Current Assets	<u>34,296</u>	<u>16,698</u>	<u>1,032,156</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	6,428	--
Total Noncurrent Assets	<u>--</u>	<u>6,428</u>	<u>--</u>
 Total Assets	 <u>34,296</u>	 <u>23,126</u>	 <u>1,032,156</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	32,317	1,841	747
Accrued payroll and benefits	--	6,959	16,711
Due to other funds	574,262	16,570	32,114
Other liabilities	--	--	--
Deferred revenue	--	--	--
Liability for compensated absences	--	95,810	--
Provision for estimated claims	100,184	--	--
Total Current Liabilities	<u>706,763</u>	<u>121,180</u>	<u>49,572</u>
 Total Liabilities	 <u>706,763</u>	 <u>121,180</u>	 <u>49,572</u>
<u>Net Position</u>			
Net investment in capital assets	--	6,428	--
Unrestricted	(672,467)	(104,482)	982,584
Total Net Position	<u>\$ (672,467)</u>	<u>\$ (98,054)</u>	<u>\$ 982,584</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Insurance Funds
June 30, 2013

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 684,974	\$ 964,128	\$ 1
Accounts receivable	--	--	--
Due from other funds	--	--	--
Prepaid expenses	--	1,272,986	--
Total Current Assets	<u>684,974</u>	<u>2,237,114</u>	<u>1</u>
Noncurrent Assets:			
Capital assets, net of depreciation	<u>11,815</u>	--	--
Total Noncurrent Assets	<u>11,815</u>	--	--
 Total Assets	 <u>696,789</u>	 <u>2,237,114</u>	 <u>1</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	58,726	1,272,986	368
Accrued payroll and benefits	--	--	--
Due to other funds	--	--	426,863
Other liabilities	372,000	--	48,272
Deferred revenue	--	1,249,638	--
Liability for compensated absences	--	--	--
Provision for estimated claims	1,538,000	--	213,122
Total Current Liabilities	<u>1,968,726</u>	<u>2,522,624</u>	<u>688,625</u>
 Total Liabilities	 <u>1,968,726</u>	 <u>2,522,624</u>	 <u>688,625</u>
<u>Net Position</u>			
Net investment in capital assets	11,815	--	--
Unrestricted	<u>(1,283,752)</u>	<u>(285,510)</u>	<u>(688,624)</u>
Total Net Position	<u>\$ (1,271,937)</u>	<u>\$ (285,510)</u>	<u>(688,624)</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Net Position (continued)
Insurance Funds
June 30, 2013

	<u>Purchased Insurance Premium</u>	<u>Employee Benefits</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 997,765	\$ --	\$ 2,663,566
Accounts receivable	--	1,179	7,475
Due from other funds	--	--	1,032,156
Prepaid expenses	33,873	--	1,334,859
Total Current Assets	<u>1,031,638</u>	<u>1,179</u>	<u>5,038,056</u>
Noncurrent Assets:			
Capital assets, net of depreciation	--	--	18,243
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>18,243</u>
 Total Assets	 <u>1,031,638</u>	 <u>1,179</u>	 <u>5,056,299</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	1,744	9,079	1,377,808
Accrued payroll and benefits	--	--	23,670
Due to other funds	--	14,461	1,064,270
Other liabilities	111,434	859	532,565
Deferred revenue	--	--	1,249,638
Liability for compensated absences	--	--	95,810
Provision for estimated claims	--	--	1,851,306
Total Current Liabilities	<u>113,178</u>	<u>24,399</u>	<u>6,195,067</u>
 Total Liabilities	 <u>113,178</u>	 <u>24,399</u>	 <u>6,195,067</u>
<u>Net Position</u>			
Net investment in capital assets	--	--	18,243
Unrestricted	918,460	(23,220)	(1,157,011)
Total Net Position	<u>\$ 918,460</u>	<u>\$ (23,220)</u>	<u>\$ (1,138,768)</u>

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position
Insurance Funds
For the Year Ended June 30, 2013

