

**COUNTY OF HUMBOLDT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2008**

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INTRODUCTORY SECTION

COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
June 30, 2008

BOARD OF SUPERVISORS
(as of June 30, 2008)

<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

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, 2008, 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.

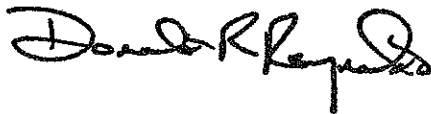
In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes 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 March 18, 2008, 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.

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
March 18, 2009

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, 2008. 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 2007-2008 fiscal year by \$446,390,578 (*net assets*). Of this amount, \$69,527,318 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$23,109,309 is restricted for specific purposes (*restricted net assets*), and \$353,753,951 is invested in capital assets, net of related debt.
- The County's total net assets increased by \$11,425,487. This increase was partly caused by a prior period adjustment of \$7,630,368 to recognize CDBG loan balances that were not previously reflected in the financial statements. There was also a negative prior period adjustment of \$719,726 to reflect an adjustment to Airport capital asset depreciation. Governmental activities (disregarding these prior period adjustments) increased the County's net assets by \$5,878,412.
- As of June 30, 2008, the County's governmental funds reported combined ending fund balances of \$101,221,855, an increase of \$22,164,012 in comparison with the prior year. Much of that increase is due to the prior period adjustment for CDBG loans. Approximately 65% of this total amount, \$65,378,197, 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 \$45,297,156 or 24% of total General Fund expenditures (\$188,269,041).
- The County's total long-term debt decreased by \$330,304 in comparison with the prior year. The overall decrease was caused by decreases in: capitalized lease obligations (\$648,750), certificates of participation (\$622,373), and notes payable (\$2,447). Partially offsetting these decreases were increases in the liability for unpaid claims (\$86,048) and accrued compensated absences (\$857,218).

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 information technology, mailroom, 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 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 55-88 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 59-88 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 \$446,390,578 at June 30, 2008, which is an increase of \$11,425,487 from the previous year. That increase includes the \$6,910,642 net prior period adjustment for CDBG loans and Airport capital assets. Revenues exceeded expenditures by \$4,514,845 during the fiscal year.

**County of Humboldt
Changes in Net Assets
June 30, 2008**

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Fees, fines & charges for services	\$30,263,329	\$33,767,115	\$2,390,314	\$2,316,750	\$32,653,643	\$36,083,865
Operating grants & contributions	139,688,811	132,109,839		-	139,688,811	132,109,839
Capital grants & contributions	13,649,933	8,637,197		-	13,649,933	8,637,197
General revenues:						
Property taxes	20,942,770	21,498,195		-	20,942,770	21,498,195
Sales taxes	6,603,843	7,400,051		-	6,603,843	7,400,051
Other taxes	19,611,981	16,053,631		-	19,611,981	16,053,631
Interest & investment income	3,998,682	2,918,956	27,966	49,328	4,026,648	2,968,284
Other	4,801,908	9,875,588	229,488	113,136	5,031,396	9,988,724
Total revenues	<u>239,561,257</u>	<u>232,260,572</u>	<u>2,647,768</u>	<u>2,479,214</u>	<u>242,209,025</u>	<u>234,739,786</u>
Expenses:						
General government	16,345,233	16,708,753	-	-	16,345,233	16,708,753
Public protection	65,955,488	57,088,898	-	-	65,955,488	57,088,898
Public assistance	74,669,899	72,431,902	-	-	74,669,899	72,431,902
Health & sanitation	38,717,212	48,685,624	-	-	38,717,212	48,685,624
Public ways & facilities	31,719,189	23,677,121	4,551,567	3,533,043	36,270,756	27,210,164
Recreation & cultural services	1,614,106	971,634	-	-	1,614,106	971,634
Education	3,203,903	2,815,852	-	-	3,203,903	2,815,852
Interest and long-term debt	917,583	965,195	-	-	917,583	965,195
Total expenses	<u>233,142,613</u>	<u>223,344,979</u>	<u>4,551,567</u>	<u>3,533,043</u>	<u>237,694,180</u>	<u>226,878,022</u>
Increase (decrease) in net						
assets before transfers	6,418,644	8,915,593	(1,903,799)	(1,053,829)	4,514,845	7,861,764
Transfers	(540,232)	(3,543,882)	540,232	3,543,882	-	-
Change in net assets	5,878,412	5,371,711	(1,363,567)	2,490,053	4,514,845	7,861,764
Net assets - beginning	\$420,509,851	401,241,406	\$14,455,240	11,965,187	434,965,091	413,206,593
Prior period adjustment	7,630,368	13,896,734	(719,726)	-	6,910,642	13,896,734
Net assets - ending	<u>\$434,018,631</u>	<u>\$420,509,851</u>	<u>\$12,371,947</u>	<u>\$14,455,240</u>	<u>\$446,390,578</u>	<u>\$434,965,091</u>

Governmental activities

Governmental activities increased the County's net assets by \$6,418,644, which excludes the effect of the \$7,630,368 prior period adjustment recognizing capital CDBG loan receivables and the \$540,232 transfer to the Airport. Governmental revenues increased by \$7,300,685 or about three percent during FY 2007-08, while expenditures increased by \$9,796,634 or about four percent.

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

The trend of growth in both revenues and expenditures has tempered somewhat from prior years reflecting a slowdown in the growth of the government. Revenues increased by about \$7.3 million while expenditures increased by about \$9.8 million. The area of expenditures that grew the most in 2007-08 was public protection with an increase of about \$8.8 million followed closely by spending on public ways and facilities with \$8 million. Part of the increase in public protection was the recognition of the CDBG loans, which are classified as a public protection activity.

Fees, fines and charges for services decreased by \$3,503,786, sales tax decreased by \$796,208, and property taxes decreased by \$555,425. Miscellaneous revenues declined by \$5,073,680. Declines in these revenue categories are consistent with what is being experienced by most local governments due to the prolonged economic recession. These decreases were more than offset by increases in operating and capital grants of \$7,578,972 and \$5,012,736 respectively. Other taxes rose by \$3,558,350 and investment income grew by \$1,079,726.

