

COUNTY OF HUMBOLDT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2006

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INTRODUCTORY SECTION

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INTRODUCTORY SECTION

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COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
June 30, 2006

BOARD OF SUPERVISORS
(as of June 30, 2006)

<u>Name</u>	<u>Office</u>
Jimmy Smith	Supervisor, District 1
Roger Rodoni	Supervisor, District 2
John Woolley	Supervisor, District 3
Bonnie J. Neely	Supervisor, District 4
Jill Geist	Supervisor, District 5

FINANCE ADMINISTRATORS

<u>Name</u>	<u>Office</u>
Loretta A. Nickolaus	County Administrative Officer
Michael J. Giacone	Auditor/Controller
Stephen A. Strawn	Treasurer/Tax Collector

FINANCIAL SECTION

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Humboldt
Eureka, California

I have audited the accompanying basic 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, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinions.

In my opinion the financial statements referred to above present fairly, in all material respects, the 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

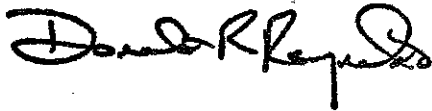
In accordance with Government Auditing Standards, I have also issued under separate cover, my report dated January 10, 2007, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

P.O. Box 994508, 1438 Oregon St., Redding, CA 96099 . (530) 246-2834 . FAX (530) 244-0331

Honorable Board of Supervisors
County of Humboldt

The Management's Discussion and Analysis (MD & A) and the required supplementary information other than MD & A, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the County of Humboldt's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund 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 nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had I been able to audit the County's capital assets, such information is fairly stated in all material respects in relation to the basic financial statements taken as whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I express no opinion on it.



Donald R. Reynolds
Certified Public Accountant
January 10, 2007

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information

This section of the County of Humboldt's (the County) financial statements presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the 2005-2006 fiscal year by \$413,206,593 (*net assets*). Of this amount, \$11,386,274 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$51,516,565 is restricted for specific purposes (*restricted net assets*), and \$350,303,754 is invested in capital assets, net of related debt.
- The County's total net assets increased by \$280,091,542, of which \$278,080,661 is a prior period adjustment to recognize capital asset balances that were not previously reflected in the financial statements. Those assets are primarily infrastructure and buildings. Governmental activities (disregarding the prior period adjustment) increased the County's net assets by \$1,671,600. Business-type activities decreased countywide net assets by \$472,621 if one disregards the effect of an \$811,902 transfer from the General Fund to the Airport.
- As of June 30, 2006, the County's governmental funds reported combined ending fund balances of \$62,445,690, an increase of \$5,580,654 in comparison with the prior year. Approximately 65% of this total amount, \$40,382,870, is *available* to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$29,453,745, or 17% of total General Fund expenditures (\$176,648,415).
- The County's total long-term debt decreased by \$452,552 in comparison with the prior year. The overall decrease was caused by decreases in: certificates of participation (\$692,372), and notes payable (\$2,448), unpaid claims (\$778,491). Partially offsetting these decreases was an increase in accrued compensated absences \$922,620, and capital leases \$98,138.

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 are comprised of three components: 1) **Government-wide** financial statements, 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period (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 in part 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 and recreation. The business-type activities of the County consist solely of the operation of the Eureka-Arcata Airport.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. An example of this is the Humboldt County Public Property Leasing Corporation, which while legally separate is in substance an extension of County operations. Financial data for the 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.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements are groupings of related accounts that are 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 compliance with finance-related legal requirements. 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 fund 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 the 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 County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

The County maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds are maintained in 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 an enterprise fund to account for the operations of the Eureka-Arcata Airport. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its workers' compensation insurance, long-term disability trust, employee benefits trust, personal injury and property damage, heavy equipment and fleet maintenance 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. The County's nine internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for non-major enterprise and internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 21-24 of this report.

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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 25-26 of this report.

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.

The notes can be found on pages 27-54 of this report.

Required Supplementary Information is presented concerning the County's General Fund budgetary schedule and pension schedules. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The pension schedules have been provided to present the County's progress in funding its obligation to provide pension benefits to County employees.

Required supplementary information can be found on pages 55-58 of this report.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

Combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 59-84 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of changes in net assets

A schedule showing the changes in net assets is on the following page. As noted earlier, net assets may over time serve as a useful indicator of the County's financial position. County assets exceeded liabilities by \$413,206,593 at June 30, 2006, which is an increase of \$280,091,542 from the previous year. That increase includes the \$278,080,661 prior period adjustment for capital assets. Revenues exceeded expenditures by \$2,010,881 during the fiscal year.

County of Humboldt
Changes in Net Assets
June 30, 2006

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Fees, fines & charges for services	\$27,927,997	\$27,502,123	\$2,245,792	\$1,827,496	\$30,173,789	\$29,329,619
Operating grants & contributions	133,368,241	121,086,286	-	-	133,368,241	121,086,286
Capital grants & contributions	4,142,233	4,985,236	-	-	4,142,233	4,985,236
General revenues:						
Property taxes	17,023,677	14,836,328	-	-	17,023,677	14,836,328
Sales taxes	6,185,204	6,086,262	-	-	6,185,204	6,086,262
Other taxes	16,694,361	13,776,204	-	-	16,694,361	13,776,204
Interest & investment income	2,171,926	1,460,211	51,275	42,181	2,223,201	1,502,392
Other	6,756,778	3,537,895	105,351	100,389	6,862,129	3,638,284
Total revenues	<u>214,270,417</u>	<u>193,270,545</u>	<u>2,402,418</u>	<u>1,970,066</u>	<u>216,672,835</u>	<u>195,240,611</u>
Expenses:						
General government	15,864,617	19,884,676	-	-	15,864,617	19,884,676
Public protection	49,218,161	50,665,147	-	-	49,218,161	50,665,147
Public assistance	69,526,853	56,400,825	-	-	69,526,853	56,400,825
Health & sanitation	47,277,218	39,467,390	-	-	47,277,218	39,467,390
Public ways & facilities	25,651,107	14,630,698	2,875,039	2,624,003	28,526,146	17,254,701
Recreation & cultural services	803,098	614,396	-	-	803,098	614,396
Education	2,465,784	2,232,445	-	-	2,465,784	2,232,445
Interest and long-term debt	980,077	883,113	-	-	980,077	883,113
Total expenses	<u>211,786,915</u>	<u>184,778,690</u>	<u>2,875,039</u>	<u>2,624,003</u>	<u>214,661,954</u>	<u>187,402,693</u>
Increase (decrease) in net						
assets before transfers	2,483,502	8,491,855	(472,621)	(653,937)	2,010,881	7,837,918
Transfers	(811,902)	(626,415)	811,902	626,415	-	-
Change in net assets	1,671,600	7,865,440	339,281	(27,522)	2,010,881	7,837,918
Net assets - beginning	121,489,145	109,199,118	11,625,906	11,653,428	133,115,051	120,852,546
Prior period adjustment	278,080,661	4,424,587	-	-	278,080,661	4,424,587
Net assets - ending	<u>\$401,241,406</u>	<u>\$121,489,145</u>	<u>\$11,965,187</u>	<u>\$11,625,906</u>	<u>\$413,206,593</u>	<u>\$133,115,051</u>

Governmental activities

Governmental activities increased the County's net assets by \$2,483,502, which excludes the effect of the \$278,080,661 prior period adjustment recognizing capital assets and the \$811,902 transfer to the Airport. Governmental revenues increased by \$20,999,872 or about ten percent during FY 2005-06, while expenditures increased by \$27,008,225 or about fourteen percent. Part of the growth in expense recognized is due to the addition of previously unrecognized capital assets, which increases the amount of depreciation expense recognized.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

The remarkable growth in revenues from operating grants/contributions (\$12.3 million or 10.1%), and corresponding expenditures in the categories of public assistance (\$13.1 million or 23.3%) and health/sanitation (\$7.8 million or 19.8%), primarily activities of the Department of Health and Human Services, are most likely due to new programs being implemented and the cost of established programs growing with inflation. Many of these DHHS programs operate on a reimbursement basis, in which the County expends resources to perform program services and is later reimbursed by the State and Federal governments. This relationship between operating grants and contributions and DHHS expenses bears watching in coming years to see if the spike in 2005-06 expenses moderates in relation to grant income or if these programs have become far more expensive in absolute terms.

Fees, fines and charges for services increased by \$425,874, sales tax increased by \$98,942, property taxes increased by \$2,187,349 and interest income increased by \$711,715. Property tax revenue was buoyed by continued appreciation in real estate values during 2005-06. It is expected that the real estate market will cool somewhat during 2006-07, which should moderate growth in property tax revenues. Other taxes and other revenues also increased by a combined \$6.1 million.

Business-type activities. Charges for services at the Airport increased during FY 05-06 by \$418,296 as traffic through the Airport has been steadily increasing. Airport expenditures increased by \$251,036, slightly more than nine percent. The Airport received \$51,275 in interest and investment earnings, which is an increase of \$9,094 or twenty-one percent. The Airport received a transfer of \$811,902 from the General Fund during the fiscal year.

Analysis of net assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County of Humboldt's assets exceeded its liabilities by \$413,206,593 at June 30, 2006. The largest portion of the County's net assets, \$350,303,754 (85 percent), reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less related outstanding 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 its 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.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

Net Assets
June 30, 2006

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current and other assets	\$89,994,508	\$78,161,877	\$1,713,350	\$1,501,670	\$91,707,858	\$79,663,547
Capital assets	362,931,535	90,655,109	10,441,500	10,341,069	373,373,035	100,996,178
Total assets	<u>452,926,043</u>	<u>168,816,986</u>	<u>12,154,850</u>	<u>11,842,739</u>	<u>465,080,893</u>	<u>180,659,725</u>
Liabilities:						
Long-term liabilities	30,126,896	30,034,991	54,678	154,848	30,181,574	30,189,839
Other liabilities	21,557,741	17,292,850	134,985	61,985	21,692,726	17,354,835
Total liabilities	<u>51,684,637</u>	<u>47,327,841</u>	<u>189,663</u>	<u>216,833</u>	<u>51,874,300</u>	<u>47,544,674</u>
Net assets:						
Invested in capital assets						
net of related debt	339,879,383	67,008,723	10,424,371	10,321,492	350,303,754	77,330,215
Restricted	51,516,565	44,290,268	-	-	51,516,565	44,290,268
Unrestricted	9,845,458	10,190,154	1,540,816	1,304,414	11,386,274	11,494,568
Total net assets	<u>\$401,241,406</u>	<u>\$121,489,145</u>	<u>\$11,965,187</u>	<u>\$11,625,906</u>	<u>\$413,206,593</u>	<u>\$133,115,051</u>

The restricted portion of the County's net asset balance (\$51,516,565) is the sum of three different categories of restrictions. The first is \$1,818,302 held by a fiscal agent for debt service on the 2005 COP (discussed in the long-term debt section of this analysis). The second component is \$19,917,095 held in the Headwaters Fund for future economic development. The third component is \$29,781,168 held in special revenue funds.

The restrictions upon the \$19,917,095 Headwaters fund component of net assets are far more stringent than the restrictions applicable to the other components of restricted net assets. Legal barriers restricting the use of these funds were erected by design shortly after the money was received, so that they would never be used for general governmental expenditures. A legal charter committing these monies for future economic development projects was approved and a separate board has been set up to direct the use of these funds. The purpose, structure and activities of the Headwaters fund can only be changed by a majority vote of the citizens of Humboldt County as expressed in an open election. Other less significant features of the fund can be changed by a four-fifths majority vote of the Humboldt County Board of Supervisors.

The Airport's net assets increased by \$339,281 due primarily to the \$811,902 operating transfer from the General Fund, without which that net asset balance would have declined by nearly half a million dollars. The Airport's operating loss was \$472,621 as compared with a loss of \$653,937 the prior year.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

ANALYSIS OF THE COUNTY'S FUNDS

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

Government funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, debt service funds and capital project funds.

As of June 30, 2006, the County's governmental funds reported combined ending fund balances of \$62,445,690. This is an increase of \$5,580,654 from the previous year. The unreserved amount of \$29,453,745 in the general fund is available for spending at the County's discretion. Another \$10,929,125 is unreserved in special revenue and debt service funds and available for the various purposes of those funds.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to pay debt service (\$1,818,302); (2) to recognize legal restrictions on the Headwaters economic development fund (\$17,931,078) and amounts loaned and receivable by the Headwaters fund (\$1,986,017); and (3) to recognize other reserved balances such as inventories (\$15,075), prepaid expenses (\$292,803) and imprest cash (\$19,545).

Revenues for governmental funds overall totaled \$211,255,519 in the fiscal year ended June 30, 2006. This represents an increase of \$14,847,732 or 7.5 percent from the prior year. Expenditures for governmental funds totaled \$204,514,535, an increase of \$19,920,197 or 10.8 percent over the prior year. As was the case in the analysis of the government-wide statements, public assistance and health/sanitation expenditures increased more than any other category of expenditure during the fiscal year, which is most likely due to an increase in program activities and services provided. Most of the other categories of expenditures experienced modest decreases in spending over the prior year.

These revenue and expense figures are somewhat different than what is reported in the analysis of the government-wide statements because the two sets of financial statements are prepared using different bases of accounting and due to a differing scope of view over the financial operations of the County. The general relationships between the numbers on each statement are very similar though, as on both sets of financial statements the public assistance and health/sanitation expenditures grew significantly in relationship to the prior year. In the fiscal year ended June 30, 2006, revenues for government funds exceeded expenditures by \$5,580,654.

The general fund is the chief operating fund of the County. At the end of the 2005-06 fiscal year, the unreserved fund balance of the general fund was \$29,453,745, while total fund balance was \$29,763,453. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents about seventeen percent of total general fund expenditures of about \$177 million. The total general fund balance is also about seventeen percent in comparison to general fund expenditures. The

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

prior year percentage was about fourteen percent so one could conclude that this measure of liquidity has continued to improve during the fiscal year ended June 30, 2006.

The County's general fund balance increased by almost seven million dollars during the fiscal year, indicating a continued positive trend in the organization's fiscal health. This increase is partially due to growth in asset balances, especially cash and investments (an increase of \$13,763,274), combined with a modest increase in liabilities. Cash generally increases when current liability balances grow. Accounts payable increased by almost \$4 million and \$1.8 million of additional deferred revenues were recognized. Almost one million dollars in amounts due to other funds was added during the year. These changes in current assets and liabilities are a positive trend but could be partially due to the timing of the accounting cycle. The overall increase of general fund balance by seven million dollars is a more important positive indicator of continued fiscal stability.

Proprietary funds

The County's proprietary fund statements provide the same type of information found in the government-wide financial statements. Because these proprietary funds are operated more like commercial enterprises than governmental entities they use the full-accrual basis of accounting that is employed in the government-wide financial statements.

The total change in net assets for the enterprise and internal service funds was an increase of \$1,857,212. These funds normally receive annual contributions from the County general fund in order to maintain operations and a transfer of \$811,902 was made from the general fund to the Airport during the 2005-06 fiscal year. A total of \$348,428 in operating transfers was made to the internal service funds during the year. Factors concerning the financial operations of these funds have been addressed previously in the discussion of the County's business-type activities.

General fund budgetary highlights

The County's final budget of the general fund differs from the original budget in that it contains supplemental appropriations approved during the fiscal year. Spending appropriations were increased during the year, as well as projections for revenue to be received. The actual results of the year's operations were that both revenues and expenditures were substantially lower than final budget projections. Some observations on the budget are as follows:

- Actual revenues fell short of the final budget by \$21,676,197. Actual expenditures were \$30,461,029 less than the final budget. The overall final budget to actual results had a favorable variance of \$8,784,832.
- Five of the seven categories of revenues fell short of both the original and final budgets when compared to actual results. Of these, three had significant shortfalls: aid from other governments (\$14,600,849 less than final budget); charges for services (\$5,016,689 less than final budget); and miscellaneous revenue (\$5,711,743 less than final budget). These same three categories were similarly overestimated in the previous year also.
- The original budget projected a reduction to general fund balance of \$5,189,955 over the fiscal year. The final budget projected a reduction to fund balance of \$5,211,042. The actual result of the year's operations on a budgetary basis was an increase of the general fund balance of \$3,573,790.

Capital assets and debt administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounted to \$373,373,035 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, construction in progress, buildings and improvements, and equipment. This is an increase of \$272,376,857 over the previous year, which is largely due to the recognition of infrastructure assets as required by Governmental Accounting Standards Board Statement 34. This is a significant advance in bringing the County's financial statements into compliance with generally accepted accounting principles.

**COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)**

**County's Capital Assets
(net of depreciation)**

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land & Easements	\$3,923,681	\$3,923,681	\$1,976,177	\$1,976,177	\$5,899,858	\$5,899,858
Construction in Progress	348,986	348,986	584,687	413,718	933,673	762,704
Infrastructure	302,412,087	23,801,800	0	0	302,412,087	23,801,800
Structures & Improvements	51,581,267	57,613,795	7,491,683	7,488,582	59,072,950	65,102,377
Equipment	4,665,514	4,966,847	388,953	462,592	5,054,467	5,429,439
Total	<u>\$362,931,535</u>	<u>\$90,655,109</u>	<u>\$10,441,500</u>	<u>\$10,341,069</u>	<u>\$373,373,035</u>	<u>\$100,996,178</u>

The schedule above shows the County's capital assets as reported on the government-wide financial statements using a full-accrual basis of accounting. The governmental fund financial statements do not present capital assets on the balance sheet since they are not current financial assets, and only the current-year capital asset activity is presented as expenditures on the statement of revenues, expenditures and changes in fund balances.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. The County has elected to depreciate infrastructure as it would any other long-lived fixed asset for the purposes of financial reporting.

Additional information on the County's capital assets can be found in Note 8 on pages 42-43 of this report.

Long-term debt. At June 30, 2006, the County had total long-term debt outstanding of \$40,739,029 compared to \$41,191,581 at the end of the previous fiscal year. This amount was comprised of \$15,800,000 of certificates of participation, \$47,053 of bond premium that will be amortized over the life of the COP, \$17,129 of notes payable, 7,205,099 of capital lease obligations, \$16,194,389 of accrued compensated absences and an accrued liability of \$1,475,359 for unpaid claims. Long-term debt decreased by a total of \$452,552 during the fiscal year ended June 30, 2006 as detailed at the beginning of this report. No new debt was issued during the year and existing debt was reduced through regular debt service.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

Long-term debt at June 30, 2006 is summarized as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
Governmental Activities:					
Certificates of Participation	\$ 16,490,000	\$ -	\$ (690,000)	\$ 15,800,000	\$ 605,000
Unamortized COP premium	49,425	-	(2,372)	47,053	2,372
Accrued compensated absences	15,098,100	8,747,592	(7,762,650)	16,083,042	7,954,875
Capitalized lease obligations	7,106,961	393,362	(295,224)	7,205,099	446,051
Liability for unpaid claims	<u>2,253,850</u>	<u>779,211</u>	<u>(1,557,702)</u>	<u>1,475,359</u>	<u>1,475,359</u>
Total Governmental Activities					
Long-term liabilities	<u>\$ 40,998,336</u>	<u>\$ 9,920,165</u>	<u>\$ (10,307,948)</u>	<u>\$ 40,610,553</u>	<u>\$ 10,483,657</u>
Business-type Activities					
Notes payable	\$ 19,576	\$ -	\$ (2,447)	\$ 17,129	\$ 2,447
Accrued compensated absences	<u>173,669</u>	<u>-</u>	<u>(62,322)</u>	<u>111,347</u>	<u>71,351</u>
Total Business-type Activities					
Long-term liabilities	<u>\$ 193,245</u>	<u>\$ -</u>	<u>\$ (64,769)</u>	<u>\$ 128,476</u>	<u>\$ 73,798</u>

Additional information on the County's long-term debt can be found in Note 9 on pages 45-46 of this report.

Economic Factors and Next Year's Budget and Rates

- The State of California has been barred from making future raids on local government revenues by the passage of Proposition 1-A in November, 2004. The "ERAF III" shift of property tax revenues is no longer in effect for FY 2006-07, which will reduce the recent financial strain upon local agencies.
- The latest federal budget is proposing to make deep cuts in various health and human services programs that will ultimately cause program shortfalls at the State and local levels. While the levels of service provided to the public by counties are largely mandated by law, these cuts at the federal level could dry up the funding for these programs and lead to unreimbursed expenditures and budget deficits for states and local governments.
- Employment in the manufacturing sector, particularly the timber industry, has been gradually declining for several years. Conversely, employment in the government, education and services sectors has been gradually increasing. The net effect is a slow growth in overall employment in the County. Unemployment in Humboldt County, while decreasing over time, is still consistently higher than in the State of California as a whole.
- Growth in the local real estate market is slowing, which should lead to more moderate increases in assessed valuation countywide. This should in turn lead to slower growth in property tax receipts and a reduction in supplemental and prior year tax collections.

COUNTY OF HUMBOLDT
Management's Discussion and Analysis
Required Supplementary Information (Continued)

All of these factors were considered in preparing the County's budget for FY 2006-07.

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 County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller, 825 Fifth Street, Room 126, Eureka, CA 95501.

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

**COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Statement I

Primary Government

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Current assets:			
Cash and investments	\$ 59,082,828	\$ 1,501,607	\$ 60,584,435
Restricted assets:			
Cash with fiscal agent	1,818,302	-	1,818,302
Department cash funds	19,545	400	19,945
Receivables, net:			
Taxes	1,778,622	-	1,778,622
Other governmental agencies	21,120,699	45,941	21,166,640
Interest	325,149	14,553	339,702
Due from external parties	448,447	40,700	489,147
Inventory	237,031	110,149	347,180
Deposits and other assets	3,177,868	-	3,177,868
Loans receivable	1,986,017	-	1,986,017
Total current assets	<u>89,994,508</u>	<u>1,713,350</u>	<u>91,707,858</u>
Noncurrent Assets:			
Capital assets (Note 2):			
Nondepreciable	4,272,667	2,560,864	6,833,531
Depreciable, net	358,658,868	7,880,636	366,539,504
Net capital assets	<u>362,931,535</u>	<u>10,441,500</u>	<u>373,373,035</u>
Total noncurrent assets	<u>362,931,535</u>	<u>10,441,500</u>	<u>373,373,035</u>
Total assets	<u>\$ 452,926,043</u>	<u>\$ 12,154,850</u>	<u>\$ 465,080,893</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,057,553	\$ 35,302	\$ 6,092,855
Accrued salaries and benefits	3,600,860	25,885	3,626,745
Accrued interest payable	134,965	-	134,965
Other liabilities	288,389	-	288,389
Deferred revenue	992,317	-	992,317
Current portion of long term debt			
Certificates of participation	607,372	-	607,372
Notes payable	-	2,447	2,447
Capital leases	446,051	-	446,051
Compensated absences	7,954,875	71,351	8,026,226
Liability for unpaid claims	1,475,359	-	1,475,359
Total current liabilities	<u>21,557,741</u>	<u>134,985</u>	<u>21,692,726</u>
Noncurrent liabilities:			
Certificates of participation	15,239,681	-	15,239,681
Notes payable	-	14,682	14,682
Capital leases	6,759,048	-	6,759,048
Compensated absences	8,128,167	39,996	8,168,163
Total noncurrent liabilities	<u>30,126,896</u>	<u>54,678</u>	<u>30,181,574</u>
Total liabilities	<u>51,684,637</u>	<u>189,663</u>	<u>51,874,300</u>
Net Assets			
Investment in Capital Assets, net of related debt	339,879,383	10,424,371	350,303,754
Restricted for:			
Economic development	19,917,095	-	19,917,095
Capital project	-	-	-
Debt service	1,818,302	-	1,818,302
Other purposes	29,781,168	-	29,781,168
Unrestricted	9,845,458	1,540,816	11,386,274
Total Net Assets	<u>401,241,406</u>	<u>11,965,187</u>	<u>413,206,593</u>
Total Liabilities and Net Assets	<u>\$ 452,926,043</u>	<u>\$ 12,154,850</u>	<u>\$ 465,080,893</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Statement 2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)/ Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 15,864,617	\$ 4,726,447	\$ 3,890,041	\$ -	\$ (7,248,129)
Public protection	49,218,161	7,605,889	15,665,471	128,750	(25,818,051)
Public ways and facilities	25,651,107	933,455	7,758,903	3,201,944	(13,756,805)
Health and sanitation	47,277,218	11,957,594	29,861,609	184,825	(5,273,190)
Public assistance	69,526,853	2,293,674	75,774,674	626,714	9,168,209
Education	2,465,784	69,258	381,953	-	(2,014,573)
Recreation and Culture	803,098	341,680	35,590	-	(425,828)
Debt Service					
Interest	980,077	-	-	-	(980,077)
Total Governmental Activities	<u>211,786,915</u>	<u>27,927,997</u>	<u>133,368,241</u>	<u>4,142,233</u>	<u>(46,348,444)</u>
Business-Type Activities:					
Airport	2,875,039	2,245,792	-	-	(629,247)
Total Humboldt County	<u>\$ 214,661,954</u>	<u>\$ 30,173,789</u>	<u>\$ 133,368,241</u>	<u>\$ 4,142,233</u>	<u>\$ (46,977,691)</u>

CHANGES IN NET ASSETS:

	Governmental Activities	Business-Type Activities	Total
Net (Expense)/Revenue	\$ (46,348,444)	\$ (629,247)	\$ (46,977,691)
General Revenues:			
Taxes			
Property Taxes	17,023,677	-	17,023,677
Sales and Use Taxes	6,185,204	-	6,185,204
Other Taxes	16,694,361	-	16,694,361
Unrestricted interest and investment earnings	2,171,926	51,275	2,223,201
Transfers - Internal Activity	(811,902)	811,902	-
Miscellaneous	6,756,778	105,351	6,862,129
Total General Revenues and Transfers	<u>48,020,044</u>	<u>968,528</u>	<u>48,988,572</u>
Change in Net Assets	1,671,600	339,281	2,010,881
Net Assets - Beginning	<u>121,489,145</u>	<u>11,625,906</u>	<u>133,115,051</u>
Prior Period Adjustment	<u>278,080,661</u>	<u>-</u>	<u>278,080,661</u>
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	-	-	-
Net Assets - Ending	<u>\$ 401,241,406</u>	<u>\$ 11,965,187</u>	<u>\$ 413,206,593</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

Statement 3

<u>ASSETS</u>	<u>General Funds</u>	<u>Headwaters Mitigation Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 29,053,074	\$ 19,609,752	\$ 6,868,483	\$ 55,531,309
Restricted assets:				
Cash with fiscal agent	-	-	1,818,302	1,818,302
Department cash funds	18,480	-	1,065	19,545
Receivables, net:				
Taxes	1,778,622	-	-	1,778,622
Other governmental agencies	17,508,247	1,693,718	1,738,031	20,939,996
Interest	104,912	168,213	23,906	297,031
Due From Other Funds	1,751,114	1,220,574	-	2,971,688
Inventory	-	-	15,075	15,075
Loans receivable	-	1,986,017	-	1,986,017
Prepays and other assets	291,228	-	1,575	292,803
 Total Assets	 \$ <u>50,505,677</u>	 \$ <u>24,678,274</u>	 \$ <u>10,466,437</u>	 \$ <u>85,650,388</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 5,394,038	\$ 20,000	\$ 487,273	\$ 5,901,311
Accrued salaries and benefits	3,141,757	-	380,220	3,521,977
Due to other funds	965,568	-	1,557,673	2,523,241
Other Liabilities	114,055	-	-	114,055
Advances from other funds	1,652,899	-	17,308	1,670,207
Deferred Revenue	9,473,907	-	-	9,473,907
 Total Liabilities	 <u>20,742,224</u>	 <u>20,000</u>	 <u>2,442,474</u>	 <u>23,204,698</u>
 <u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	-	-	-	-
Departmental cash	18,480	-	1,065	19,545
Inventories	-	-	15,075	15,075
Prepays and other assets	291,228	-	1,575	292,803
Loans receivable	-	1,986,017	-	1,986,017
Capital projects	-	-	-	-
Debt service	-	-	1,818,302	1,818,302
Economic development	-	17,931,078	-	17,931,078
Unreserved, reported in				
General Funds	29,453,745	-	-	29,453,745
Special Revenues Fund	-	4,741,179	6,180,297	10,921,476
Debt service funds	-	-	7,649	7,649
 Total Fund Balances	 <u>29,763,453</u>	 <u>24,658,274</u>	 <u>8,023,963</u>	 <u>62,445,690</u>
 Total Liabilities and Fund Balances	 \$ <u>50,505,677</u>	 \$ <u>24,678,274</u>	 \$ <u>10,466,437</u>	 \$ <u>85,650,388</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Statement 3

Reconciliation of the Governmental Funds Balance Sheet

(Continued)

**to the Government-Wide Statement of Net Assets - Governmental Activities
JUNE 30, 2006**

Fund Balance - total governmental funds	\$ 62,445,690
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	9,473,907
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.	1,861,299
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	359,045,096
Internal service funds are used by the County to charge the cost of unemployment insurance, dental insurance, fleet services and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	6,960,868
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(134,965)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Certificates of participation	(15,800,000)
Unamortized premium	(47,053)
Notes Payable	-
Capital leases	(7,205,099)
Compensated absences	<u>(15,358,337)</u>
Net Assets of Governmental Activities	\$ <u>401,241,406</u>

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Statement 4

	<u>General Funds</u>	<u>Headwaters Mitigation Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 34,973,064	\$ -	\$ 5,012,192	\$ 39,985,256
Licenses and permits	1,498,562	-	68,666	1,567,228
Fines, forfeits and penalties	2,211,799	-	551,945	2,763,744
Revenue from use of money and property	1,154,597	745,504	271,825	2,171,926
Aid from other governments	118,022,709	-	17,560,356	135,583,065
Charges for services	22,606,269	-	990,756	23,597,025
Miscellaneous	5,058,717	-	528,558	5,587,275
Total Revenues	<u>185,525,717</u>	<u>745,504</u>	<u>24,984,298</u>	<u>211,255,519</u>
EXPENDITURES:				
Current:				
General government	12,965,016	-	-	12,965,016
Public protection	43,271,882	-	5,464,328	48,736,210
Public ways and facilities	1,519,981	-	13,243,593	14,763,574
Health and sanitation	47,034,708	-	-	47,034,708
Public assistance	69,277,748	-	-	69,277,748
Education	71,055	-	2,339,331	2,410,386
Recreation and Culture	577,528	205,677	-	783,205
Debt Service:				
Principal	99,174	-	886,055	985,229
Interest and Other Charges	140,679	-	835,280	975,959
Capital Outlay	1,690,644	-	4,891,856	6,582,500
Total Expenditures	<u>176,648,415</u>	<u>205,677</u>	<u>27,660,443</u>	<u>204,514,535</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,877,302</u>	<u>539,827</u>	<u>(2,676,145)</u>	<u>6,740,984</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	-	-
Transfers In	730,845	-	2,466,564	3,197,409
Transfers Out	(2,642,485)	(730,845)	(984,409)	(4,357,739)
Total Other Financing Sources and Uses	<u>(1,911,640)</u>	<u>(730,845)</u>	<u>1,482,155</u>	<u>(1,160,330)</u>
Net Change in Fund Balances	6,965,662	(191,018)	(1,193,990)	5,580,654
Fund Balances-Beginning	<u>22,797,791</u>	<u>24,849,292</u>	<u>9,217,953</u>	<u>56,865,036</u>
Prior Period Adjustment	-	-	-	-
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Fund Balances-Ending	<u>\$ 29,763,453</u>	<u>\$ 24,658,274</u>	<u>\$ 8,023,963</u>	<u>\$ 62,445,690</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

Statement 4
(Continued)

Reconciliation of the change in fund balances - Total Governmental Funds
to the change in net assets of governmental activities:

Net change in fund balances - Total Governmental Funds \$ 5,580,654

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	6,582,500	
Less: current year depreciation	<u>(13,852,809)</u>	(7,270,309)

Governmental fund revenues deferred at year end due to unavailability, and therefore, deferred under the modified accrual method of accounting, were recognized as revenue on the full accrual method of accounting.		1,845,395
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Long-term debt proceeds provide current resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

Capital lease proceeds	-	
Principal payment on certificates of participation and capital leases	<u>985,229</u>	985,229

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Change in accrued interest on debt	(4,118)	
Amortization of bond issuance costs	(96,481)	
Change in compensated absences	(889,073)	
Change in amortization of debt premium	<u>2,372</u>	(987,300)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		<u>1,517,931</u>
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Change in Net Assets of Governmental Activities	\$ <u>1,671,600</u>
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COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