	Dental	County Insurance	Workers' Compensation
Operating Revenues:			
Charges for services	\$ 1,749,910	\$ 641,223	\$ 3,535,530
Miscellaneous revenues	--	30	360,618
	<u>1,749,910</u>	<u>641,253</u>	<u>3,896,148</u>
 Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	--	476,769	--
Services and supplies	--	152,850	--
Self-insurance claims and purchase premiums	1,499,563	--	3,722,475
Depreciation	--	1,564	--
	<u>1,499,563</u>	<u>631,183</u>	<u>3,722,475</u>
 Total Operating Expenses			
Net Operating Income (Loss)	<u>250,347</u>	<u>10,070</u>	<u>173,673</u>
 Non-Operating Revenues (Expenses):			
Interest income	--	796	2,833
Interest expense	(4,682)	(58)	(1,456)
	<u>(4,682)</u>	<u>738</u>	<u>1,377</u>
 Total Non-Operating Revenues (Expenses)			
Income (Loss) Before Transfers	245,665	10,808	175,050
Transfers in	--	16,711	--
Transfers out	--	--	(16,711)
	<u>245,665</u>	<u>27,519</u>	<u>158,339</u>
 Change in Net Position			
Net Position - Beginning of Year	(918,132)	(125,573)	824,245
Net Position - End of Year	<u>\$ (672,467)</u>	<u>\$ (98,054)</u>	<u>\$ 982,584</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
Operating Revenues:			
Charges for services	\$ 2,273,224	\$ 14,920,333	\$ 458,228
Miscellaneous revenues	673,846	240	--
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	2,947,070	14,920,573	458,228
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Salaries and benefits	--	--	--
Services and supplies	--	--	--
Self-insurance claims and purchase premiums	2,622,889	15,040,101	385,832
Depreciation	2,954	--	--
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	2,625,843	15,040,101	385,832
	<hr/>	<hr/>	<hr/>
Net Operating Income (Loss)	321,227	(119,528)	72,396
	<hr/>	<hr/>	<hr/>
Non-Operating Revenues (Expenses):			
Interest income	1,586	2,827	--
Interest expense	(901)	--	(3,300)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	685	2,827	(3,300)
	<hr/>	<hr/>	<hr/>
Income (Loss) Before Transfers and Capital Contributions	321,912	(116,701)	69,096
	<hr/>	<hr/>	<hr/>
Transfers in	--	--	--
Transfers out	--	--	--
	<hr/>	<hr/>	<hr/>
Change in Net Position	321,912	(116,701)	69,096
	<hr/>	<hr/>	<hr/>
Net Position - Beginning of Year	(1,593,849)	(168,809)	(757,720)
	<hr/>	<hr/>	<hr/>
Net Position - End of Year	<u>\$ (1,271,937)</u>	<u>\$ (285,510)</u>	<u>\$ (688,624)</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Revenues, Expenses and
Changes in Net Position (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<u>Purchased Insurance Premium</u>	<u>Insurance Benefits</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 302,163	\$ 399,655	\$ 24,280,266
Miscellaneous revenues	5	--	1,034,739
	<u>302,168</u>	<u>399,655</u>	<u>25,315,005</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	--	--	476,769
Services and supplies	--	--	152,850
Self-insurance claims and purchase premiums	640,369	421,938	24,333,167
Depreciation	--	--	4,518
	<u>640,369</u>	<u>421,938</u>	<u>24,967,304</u>
Total Operating Expenses			
Net Operating Income (Loss)	<u>(338,201)</u>	<u>(22,283)</u>	<u>347,701</u>
Non-Operating Revenues (Expenses):			
Interest income	7,869	--	15,911
Interest expense	--	(937)	(11,334)
	<u>7,869</u>	<u>(937)</u>	<u>4,577</u>
Total Non-Operating Revenues			
Income (Loss) Before Transfers and Capital Contributions	(330,332)	(23,220)	352,278
Transfers in	--	--	16,711
Transfers out	--	--	(16,711)
Change in Net Position	(330,332)	(23,220)	352,278
Net Position - Beginning of Year	<u>1,248,792</u>	<u>--</u>	<u>(1,491,046)</u>
Net Position - End of Year	<u>\$ 918,460</u>	<u>\$ (23,220)</u>	<u>\$ (1,138,768)</u>

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows
Insurance Funds
For the Year Ended June 30, 2013