Business-type activities. Charges for services at the Airport increased modestly during FY 07-08 by \$73,564. Airport expenditures increased by \$1,018,524, or about twenty-nine percent. Due to the many capital improvements at the Airport its depreciation expense increased by \$296,595. The Airport received \$27,966 in interest, which is nearly a fifty percent decrease from the previous 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 \$446,390,578 at June 30, 2008. The largest portion of the County's net assets, \$353,753,951 (79 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.

	Net Assets June 30, 2008					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$120,204,028	\$103,596,158	\$1,124,644	\$1,395,314	\$121,328,672	\$104,991,472
Capital assets	363,027,574	366,187,031	11,466,216	13,233,960	374,493,790	379,420,991
Total assets	<u>483,231,602</u>	<u>469,783,189</u>	<u>12,590,860</u>	<u>14,629,274</u>	<u>495,822,462</u>	<u>484,412,463</u>
Liabilities:						
Current liabilities	19,910,959	21,404,731	209,126	161,799	20,120,085	21,566,530
Long-term liabilities	30,109,990	27,868,607	9,787	12,235	30,119,777	27,880,842
Total liabilities	<u>50,020,949</u>	<u>49,273,338</u>	<u>218,913</u>	<u>174,034</u>	<u>50,239,862</u>	<u>49,447,372</u>
Net assets:						
Invested in capital assets net of related debt	342,299,969	344,188,303	11,453,982	13,219,278	353,753,951	357,407,581
Restricted	23,109,309	63,073,182			23,109,309	63,073,182
Unrestricted	68,609,353	13,248,366	917,965	1,235,962	69,527,318	14,484,328
Total net assets	<u>\$434,018,631</u>	<u>\$420,509,851</u>	<u>\$12,371,947</u>	<u>\$14,455,240</u>	<u>\$446,390,578</u>	<u>\$434,965,091</u>

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

The restricted portion of the County's net asset balance (\$23,109,309) is the sum of three different categories of restrictions. The first is \$19,905,031 held in the Headwaters Fund for future economic development. Combined with the Headwaters equity in the first category is \$868,112 equity in CDBG fund balances. The second component is \$2,234,890 cash held by fiscal agent for debt service on the County's COP. The third component of net assets is \$101,276 represents non-cash items like petty cash and receivables not currently available for spending.

The restrictions upon the \$19,905,031 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.

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, 2008, the County's governmental funds reported combined ending fund balances of \$101,221,855. This is an increase of \$22,164,012 from the previous year. Half of that increase is due to the prior period recognition of over \$11 million in CDBG receivables. The unreserved amount of \$45,297,156 in the general fund is available for spending at the County's discretion. Another \$20,081,041 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 (\$2,234,890); (2) to recognize legal restrictions on the Headwaters economic development fund (\$20,773,143) and amounts loaned and receivable by the Headwaters fund and CDBG loans (\$12,506,747); and (3) to recognize other reserved balances such as inventories (\$15,075), prepaid expenses (\$293,208) and imprest cash (\$20,595).

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

Revenues for governmental funds overall totaled \$245,647,030 in the fiscal year ended June 30, 2008. This represents an increase of \$11,118,145 or about 4.7 percent over the prior year. That increase includes \$4.8 million in CDBG revenue being recognized separately for the first time. Expenditures for governmental funds totaled \$234,608,878, an increase of \$20,728,885 or 9.7 percent over the prior year. As was the case in the analysis of the government-wide statements, public protection and public ways and facilities expenditures increased more than any other category of expenditure during the fiscal year, each increasing by \$7.3 million. Spending in the health and sanitation category fell by about \$10 million. Most of the other categories of expenditures had only minor changes.

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 a different 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 protection and public facilities expenditures grew more than the other categories of expenditures. In the fiscal year ended June 30, 2008, revenues for government funds exceeded expenditures by \$9,432,097.

The general fund is the chief operating fund of the County. At the end of the 2007-08 fiscal year, the unreserved fund balance of the general fund was \$45,297,156, while total fund balance was \$45,609,594. 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 24 percent of total general fund expenditures of about \$188 million. The total general fund balance is also about 24 percent in comparison to general fund expenditures. The prior year percentage was about 21 percent and it was 17 percent the year before that so this measure of liquidity has continued to improve as a multi-year trend.

The County's general fund balance increased by about 6 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 \$7,333,185), combined with a substantial decrease in liabilities (\$6,253,915). The combination of increased assets and decreased liabilities, as well as the overall increase of general fund balance by almost 10 million dollars, are positive indicators of continued improvement in 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 (ISF) was a decrease of \$4,084,774. These funds normally receive annual contributions from the County general fund and an equity transfer of \$540,232 was made from the Airport Capital Assets Fund to the Airport during the 2007-08 fiscal year. A total of \$168,750 in operating transfers was made to ISF during the year. There were negative prior year adjustments involving depreciation of capital assets in the aviation fund (\$719,726) and ISF (\$655,169). Net losses before transfers and adjustments were \$1,903,799 for the Airport and \$1,515,062 for the ISF. Factors concerning the financial operations of these funds have been addressed previously in the discussion of the County's business-type activities.

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

General fund budgetary highlights

The County's final general fund budget differs from the original budget in that it contains supplemental appropriations approved during the fiscal year. Spending appropriations were decreased by about 4 percent during the year, while projections for revenue to be received were increased by 2 percent. The actual results of the year's operations showed an unfavorable budget variance of about \$5 million. Some observations on the budget are as follows:

- Actual revenues fell short of the final budget by almost \$40 million. Actual expenditures were about \$34 million less than the final budget. The overall final budget to actual results had a favorable variance of \$5,501,547.
- Six of the seven categories of revenues fell short of the final budget when compared to actual results. The most significant of these was a \$28 million deficiency in aid from other governments. This reflects the continued fiscal distress being experienced by the State of California and a chronic shortfall in reimbursement for State programs.
- The original budget projected a decrease to general fund balance of \$6,476,894 over the fiscal year. The final budget projected an increase to fund balance of \$8,815,244. The actual result of the year's operations on a budgetary basis was an increase of the general fund balance of \$3,313,697.

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, 2008 amounted to \$378,356,351 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, construction in progress, buildings and improvements, and equipment. This is a decrease of \$1,064,640 over the previous year, which is largely due to depreciation of capital assets.