Statement 5

	Business-Type	
	Activities - Enterprise Funds	Governmental Activities
	Aviation	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,501,607	\$ 3,551,519
Departmental cash funds	400	-
Accounts Receivable:		
Other governmental agencies	45,941	180,703
Interest	14,553	28,118
Due from other funds	40,700	-
Inventory	110,149	221,956
Deposits and other assets	-	1,023,766
Total Current Assets	<u>1,713,350</u>	<u>5,006,062</u>
Noncurrent Assets:		
Advances to other funds	-	1,670,207
Capital Assets:		
Nondepreciable:		
Land	1,976,177	-
Construction in progress	584,687	-
Depreciable:		
Structures and improvements	18,984,202	259,377
Equipment	1,182,131	14,971,446
Accumulated depreciation	<u>(12,285,697)</u>	<u>(11,344,384)</u>
Net Property, Plant and Equipment	<u>10,441,500</u>	<u>3,886,439</u>
Total Noncurrent Assets	<u>10,441,500</u>	<u>5,556,646</u>
Total Assets	<u>\$ 12,154,850</u>	<u>\$ 10,562,708</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 35,302	\$ 156,242
Accrued salaries and benefits	25,885	78,883
Accrued interest payable	-	-
Due to other funds	-	-
Provision for estimated claims	-	1,475,359
Other liabilities	-	174,334
Deferred revenue	-	992,317
Current portion of notes payable	2,447	-
Current portion of liability for compensated absences	71,351	181,000
Total Current Liabilities	<u>134,985</u>	<u>3,058,135</u>
Noncurrent Liabilities:		
Notes payable	14,682	-
Liability for compensated absences	39,996	543,705
Total Noncurrent Liabilities	<u>54,678</u>	<u>543,705</u>
Total Liabilities	<u>189,663</u>	<u>3,601,840</u>
Net Assets		
Investment in Capital Assets, net of related debt	10,424,371	3,886,439
Unrestricted	1,540,816	3,074,429
Total Net Assets	<u>11,965,187</u>	<u>6,960,868</u>
Total liabilities and net assets	<u>\$ 12,154,850</u>	<u>\$ 10,562,708</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

Statement 6

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Aviation</u>	<u>Internal Service Funds</u>
OPERATING REVENUES:		
Charges for Services	\$ 2,245,792	\$ 26,263,619
Other revenue	105,351	339,258
Total Operating Revenues	<u>2,351,143</u>	<u>26,602,877</u>
OPERATING EXPENSES:		
Salaries and Benefits	791,461	1,994,591
Services and supplies	1,362,573	3,355,471
Claims expense	-	19,318,172
Depreciation	719,816	804,528
Other Expenses	-	4,749
Total operating expenses	<u>2,873,850</u>	<u>25,477,511</u>
Net Operating Income	<u>(522,707)</u>	<u>1,125,366</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	51,275	112,249
Interest expense	(1,189)	(69,610)
Sale of capital assets	-	1,498
Total Nonoperating Revenue (expense)	<u>50,086</u>	<u>44,137</u>
Net Income Before Contributions and Transfers	<u>(472,621)</u>	<u>1,169,503</u>
Capital Contributions	-	-
Operating transfers in (out)	<u>811,902</u>	<u>348,428</u>
Net income	<u>339,281</u>	<u>1,517,931</u>
Net Assets-Beginning of Year - As previously stated	11,625,906	6,079,021
Prior period adjustment	-	(636,084)
Net Assets-Beginning of Year - As restated	<u>11,625,906</u>	<u>5,442,937</u>
Residual Equity Transfers In	-	-
Residual Equity Transfers Out	-	-
Net Assets-End of Year	<u>\$ 11,965,187</u>	<u>\$ 6,960,868</u>

COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2006

Statement 7

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Aviation</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 2,305,202	\$ -
Cash receipts from internal fund services provided	-	26,674,618
Cash paid to suppliers for goods and services	(1,379,333)	(23,644,836)
Cash paid to employees for services	(849,141)	(1,994,591)
Net Cash Provided (Used) by Operating Activities	<u>76,728</u>	<u>1,035,191</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to (from) other funds	811,902	-
Net temporary loans from (to) other funds	56,089	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>867,991</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal repayment related to capital purposes	(2,448)	-
Payments related to the acquisition of capital assets	(820,247)	(1,320,625)
Net Cash Provided (Used) by Capital and related financing activities	<u>(822,695)</u>	<u>(1,320,625)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	47,683	116,047
Payments of interest	(1,189)	(69,610)
Net Cash Provided by Investing Activities	<u>46,494</u>	<u>46,437</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>168,518</u>	<u>(238,997)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,385,579</u>	<u>2,907,658</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,554,097</u>	<u>\$ 2,668,661</u>

See accompanying notes to the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2006

Statement 7
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Aviation</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Income (Loss)	\$ (522,707)	\$ 1,125,366
Adjustments to Reconcile Net Income to Net Cash From (Used For) Operating Activities:		
Depreciation	719,816	804,528
Decrease (Increase) in Accounts Receivable	(45,941)	-
Decrease (Increase) in Inventory	(49,718)	3,100
Decrease (Increase) in Prepaid Assets	-	(53,201)
Decrease (Increase) in Other Assets	-	-
Increase (Decrease) in Accounts Payable	32,958	(134,603)
Increase (Decrease) in Accrued Salaries and Benefits	4,642	25,049
Increase (Decrease) in Due From Other Governmental Entities	-	(13,716)
Increase (Decrease) in Estimated Insurance Payable	-	(778,491)
Increase (Decrease) in Deferred Revenue	-	85,457
Increase (Decrease) in Other Liabilities	-	(124,168)
Increase (Decrease) in Compensated Absences	(62,322)	95,870
Net Cash From (Used For) Operating Activities	<u>\$ 76,728</u>	<u>\$ 1,035,191</u>

COUNTY OF HUMBOLDT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

Statement 8

	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Investments	\$ 115,370,881	\$ 29,802,166	\$ 145,173,047
Imprest cash	-	750	750
Departmental receivables	875,253	30,453	905,706
Taxes receivable	-	5,283,660	5,283,660
Due from other funds	10,005	-	10,005
Prepaid expenses and other assets	-	1,000	1,000
Total Assets	<u>\$ 116,256,139</u>	<u>\$ 35,118,029</u>	<u>\$ 151,374,168</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 425,345	\$ 251,449	\$ 676,794
Due to other funds	4,177	494,975	499,152
Agency funds held for others	-	34,371,605	34,371,605
Total Liabilities	<u>429,522</u>	<u>35,118,029</u>	<u>35,547,551</u>
<u>Net Assets</u>			
Net assets held in trust for investment pool participants	<u>115,826,617</u>	<u>-</u>	<u>115,826,617</u>
Total Net Assets	<u>115,826,617</u>	<u>-</u>	<u>115,826,617</u>
Total Liabilities and Net Assets	<u>\$ 116,256,139</u>	<u>\$ 35,118,029</u>	<u>\$ 151,374,168</u>

COUNTY OF HUMBOLDT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

Statement 9

	<u>Investment Trust</u>
<u>Additions:</u>	
Interest Income	\$ 4,139,289
Contributions to investment pool	<u>298,859,535</u>
Total Additions	<u>302,998,824</u>
<u>Deductions:</u>	
Distributions from investment pool	<u>309,227,431</u>
Total Deductions	<u>309,227,431</u>
Changes in Net Assets	<u>(6,228,607)</u>
Net Assets-Beginning of the Year	<u>122,055,224</u>
Net Assets-End of the Year	\$ <u>115,826,617</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provided in the Financial Statements 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 express 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 Basic Financial Statements

June 30, 2006

NOTE 1: DESCRIPTION OF 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 Unit

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

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 1: DESCRIPTION OF REPORTING ENTITY (continued)

Blended Component Unit(continued)

period. The County has assumed a "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 as Trustees. The Corporation has deposited with the Trustee the proceeds from the sales of Certificates of Participation which were used to finance various projects. The bond retirement costs have been factored into the County's lease payment amounts. The Corporation's financial activity is presented in the financial statements as the Debt Service Fund. Certificates of Participation issued by the Corporation are included in the Statement of Net Assets - Governmental Activities column. Capital Assets acquired or constructed by the Corporation are included in the Statement of Net Assets - Governmental Activities column.

The County has 14 special districts referred to as Special Districts Under the Board of Supervisors. Each is established for the purpose of providing specific services in a defined geographic area. Their board members are the same as the County Board of Supervisors. These agencies are reported in the Special Districts Under the Board of Supervisors special revenue fund. These districts are as follows: Fortuna Fire Protection District, Loleta Fire Protection District, Whitethorn Fire Protection District, Garberville Lighting District, Hydesville Lighting District, Loleta Lighting District, Rohnerville Lighting District, Weott Maintenance and Lighting District, Redcrest Lighting District, Myers Flat Lighting District, Pacific Manor Street Maintenance and Lighting District, Humboldt County Flood Control District - Subzone 1-1, Janes Creek Drainage District, and Reclamation District Number 768.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

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

Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

- 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 County reports the following major enterprise fund:

- The *Humboldt County Airport* 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 provided 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, agency and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

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

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

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

D. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

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

F. Inventories

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

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

G. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed 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, 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.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

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. The retroactive reporting of infrastructure was subject to an extended implementation period and is first effective for the fiscal years ending June 30, 2006. The County elected to implement the general provisions of GASB No. 34 in the year ended June 30, 2002, and has implemented the retroactive infrastructure provisions in the fiscal year ending June 30, 2006.

H. Compensated Absences

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

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

I. Interfund Transactions

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

COUNTY OF HUMBOLDT
 Notes to the Basic Financial Statements
 June 30, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Transactions (continued)

are when one fund incurs a cost, charges the appropriate benefitting 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.

J. Estimates

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

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2006 consisted of the following:

Treasury cash on hand and in banks (deposits)	\$ 7,311,852
Investments (detailed below)	210,122,664
Less: outstanding warrants	(11,627,887)
Less: pending items	<u>(49,147)</u>
Total Cash and Investments	<u>\$ 205,757,482</u>

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

Primary Government:	
Governmental activities	\$ 59,082,828
Business-type activities	1,501,607
Investment trust fund	115,370,881
Agency funds	<u>29,802,166</u>
Totals	<u>\$ 205,757,482</u>

NOTE 3: CASH AND INVESTMENTS (continued)

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of maximizing investment earnings. As permitted by the Government Code, depositing entities may direct the County Treasurer to make specific investments separate from the pool. At June 30, 2006, there were no such investments. Interest earnings are distributed to all participating funds based on their average daily balance within the pool.

The County Treasurer's pool is an external investment pool, managed and directed by the County Treasurer and is not registered with the Securities and Exchange Commission. A Treasury Oversight Committee provides oversight to the management of the pool. Pooled investments are carried at cost or amortized cost. In accordance with Government Accounting Standards Board Statement Number 31, the County calculated the fair value of all investments included in the pooled investments based upon quoted market prices. County management deemed that the difference between book value and fair value was immaterial in relation to each investment account included in the pool. Based on this determination the unrealized decrease in fair value of the investments was not recognized and is not included in the balances reported in the financial statements.

A. Deposits

Deposits were as follows:

Bank deposits	\$ 7,309,452
Cash on hand	<u>2,400</u>
Total Deposits	\$ <u>7,311,852</u>

At June 30, 2006, the carrying amount of the County's cash deposits (checking account) was \$7,311,852 and the bank balance was \$6,999,615. The difference between the carrying amount and the bank balance is due to deposits in transit, warrants outstanding and other reconciling items.

Of the deposit balance, \$100,000 was covered by federal depository insurance, the remaining \$6,899,615 was collateralized according to State statutes. The California Government Code requires California banks and savings and loan associations to secure local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of an agency's deposits. California's law also allows financial institutions to secure an agency's deposit by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by federal deposit insurance.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 3: CASH AND INVESTMENTS (continued)

B. Investments

State statutes authorize the County to invest in obligations of the U.S. Treasury, obligations of the State of California and any local agency within the State, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase and reverse repurchase agreements, and negotiable certificates of deposit issued by national and State licensed or chartered banks or federal or state savings and loan associations.

The County's pro-rata share of investment in the State Treasurer's Local Agency Investment Fund (LAIF) at June 30, 2006 was \$2,133,876. The total amount invested by all public agencies in the State's pooled money investment account was \$63 billion. Of that \$63 billion managed by the State Treasurer, 100% was invested in non-derivative financial products. However, 2.567% was invested in structured notes and assets - backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's portion of the pool.

Credit Risk, Carrying Amount, and Fair Value of Investments

Investments of the County are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by three categories as follows:

Category 1 - includes investments that are insured or registered, or for which securities are held by the County or its agent in the County's name.

Category 2 - includes uninsured and unregistered investments for which the securities are held by the counterparty trust department or agent in the County's name. The County held no Category 2 investments at June 30, 2006.

Category 3 - includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. The County held no Category 3 investments at June 30, 2006.

COUNTY OF HUMBOLDT
Notes to the Basic Financial Statements
June 30, 2006

NOTE 3: CASH AND INVESTMENTS (continued)

B. Investments (continued)

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>
Category 1 Investments:					
Fixed Income	\$ 189,943,991	187,133,995	\$ 190,025,000	2.31-12.00%	7/27/06-4/15/17
Short term	<u>4,829,126</u>	<u>4,821,563</u>	<u>5,000,000</u>	4.52-4.64%	8/22/06-11/1/06
	194,773,117	191,955,558	195,025,000		
Noncategorized:					
California Asset Management Program JPA	13,215,671	13,215,671	13,215,671		
Local Agency Investment Fund	<u>2,133,876</u>	<u>2,133,876</u>	<u>2,133,876</u>		
	<u>\$ 210,122,664</u>	<u>\$ 207,305,105</u>	<u>\$ 210,374,547</u>		

The following are condensed statements of net assets and changes in net assets, for the County's investment pool as of June 30, 2006 and for the year then ended:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 205,757,482</u>
Equity of internal pool participants	\$ 90,386,601
Equity of external pool participants	<u>115,370,881</u>
Total Equity	<u>\$ 205,757,482</u>

Statement of Changes in Net Assets

Net assets at July 1, 2005	\$ 203,025,608
Investment income	9,216,916
Investment costs	-
Net withdrawals by pool participants	<u>(6,485,042)</u>
Net assets at June 30, 2006	<u>\$ 205,757,482</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 4: 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 values 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 prior years' delinquent secured property taxes, penalties and interest (not including assessments and debt replacement levies) outstanding at June 30, 1993.

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

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

COUNTY OF HUMBOLDT
 Notes to the Basic Financial Statements
 June 30, 2006

NOTE 5: DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received; but not yet earned.