	<u>Dental</u>	<u>County Insurance</u>	<u>Workers' Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 1,743,614	\$ 641,253	\$ 3,896,148
Cash paid to suppliers for goods and services	(1,492,817)	(152,434)	(3,721,973)
Cash paid to employees	--	(415,812)	16,711
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	250,797	73,007	190,886
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING			
Due from other funds	--	--	(507,201)
Due to other funds	(246,115)	(79,744)	32,114
Transfers in	--	22,697	--
Transfers out	--	--	(16,711)
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	(246,115)	(57,047)	(491,798)
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	--	--	--
Interest received (paid)	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	--	--	--
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	(4,682)	738	1,377
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	(4,682)	738	1,377
	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	--	16,698	(299,535)
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, Beginning of Year	--	--	299,535
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	\$ --	\$ 16,698	\$ --
	<hr/>	<hr/>	<hr/>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<u>Liability</u>	<u>Medical</u>	<u>Unemployment</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 2,947,070	\$ 14,907,103	\$ 458,228
Cash paid to suppliers for goods and services	(2,489,612)	(13,821,365)	(356,836)
Cash paid to employees	--	--	--
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	457,458	1,085,738	101,392
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING			
Due from other funds	--	--	--
Due to other funds	--	(124,437)	(98,092)
Transfers in	--	--	--
Transfers out	(5,986)	--	--
Net Cash Provided (Used) by Investing Activities	<u>(5,986)</u>	<u>(124,437)</u>	<u>(98,092)</u>
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	(8,783)	--	--
Interest received (paid)	(901)	--	(3,300)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,684)</u>	<u>--</u>	<u>(3,300)</u>
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	1,586	2,827	--
Net Cash Provided (Used) by Investing Activities	<u>1,586</u>	<u>2,827</u>	<u>--</u>
	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	443,374	964,128	--
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, Beginning of Year	241,600	--	1
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 684,974</u>	<u>\$ 964,128</u>	<u>\$ 1</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2013

	Purchased Insurance Premium	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from interfund services provided	\$ 288,749	\$ 398,476	\$ 25,280,641
Cash paid to suppliers for goods and services	(640,365)	(450,257)	(23,125,659)
Cash paid to employees	--	859	(398,242)
	<u>(351,616)</u>	<u>(50,922)</u>	<u>1,756,740</u>
Net Cash Provided (Used) by Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING			
Due from other funds	1,041,128	--	533,927
Due to other funds	--	14,461	(501,813)
Transfers in	--	--	22,697
Transfers out	--	--	(22,697)
	<u>1,041,128</u>	<u>14,461</u>	<u>32,114</u>
Net Cash Provided (Used) by Investing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	--	--	(8,783)
Interest received (paid)	--	(937)	(5,138)
	<u>--</u>	<u>(937)</u>	<u>(13,921)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	7,869	--	9,715
	<u>7,869</u>	<u>--</u>	<u>9,715</u>
Net Cash Provided (Used) by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	697,381	(37,398)	1,784,648
Cash and Cash Equivalents, Beginning of Year	300,384	37,398	878,918
Cash and Cash Equivalents, End of Year	<u>\$ 997,765</u>	<u>\$ --</u>	<u>\$ 2,663,566</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<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)	\$ 250,347	\$ 10,070	\$ 173,673
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	1,564	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(6,296)	--	--
Prepaid expenses	--	--	--
Increase (decrease) in:			
Payables	6,746	416	502
Accrued salaries and benefits	--	1,532	16,711
Liability for compensated absences	--	59,425	--
Claims payable	--	--	--
Unearned revenue	--	--	--
Other liabilities	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 250,797</u></u>	<u><u>\$ 73,007</u></u>	<u><u>\$ 190,886</u></u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<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)	\$ 321,227	\$ (119,528)	\$ 72,396
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,954	--	--
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	--	--
Prepaid expenses	--	(54,250)	--
Increase (decrease) in:			
Payables	(331,256)	1,272,986	5
Accrued salaries and benefits	--	--	--
Liability for compensated absences	--	--	--
Claims payable	104,000	--	28,991
Unearned revenue	--	(13,470)	--
Other liabilities	360,533	--	--
	<u>360,533</u>	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 457,458</u>	<u>\$ 1,085,738</u>	<u>\$ 101,392</u>

continued

COUNTY OF HUMBOLDT

Combining Statement of Cash Flows (continued)
Insurance Funds
For the Year Ended June 30, 2013

	<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)	\$ (338,201)	\$ (22,283)	\$ 347,701
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	--	--	4,518
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	--	(1,179)	(7,475)
Prepaid expenses	(13,419)	--	(67,669)
Increase (decrease) in:			
Payables	4	(28,319)	921,084
Accrued salaries and benefits	--	--	18,243
Liability for compensated absences	--	--	59,425
Claims payable	--	--	132,991
Unearned revenue	--	--	(13,470)
Other liabilities	--	859	361,392
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (351,616)</u></u>	<u><u>\$ (50,922)</u></u>	<u><u>\$ 1,756,740</u></u>