	County's Capital Assets					
	(net of depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land & Easements	\$ 3,979,356	\$ 3,979,356	\$ 1,976,177	\$ 1,976,177	\$ 5,955,533	\$ 5,955,533
Construction in						
Progress	3,369,127		8,638,492	4,092,682	12,007,619	4,092,682
Infrastructure	562,266,772	302,019,777			293,690,912	302,019,777
Structures &						
Improvements	89,995,665	54,385,354	6,842,969	6,848,611	59,267,894	61,233,965
Equipment	23,961,884	5,802,544	913,509	316,490	7,434,393	6,119,034
Total	<u>\$ 359,985,204</u>	<u>\$ 366,187,031</u>	<u>\$ 18,371,147</u>	<u>\$ 13,233,960</u>	<u>\$ 378,356,351</u>	<u>\$ 379,420,991</u>

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

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 7 on pages xx-xx of this report.

Long-term debt. At June 30, 2008, the County had total long-term debt outstanding of \$38,713,795 compared to \$39,044,100 at the end of the previous fiscal year. This amount was comprised of \$14,575,000 of certificates of participation, \$42,307 of bond premium that will be amortized over the life of the COP, \$12,234 of notes payable, 6,110,298 of capital lease obligations, \$16,066,906 of accrued compensated absences and an accrued liability of \$1,907,050 for unpaid claims. Long-term debt decreased by a total of \$330,305 during the fiscal year ended June 30, 2008 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.

Long-term debt at June 30, 2008 is summarized as follows:

	Balance		Amounts		
	June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Certificates of Participation	\$15,195,000		(\$620,000)	\$14,575,000	\$635,000
Unamortized COP premium	44,680		(2,373)	42,307	2,372
Accrued compensated absences	15,151,890	\$6,646,344	(5,802,198)	15,996,036	5,667,617
Capitalized lease obligations	6,759,048		(648,750)	6,110,298	379,532
Liability for unpaid claims	1,821,002	1,525,688	(1,439,640)	1,907,050	1,907,050
Total Governmental Activities					
Long-term liabilities	\$38,971,620	\$8,172,032	(\$8,511,961)	\$38,630,691	\$8,591,571
Business-type Activities					
Notes payable	\$14,682		(\$2,447)	\$12,234	\$2,447
Accrued compensated absences	57,798	\$36,860	(23,788)	70,870	70,870
Long-term liabilities	\$72,480	\$36,860	(\$26,235)	\$83,104	\$73,317

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

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

Economic Factors and Next Year's Budget and Rates

- The State of California is facing massive structural budget deficits in 2008-09 and future years. It is very likely that a number of State programs managed by the County will face funding cuts or elimination. It is unclear at this point exactly which programs will be cut or by how much. The County will have to respond quickly to cuts in State reimbursement by curtailing spending on local programs once the targets of those cuts become clear.
- Local real estate prices have topped out or fallen slightly. Humboldt County has not experienced severe deflation of real estate prices because we did not experience the intense property inflation seen in some areas of California. Because of the Proposition 13 limitations to growth in assessed valuation, the aggregate valuation of the County continues to slowly grow. Property tax revenue growth has tempered recently but we project no significant decline in those revenues.
- 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 gradually increased in recent decades. This places Humboldt County in a more vulnerable position than California's urban counties when government and educational institutions downsize their staff levels. Proposed cuts to education at all levels statewide will have a disproportionately negative impact in Humboldt due to that sector's greater representation in the local labor market.
- The United States is currently experiencing its most severe economic recession in decades. This recession is adversely affecting employment security, household incomes and consumer spending. It is uncertain how prolonged and severe this recession will ultimately prove to be.

All of these factors were considered in preparing the County's budget for FY 2008-09.

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.

BASIC FINANCIAL STATEMENTS

**COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
JUNE 30, 2008**

Statement 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 79,751,936	\$ 911,956	\$ 80,663,892
Restricted assets:			
Cash with fiscal agent	2,237,140	-	2,237,140
Department cash funds	20,595	400	20,995
Receivables, net:			
Taxes	2,137,541	-	2,137,541
Other governmental agencies	15,894,999	98,566	15,993,565
Interest	1,667,179	20,386	1,687,565
Due from external parties	1,767,659	-	1,767,659
Inventory	237,031	93,336	330,367
Deposits and other assets	1,506,854	-	1,506,854
Total current assets	<u>105,220,934</u>	<u>1,124,644</u>	<u>106,345,578</u>
Noncurrent Assets:			
Deferred costs	2,476,317	-	2,476,317
Loans receivable	13,314,725	-	13,314,725
Capital assets (Note 2):			
Nondepreciable	7,348,483	6,068,859	13,417,342
Depreciable, net	<u>355,679,091</u>	<u>5,397,357</u>	<u>361,076,448</u>
Net capital assets	<u>363,027,574</u>	<u>11,466,216</u>	<u>374,493,790</u>
Total noncurrent assets	<u>378,818,616</u>	<u>11,466,216</u>	<u>390,284,832</u>
Total assets	<u>\$ 484,039,550</u>	<u>\$ 12,590,860</u>	<u>\$ 496,630,410</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,428,585	\$ 107,687	\$ 5,536,272
Accrued salaries and benefits	4,322,038	28,122	4,350,160
Accrued interest payable	106,744	-	106,744
Due to external parties	-	-	-
Other liabilities	344,850	-	344,850
Deferred revenue	1,188,041	-	1,188,041
Current portion of long term debt			
Certificates of participation	637,372	-	637,372
Notes payable	-	2,447	2,447
Capital leases	379,532	-	379,532
Compensated absences	5,596,747	70,870	5,667,617
Liability for unpaid claims	1,907,050	-	1,907,050
Total current liabilities	<u>19,910,959</u>	<u>209,126</u>	<u>20,120,085</u>
Noncurrent liabilities:			
Certificates of participation	13,979,935	-	13,979,935
Notes payable	-	9,787	9,787
Capital leases	5,730,766	-	5,730,766
Compensated absences	<u>10,399,289</u>	<u>-</u>	<u>10,399,289</u>
Total noncurrent liabilities	<u>30,109,990</u>	<u>9,787</u>	<u>30,119,777</u>
Total liabilities	<u>50,020,949</u>	<u>218,913</u>	<u>50,239,862</u>
Net Assets			
Investment in Capital Assets, net of related debt	342,299,969	11,453,982	353,753,951
Restricted for:			
Economic development	20,773,113	-	20,773,113
Capital project	-	-	-
Debt service	2,234,890	-	2,234,890
Other purposes	101,276	-	101,276
Unrestricted	<u>68,609,353</u>	<u>917,965</u>	<u>69,527,318</u>
Total Net Assets	<u>434,018,601</u>	<u>12,371,947</u>	<u>446,390,548</u>
Total Liabilities and Net Assets	<u>\$ 484,039,550</u>	<u>\$ 12,590,860</u>	<u>\$ 496,630,410</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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	\$ 16,345,233	\$ 6,441,810	\$ 20,131,350	\$ 112,721	\$ 10,340,648
Public protection	65,955,488	5,989,609	21,282,395	-	(38,683,484)
Public ways and facilities	31,719,189	1,713,756	10,353,767	13,537,212	(6,114,454)
Health and sanitation	38,717,212	12,500,106	14,995,000	-	(11,222,106)
Public assistance	74,669,899	3,044,788	71,843,279	-	218,168
Education	3,203,903	78,633	614,202	-	(2,511,068)
Recreation and Culture	1,614,106	494,627	468,818	-	(650,661)
Debt Service					
Interest	917,583	-	-	-	(917,583)
Total Governmental Activities	<u>233,142,613</u>	<u>30,263,329</u>	<u>139,688,811</u>	<u>13,649,933</u>	<u>(49,540,540)</u>
Business-Type Activities:					
Airport	4,551,567	2,390,314	-	-	(2,161,253)
Total Humboldt County	<u>\$ 237,694,180</u>	<u>\$ 32,653,643</u>	<u>\$ 139,688,811</u>	<u>\$ 13,649,933</u>	<u>\$ (51,701,793)</u>