As of June 30, 2006, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Activities:		
General Fund:		
Various grants and charges	\$ 7,695,285	\$ -
Property taxes	1,778,622	-
Internal Service Funds:		
Insurance premiums	<u>-</u>	<u>992,317</u>
Total Governmental Activities	\$ <u>9,473,907</u>	\$ <u>992,317</u>

NOTE 6: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2006 are as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 1,652,899
	Nonmajor Governmental Funds	<u>17,308</u>
		\$ <u>1,670,207</u>

Vehicle License Revenue was reduced by the State during FY 03/04. Motor Pool advanced funds to the General Fund and Library Fund to cover the revenue shortfall.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 6: INTERFUND TRANSACTIONS (continued)

Interfund Receivables/Payables (continued)

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:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Funds	Agency Funds	\$ 239,969
	Investment Trust Funds	4,177
	Nonmajor Governmental Funds	<u>1,506,968</u>
		<u>1,751,114</u>
Headwaters Mitigation Funds	General Fund	965,568
	Agency Funds	<u>255,006</u>
		<u>1,220,574</u>
Enterprise Fund - Aviation	Nonmajor Governmental Funds	<u>40,700</u>
Investment Trust Funds	Nonmajor Governmental Funds	<u>10,005</u>
		<u>\$ 3,022,393</u>

Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Funds	Nonmajor Governmental Funds	\$ 1,186,057	Transfer funds for Debt service payments.
General Fund	Nonmajor Governmental Funds	208,000	Transfer funds for Library operating subsidy.
General Fund	Nonmajor Governmental Funds	900,000	Transfer reserve funds for operations.
General Fund	Internal Service Funds	348,428	Transfer funds for Asset Acquisitions.
Headwaters Fund	General Fund	730,845	Timber yield tax loss, charges for services.
Nonmajor Governmental Funds	Nonmajor Government Funds	172,507	Transfer funds for debt service payments
Nonmajor Governmental Funds	Enterprise Funds	<u>811,902</u>	Transfer of asset addition
		<u>\$ 4,357,739</u>	

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,923,681	\$ -	\$ -	\$ -	\$ 3,923,681
Construction in progress	348,986	-	-	-	348,986
Total capital assets, not being depreciated	<u>4,272,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,272,667</u>
Capital assets, being depreciated:					
Infrastructure	27,165,240	6,666,958	(149,476)	520,430,072	554,112,794
Structures and improvements	86,691,619	-	-	(6,106,521)	80,585,098
Equipment	19,796,533	1,550,059	(1,642,461)	(1,148,870)	18,555,261
Total capital assets, being depreciated	<u>133,653,392</u>	<u>8,217,017</u>	<u>(1,791,937)</u>	<u>513,174,681</u>	<u>653,253,153</u>
Less accumulated depreciation for:					
Infrastructure	(3,363,440)	(11,103,264)	149,476	(237,383,479)	(251,700,707)
Structures and improvements	(29,077,824)	(2,074,956)	-	2,148,949	(29,003,831)
Equipment	(14,829,686)	(1,479,116)	1,642,461	776,594	(13,889,747)
Total accumulated depreciation	<u>(47,270,950)</u>	<u>(14,657,336)</u>	<u>1,791,937</u>	<u>(234,457,936)</u>	<u>(294,594,285)</u>
Total capital assets, being depreciated, net	<u>86,382,442</u>	<u>(6,440,319)</u>	<u>-</u>	<u>278,716,745</u>	<u>358,658,868</u>
Government activities capital assets, net	<u>\$ 90,655,109</u>	<u>\$ (6,440,319)</u>	<u>\$ -</u>	<u>\$ 278,716,745</u>	<u>\$ 362,931,535</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ -	\$ -	\$ -	\$ 1,976,177
Construction in progress	413,718	811,902	-	(640,933)	584,687
Total capital assets, not being depreciated	<u>2,389,895</u>	<u>811,902</u>	<u>-</u>	<u>(640,933)</u>	<u>2,560,864</u>
Capital assets, being depreciated:					
Structures and improvements	18,334,924	8,345	-	640,933	18,984,202
Equipment	1,182,131	-	-	-	1,182,131
Total capital assets, being depreciated	<u>19,517,055</u>	<u>8,345</u>	<u>-</u>	<u>640,933</u>	<u>20,166,333</u>
Less accumulated depreciation for:					
Structures and improvements	(10,846,342)	(646,177)	-	-	(11,492,519)
Equipment	(719,539)	(73,639)	-	-	(793,178)
Total accumulated depreciation	<u>(11,565,881)</u>	<u>(719,816)</u>	<u>-</u>	<u>-</u>	<u>(12,285,697)</u>
Total capital assets, being depreciated, net	<u>7,951,174</u>	<u>(711,471)</u>	<u>-</u>	<u>640,933</u>	<u>7,880,636</u>
Business-type activities capital assets, net	<u>\$ 10,341,069</u>	<u>\$ 100,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,441,500</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 7: CAPITAL ASSETS (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,564,552
Public protection	148,620
Public ways	10,743,549
Health and sanitation	90,440
Public assistance	79,061
Education	28,191
Recreation	<u>2,924</u>
Total Depreciation Expense - Governmental Functions	\$ <u>14,657,337</u>

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

Airport	\$ <u>719,816</u>
Total Depreciation Expense - Business-Type Functions	\$ <u>719,816</u>

NOTE 8: LEASE COMMITMENTS

Operating Leases

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

At June 30, 2006, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u>
2007	\$ 1,994,931	\$ 370,645	\$ 2,365,576
2008	1,428,952	370,645	1,799,597
2009	839,579	365,075	1,204,654
2010	655,288	365,075	1,020,363
2011	605,344	182,537	787,881
2012-2016	<u>1,335,858</u>	<u>-</u>	<u>1,335,858</u>
	<u>\$ 6,859,952</u>	<u>\$ 1,653,977</u>	<u>\$ 8,513,929</u>

Rent expenditures were \$2,600,662 for the year ended June 30, 2006.

COUNTY OF HUMBOLDT
Notes to the Basic Financial Statements
June 30, 2006

NOTE 8: LEASE COMMITMENTS (continued)

Capital Leases

The County has entered into various lease agreements as lessee to finance the acquisition of certain buildings and remodeling, data processing equipment and various other types of equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a summary of equipment leased under capital lease agreements by the County as of June 30, 2006:

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2006</u>
Governmental Activities:		
Biological laboratory	4.98%	\$ 352,606
Computer equipment	5.99%	97,716
Animal shelter	2 - 4.4%	3,696,800
Building remodel	5.10%	<u>3,057,977</u>
Total		<u>\$ 7,205,099</u>

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

Biological laboratory	\$ 393,362
Computer equipment	184,379
Animal shelter	3,752,300
Building remodel	3,619,628
Less: accumulated amortization	<u>(744,570)</u>
Total	<u>\$ 7,205,099</u>

As of June 30, 2006, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30,</u>	
2007	\$ 719,386
2008	740,922
2009	730,137
2010	702,430
2011	625,308
2012-2016	3,182,235
2017-2021	2,091,737
2022-2024	<u>1,000,159</u>
Total Future Minimum Lease Payments	9,792,314
Less: Interest (1)	<u>(2,587,215)</u>
Present Value of Minimum Lease Payments	<u>\$ 7,205,099</u>

(1) Interest on animal shelter lease is estimated. Interest will be computed daily at a variable rate in accordance with the contract.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 9: LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions/ Deletions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Participation	\$ 16,490,000	\$ -	\$ (690,000)	\$ 15,800,000	\$ 605,000
Unamortized premium	49,425	-	(2,372)	47,053	2,372
Accrued compensated absences	15,098,100	8,747,592	(7,762,650)	16,083,042	7,954,875
Capital lease obligations	7,106,961	393,362	(295,224)	7,205,099	446,051
Liability for unpaid claims	<u>2,253,850</u>	<u>779,211</u>	<u>(1,557,702)</u>	<u>1,475,359</u>	<u>1,475,359</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 40,998,336</u>	<u>\$ 9,920,165</u>	<u>\$ (10,307,948)</u>	<u>\$ 40,610,553</u>	<u>\$ 10,483,657</u>
Business-Type Activities:					
Notes payable	\$ 19,576	\$ -	\$ (2,447)	\$ 17,129	\$ 2,447
Accrued compensated absences	<u>173,669</u>	<u>-</u>	<u>(62,322)</u>	<u>111,347</u>	<u>71,351</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 193,245</u>	<u>\$ -</u>	<u>\$ (64,769)</u>	<u>\$ 128,476</u>	<u>\$ 73,798</u>

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 605,000	\$ 635,659
2008	620,000	620,534
2009	635,000	605,034
2010	655,000	586,619
2011	675,000	565,659
2012-2016	3,760,000	2,439,834
2017-2021	4,590,000	1,607,799
2021-2025	<u>4,260,000</u>	<u>516,217</u>
Total Liability at June 30, 2006	<u>\$ 15,800,000</u>	<u>\$ 7,577,355</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 9: LONG-TERM DEBT (Continued)

As of June 30, 2006, annual debt service requirements of business-type activities to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,447	\$ 1,189
2008	2,447	1,019
2009	2,447	850
2010	2,447	680
2011	2,447	510
2012-2013	<u>4,894</u>	<u>510</u>
	<u>\$ 17,129</u>	<u>\$ 4,758</u>

Long-term liabilities at June 30, 2006, consisted of the following:

at	Interest	Annual	Original	Outstanding	
<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Rates</u>	<u>Installments</u>	<u>Amount</u>	<u>June 30, 2006</u>

Governmental Activities

Certificates of Participation

2003 issue to refund the outstanding principal of the County's COP 1994 Series A and the County's 1996 Series A (Justice Facility)

Certificate of Participation	2026	2.5%-4.7%	\$655,000-\$505,000	<u>\$ 17,815,000</u>	<u>\$ 15,800,000</u>
Total Governmental Activities				<u>\$ 17,815,000</u>	<u>\$ 15,800,000</u>

Business-Type Activities

Note Payable

1988 loan agreement with the State of California for airport improvements

Arcata Airport Loan	2013	6.94%	\$2,447	<u>\$ 61,177</u>	<u>\$ 17,129</u>
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COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 10: NET ASSETS/FUND BALANCES NET ASSETS

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

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

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

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

As of June 30, 2006, reservations of fund balance are described below:

The term "reserved" is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County's management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 10: NET ASSETS/FUND BALANCES (continued)

Fund Balances (continued)

The County has "reserved" fund balances as follows:

Reserve for Encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not yet completed as of the close of the year. Encumbrance accounting is employed as an extension of the budgetary process. This method records purchase orders, contracts and other commitments for the expenditure of funds in order to reserve that portion of the applicable appropriation. Encumbrance carryover at year end as reserved fund balances.

Reserved for Department Cash was created to represent the portion of the fund balance that is not available for expenditure because the County maintains various levels of revolving funds for daily operations.

Inventories represents the portion of assets which do not represent available spendable resources.

Reserve for Prepaids and Other Assets represents resources set aside and not available as spendable resources.

Reserve for Loans Receivable represents loans due to the County that are long-term in nature.

Reserve for Capital Projects represents resources set aside for capital projects of the County.

Reserve for Debt Service represents funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

Reserve for Economic Development represents funds dedicated to alleviating property tax losses caused by the transfer of the Headwaters Forest into public ownership, and to provide financial resources for economic development projects that will be determined in future years.

Net assets held in trust for investment pool participants represents Investment funds held for external pool participants and do not represent available spending resources.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 11: EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute 7% and 9% of their annual covered salary, respectively. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits of its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2005/2006 was 13.923% for miscellaneous employees, and 24.582% for safety plan employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For the Miscellaneous Plan for fiscal year 2005/2006, the County's annual pension cost was \$8,371,402 and the County actually contributed \$8,371,402. For the Safety Plan for fiscal year 2005/2006, the County's annual pension cost was \$2,758,477 and the County actually contributed \$2,954,477. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2005/2006 was determined as part of the June 30, 2003 actuarial valuations using the entry age normal actuarial cost method, with the contributions determined as a percent of pay. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expense) for both plans; (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for the Miscellaneous Plan (3.25% to 13.15% for the Safety Plan);

COUNTY OF HUMBOLDT
 Notes to the Basic Financial Statements
 June 30, 2006

NOTE 11: EMPLOYEES RETIREMENT SYSTEM (continued)

C. Annual Pension Cost (continued)

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 smooths 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, 2006 for the Miscellaneous Plan and the Safety Plan were 17 years and 18 years, respectively.

Three-Year Trend Information

Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 2,954,655	100.00%	\$ -
June 30, 2005	5,161,523	100.00%	-
June 30, 2006	8,371,402	100.00%	-

Safety Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 1,025,777	100.00%	\$ -
June 30, 2005	2,683,729	100.00%	-
June 30, 2006	2,758,477	100.00%	-

NOTE 12: POST RETIREMENT BENEFITS

The County pays post-retirement medical benefits for retirees who elect to continue coverage under the County's CalPERS medical insurance plan. Under CalPERS regulations, the County pays a fixed amount of the retiree's monthly premium until age 65. For the year ended June 30, 2006, this premium contribution averaged \$68.73 per month for 167 retirees at a total cost of \$137,732. In addition, those employees who were retired and entitled to additional benefits at the date the County elected participation in the CalPERS medical insurance program, January 1, 2001, receive an additional monthly premium contribution until age 65. For the year ended June 30, 2006, this contribution averaged \$98.05 per month for 12 retirees at a total cost of \$14,119.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2006

NOTE 13: 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, 2005</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at June 30, 2006</u>
Liability and auto	\$ 2,022,000	\$ (292,546)	\$ 485,945	\$ 1,243,509
Dental	95,000	914,701	914,701	95,000
Unemployment	136,850	157,056	157,056	136,850
	<u>\$ 2,253,850</u>	<u>\$ 779,211</u>	<u>\$ 1,557,702</u>	<u>\$ 1,475,359</u>

COUNTY OF HUMBOLDT
 Notes to the Basic Financial Statements
 June 30, 2006

NOTE 13: RISK MANAGEMENT (Continued)

	<u>Balance at</u> <u>June 30, 2004</u>	<u>Current</u> <u>Year Claims</u> <u>and Changes</u> <u>in Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>June 30, 2005</u>
Liability and auto	\$ 2,250,000	\$ (121,759)	\$ 106,241	\$ 2,022,000
Dental	95,000	931,133	931,133	95,000
Unemployment	<u>136,850</u>	<u>236,635</u>	<u>236,635</u>	<u>136,850</u>
	<u>\$ 2,481,850</u>	<u>\$ 1,046,009</u>	<u>\$ 1,274,009</u>	<u>\$ 2,253,850</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 September 2005. Actuarial reviews of dental and unemployment programs were last performed by Total Compensation Systems, Inc. in March 2000.

All claims are processed and administered by claims administrators as follows:

Property	Assigned by CSAC Excess Insurance Authority
Liability and Auto	County Risk Manager
Dental	Preferred Benefit Insurance Administration, Inc.
Unemployment	Talx Corporation

NOTE 14: 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, 2006:

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

Except for CSAC Excess Insurance Authority, condensed financial information of the JPAs at June 30, 2006 is not available for presentation.

COUNTY OF HUMBOLDT
Notes to the Basic Financial Statements
June 30, 2006

NOTE 14: JOINT VENTURES (continued)

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

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

Condensed financial information of CSAC Excess Insurance Authority for the year ended June 30, 2006 is as follows:

Total assets	\$ 373,915,125
Total liabilities and reserves	<u>316,159,647</u>
Total net assets	\$ <u>57,755,478</u>
Total revenues	\$ 291,887,215
Total expenses	<u>259,805,086</u>
Net increase (decrease) in net assets	32,082,129
Net assets, beginning of the year	<u>25,673,349</u>
Net assets, end of the year	\$ <u>57,755,478</u>

NOTE 15: 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, 2006, 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 Basic Financial Statements

June 30, 2006

NOTE 15: COMMITMENTS AND CONTINGENCIES (continued)

B. Legal Actions

In the opinion of County Counsel, there are potential liabilities as of June 30, 2006 which could result in monetary awards against the County if unfavorable decisions are rendered. The County does not make provisions for potential awards.