CHANGES IN NET ASSETS:

	Governmental Activities	Business-Type Activities	Total
Net (Expense)/Revenue	\$ (49,540,540)	\$ (2,161,253)	\$ (51,701,793)
General Revenues:			
Taxes			
Property Taxes	21,044,086	-	21,044,086
Sales and Use Taxes	7,400,051	-	7,400,051
Other Taxes	18,714,457	-	18,714,457
Unrestricted interest and investment earnings	3,998,682	27,966	4,026,648
Transfers - Internal Activity	(540,232)	540,232	-
Miscellaneous	4,801,908	229,488	5,031,396
Total General Revenues and Transfers	<u>55,418,952</u>	<u>797,686</u>	<u>56,216,638</u>
Change in Net Assets	5,878,412	(1,363,567)	4,514,845
Net Assets - Beginning	420,509,851	14,455,240	434,965,091
Prior Period Adjustment	7,630,338	(719,726)	6,910,612
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	-	-	-
Net Assets - Ending	<u>\$ 434,018,601</u>	<u>\$ 12,371,947</u>	<u>\$ 446,390,548</u>

COUNTY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Statement 3
(Continued)

<u>ASSETS</u>	<u>General Funds</u>	<u>Headwaters Mitigation Funds</u>	<u>CDBG and Economic Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 42,735,145	\$ 18,772,835	\$ -	\$ 14,267,059	\$ 75,775,039
Restricted assets:					
Cash with fiscal agent	-	-	-	2,237,140	2,237,140
Department cash funds	19,530	-	-	1,065	20,595
Receivables, net:					
Taxes	2,137,541	-	-	-	2,137,541
Other governmental agencies	8,125,566	572,546	1,108,460	5,800,169	15,606,741
Interest	434,703	407,238	476,735	181,390	1,500,066
Due From Other Funds	-	3,160,507	-	-	3,160,507
Inventory	-	-	-	15,075	15,075
Loans receivable	-	2,168,072	11,146,653	-	13,314,725
Prepays and other assets	292,908	-	-	300	293,208
	<u>53,745,393</u>	<u>25,081,198</u>	<u>12,731,848</u>	<u>22,502,198</u>	<u>114,060,637</u>
Total Assets	\$ <u>53,745,393</u>	\$ <u>25,081,198</u>	\$ <u>12,731,848</u>	\$ <u>22,502,198</u>	\$ <u>114,060,637</u>
 <u>LIABILITIES</u>					
Accounts Payable	\$ 3,986,268	\$ 8,427	\$ 344,939	\$ 984,560	\$ 5,324,194
Accrued salaries and benefits	3,772,229	-	22,981	434,709	4,229,919
Due to other funds	(169,125)	-	-	1,750,183	1,581,058
Other Liabilities	87	-	-	-	87
Advances from other funds	546,340	-	1,157,141	43	1,703,524
Deferred Revenue	-	-	-	-	-
	<u>8,135,799</u>	<u>8,427</u>	<u>1,525,061</u>	<u>3,169,495</u>	<u>12,838,782</u>
Total Liabilities	\$ <u>8,135,799</u>	\$ <u>8,427</u>	\$ <u>1,525,061</u>	\$ <u>3,169,495</u>	\$ <u>12,838,782</u>
 <u>FUND BALANCES</u>					
Reserved for:					
Encumbrances	-	-	-	-	-
Departmental cash	19,530	-	-	1,065	20,595
Inventories	-	-	-	15,075	15,075
Prepays and other assets	292,908	-	-	300	293,208
Loans receivable	-	2,168,072	10,338,675	-	12,506,747
Capital projects	-	-	-	-	-
Debt service	-	-	-	2,234,890	2,234,890
Economic development	-	19,905,001	868,112	-	20,773,113
Unreserved, reported in					
General Funds	45,297,156	-	-	-	45,297,156
Special Revenues Fund	-	2,999,668	-	16,619,796	19,619,464
Debt service funds	-	-	-	461,577	461,577
	<u>45,609,594</u>	<u>25,072,741</u>	<u>11,206,787</u>	<u>19,332,703</u>	<u>101,221,825</u>
Total Fund Balances	\$ <u>45,609,594</u>	\$ <u>25,072,741</u>	\$ <u>11,206,787</u>	\$ <u>19,332,703</u>	\$ <u>101,221,825</u>
Total Liabilities and Fund Balances	\$ <u>53,745,393</u>	\$ <u>25,081,168</u>	\$ <u>12,731,848</u>	\$ <u>22,502,198</u>	\$ <u>114,060,607</u>