NOTE 16: DEFICIT FUND BALANCE OR NET ASSETS

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

	Accumulated Deficit
Courthouse Construction Fund B	\$ 392,752
Aviation Capital Project	2,524
County insurance	80,984
Dental	499,203
Liability	379,089
Medical insurance	2,271,407
Information technology	244,327

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

NOTE 17: PRIOR PERIOD ADJUSTMENT

In the County's continuing effort to comply with the requirements of GASB 34, certain adjustments were made to the valuations of the opening balances of Fixed Assets. The adjustments are necessary to correct fixed asset valuations at the beginning of the year based upon continuing detailed evaluations on the part of County's personnel regarding the estimated historical value of certain long-term assets. The effect of the adjustment is to increase the net assets of the County's governmental activities by \$278,716,745. In addition the County was required to repay amounts from prior years that were charged to State programs due to the States redetermination of allowable motor pool charges the effect was to reduce net assets by \$636,084.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT

Required Supplementary Information

For the Year Ended June 30, 2006

Schedule of Funding Progress

The tables 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 Plans

Miscellaneous Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2003	\$ 239,619,674	\$ 206,697,459	\$ 32,922,215	86.30%	\$ 63,489,295	51.90%
June 30, 2004	\$ 277,377,602	\$ 221,005,852	\$ 56,371,750	79.70%	\$ 60,485,900	93.20%
June 30, 2005	\$ 296,574,647	\$ 239,078,100	\$ 57,496,547	80.60%	\$ 59,209,345	97.10%

Safety Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 2003	\$ 82,373,679	\$ 70,800,967	\$ 11,572,712	86.00%	\$ 12,362,567	93.60%
June 30, 2004	\$ 86,870,170	\$ 75,050,417	\$ 11,819,753	86.40%	\$ 11,618,499	101.70%
June 30, 2005	\$ 91,706,711	\$ 81,102,309	\$ 10,604,402	88.40%	\$ 11,164,113	95.00%

**COUNTY OF HUMBOLDT
GENERAL FUND**

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Fiscal Years ended June 30, 2006

	Budgeted Amounts		June 30, 2006	Variance With
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 11,865,580	\$ 11,865,580	\$ 11,865,580	\$ -
Resources (Inflows):				
Taxes	31,473,255	31,485,255	34,973,064	3,487,809
Licenses and permits	1,565,568	1,565,568	1,498,562	(67,006)
Fines, forfeits and penalties	2,418,776	2,418,776	2,209,963	(208,813)
Revenue from use of money and property	145,800	145,800	818,079	672,279
Aid from other governments	118,524,376	120,946,928	106,346,079	(14,600,849)
Charges for services	27,110,329	27,498,476	22,481,787	(5,016,689)
Miscellaneous revenue	7,285,401	10,714,603	5,002,860	(5,711,743)
Other Financing Sources:				
Operating Transfers In	962,030	962,030	730,845	(231,185)
Amount Available for Appropriation	189,485,535	195,737,436	174,061,239	(21,676,197)
Charges to Appropriations (Outflows):				
Current:				
General government	18,642,234	20,761,061	12,758,991	8,002,070
Public protection	51,630,001	53,496,030	47,197,738	6,298,292
Public ways and facilities	1,280,147	1,280,147	968,179	311,968
Health and sanitation	51,400,600	53,046,585	45,159,391	7,887,194
Public assistance	68,124,236	68,526,022	59,482,911	9,043,111
Education	222,321	230,417	9,582	220,835
Recreation and Culture	660,714	674,479	577,528	96,951
Capital Outlay	136,459	354,959	1,690,644	(1,335,685)
Operating Transfer Out	2,578,778	2,578,778	2,642,485	(63,707)
Total Charges to Appropriations	194,675,490	200,948,478	170,487,449	30,461,029
Excess (Deficiency) of Resources Over Appropriations	(5,189,955)	(5,211,042)	3,573,790	8,784,832
Budgetary fund balance, June 30	\$ 6,675,625	\$ 6,654,538	\$ 15,439,370	\$ 8,784,832

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule 174,061,239
 Receipts from funds reclassified from County Agency Funds, Not Budgeted 12,195,323

Differences -budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. (730,845)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds 185,525,717

COUNTY OF HUMBOLDT

GENERAL FUND

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Fiscal Years ended June 30, 2006

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$	170,487,449
Disbursements from funds reclassified from County Agency Funds, not budgeted		8,803,451
Difference - budgeted to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes		(2,642,485)
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u>176,648,415</u>

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2006

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 and 29143 inclusion of the government Code and other statutory provisions, commonly known as the County Budget Act, the Count prepares and legally adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the General Fund and Special Revenue Funds.

Budgets are adopted on the modified accrual basis including encumbrances to reflect estimated revenues and expenditures. Comparison of budget to actual operating results for each funds are presented on a budgetary basis, since actual expenditure amounts include encumbrances.

Expenditures are controlled on the object level within each department, or transfers of appropriations between departments are approved by the Board of Supervisors, as are supplemental appropriations necessary and normally financed by unanticipated revenues received during the year. The board has delegated authority to the County Administrator to approve transfers of appropriations between objects within a department. Budgeted amounts are reported as amended. Individual amendments were not material in relation to original appropriations. No budget was adopted for the Headwaters Mitigation fund. All appropriations lapse at year end.

Encumbrances accounting, under which purchases orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2006

Exhibit A-1

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,868,483	\$ -	\$ 6,868,483
Restricted Assets:			
Cash with fiscal agent	-	1,818,302	1,818,302
Departmental cash funds	1,065	-	1,065
Accounts Receivable:			
Other governmental agencies	1,738,031	-	1,738,031
Interest	23,906	-	23,906
Due from other funds	-	-	-
Inventory	15,075	-	15,075
Prepaid and other assets	<u>1,575</u>	<u>-</u>	<u>1,575</u>
 Total Assets	 \$ <u>8,648,135</u>	 \$ <u>1,818,302</u>	 \$ <u>10,466,437</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 487,273	\$ -	\$ 487,273
Accrued payroll and benefits	380,220	-	380,220
Due to other funds	1,448,805	108,868	1,557,673
Advances from other funds	<u>17,308</u>	<u>-</u>	<u>17,308</u>
 Total Liabilities	 <u>2,333,606</u>	 <u>108,868</u>	 <u>2,442,474</u>
Fund Balances:			
Reserved for:			
Departmental cash	1,065	-	1,065
Inventories	15,075	-	15,075
Prepays and other assets	1,575	-	1,575
Capital projects	-	-	-
Debt service	-	1,701,785	1,701,785
Unreserved:			
Undesignated	<u>6,296,814</u>	<u>7,649</u>	<u>6,304,463</u>
 Total Fund Balances	 <u>6,314,529</u>	 <u>1,709,434</u>	 <u>8,023,963</u>
 Total Liabilities and Fund Balances	 \$ <u><u>8,648,135</u></u>	 \$ <u><u>1,818,302</u></u>	 \$ <u><u>10,466,437</u></u>

See accompanying notes to
the basic financial statements.

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Exhibit A-2

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2006

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:			
Taxes	\$ 5,012,192	\$ -	\$ 5,012,192
Licenses and permits	68,666	-	68,666
Fines, forfeitures and penalties	551,945	-	551,945
Use of money and property	168,109	103,716	271,825
Intergovernmental	17,560,356	-	17,560,356
Charges for services	990,756	-	990,756
Miscellaneous	528,558	-	528,558
Total revenues	<u>24,880,582</u>	<u>103,716</u>	<u>24,984,298</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public protection	5,464,328	-	5,464,328
Public ways and facilities	13,243,593	-	13,243,593
Education	2,339,331	-	2,339,331
Capital Outlay	4,891,856	-	4,891,856
Debt Service:	-	-	-
Principal	196,055	690,000	886,055
Interest and Other Charges	154,445	680,835	835,280
Total Expenditures	<u>26,289,608</u>	<u>1,370,835</u>	<u>27,660,443</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,409,026)</u>	<u>(1,267,119)</u>	<u>(2,676,145)</u>
Other Financing Sources (Uses):			
Transfers In	1,108,000	1,358,564	2,466,564
Transfers Out	(984,409)	-	(984,409)
Total Other Financing Sources (Uses)	<u>123,591</u>	<u>1,358,564</u>	<u>1,482,155</u>
Net Change in Fund Balances	(1,285,435)	91,445	(1,193,990)
Fund Balances-Beginning	7,599,964	1,617,989	9,217,953
Prior Period Adjustments	-	-	-
Fund Balances-Ending	<u>\$ 6,314,529</u>	<u>\$ 1,709,434</u>	<u>\$ 8,023,963</u>

See accompanying notes to
the basic financial statements.

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NONMAJOR SPECIAL REVENUE FUNDS

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Balance Sheet

June 30, 2006

Exhibit B-1

	Roads (Fund 1200)	Recorder's Record Conversion (Fund 1310)	Family Support (Fund 1380)	Courthouse Construction Fund A (Fund 1410)	Courthouse Construction Fund B (Fund 1420)	Microfilm (Fund 1430)	Subtotal (Carried forward to next page)
ASSETS							
Cash and Cash Equivalents	\$ 1	\$ 253,534	\$ 1,547,682	\$ 654,236	\$ 1	\$ 585	\$ 2,456,039
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	-	-	200
Accounts Receivable:							
Other governmental agencies	1,580,623	-	18,335	5,192	5,192	-	1,609,342
Interest	-	2,517	13,536	5,970	-	-	22,023
Due from other funds	-	-	-	-	-	-	-
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	1,425	-	-	150	-	-	1,575
Total Assets	\$ 1,597,324	\$ 256,051	\$ 1,579,553	\$ 665,548	\$ 5,193	\$ 585	\$ 4,104,254
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 417,678	\$ 4,544	\$ 45,169	\$ -	\$ -	\$ -	\$ 467,391
Accrued payroll and benefits	201,678	-	129,364	-	-	-	331,042
Due to other funds	953,553	-	-	-	397,945	-	1,351,498
Advances from other funds	-	-	-	-	-	-	-
Total Liabilities	1,572,909	4,544	174,533	397,945	-	-	2,149,931
Fund Balances:							
Reserved	16,700	-	-	150	-	-	16,850
Unreserved	7,715	251,507	1,405,020	665,398	(392,752)	585	1,937,473
Total Fund Balances	24,415	251,507	1,405,020	665,548	(392,752)	585	1,954,323
Total Liabilities and Fund Balances	\$ 1,597,324	\$ 256,051	\$ 1,579,553	\$ 665,548	\$ 5,193	\$ 585	\$ 4,104,254

(Continued)

See accompanying notes to the basic financial statements.

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
 Combining Balance Sheet
 June 30, 2006

Exhibit B-1
 (Continued)

	Subtotal (Brought forward)	Automated Warrants (Fund 1440)	General Reserve (Fund 1480)	Aviation Capital Projects (Fund 1490)	County Library (Fund 1500)	Fish and Game Propagation (Fund 1700)	Subtotal (Carried forward to next page)
ASSETS							
Cash and Cash Equivalents	\$ 2,456,039	\$ 5,409	\$ 1,000,000	\$ 1	\$ 678,168	\$ 11,408	\$ 4,151,025
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	865	-	1,065
Accounts Receivable:							
Other governmental agencies	1,609,342	-	-	84,777	43,912	-	1,738,031
Interest	22,023	-	-	-	-	102	22,125
Due from other funds	-	-	-	-	-	-	-
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	1,575	-	-	-	-	-	1,575
Total Assets	\$ 4,104,254	\$ 5,409	\$ 1,000,000	\$ 84,778	\$ 722,945	\$ 11,510	\$ 5,928,896

LIABILITIES AND FUND BALANCE

Liabilities:							
Accounts Payable	\$ 467,391	\$ -	\$ -	\$ -	\$ 19,874	\$ -	\$ 487,265
Accrued payroll and benefits	331,042	-	-	-	49,178	-	380,220
Due to other funds	1,351,498	-	-	87,302	-	-	1,438,800
Advances from other funds	-	-	-	-	17,308	-	17,308
Total Liabilities	2,149,931	-	-	87,302	86,360	-	2,323,593
Fund Balances:							
Reserved	16,850	-	-	-	865	-	17,715
Unreserved	1,937,473	5,409	1,000,000	(2,524)	635,720	11,510	3,587,588
Total Fund Balances	1,954,323	5,409	1,000,000	(2,524)	636,585	11,510	3,605,303
Total Liabilities and Fund Balances	\$ 4,104,254	\$ 5,409	\$ 1,000,000	\$ 84,778	\$ 722,945	\$ 11,510	\$ 5,928,896

(Continued)

See accompanying notes to
 the basic financial statements.

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Balance Sheet
June 30, 2006

Exhibit B-1
(Continued)

	Subtotal (Brought forward)	Special Aviation (Fund 1800s)	Special Districts Under County Board of Supervisors (Fund)	Total
ASSETS				
Cash and Cash Equivalents	\$ 4,151,025	\$ 139,880	\$ 2,577,578	\$ 6,868,483
Restricted Assets:				
Cash with fiscal agent	-	-	-	-
Departmental cash funds	1,065	-	-	1,065
Accounts Receivable:				
Other governmental agencies	1,738,031	-	-	1,738,031
Interest	22,125	1,781	-	23,906
Due from other funds	-	-	-	-
Inventory	15,075	-	-	15,075
Prepaid and other assets	1,575	-	-	1,575
Total Assets	\$ 5,928,896	\$ 141,661	\$ 2,577,578	\$ 8,648,135
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	487,265	-	8	487,273
Accrued payroll and benefits	380,220	-	-	380,220
Due to other funds	1,438,800	-	10,005	1,448,805
Advances from other funds	17,308	-	-	17,308
Total Liabilities	2,323,593	-	10,013	2,333,606
Fund Balances:				
Reserved	17,715	-	-	17,715
Unreserved	3,587,588	141,661	2,567,565	6,296,814
Total Fund Balances	3,605,303	141,661	2,567,565	6,314,529
Total Liabilities and Fund Balances	\$ 5,928,896	\$ 141,661	\$ 2,577,578	\$ 8,648,135

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2006

Exhibit B-2

	Roads (Fund 1200)	Recorder's Record Conversion (Fund 1310)	Family Support (Fund 1380)	Courthouse Construction Fund A (Fund 1410)	Courthouse Construction Fund B (Fund 1420)	Microfilm (Fund 1430)	Subtotal (Carried forward to next page)
REVENUES:							
Taxes	\$ 2,800,912	\$ -	\$ -	\$ -	\$ -	\$ -	2,800,912
Licenses and permits	68,666	-	-	-	-	-	68,666
Fines, forfeitures and penalties	-	-	-	311,141	228,023	-	539,164
Use of money and property	11,164	8,553	45,213	18,852	-	-	83,782
Intergovernmental	10,759,728	-	5,227,725	-	-	-	15,987,453
Charges for services	864,789	59,732	1,055	-	-	-	925,576
Miscellaneous	181,737	-	91	-	-	-	181,828
Total revenues	14,686,996	68,285	5,274,084	329,993	228,023	-	20,587,381
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public protection	-	38,790	4,838,171	-	-	-	4,876,961
Public ways and facilities	13,243,593	-	-	-	-	-	13,243,593
Education	-	-	-	-	-	-	-
Capital Outlay	4,469,640	-	58,460	-	-	-	4,528,100
Debt Service:							
Principal	-	-	-	21,566	174,489	-	196,055
Interest and Other Charges	-	-	-	16,989	137,456	-	154,445
Total Expenditures	17,713,233	38,790	4,896,631	38,555	311,945	-	22,999,154
Excess (Deficiency) of Revenues Over Expenditures	(3,026,237)	29,495	377,453	291,438	(83,922)	-	(2,411,773)
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	(86,056)	-	-	(86,056)
Total Other Financing Sources (Uses)	-	-	-	(86,056)	-	-	(86,056)
Net Change in Fund Balances	(3,026,237)	29,495	377,453	205,382	(83,922)	-	(2,497,829)
Fund Balances-Beginning	3,050,652	222,012	1,027,567	460,166	(308,830)	585	4,452,152
Prior Period Adjustments	-	-	-	-	-	-	-
Fund Balances-Ending	\$ 24,415	\$ 251,507	\$ 1,405,020	\$ 665,548	\$ (392,752)	\$ 585	\$ 1,954,323

(Continued)

See accompanying notes to the basic financial statements.