COUNTY OF HUMBOLDT
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
JUNE 30, 2008

Statement 3

Fund Balance - total governmental funds	\$ 101,221,825
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.	-
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.	2,476,317
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	359,985,204
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:	6,273,526
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.	(106,744)
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	(14,575,000)
Unamortized premium	(42,307)
Notes Payable	-
Capital leases	(6,110,298)
Compensated absences	<u>(15,103,922)</u>
Net Assets of Governmental Activities	\$ <u>434,018,601</u>

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

Statement 4
(Continued)

	<u>General Funds</u>	<u>Headwaters Mitigation Funds</u>	<u>CDBG and Economic Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$ 41,270,378	\$ -	\$ -	\$ 5,888,216	\$ 47,158,594
Licenses and permits	1,679,886	-	-	73,043	1,752,929
Fines, forfeits and penalties	2,673,390	-	-	686,980	3,360,370
Revenue from use of money and property	1,999,289	1,171,853	292,407	535,133	3,998,682
Aid from other governments	119,630,027	99,292	4,501,250	33,678,886	157,909,455
Charges for services	23,938,741	-	-	1,211,289	25,150,030
Miscellaneous	5,005,614	193,156	14,807	1,103,393	6,316,970
Total Revenues	<u>196,197,325</u>	<u>1,464,301</u>	<u>4,808,464</u>	<u>43,176,940</u>	<u>245,647,030</u>
EXPENDITURES:					
Current:					
General government	13,852,132	-	-	-	13,852,132
Public protection	53,873,394	-	4,404,516	6,237,021	64,514,931
Public ways and facilities	3,960,049	-	-	15,730,692	19,690,741
Health and sanitation	38,562,431	-	-	-	38,562,431
Public assistance	74,525,154	-	-	-	74,525,154
Education	234,388	-	-	2,965,380	3,199,768
Recreation and Culture	649,464	942,210	-	-	1,591,674
Debt Service:					
Principal	240,593	-	-	825,308	1,065,901
Interest and Other Charges	160,133	-	-	780,280	940,413
Capital Outlay	2,211,303	-	-	14,454,430	16,665,733
Total Expenditures	<u>188,269,041</u>	<u>942,210</u>	<u>4,404,516</u>	<u>40,993,111</u>	<u>234,608,878</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,928,284</u>	<u>522,091</u>	<u>403,948</u>	<u>2,183,829</u>	<u>11,038,152</u>
OTHER FINANCING SOURCES (USES)					
Capital leases	-	-	-	-	-
Transfers In	-	-	99,475	2,404,635	2,504,110
Transfers Out	(3,930,245)	-	-	(179,920)	(4,110,165)
Total Other Financing Sources and Uses	<u>(3,930,245)</u>	<u>-</u>	<u>99,475</u>	<u>2,224,715</u>	<u>(1,606,055)</u>
Net Change in Fund Balances	3,998,039	522,091	503,423	4,408,544	9,432,097
Fund Balances-Beginning	39,218,310	24,550,650	364,694	14,924,159	79,057,813
Prior Period Adjustment	2,393,245	-	10,338,670	-	12,731,915
Residual Equity Transfers In	-	-	-	-	-
Residual Equity Transfers Out	-	-	-	-	-
Fund Balances-Ending	<u>\$ 45,609,594</u>	<u>\$ 25,072,741</u>	<u>\$ 11,206,787</u>	<u>\$ 19,332,703</u>	<u>\$ 101,221,825</u>

COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

Statement 4

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 \$ 9,432,097

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	16,665,733	
Less: current year depreciation	<u>(14,648,461)</u>	2,017,272

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.		(4,248,435)
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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.

Principal payment on certificates of participation and capital leases	<u>1,065,901</u>	1,065,901
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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	22,830	
Amortization of bond issuance costs	(96,480)	
Change in compensated absences	(802,083)	
Change in amortization of debt premium	<u>2,372</u>	(873,361)

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>(1,515,062)</u>
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Change in Net Assets of Governmental Activities	\$ <u><u>5,878,412</u></u>
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**COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008**

Statement 5

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Aviation	Internal Service Funds
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Investments	\$ 911,956	\$ 3,976,927
Departmental cash funds	400	-
Accounts Receivable:		
Other governmental agencies	98,566	288,258
Interest	20,386	167,113
Due from other funds	17,504	2,203,706
Inventory	93,336	221,956
Deposits and other assets	-	1,213,646
Total Current Assets	<u>1,142,148</u>	<u>8,071,606</u>
<u>Noncurrent Assets:</u>		
Advances to other funds	-	(311,972)
Capital Assets:	-	
Nondepreciable:	-	
Land	1,976,177	-
Construction in progress	4,092,682	-
Depreciable:	-	
Structures and improvements	18,970,041	259,377
Equipment	1,084,821	15,517,671
Accumulated depreciation	<u>(14,657,505)</u>	<u>(12,734,678)</u>
Net Property, Plant and Equipment	<u>11,466,216</u>	<u>3,042,370</u>
Total Noncurrent Assets	<u>11,466,216</u>	<u>2,730,398</u>
Total Assets	<u>\$ 12,608,364</u>	<u>\$ 10,802,004</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 107,687	\$ 104,391
Accrued salaries and benefits	28,122	92,119
Accrued interest payable	-	-
Due to other funds	17,504	-
Provision for estimated claims	-	1,907,050
Other liabilities	-	344,763
Deferred revenue	-	1,188,041
Current portion of notes payable	2,447	-
Current portion of liability for compensated absences	<u>70,870</u>	<u>223,188</u>
Total Current Liabilities	<u>226,630</u>	<u>3,859,552</u>
<u>Noncurrent Liabilities:</u>		
Notes payable	9,787	-
Liability for compensated absences	-	<u>668,926</u>
Total Noncurrent Liabilities	<u>9,787</u>	<u>668,926</u>
Total Liabilities	<u>236,417</u>	<u>4,528,478</u>
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	11,453,982	3,042,370
Unrestricted	<u>917,965</u>	<u>3,231,156</u>
Total Net Assets	<u>12,371,947</u>	<u>6,273,526</u>
<u>Total liabilities and net assets</u>	<u>\$ 12,608,364</u>	<u>\$ 10,802,004</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, 2008