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2006

Exhibit B-2
(Continued)

	Subtotal (Brought forward)	Automated Warrants (Fund 1440)	General Reserve (Fund 1480)	Aviation Capital Projects (Fund 1490)	County Library (Fund 1500)	Fish and Game Propagation (Fund 1700)	Subtotal (Carried forward to next page)
REVENUES:							
Taxes	\$ 2,800,912	\$ -	\$ -	\$ -	1,708,386	\$ -	4,509,298
Licenses and permits	68,666	-	-	-	-	-	68,666
Fines, forfeitures and penalties	539,164	-	-	-	-	12,781	551,945
Use of money and property	83,782	-	-	-	365	362	84,509
Intergovernmental	15,987,453	-	-	994,962	527,941	-	17,510,356
Charges for services	925,576	-	-	-	65,180	-	990,756
Miscellaneous	181,828	-	-	-	132,691	-	314,519
Total revenues	20,587,381	-	-	994,962	2,434,563	13,143	24,030,049

EXPENDITURES:

Current:							
General Government	-	-	-	-	-	-	-
Public protection	4,876,961	-	-	-	-	3,240	4,880,201
Public ways and facilities	13,243,593	-	-	-	-	-	13,243,593
Education	-	-	-	-	2,339,331	-	2,339,331
Capital Outlay	4,528,100	-	-	244,025	36,140	-	4,808,265
Debt Service:							
Principal	196,055	-	-	-	-	-	196,055
Interest and Other Charges	154,445	-	-	-	-	-	154,445
Total Expenditures	22,999,154	-	-	244,025	2,375,471	3,240	25,621,890
Excess (Deficiency) of Revenues Over Expenditures	(2,411,773)	-	-	750,937	59,092	9,903	(1,591,841)
Other Financing Sources (Uses):							
Transfers In	-	-	900,000	-	208,000	-	1,108,000
Transfers Out	(86,056)	-	-	(811,902)	(86,451)	-	(984,409)
Total Other Financing Sources (Uses)	(86,056)	-	900,000	(811,902)	121,549	-	123,591
Net Change in Fund Balances	(2,497,829)	-	900,000	(60,965)	180,641	9,903	(1,468,250)
Fund Balances-Beginning	4,452,152	5,409	100,000	58,441	455,944	1,607	5,073,553
Prior Period Adjustments	-	-	-	-	-	-	-
Fund Balances-Ending	\$ 1,954,323	\$ 5,409	\$ 1,000,000	\$ (2,524)	\$ 636,585	\$ 11,510	\$ 3,605,303

(Continued)

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2006

Exhibit B-2
(Continued)

	Subtotal (Brought forward)	Special Aviation (Fund 1800s)	Special Districts Under County Board of Supervisors (Fund)	Total
REVENUES:				
Taxes	\$ 4,509,298	-	502,894	\$ 5,012,192
Licenses and permits	68,666	-	-	68,666
Fines, forfeitures and penalties	551,945	-	-	551,945
Use of money and property	84,509	5,839	77,761	168,109
Intergovernmental	17,510,356	50,000	-	17,560,356
Charges for services	990,756	-	-	990,756
Miscellaneous	314,519	-	214,039	528,558
Total revenues	<u>24,030,049</u>	<u>55,839</u>	<u>794,694</u>	<u>24,880,582</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public protection	4,880,201	-	584,127	5,464,328
Public ways and facilities	13,243,593	-	-	13,243,593
Education	2,339,331	-	-	2,339,331
Capital Outlay	4,808,265	83,591	-	4,891,856
Debt Service:				
Principal	196,055	-	-	196,055
Interest and Other Charges	154,445	-	-	154,445
Total Expenditures	<u>25,621,890</u>	<u>83,591</u>	<u>584,127</u>	<u>26,289,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,591,841)</u>	<u>(27,752)</u>	<u>210,567</u>	<u>(1,409,026)</u>
Other Financing Sources (Uses):				
Transfers In	1,108,000	-	-	1,108,000
Transfers Out	(984,409)	-	-	(984,409)
Total Other Financing Sources (Uses)	<u>123,591</u>	<u>-</u>	<u>-</u>	<u>123,591</u>
Net Change in Fund Balances	<u>(1,468,250)</u>	<u>(27,752)</u>	<u>210,567</u>	<u>(1,285,435)</u>
Fund Balances-Beginning	5,073,553	169,413	2,356,998	7,599,964
Prior Period Adjustments	-	-	-	-
Fund Balances-Ending	<u>\$ 3,605,303</u>	<u>\$ 141,661</u>	<u>\$ 2,567,565</u>	<u>\$ 6,314,529</u>

See accompanying notes to the basic financial statements.

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NONMAJOR DEBT SERVICE FUNDS

COUNTY OF HUMBOLDT

Exhibit C-1

Debt Service Funds

Combining Balance Sheet

June 30, 2006

	Humboldt County Public Property Leasing (Fund)
ASSETS	
Cash and Cash Equivalents	\$ -
Restricted Assets:	
Cash with fiscal agent	<u>1,818,302</u>
 Total Assets	 \$ <u>1,818,302</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other funds	\$ <u>108,868</u>
 Total Liabilities	 <u>108,868</u>
 Fund Balances:	
Reserved	-
Unreserved	<u>1,709,434</u>
 Total Fund Balances	 <u>1,709,434</u>
 Total Liabilities and Fund Balances	 \$ <u><u>1,818,302</u></u>

COUNTY OF HUMBOLDT
Debt Service Funds
Combining Balance Sheet
June 30, 2006

Exhibit C-2

**Humboldt
County
Public Property
Leasing
(Fund)**

REVENUES:

Use of money and property	\$ 103,716
Total revenues	<u>103,716</u>

EXPENDITURES:

Debt Service:	
Principal	690,000
Interest and Other Charges	<u>680,835</u>
Total Expenditures	<u>1,370,835</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,267,119)</u>

Other Financing Sources (Uses):

Transfers In	1,358,564
Transfers Out	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,358,564</u>

Net Change in Fund Balances	91,445
-----------------------------	--------

Fund Balances-Beginning	1,617,989
Prior Period Adjustments	<u>-</u>

Fund Balances-Ending	\$ <u>1,709,434</u>
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INTERNAL SERVICE FUNDS

COUNTY OF HUMBOLDT

Exhibit D-1

Internal Service Funds

Combining Statement of Fund Net Assets
June 30, 2006

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)	Information Technology (Fund 3550)	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 1,818,713	\$ 610,536	\$ 849,741	\$ 272,529	\$ 3,551,519
Accounts Receivable:					
Other governmental agencies	155,600	-	6,939	18,164	180,703
Interest	14,642	6,230	7,246	-	28,118
Due from other funds	-	-	-	-	-
Inventory	-	34,469	187,487	-	221,956
Deposits and other assets	1,023,766	-	-	-	1,023,766
Total Current Assets	3,012,721	651,235	1,051,413	290,693	5,006,062
Noncurrent Assets:					
Advances to other funds	-	1,670,207	-	-	1,670,207
Capital Assets, net of depreciation	11,187	3,151,443	710,332	13,477	3,886,439
Total Noncurrent Assets	11,187	4,821,650	710,332	13,477	5,556,646
Total Assets	\$ 3,023,908	\$ 5,472,885	\$ 1,761,745	\$ 304,170	\$ 10,562,708
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 54,134	\$ 3,908	\$ 26,544	\$ 71,656	\$ 156,242
Accrued payroll and benefits	11,265	10,186	19,692	37,740	78,883
Accrued interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Other liabilities	174,334	-	-	-	174,334
Deferred revenue	992,317	-	-	-	992,317
Liability for compensated absences	18,446	35,193	33,111	94,250	181,000
Provision for estimated claims	1,475,359	-	-	-	1,475,359
Total Current Liabilities	2,725,855	49,287	79,347	203,646	3,058,135
Long-term Liabilities					
Liability for compensated absences	49,739	28,584	120,531	344,851	543,705
Total Liabilities	2,775,594	77,871	199,878	548,497	3,601,840
Net Assets					
Investment in capital assets, net of related debt	11,187	3,151,443	710,332	13,477	3,886,439
Unrestricted	237,127	2,243,571	851,535	(257,804)	3,074,429
Total Net Assets	248,314	5,395,014	1,561,867	(244,327)	6,960,868
Total Liabilities and Net Assets	\$ 3,023,908	\$ 5,472,885	\$ 1,761,745	\$ 304,170	\$ 10,562,708

See accompanying notes to the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit D-2

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2006

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)	Information Technology (Fund 3550)	Total
Operating Revenues:					
Charges for services	\$ 20,956,124	\$ 1,383,130	\$ 2,440,094	\$ 1,484,271	\$ 26,263,619
Miscellaneous revenues	<u>85,345</u>	<u>252,709</u>	<u>1,204</u>	<u>-</u>	<u>339,258</u>
Total Revenues	<u>21,041,469</u>	<u>1,635,839</u>	<u>2,441,298</u>	<u>1,484,271</u>	<u>26,602,877</u>
Operating Expenses:					
Salaries and benefits	315,296	286,685	523,415	869,195	1,994,591
Services and supplies	182,431	1,234,500	1,383,272	555,268	3,355,471
Self-insurance claims and purchase premiums	19,318,172	-	-	-	19,318,172
Depreciation	2,993	661,432	127,979	12,124	804,528
Other Expenses	<u>4,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,749</u>
Total operating expenses	<u>19,823,641</u>	<u>2,182,617</u>	<u>2,034,666</u>	<u>1,436,587</u>	<u>25,477,511</u>
Net Operating Income	<u>1,217,828</u>	<u>(546,778)</u>	<u>406,632</u>	<u>47,684</u>	<u>1,125,366</u>
Non-Operating Revenues (Expenses):					
Interest Income	47,488	39,186	25,575	-	112,249
Interest expense	(69,610)	-	-	-	(69,610)
Gain (loss) on sale of capital assets	-	1,498	-	-	1,498
Total Non-Operating Revenue (expense)	<u>(22,122)</u>	<u>40,684</u>	<u>25,575</u>	<u>-</u>	<u>44,137</u>
Transfers:					
Operating transfers in (out)	<u>-</u>	<u>256,611</u>	<u>-</u>	<u>91,817</u>	<u>348,428</u>
Change in Net Assets	1,195,706	(249,483)	432,207	139,501	1,517,931
Net Assets-Beginning of Year - As previously stated	(947,392)	6,280,581	1,129,660	(383,828)	6,079,021
Prior period adjustment	<u>-</u>	<u>(636,084)</u>	<u>-</u>	<u>-</u>	<u>(636,084)</u>
Net Assets-Beginning of Year - As restated	(947,392)	5,644,497	1,129,660	(383,828)	5,442,937
Residual Equity Transfers In	-	-	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	<u>\$ 248,314</u>	<u>\$ 5,395,014</u>	<u>\$ 1,561,867</u>	<u>\$ (244,327)</u>	<u>\$ 6,960,868</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit D-3

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2006

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)	Information Technology (Fund 3550)	Total
Cash Flow from Operating Activities:					
Cash received for services	\$ 21,118,316	\$ 1,635,839	\$ 2,437,053	\$ 1,483,410	\$ 26,674,618
Cash paid to suppliers	(20,633,460)	(1,218,817)	(1,359,056)	(433,503)	(23,644,836)
Cash paid to employees	(315,296)	(286,685)	(523,415)	(869,195)	(1,994,591)
Operating transfers	-	-	-	91,817	91,817
Prior period adjustment	-	(636,084)	-	-	(636,084)
 Net Cash Provided (Used) by Operating Activities	 <u>169,560</u>	 <u>(505,747)</u>	 <u>554,582</u>	 <u>272,529</u>	 <u>490,924</u>
Cash Flows from Noncapital Financing Activities:					
Net temporary loans from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
 Net Cash Provided (Used) by Capital Financing Activities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Sale/disposal of capital assets	-	337,582	-	-	337,582
Purchase of capital assets	(11,057)	(975,782)	(333,786)	-	(1,320,625)
 Net Cash Provided (Used) by Capital Financing Activities	 <u>(11,057)</u>	 <u>(638,200)</u>	 <u>(333,786)</u>	 <u>-</u>	 <u>(983,043)</u>
Cash Flows from Investing Activities:					
Interest income	47,394	46,569	22,084	-	116,047
Interest expense	(69,610)	-	-	-	(69,610)
 Net Cash Provided (Used) by Investing Activities	 <u>(22,216)</u>	 <u>46,569</u>	 <u>22,084</u>	 <u>-</u>	 <u>46,437</u>
Increase (Decrease) in Cash and Cash Equivalents	136,287	(1,097,378)	242,880	272,529	(445,682)
Cash and Cash Equivalents, Beginning of Year	<u>1,682,426</u>	<u>1,707,914</u>	<u>606,861</u>	<u>-</u>	<u>3,997,201</u>
Cash and Cash Equivalents, End of Year	\$ <u>1,818,713</u>	\$ <u>610,536</u>	\$ <u>849,741</u>	\$ <u>272,529</u>	\$ <u>3,551,519</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2005

Exhibit D-3

(Continued)

	<u>Self Insurance (Fund)</u>	<u>Motor Pool (Fund)</u>	<u>Heavy Equipment (Fund)</u>	<u>Information Technology (Fund)</u>	<u>Total</u>
Cash Flows from Operating Activities:					
Operating Income (loss)	\$ 1,217,828	\$ (546,778)	\$ 406,632	\$ 47,684	\$ 1,125,366
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:					
Depreciation	2,993	661,432	127,979	12,124	804,528
Operating transfers	-	-	-	91,817	91,817
Prior period adjustment	-	(636,084)	-	-	(636,084)
Increase (decrease) in due from other					
Governmental entities	(8,610)	-	(4,245)	(861)	(13,716)
Decrease (increase) in inventory	-	317	2,783	-	3,100
Decrease (increase) in prepaid assets	(63,551)	-	-	10,350	(53,201)
Increase (decrease) in accounts payable	(184,276)	(3,241)	(2,618)	55,532	(134,603)
Increase (decrease) in accrued salaries and benefits	2,685	2,490	5,375	14,499	25,049
Increase (decrease) in other liabilities	(124,168)	-	-	-	(124,168)
Increase (decrease) in estimated insurance payable	(778,491)	-	-	-	(778,491)
Increase (decrease) in deferred revenue	85,457	-	-	-	85,457
Increase (decrease) in compensated absences	19,693	16,117	18,676	41,384	95,870
Net Cash Provided (Used) by Operating Activities	\$ <u>169,560</u>	\$ <u>(505,747)</u>	\$ <u>554,582</u>	\$ <u>272,529</u>	\$ <u>490,924</u>

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SELF-INSURANCE FUNDS

COUNTY OF HUMBOLDT
Self-Insurance Funds

Exhibit E-1

Combining Statement of Fund Net Assets
As of June 30, 2006

	<u>Dental</u> <u>(Fund 3526)</u>	<u>County</u> <u>Insurance</u> <u>(Fund 3520)</u>	<u>Workers'</u> <u>Compensation</u> <u>(Fund 3523)</u>	<u>Liability</u> <u>(Fund 3524)</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 1,169	\$ 447,108	\$ 331,790
Accounts Receivable:				
Other governmental agencies	-	-	155,600	-
Interest	-	-	3,481	303
Due from other funds	-	-	1,328,895	1,328,895
Deposits and other assets	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>28,000</u>	<u>1,169</u>	<u>1,935,084</u>	<u>1,660,988</u>
Noncurrent Assets:				
Capital Assets, net of depreciation	<u>-</u>	<u>11,187</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>11,187</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 28,000</u>	<u>\$ 12,356</u>	<u>\$ 1,935,084</u>	<u>\$ 1,660,988</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 16,578	\$ 13,890	\$ 1,178	\$ 18,077
Accrued payroll and benefits	-	11,265	-	-
Accrued interest payable				
Due to other funds	414,326	-	-	-
Other liabilities	-	-	-	-
Liability for compensated absences	-	18,446	-	-
Provision for estimated claims	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>1,243,509</u>
Total Current Liabilities	<u>525,904</u>	<u>43,601</u>	<u>1,178</u>	<u>1,261,586</u>
Long-term Liabilities				
Deferred revenue	1,299	-	-	-
Liability for compensated absences	<u>-</u>	<u>49,739</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>527,203</u>	<u>93,340</u>	<u>1,178</u>	<u>1,261,586</u>
Net Assets				
Investment in capital assets, net of related debt	-	11,187	-	-
Unrestricted	<u>(499,203)</u>	<u>(92,171)</u>	<u>1,933,906</u>	<u>399,402</u>
Total Net Assets	<u>(499,203)</u>	<u>(80,984)</u>	<u>1,933,906</u>	<u>399,402</u>
Total Liabilities and Net Assets	<u>\$ 28,000</u>	<u>\$ 12,356</u>	<u>\$ 1,935,084</u>	<u>\$ 1,660,988</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
Self-Insurance Funds
Combining Statement of Fund Net Assets
As of June 30, 2006

Exhibit E-1
(Continued)

	<u>Medical</u> <u>(Fund 3525)</u>	<u>Unemployment</u> <u>(Fund 3527)</u>	<u>Purchase</u> <u>Insurance</u> <u>Premium</u> <u>(Fund 3528)</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 903,176	\$ 135,470	\$ 1,818,713
Accounts Receivable:				
Other governmental agencies	-	-	-	155,600
Interest	-	8,908	1,950	14,642
Due from other funds	-	-	-	2,657,790
Deposits and other assets	<u>964,531</u>	<u>-</u>	<u>31,235</u>	<u>1,023,766</u>
Total Current Assets	<u>964,531</u>	<u>912,084</u>	<u>168,655</u>	<u>5,670,511</u>
Noncurrent Assets:				
Capital Assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,187</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,187</u>
Total Assets	<u>\$ 964,531</u>	<u>\$ 912,084</u>	<u>\$ 168,655</u>	<u>\$ 5,681,698</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 1,456	\$ -	\$ 2,955	\$ 54,134
Accrued payroll and benefits	-	-	-	11,265
Accrued interest payable	-	-	-	-
Due to other funds	2,243,464	-	-	2,657,790
Other liabilities	-	48,272	126,062	174,334
Liability for compensated absences	-	-	-	18,446
Provision for estimated claims	<u>-</u>	<u>136,850</u>	<u>-</u>	<u>1,475,359</u>
Total Current Liabilities	<u>2,244,920</u>	<u>185,122</u>	<u>129,017</u>	<u>4,391,328</u>
Long-term Liabilities				
Deferred revenue	991,018	-	-	992,317
Liability for compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,739</u>
Total Liabilities	<u>3,235,938</u>	<u>185,122</u>	<u>129,017</u>	<u>5,433,384</u>
Net Assets				
Investment in capital assets, net of related debt	-	-	-	11,187
Unrestricted	<u>(2,271,407)</u>	<u>726,962</u>	<u>39,638</u>	<u>237,127</u>
Total Net Assets	<u>(2,271,407)</u>	<u>726,962</u>	<u>39,638</u>	<u>248,314</u>
Total Liabilities and Net Assets	<u>\$ 964,531</u>	<u>\$ 912,084</u>	<u>\$ 168,655</u>	<u>\$ 5,681,698</u>