Statement 6

	3530	
	Business-Type	Governmental
	Activities -	Activities
	Enterprise Funds	Internal Service
	Aviation	Funds
OPERATING REVENUES:		
Charges for Services	\$ 2,390,314	\$ 29,619,165
Other revenue	229,488	292,110
Total Operating Revenues	<u>2,619,802</u>	<u>29,911,275</u>
OPERATING EXPENSES:		
Salaries and Benefits	803,416	2,920,683
Services and supplies	2,699,115	5,851,828
Claims expense	-	22,111,002
Depreciation	1,048,017	709,578
Other Expenses	-	98,484
Total operating expenses	<u>4,550,548</u>	<u>31,691,575</u>
Net Operating Income	<u>(1,930,746)</u>	<u>(1,780,300)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	27,966	365,909
Interest expense	(1,019)	(100,671)
Sale of capital assets	-	-
Total Nonoperating Revenue (expense)	<u>26,947</u>	<u>265,238</u>
Net Income Before Contributions and Transfers	(1,903,799)	(1,515,062)
Capital Contributions	-	-
Operating transfers in (out)	<u>540,232</u>	<u>168,750</u>
Net income	<u>(1,363,567)</u>	<u>(1,346,312)</u>
Net Assets-Beginning of Year - As previously stated	14,455,240	8,275,007
Prior period adjustment	(719,726)	(655,169)
Net Assets-Beginning of Year - As restated	13,735,514	7,619,838
Residual Equity Transfers In	-	-
Residual Equity Transfers Out	-	-
Net Assets-End of Year	<u>\$ 12,371,947</u>	<u>\$ 6,273,526</u>

**COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2008**

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:		
Cash receipts from customers	\$ 2,521,236	\$ -
Cash receipts from internal fund services provided	-	29,975,784
Cash paid to suppliers for goods and services	(2,666,360)	(27,890,749)
Cash paid to employees for services	(788,844)	(2,920,683)
Operating transfers	-	168,750
Prior period adjustment	-	-
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>(933,968)</u>	<u>(666,898)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to (from) other funds	540,232	-
Net temporary loans from (to) other funds	<u> </u>	<u>(1,653,599)</u>
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>540,232</u>	<u>(1,653,599)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal repayment related to capital purposes	(2,448)	-
Sale/disposal of capital assets	-	3,472
Payments related to the acquisition of capital assets	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital and related financing activities	<u>(2,448)</u>	<u>3,472</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	24,944	292,419
Payments of interest	<u>(1,019)</u>	<u>(100,671)</u>
	<u> </u>	<u> </u>
Net Cash Provided by Investing Activities	<u>23,925</u>	<u>191,748</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(372,259)</u>	<u>(2,125,277)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,284,587</u>	<u>6,102,204</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 912,328</u>	<u>\$ 3,976,927</u>

See accompanying notes to the
basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2008

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		
Net Operating Income (Loss)	\$ (1,930,746)	\$ (1,780,300)
Adjustments to Reconcile Net Income to Net Cash From (Used For) Operating Activities:		
Depreciation	1,048,017	709,578
Operating Transfers	-	168,750
Prior period adjustment	-	-
Decrease (Increase) in Accounts Receivable	(98,566)	-
Decrease (Increase) in Inventory	-	-
Decrease (Increase) in Prepaid Assets	-	(64,476)
Decrease (Increase) in Other Assets	-	-
Increase (Decrease) in Accounts Payable	32,755	(100,744)
Increase (Decrease) in Accrued Salaries and Benefits	1,500	5,853
Increase (Decrease) in Due From Other Governmental Entities	-	(132,658)
Increase (Decrease) in Estimated Insurance Payable	-	86,048
Increase (Decrease) in Deferred Revenue	-	197,167
Increase (Decrease) in Other Liabilities	-	120,627
Increase (Decrease) in Compensated Absences	13,072	123,257
Net Cash From (Used For) Operating Activities	\$ <u>(933,968)</u>	\$ <u>(666,898)</u>

COUNTY OF HUMBOLDT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

Statement 8

	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Investments	\$ 139,024,868	\$ 23,096,805	\$ 162,121,673
Imprest cash	-	850	850
Departmental receivables	-	229,460	229,460
Taxes receivable	-	-	-
Due from other funds	8,187	126,521	134,708
Prepaid expenses and other assets	-	-	-
Total Assets	<u>\$ 139,033,055</u>	<u>\$ 23,453,636</u>	<u>\$ 162,486,691</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 318,418	\$ 780,187	\$ 1,098,605
Due to other funds	61,109	126,576	187,685
Agency funds held for others	-	22,546,873	22,546,873
Total Liabilities	<u>379,527</u>	<u>23,453,636</u>	<u>23,833,163</u>
<u>Net Assets</u>			
Net assets held in trust for investment pool participants	<u>138,653,528</u>	<u>-</u>	<u>138,653,528</u>
Total Net Assets	<u>138,653,528</u>	<u>-</u>	<u>138,653,528</u>
Total Liabilities and Net Assets	<u>\$ 139,033,055</u>	<u>\$ 23,453,636</u>	<u>\$ 162,486,691</u>

COUNTY OF HUMBOLDT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

Statement 9

	Investment Trust
<u>Additions:</u>	
Interest Income	\$ 6,804,850
Contributions to investment pool	<u>351,733,841</u>
Total Additions	<u><u>358,538,691</u></u>
<u>Deductions:</u>	
Distributions from investment pool	<u>352,306,825</u>
Total Deductions	<u>352,306,825</u>
Changes in Net Assets	<u>6,231,866</u>
Net Assets-Beginning of the Year	<u>132,421,662</u>
Net Assets-End of the Year	\$ <u><u>138,653,528</u></u>

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, 2008

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 period.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 1: DESCRIPTION OF REPORTING ENTITY (continued)

Blended Component Unit(continued)

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.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008

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.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008

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 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, 2008

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, 2008 consisted of the following:

Treasury cash on hand and in banks (deposits)	\$ 4,129,417
Investments (detailed below)	255,089,479
Less: outstanding warrants	(16,433,301)
Less: pending items	<u>(-)</u>
Total Cash and Investments	\$ <u>242,785,595</u>

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

Primary Government:	
Governmental activities	\$ 79,751,966
Business-type activities	911,956
Investment trust fund	139,024,868
Agency funds	<u>23,096,805</u>
Totals	\$ <u>242,785,595</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008, 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	\$ 4,125,017
Cash on hand	4,400
Total Deposits	<u>\$ 4,129,417</u>

At June 30, 2008, the carrying amount of the County's cash deposits (checking account) was \$(874,983) and the bank balance was \$2,754. 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, \$500,000 was covered by federal depository insurance, the remaining \$3,629,417 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 \$250,000 by federal deposit insurance.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008 was \$68,516,289. The total amount invested by all public agencies in the State's pooled money investment account was \$66 billion. Of that \$66 billion managed by the State Treasurer, 100% was invested in non-derivative financial products. However, 3.466% 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, 2008.

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, 2008.

COUNTY OF HUMBOLDT
Notes to the Basic Financial Statements
June 30, 2008

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	\$ 168,388,910	168,119,959	\$ 164,615,000	2.50-6.00%	4/28/10-4/29/13
Short term	<u>16,169,550</u>	<u>16,096,050</u>	<u>15,998,500</u>	2.50-5.20%	11/18/08-4/29/09
	184,558,460	184,216,009	180,613,500		
Noncategorized:					
California Asset Management Program JPA	2,014,730	2,014,730	2,014,730		
Local Agency Investment Fund	<u>68,516,289</u>	<u>68,516,289</u>	<u>68,516,289</u>		
	<u>\$ 255,089,479</u>	<u>\$ 254,747,028</u>	<u>\$ 251,144,519</u>		

The following are condensed statements of net assets and changes in net assets, for the County's investment pool as of June 30, 2008 and for the year then ended:

Statement of Net Assets

Net assets held for pool participants	\$ <u>242,785,595</u>
Equity of internal pool participants	\$ 103,760,727
Equity of external pool participants	<u>139,024,868</u>
Total Equity	\$ <u>242,785,595</u>

Statement of Changes in Net Assets

Net assets at July 1, 2007	\$ 236,676,661
Investment income	19,923,437
Investment costs	-
Net Deposit/withdrawals by pool participants	<u>13,814,503</u>
Net assets at June 30, 2008	\$ <u>242,785,595</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008

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, 2008, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Governmental Activities:		
General Fund:		
Various grants and charges	\$ -	\$ -
Property taxes	-	-
Internal Service Funds:		
Insurance premiums	<u>-</u>	<u>1,188,041</u>
Total Governmental Activities	<u>\$ -</u>	<u>\$ 1,188,041</u>

NOTE 6: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2008 are as follows:

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

Receivable Fund	Payable Fund	Amount
Headwaters Mitigation Funds	General Fund	\$ 1,157,141
	Debt Service	71,528
	Agency Funds	<u>1,931,838</u>
		<u>3,160,507</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 6: INTERFUND TRANSACTIONS (continued)

Interfund Receivables/Payables (continued)

Internal Service Funds	Nonmajor Governmental Funds	<u>1,670,468</u>
		<u>1,670,468</u>
Internal Service Funds	Agency Funds	<u>3,582</u>
		<u>\$ 4,834,557</u>

Transfers

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Funds	Nonmajor Governmental Funds	\$ 6,175,598
General Fund	Internal Service Funds	322,946
Headwaters Fund	General Fund	579,814
Nonmajor Governmental Funds	Nonmajor Government Funds	351,283
Nonmajor Governmental Funds	Enterprise Funds	<u>84,183</u>
		<u>\$ 7,513,824</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements
June 30, 2008

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities	Balance June 30, 2007	Additions	Retirements	Transfers and Adjustments	Balance June 30, 2008
Capital assets, not being depreciated:					
Land	\$ 3,979,356	\$ -	\$ -	\$ -	\$ 3,979,356
Construction in progress	<u>-</u>	<u>3,369,127</u>	<u>-</u>	<u>-</u>	<u>3,369,127</u>
Total capital assets, not being depreciated	<u>3,979,356</u>	<u>3,369,127</u>	<u>-</u>	<u>-</u>	<u>7,348,483</u>
Capital assets, being depreciated:					
Infrastructure	559,262,537	3,004,235	-	-	562,266,772
Structures and improvements	89,472,143	486,255	-	37,267	89,995,665
Equipment	<u>22,269,480</u>	<u>2,698,934</u>	<u>(1,723,469)</u>	<u>716,281</u>	<u>23,961,226</u>
Total capital assets, being depreciated	<u>671,004,160</u>	<u>6,189,424</u>	<u>(1,723,469)</u>	<u>753,548</u>	<u>676,223,663</u>
Less accumulated depreciation for:					
Infrastructure	(257,242,760)	(11,332,426)	-	(674)	(268,575,860)
Structures and improvements	(35,086,789)	(2,436,889)	-	(47,062)	(37,570,740)
Equipment	<u>(16,466,936)</u>	<u>(1,716,601)</u>	<u>1,465,432</u>	<u>(722,237)</u>	<u>(17,440,342)</u>
Total accumulated depreciation	<u>(308,796,485)</u>	<u>(15,485,916)</u>	<u>1,465,432</u>	<u>(769,973)</u>	<u>(323,586,942)</u>
Total capital assets, being depreciated, net	<u>362,207,675</u>	<u>(9,296,492)</u>	<u>(258,037)</u>	<u>(16,425)</u>	<u>352,636,721</u>
Government activities capital assets, net	<u>\$ 366,187,031</u>	<u>\$ (5,927,365)</u>	<u>\$ (258,037)</u>	<u>\$ (16,425)</u>	<u>\$ 359,985,204</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ -	\$ -	\$ -	\$ 1,976,177
Construction in progress	<u>4,092,682</u>	<u>4,856,187</u>	<u>(310,377)</u>	<u>-</u>	<u>8,638,492</u>
Total capital assets, not being depreciated	<u>6,068,859</u>	<u>4,856,187</u>	<u>(310,377)</u>	<u>-</u>	<u>10,614,669</u>
Capital assets, being depreciated:					
Structures and improvements	18,970,041	310,377	-	1,083,652	20,364,070
Equipment	<u>1,084,821</u>	<u>762,612</u>	<u>-</u>	<u>(47,199)</u>	<u>1,800,234</u>
Total capital assets, being depreciated	<u>20,054,862</u>	<u>1,072,989</u>	<u>-</u>	<u>1,036,453</u>	<u>22,164,304</u>
Less accumulated depreciation for:					
Structures and improvements	(12,121,430)	(934,190)	-	(465,481)	(13,521,101)
Equipment	<u>(768,331)</u>	<u>(121,797)</u>	<u>-</u>	<u>3,403</u>	<u>(886,725)</u>
Total accumulated depreciation	<u>(12,889,761)</u>	<u>(1,055,987)</u>	<u>-</u>	<u>(462,078)</u>	<u>(14,407,826)</u>
Total capital assets, being depreciated, net	<u>7,165,101</u>	<u>17,002</u>	<u>-</u>	<u>574,375</u>	<u>7,756,478</u>
Business-type activities capital assets, net	<u>\$ 13,233,960</u>	<u>\$ 4,873,189</u>	<u>\$ (310,377)</u>	<u>\$ 574,375</u>	<u>\$ 18,371,147</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 7: CAPITAL ASSETS (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,648,182
Public protection	508,603
Public ways	12,111,567
Health and sanitation	99,065
Public assistance	105,882
Education	3,442
Recreation	<u>9,375</u>
Total Depreciation Expense - Governmental Functions	\$ <u>15,486,116</u>