COUNTY OF HUMBOLDT

Exhibit E-2

Self-Insurance Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets

June 30, 2006

	<u>Dental</u> <u>(Fund 3526)</u>	<u>County</u> <u>Insurance</u> <u>(Fund 3520)</u>	<u>Workers'</u> <u>Compensation</u> <u>(Fund 3523)</u>	<u>Liability</u> <u>(Fund 3524)</u>
Operating Revenues:				
Charges for services	\$ 896,818	\$ 456,600	\$ 6,833,712	\$ 486,876
Miscellaneous revenues	-	2,298	75,146	-
Total Revenues	<u>896,818</u>	<u>458,898</u>	<u>6,908,858</u>	<u>486,876</u>
Operating Expenses:				
Salaries and benefits	-	315,296	-	-
Services and supplies	-	182,431	-	-
Self-insurance claims and purchase premiums	1,041,498	-	4,988,552	936,809
Depreciation	-	2,993	-	-
Other Expenses	-	4,749	-	-
Total operating expenses	<u>1,041,498</u>	<u>505,469</u>	<u>4,988,552</u>	<u>936,809</u>
Net Operating Income	<u>(144,680)</u>	<u>(46,571)</u>	<u>1,920,306</u>	<u>(449,933)</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	444	3,481	5,523
Interest expense	(2,138)	-	(64,031)	-
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>(2,138)</u>	<u>444</u>	<u>(60,550)</u>	<u>5,523</u>
Change in Net Assets	(146,818)	(46,127)	1,859,756	(444,410)
Net Assets-Beginning of Year - As previously stated	(352,385)	(34,857)	74,150	843,812
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(352,385)</u>	<u>(34,857)</u>	<u>74,150</u>	<u>843,812</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (499,203)</u>	<u>\$ (80,984)</u>	<u>\$ 1,933,906</u>	<u>\$ 399,402</u>

See accompanying notes to
the basic financial statements. County of Humboldt Supplemental Section Page 75

COUNTY OF HUMBOLDT

Exhibit E-2

Self-Insurance Funds

(Continued)

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2006

	Medical (Fund 3525)	Unemployment (Fund 3527)	Purchase Insurance Premium (Fund 3528)	Total
Operating Revenues:				
Charges for services	\$ 11,439,193	\$ -	\$ 842,925	\$ 20,956,124
Miscellaneous revenues	-	-	7,901	85,345
Total Revenues	<u>11,439,193</u>	<u>-</u>	<u>850,826</u>	<u>21,041,469</u>
Operating Expenses:				
Salaries and benefits	-	-	-	315,296
Services and supplies	-	-	-	182,431
Self-insurance claims and purchase premiums	11,249,163	194,996	907,154	19,318,172
Depreciation	-	-	-	2,993
Other Expenses	-	-	-	4,749
Total operating expenses	<u>11,249,163</u>	<u>194,996</u>	<u>907,154</u>	<u>19,823,641</u>
Net Operating Income	<u>190,030</u>	<u>(194,996)</u>	<u>(56,328)</u>	<u>1,217,828</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	33,581	4,459	47,488
Interest expense	-	-	(3,441)	(69,610)
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>-</u>	<u>33,581</u>	<u>1,018</u>	<u>(22,122)</u>
Change in Net Assets	190,030	(161,415)	(55,310)	1,195,706
Net Assets-Beginning of Year - As previously stated	(2,461,437)	888,377	94,948	(947,392)
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(2,461,437)</u>	<u>888,377</u>	<u>94,948</u>	<u>(947,392)</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (2,271,407)</u>	<u>\$ 726,962</u>	<u>\$ 39,638</u>	<u>\$ 248,314</u>

COUNTY OF HUMBOLDT

Exhibit E-3

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2006

	<u>Dental (Fund)</u>	<u>County Insurance (Fund)</u>	<u>Workers' Compensation (Fund)</u>	<u>Liability (Fund)</u>
Cash Flow from Operating Activities:				
Cash received for services	\$ 900,898	\$ 458,898	\$ 6,753,258	\$ 561,354
Cash paid to suppliers	(1,059,694)	(151,201)	(5,050,079)	(1,770,613)
Cash paid to employees	-	(315,296)	-	-
Net Cash Provided (Used) by Operating Activities	<u>(158,796)</u>	<u>(7,599)</u>	<u>1,703,179</u>	<u>(1,209,259)</u>
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	-	-	-	-
Advances to other funds	160,934	-	(1,328,895)	1,430,061
Net Cash Provided (Used) by Capital Financing Activities	<u>160,934</u>	<u>-</u>	<u>(1,328,895)</u>	<u>1,430,061</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	(11,057)	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(11,057)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest income	-	887	-	9,060
Interest expense	(2,138)	-	(64,031)	-
Net Cash Provided (Used) by Investing Activities	<u>(2,138)</u>	<u>887</u>	<u>(64,031)</u>	<u>9,060</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>	<u>(17,769)</u>	<u>310,253</u>	<u>229,862</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>18,938</u>	<u>136,855</u>	<u>101,928</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 447,108</u>	<u>\$ 331,790</u>

See accompanying notes to
the basic financial statements. County of Humboldt Supplemental Section Page 77

COUNTY OF HUMBOLDT

Self-Insurance Funds

Combining Statement of Cash Flows
June 30, 2006

Exhibit E-3
(Continued)

	<u>Medical (Fund)</u>	<u>Unemployment (Fund)</u>	<u>Purchase Insurance Premium (Fund)</u>	<u>Total</u>
Cash Flow from Operating Activities:				
Cash received for services	\$ 11,591,796	\$ -	\$ 852,112	\$ 21,118,316
Cash paid to suppliers	(11,329,696)	(207,432)	(1,064,745)	(20,633,460)
Cash paid to employees	-	-	-	(315,296)
Net Cash Provided (Used) by Operating Activities	<u>262,100</u>	<u>(207,432)</u>	<u>(212,633)</u>	<u>169,560</u>
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	-	-	-	-
Advances to other funds	(262,100)	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(262,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	-	-	(11,057)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,057)</u>
Cash Flows from Investing Activities:				
Interest income	-	32,805	4,642	47,394
Interest expense	-	-	(3,441)	(69,610)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>32,805</u>	<u>1,201</u>	<u>(22,216)</u>
Increase (Decrease) in Cash and Cash Equivalents	-	(174,627)	(211,432)	136,287
Cash and Cash Equivalents, Beginning of Year	-	1,077,803	346,902	1,682,426
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 903,176</u>	<u>\$ 135,470</u>	<u>\$ 1,818,713</u>

See accompanying notes to the basic financial statements. County of Humboldt Supplemental Section Page 78

COUNTY OF HUMBOLDT

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2006

Exhibit E-3

(Continued)

	<u>Self Insurance (Fund)</u>	<u>Motor Pool (Fund)</u>	<u>Motor Pool (Fund)</u>	<u>Motor Pool (Fund)</u>
Cash Flows from Operating Activities:				
Operating Income (loss)	\$ (144,680)	\$ (46,571)	\$ 1,920,306	\$ (449,933)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:				
Depreciation	-	2,993	-	-
Increase (decrease) in due from other Governmental entities	2,781	-	(155,600)	74,478
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	-	-	-	2,080
Increase (decrease) in accounts payable	(18,196)	13,601	746	11,965
Increase (decrease) in accrued salaries and benefits	-	2,685	-	-
Increase (decrease) in other liabilities	-	-	(62,273)	(69,358)
Increase (decrease) in estimated insurance payable	-	-	-	(778,491)
Increase (decrease) in deferred revenue	1,299	-	-	-
Increase (decrease) in compensated absences	-	19,693	-	-
Net Cash Provided (Used) by Operating Activities	\$ <u>(158,796)</u>	\$ <u>(7,599)</u>	\$ <u>1,703,179</u>	\$ <u>(1,209,259)</u>

COUNTY OF HUMBOLDT

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2006

Exhibit E-3

(Continued)

	<u>Motor Pool</u> <u>(Fund)</u>	<u>Heavy</u> <u>Equipment</u> <u>(Fund)</u>	<u>Information</u> <u>Technology</u> <u>(Fund)</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Operating Income (loss)	\$ 190,030	\$ (194,996)	\$ (56,328)	\$ 1,217,828
Adjustments to Reconcile Operating Income to Net				
Cash provided (Used) by operating activities:				
Depreciation	-	-	-	2,993
Increase (decrease) in due from other				
Governmental entities	68,445	-	1,286	(8,610)
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	(63,292)	-	(2,339)	(63,551)
Increase (decrease) in accounts payable	(17,241)	-	(175,151)	(184,276)
Increase (decrease) in accrued salaries and benefits	-	-	-	2,685
Increase (decrease) in other liabilities	-	(12,436)	19,899	(124,168)
Increase (decrease) in estimated insurance payable	-	-	-	(778,491)
Increase (decrease) in deferred revenue	84,158	-	-	85,457
Increase (decrease) in compensated absences	-	-	-	19,693
Net Cash Provided (Used) by Operating Activities	<u>\$ 262,100</u>	<u>\$ (207,432)</u>	<u>\$ (212,633)</u>	<u>\$ 169,560</u>

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MOTOR POOL

COUNTY OF HUMBOLDT

Exhibit F-1

Motor Pool

Combining Statement of Fund Net Assets
June 30, 2006

	<u>Operating</u> <u>(Fund)</u>	<u>Capital</u> <u>(Fund)</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ (209,005)	\$ 819,541	\$ 610,536
Accounts Receivable:			
Other governmental agencies	-	-	-
Interest	-	6,230	6,230
Inventory	34,469	-	34,469
Deposits and other assets	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	<u>(174,536)</u>	<u>825,771</u>	<u>651,235</u>
Noncurrent Assets:			
Advances to other funds	-	1,670,207	1,670,207
Capital Assets, net of depreciation	39,343	3,112,100	3,151,443
	<u> </u>	<u> </u>	<u> </u>
Total Noncurrent Assets	<u>39,343</u>	<u>4,782,307</u>	<u>4,821,650</u>
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ (135,193)</u>	<u>\$ 5,608,078</u>	<u>\$ 5,472,885</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 3,908	\$ -	\$ 3,908
Accrued payroll and benefits	10,186	-	10,186
Liability for compensated absences	35,193	-	35,193
Provision for estimated claims	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	<u>49,287</u>	<u>-</u>	<u>49,287</u>
Long-term Liabilities			
Deferred revenue	-	-	-
Liability for compensated absences	28,584	-	28,584
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>77,871</u>	<u>-</u>	<u>77,871</u>
Net Assets			
Investment in capital assets, net of related debt	39,343	3,112,100	3,151,443
Unrestricted	(252,407)	2,495,978	2,243,571
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>(213,064)</u>	<u>5,608,078</u>	<u>5,395,014</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ (135,193)</u>	<u>\$ 5,608,078</u>	<u>\$ 5,472,885</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit F-2

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2006

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,383,130	\$ -	\$ 1,383,130
Miscellaneous revenues	<u>15,812</u>	<u>236,897</u>	<u>252,709</u>
Total Revenues	<u>1,398,942</u>	<u>236,897</u>	<u>1,635,839</u>
Operating Expenses:			
Salaries and benefits	286,685	-	286,685
Services and supplies	1,234,500	-	1,234,500
Self-insurance claims and purchase premiums	-	-	-
Depreciation	5,667	655,765	661,432
Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,526,852</u>	<u>655,765</u>	<u>2,182,617</u>
Net Operating Income	<u>(127,910)</u>	<u>(418,868)</u>	<u>(546,778)</u>
Non-Operating Revenues (Expenses):			
Interest Income	-	39,186	39,186
Interest expense	-	-	-
Gain (loss) on sale of capital assets	<u>-</u>	<u>1,498</u>	<u>1,498</u>
Total Non-Operating Revenue (expense)	<u>-</u>	<u>40,684</u>	<u>40,684</u>
Transfers:			
Operating transfers in (out)	-	256,611	256,611
Interfund transfers in (out)	<u>384,604</u>	<u>(384,604)</u>	<u>-</u>
Change in Net Assets	256,694	(506,177)	(249,483)
Net Assets-Beginning of Year - As previously stated	166,326	6,114,255	6,280,581
Prior period adjustment	<u>(636,084)</u>	<u>-</u>	<u>(636,084)</u>
Net Assets-Beginning of Year - As restated	(469,758)	6,114,255	5,644,497
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	<u>\$ (213,064)</u>	<u>\$ 5,608,078</u>	<u>\$ 5,395,014</u>

See accompanying notes to
the basic financial statements. County of Humboldt Supplemental Section Page 82

COUNTY OF HUMBOLDT

Exhibit F-3

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2006

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Cash received for services	\$ 1,398,942	\$ 236,897	\$ 1,635,839
Cash paid to suppliers	(1,218,817)	-	(1,218,817)
Cash paid to employees	(286,685)	-	(286,685)
Prior period adjustment	(636,084)	-	(636,084)
 Net Cash Provided (Used) by Operating Activities	 <u>(742,644)</u>	 <u>236,897</u>	 <u>(505,747)</u>
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	384,604	(384,604)	-
Advances to other funds	-	-	-
 Net Cash Provided (Used) by Capital Financing Activities	 <u>384,604</u>	 <u>(384,604)</u>	 <u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	337,582	337,582
Purchase of capital assets	(9,885)	(965,897)	(975,782)
 Net Cash Provided (Used) by Capital Financing Activities	 <u>(9,885)</u>	 <u>(628,315)</u>	 <u>(638,200)</u>
Cash Flows from Investing Activities:			
Interest income	-	46,569	46,569
Interest expense	-	-	-
 Net Cash Provided (Used) by Investing Activities	 <u>-</u>	 <u>46,569</u>	 <u>46,569</u>
Increase (Decrease) in Cash and Cash Equivalents	(367,925)	(729,453)	(1,097,378)
Cash and Cash Equivalents, Beginning of Year	<u>158,920</u>	<u>1,548,994</u>	<u>1,707,914</u>
Cash and Cash Equivalents, End of Year	\$ <u>(209,005)</u>	\$ <u>819,541</u>	\$ <u>610,536</u>

See accompanying notes to the basic financial statements. County of Humboldt Supplemental Section Page 83

COUNTY OF HUMBOLDT**Internal Service Funds**

Combining Statement of Cash Flows

June 30, 2005

Exhibit F-3

(Continued)

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ (127,910)	\$ (418,868)	\$ (546,778)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:			
Prior period adjustment	(636,084)	-	(636,084)
Depreciation	5,667	655,765	661,432
Increase (decrease) in due from other Governmental entities	-	-	-
Decrease (increase) in inventory	317	-	317
Decrease (increase) in prepaid assets	-	-	-
Increase (decrease) in accounts payable	(3,241)	-	(3,241)
Increase (decrease) in accrued salaries and benefits	2,490	-	2,490
Increase (decrease) in other liabilities	-	-	-
Increase (decrease) in estimated insurance payable	-	-	-
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absences	16,117	-	16,117
Net Cash Provided (Used) by Operating Activities	\$ <u>(742,644)</u>	\$ <u>236,897</u>	\$ <u>(505,747)</u>

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**COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
JUNE 30, 2006**

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Donald R. Reynolds

Certified Public Accountant

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors and Grand Jury
County of Humboldt
Eureka, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Humboldt, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued my report thereon dated March 23, 2007. I conducted my 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.

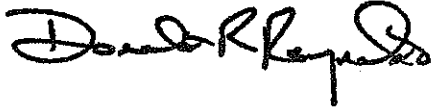
Compliance

As part of obtaining reasonable assurance about whether the County of Humboldt's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of the County of Humboldt in a separate letter dated March 30, 2007.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the County of Humboldt's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Humboldt County in a separate letter dated March 30, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Donald R. Reynolds". The signature is written in a cursive, flowing style.

Donald R. Reynolds
Certified Public Accountant
March 23, 2007

Donald R. Reynolds

Certified Public Accountant

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Supervisors and Grand Jury
County of Humboldt
Eureka, California

Compliance

I have audited the compliance of the County of Humboldt, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The County of Humboldt's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Humboldt's management. My responsibility is to express an opinion on the County of Humboldt's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Humboldt's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County of Humboldt's compliance with those requirements.

In my opinion, the County of Humboldt complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

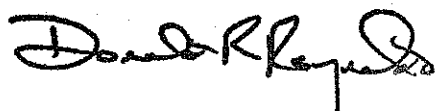
The management of the County of Humboldt is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County of Humboldt's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

Schedule of Expenditure of Federal Awards

I have audited the financial statements of the governmental activities, and business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt as of and for the year ended June 30 2006, and have issued my report thereon dated March 30, 2007. The report on governmental activities was qualified because capital asset balances, exclusive of infrastructure, of the governmental funds of the County have not been audited. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Donald R. Reynolds
Certified Public Accountant
March 23, 2007

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
☐ National Forest - Dependent Rural Communities	10.670	--	\$ -
Regional Business Enterprise Program	66.811	--	1,850
Subtotal			<u>1,850</u>
Passed through State Department of Social Services:			
Food Stamps	10.551*	--	13,242,632
State Administrative Matching Grants for Food Stamps Program	10.561*	--	1,387,506
Subtotal			<u>14,630,138</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	65,782
Subtotal			<u>65,782</u>
Passed through State Department of Health Services:			
☐ Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	721,147
Subtotal			<u>721,147</u>
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	--	1,221,793
Schools and Roads - Grants to Counties	10.666	--	2,239
Subtotal			<u>1,224,032</u>
Total U.S. Department of Agriculture			<u>16,642,949</u>
<u>U.S. Department of Commerce</u>			
Direct Program:			
Economic Adjustment Assistance	11.307	--	213,316
Total U.S. Department of Commerce			<u>213,316</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing & Community Development:			
Community Development Block Grant/State's Program	14.228	--	805,583
Home Investment Program	14.239	--	2,934,386
Total U.S. Department of Housing & Urban Development			<u>3,739,969</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
Payment in Lieu of Taxes	15.226	--	97,927
Total U.S. Department of Interior			<u>97,927</u>

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Marijuana Eradication DEA	15.579	GFAN-05-9008	135,000
Grants to Encourage Arrests	16.588	2005WEAX0067	169,456
Drug Court - Local Law Enforcement Block Grant	16.592	2005-DJ-BX-1518	12,731
Drug Court - Local Law Enforcement Block Grant	16.592	2004-LB-BX-0542	16,542
Drug Court - Local Law Enforcement Block Grant	16.592	2003-LB-BX-0387	3,274
Total U.S. Department of Justice			<u>337,003</u>
Pass through State Office of Emergency Services:			
Marijuana Suppression	16.738	MS05210120	145,750
Marijuana Suppression	16.738	MS05210120	47,584
Juvenile Drug Court	16.585	BDC-314-04	145,991
Juvenile Drug Court	16.585	CSA-314-05	47,598
Victim Witness Assistance	16.575	VW022Q0120	-
Anti-Drug Abuse Enforcement	16.579	DC04150120	171,429
Victim Witness Assistance	16.575	VW05230120	80,151
Domestic Violence Vertical Prosecution	16.588	VV033Q0120	-
Anti-Drug Abuse Enforcement	16.738	DC05160120	210,558
Subtotal			<u>849,061</u>
Pass through State Board of Corrections			
Repeat Offender Accountability Assessment Coordinator	16.523	IP3020120	-
Total U.S. Department of Justice			<u>1,186,064</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Adult Program	17.258*	(R588723 & R692474)	413,246
WIA Title I Youth	17.259*	(R588723 & R692474)	435,009
WIA Dislocated Workers	17.260*	(R588723 & R692474)	223,724
WIA Rapid Response	17.260*	R692474	1,012,451
WIA Nurse Workforce Initiative	17.260*	R588723	286,936
WIA Navigator	17.260*	(R588723 & R692474)	70,829
Total U.S. Department of Labor			<u>2,442,195</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	--	733,669
Passed through State Department of Transportation			
Highway Planning and Construction	20.205*	--	<u>3,033,457</u>
Total U.S. Department of Transportation			<u>3,767,126</u>

* Major Program

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>Environmental Protection Agency</u>			
Direct Programs:			
Brownfield Pilot Program	14.239	BP-97939301-0	87,352
Brownfield Assessment Grant	66.818	BF-96915401-5	63,058
Subtotal			<u>150,410</u>
Pass through State Water Resources Control Board Health Local Oversight Program	60.805	--	<u>274,319</u>
Total Environmental Protection Agency			<u>424,729</u>
<u>U.S. Department of Education</u>			
Passed through California Department of Alcohol and Drug Programs Safe and Drug Free Schools	84.186	--	<u>165,168</u>
Total U.S. Department of Education			<u>165,168</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Health Services			
TB Prevention/Housing	93.116	TBCSGF-90	14,295
Federal Immunization Program	93.268	01-15289	36,841
Bioterrorism Preparedness	93.283	--	631,940
Refugee Cash Assistance	93.566	--	2,067
Chafee Education and Training Vouchers Program	93.599	--	-
In-Home Supportive Services	93.667	--	226,576
Medical Assistance Program	93.778*	--	5,227,797
HIV Care Formula Grants	91.917	--	161,714
Preventive Health and Health Services Block Grant	93.991	--	5,368
Maternal and Child Health Services Block Grant to States	93.994	--	274,870
Childhood Disability Program	93.994	--	285,177
Healthy Families	93.994	--	50,228
California Children's Services	93.994	--	371,586
Subtotal			<u>7,288,459</u>
Passed through State Department of Mental Health Services			
Block Grant for Community Mental Health Services	93.958	--	578,360
McKinney Grant (PATH)	93.150	--	36,723
Block Grant for Prevention and Treatment of Substance Abuse	93.959	--	1,031,091
Subtotal			<u>1,646,174</u>
Passed through State Department of Child Support Services			
Child Support Enforcement	93.563*	--	<u>3,191,758</u>
Subtotal			<u>3,191,758</u>

* Major Program

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
Passed through State Department of Social Services			
Temporary Assistance for needy Families	93.558*	--	13,949,711
Temporary Assistance for needy Families - Incentives	93.558	--	109,099
Child Welfare Services - State Grants	93.645	--	101,619
Foster Care - Title IV-E	93.658*	--	5,365,444
Adoption Assistance	93.659*	--	2,106,910
Promotion Safe and Stable Families	93.556	--	115,186
Chafee Foster Care Independent Living	93.674	--	129,235
Subtotal			<u>21,877,204</u>
Total Department of Health and Human Services			<u>34,003,595</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security			
Buffer Zone Protection Plan Program	97.078	2005-GR-T5-006	22,342
Transportation Security Administration	97.090		129,185
Homeland Security Grant	97.067	2005-15	183,318
Subtotal			<u>334,845</u>
Passed through State Office of Emergency Services			
Public Assistance Grants	97.036	FEMA-1203-DR-CA	2,651,417
Emergency Management Performance Grant	97.042	--	53,975
Subtotal			<u>2,705,392</u>
Total U.S. Department of Homeland Security			<u>3,040,237</u>
Total Expenditure of Federal Awards			<u>\$ 65,723,275</u>

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Note 1: General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Humboldt. The County of Humboldt reporting entity is defined in Note 1 to the County's basic financial statements. All Federal awards received from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements. Sources of information for preparation of the Schedule of Expenditures of Federal Awards varies, depending on the accounting practices and reporting requirements of the departments implementing the program

Note 3: Relationship to Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|---|---------------|
| 1. Type of auditor's reported issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | None reported |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal Control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major Programs: | |

CFDA Number

Name of Federal Program

10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamps Program
17.000	Workforce Investment Act Cluster
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.563	Child Supportive Enforcement
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.778	Medical Assistance Program

- | | |
|---|-------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B Programs? | \$1,971,698 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 2

Financial Statement Findings

None reported

Section 3

Federal Award Findings and Questioned Costs

None reported

**COUNTY OF HUMBOLDT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Audit Reference
Number

Status of Prior Year Audit Findings

Finding 03-1

Capital Assets Records

Condition

The County has a list of capital assets, but the list has not been audited.

Effect on Condition

The County's financial statements are not in accordance with generally accepted accounting principles due to the inadequacy of its capital assets records.

Recommendation

We recommend that the County's capital assets be audited so that the qualifications in the audit report can be removed.

Status

The County's fixed asset records have been subjected to auditing procedures and the qualification can now be removed.

AVIATION PASSENGER FACILITIES CHARGES

Donald R. Reynolds

Certified Public Accountant

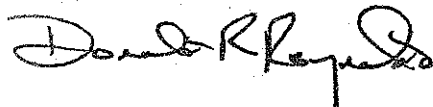
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PASSENGER FACILITY CHARGES

Board of Supervisors and Grand Jury
County of Humboldt
Eureka, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued my report thereon dated February 21, 2006. The report on governmental activities was qualified because capital asset balances, exclusive of infrastructure, of the governmental funds of the County have not been audited. The financial statements are the responsibility of the County of Humboldt's management. My responsibility is to express an opinion on those basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and Federal Aviation Administration Advisory Circulars for PFC Projects. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the basic financial statements of the County of Humboldt taken as a whole. The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance - Passenger Facility Charges is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Donald R. Reynolds
Certified Public Accountant
February 21, 2006

Donald R. Reynolds

Certified Public Accountant

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON PROCEDURES PERFORMED PURSUANT TO FEDERAL AVIATION ADMINISTRATION REGULATIONS (TITLE 14, CODE OF FEDERAL REGULATIONS, PART 158)

Board of Supervisors and Grand Jury
County of Humboldt
Eureka, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued my report thereon dated March 23, 2007. The report on governmental activities was qualified because capital asset balances, exclusive of infrastructure, of the governmental funds of the County have not been audited. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides reasonable basis for my opinion.

The management of the County of Humboldt is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, I applied the procedures enumerated below to the Statement of Revenues, Expenditures and Changes in Fund Balance - Passenger Facility Charges of the County of Humboldt for the year ended June 30, 2006. These procedures, which were agreed to by the County of Humboldt were performed solely for the purpose of meeting your contractual obligation with the Department of Transportation, Federal Aviation Administration.

I applied the procedures enumerated below in accordance with Federal Aviation administration regulations (Title 14, Code of Federal Regulation, Part 158)

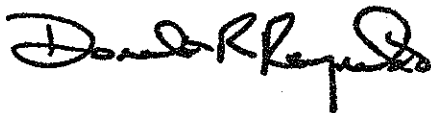
1. I examined the revenue received by collecting carriers and determined if those funds are being properly deposited into a separate interest bearing account.
2. I examined and verified that interest earned on such revenue, the amounts used on each project and the amount reserved for currently approved projects:
3. I examined the expenditures to ensure they are only for aviation capital projects.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the County of Humboldt's Statement of Revenues, Expenditures and Changes in Fund Balance - Passenger Facility Charges. Accordingly, I do not express such an opinion.

Board of Supervisors and Grand Jury
County of Humboldt

Based on the application of the procedures referred to above, nothing came to my attention that caused me to believe that the County of Humboldt was not in compliance with the control procedures specified in the Federal Aviation Administration Regulation (Title 14, Code of Federal Regulations, Part 158). Had I performed additional procedures or had I performed an audit of the County's Statement of Revenues, Expenditures and Changes in Fund Balance - Passenger Facility Charges matters might have come to my attention that would have been reported to you.

This report is intended for the information of management and various county, state and federal regulatory agencies and is not intended to be and should not be used by anyone but these specified parties.



Donald R. Reynolds
Certified Public Accountant
March 23, 2007

COUNTY OF HUMBOLDT
STATEMENT OF REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCE - PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2006

Revenues:

Passenger Facility Charges	\$ 356,845.45
Interest	<u>33,743.91</u>
Total Revenues	<u>390,589.36</u>

Expenditures:

Contributions to other funds for Aviation Capital Projects	<u>279,776.64</u>
Total Expenditures	<u>279,776.64</u>
Excess of Revenues Over (Under) Expenditures	110,812.72
Fund Balance at Beginning of Year	<u>959,343.11</u>
Fund Balance at End of Year	<u>\$ 1,070,155.83</u>

COUNTY OF HUMBOLDT
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

COUNTY OF HUMBOLDT

Management Report
For the Year Ended June 30, 2006

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<u>Comments Pertaining to Officials and Departments - Current Year</u>	
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Treasurer	3
<u>Status of Prior Year Recommendations (Reported by predecessor auditor)</u>	
Auditor-Controller	4
Treasurer	4

Donald R. Reynolds

Certified Public Accountant

To the Honorable Members of the
Board of Supervisors of the County of Humboldt
Eureka, California

In planning and performing my audit of the basic financial statements of the County of Humboldt (County) for the fiscal year ended June 30, 2006, I considered its internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

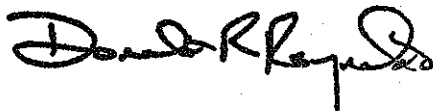
My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

During my audit I also became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions concerning those matters. This letter does not affect my report dated March 23, 2007, on the financial statements of the County of Humboldt.

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties

I thank the County's staff for its cooperation during my audit.

Respectfully,



Donald R. Reynolds
Certified Public Accountant
March 30, 2007

COUNTY OF HUMBOLDT
Management Report
For the Year ended June 30, 2006
Auditor-Controller

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

CAPITAL ASSETS

Condition:

The County has compiled a listing of capital assets: however, the historical cost of the capital assets has not been audited.

Effect of Condition:

The County's financial statements are not in accordance with generally accepted accounting principles since the County has not had an audit engagement to verify the historical costs presented.

Recommendation:

I recommend that the County's capital assets be audited so that the qualification in the audit report can be removed. The audit would be a one time engagement and would possibly result in the County being in accordance with generally accepted accounting principals.

Management Response:

We agree with the recommendation that the County's fixed assets be audited and intend to contract for such an engagement when funding is available.

COUNTY OF HUMBOLDT
Management Report
For the Year ended June 30, 2006
Treasurer

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

Cash in Treasury Versus Cash in Bank

Condition:

The cash balances maintained by the Auditor Controller's office differ on a daily basis from the balances maintained by the County Treasurer. The previous auditor recommended that a journal entry be entered on a monthly basis to reduce interest income in the amount of the difference in order to balance the two systems.

Effect:

The effect of the finding is to cause the two systems to be out of balance and to add uncertainty to the balances reflected in both systems.

Cause:

The issue arises due to the timing differences that exist between the Treasurer's accounting for cash transactions and the Auditor Controller's accounting for cash transactions. Two examples of such timing differences are investment reports that are included in the treasurer's report that are not received by the auditor controller prior to their cut-off and there are transactions from outlying districts which have cash disbursement capability that may not be recognized by the Treasurer until a subsequent period. It does not seem reasonable to balance by arbitrarily changing interest income.

Recommendation:

I recommend that the County attempt to adopt a consistent cut-off between the Treasurer's office and the Auditor Controller's office and attempt to ensure that both offices receive the same information on a timely basis.

Management Response:

This issue only deals with receipts. The Treasurer needs to produce a daily report of the cash position in the treasury. Each morning the bank furnishes the previous day's closing balances. The Auditor and Treasurer both agree to receipt deposits through 11:00 am daily. The Treasurer has asked all direct depositing agencies to notify the office immediately upon making remote deposits. The Treasurer's daily report reflects all known cash transactions with the bank. Staff within the Auditor and Treasurer's office are working toward daily reconciliation. The Auditor's staff now reconciles bank statements with the treasury within a short timeline.

COUNTY OF HUMBOLDT
Status of Prior Year Recommendations
As of June 30, 2006

Recommendations

Status

Auditor-Controller

General Ledger Balances

I recommend that the general ledger be updated to reflect all accounts reported on the fund based financial statements. Furthermore, I recommend that salaries payable balances and other accrual balances be accurately posted to the general ledger. I noted that although the correct balances had been calculated on spreadsheet schedules, different balances posted to the general ledger. This required additional journal entries to ensure that the correct balances were used to prepare the financial statements.

In Progress

Capital Assets

I recommend that the County's capital assets be audited so that the qualification in the audit report can be removed. The audit would be a one time engagement and would possibly result in the County being in accordance with generally accepted accounting principles.

Implemented

Treasurer

Cash in treasury verses cash in bank

I recommend that the County attempt to adopt a consistent cut-off between the Treasurer's office and the Auditor Controller's office and attempt to ensure that both offices receive the same information on a timely basis.

Not Implemented