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

Airport	\$ <u>1,048,017</u>
Total Depreciation Expense - Business-Type Functions	\$ <u>1,048,017</u>

NOTE 8: LEASE COMMITMENTS

Operating Leases

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

At June 30, 2008, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

Fiscal Year Ending June 30,	General Fund	Special Revenue Funds	Total
2009	\$ 3,061,380	\$ -	\$ 3,061,380
2010	2,728,923	-	2,728,923
2011	2,445,781	-	2,445,781
2012	1,970,290	-	1,970,290
2013-2016	<u>6,215,086</u>	-	<u>6,215,086</u>
	\$ <u>16,421,460</u>	\$ <u>-</u>	\$ <u>16,421,460</u>

Rent expenditures were \$2,774,486 for the year ended June 30, 2008.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008:

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2008</u>
Governmental Activities:		
Biological laboratory	4.98%	\$ 179,776
Computer equipment	5.99%	20,493
Animal shelter	2 - 4.4%	3,452,600
Building remodel	5.10%	<u>2,637,206</u>
Total		<u>\$ 6,110,299</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>(1,190,621)</u>
Total	<u>\$ 6,759,048</u>

As of June 30, 2008, future minimum lease payments under capital leases was as follows:

Year Ending <u>June 30,</u>	
2009	\$ 730,137
2010	702,430
2011	625,308
2012	628,400
2013	631,728
2014-Later	<u>5,014,003</u>
Total Future Minimum Lease Payments	8,332,006
Less: Interest (1)	<u>(2,221,707)</u>
Present Value of Minimum Lease Payments	<u>\$ 6,110,299</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, 2008

NOTE 9: LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions/ Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental Activities:					
Certificates of Participation	\$ 15,195,000	\$ -	\$ (620,000)	\$ 14,575,000	\$ 635,000
Unamortized premium	44,680	-	(2,373)	42,307	2,372
Accrued compensated absences	15,151,890	6,646,344	(5,802,198)	15,996,036	5,667,617
Capital lease obligations	6,759,048	-	(648,750)	6,110,298	379,532
Liability for unpaid claims	1,821,002	1,525,688	(1,439,640)	1,907,050	1,907,050
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 38,971,620</u>	<u>\$ 8,172,032</u>	<u>\$ (8,512,961)</u>	<u>\$ 38,630,691</u>	<u>\$ 8,591,571</u>
Business-Type Activities:					
Notes payable	\$ 14,682	\$ -	\$ (2,447)	\$ 12,234	\$ 2,447
Accrued compensated absences	57,798	36,860	(23,788)	70,870	70,870
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 72,480</u>	<u>\$ 36,860</u>	<u>\$ (26,235)</u>	<u>\$ 83,104</u>	<u>\$ 73,317</u>

As of June 30, 2008, annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities Certificates of Participation	
	Principal	Interest
2009	\$ 635,000	\$ 605,034
2010	655,000	586,619
2011	675,000	565,659
2012	695,000	542,709
2013	725,000	516,994
2014-2017	3,185,000	1,776,665
2018-2022	4,785,000	1,408,769
2023-2025	<u>3,220,000</u>	<u>318,713</u>
Total Liability at June 30, 2008	<u>\$ 14,575,000</u>	<u>\$ 6,321,162</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 9: LONG-TERM DEBT (Continued)

As of June 30, 2008, annual debt service requirements of business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Business-Type Activities	
	Notes Payable	
	Principal	Interest
2009	\$ 2,447	\$ 850
2010	2,447	680
2011	2,447	510
2012	2,447	340
2013	2,447	169
	<u>\$ 12,235</u>	<u>\$ 2,549</u>

Long-term liabilities at June 30, 2008, consisted of the following:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
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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>14,575,000</u>
Total Governmental Activities				\$ <u>17,815,000</u>	\$ <u>14,575,000</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>12,235</u>
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COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008, reservations of fund balance are described below:

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

The County has "reserved" fund balances as follows:

Reserve for Encumbrances was created to represent encumbrances outstanding at the end of the 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

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 10: NET ASSETS/FUND BALANCES (continued)

Fund Balances (continued)

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, 2008

NOTE 11: EMPLOYEES RETIREMENT SYSTEM

A. Plan Description (Continued)

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 8% and 9% of their annual covered salary, respectively. The County is required to contribute the actuarially determined remaining amounts necessary to fund the benefits 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 2007/2008 was 17.718% for July through August 2007 and 17.948% for the balance of the fiscal year, for miscellaneous employees, and 21.748% for safety plan employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For the Miscellaneous Plan for fiscal year 2007/2008, the County's annual pension cost was \$11,691,898 and the County actually contributed \$11,691,898. For the Safety Plan for fiscal year 2007/2008, the County's annual pension cost was \$2,695,885 and the County actually contributed \$2,695,885. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2006/2008 was determined as part of the June 30, 2006 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%

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 11: EMPLOYEES RETIREMENT SYSTEM (continued)**C. Annual Pension Cost (continued)**

to 13.15% for the Safety Plan); and (c) 3.0% cost-of-living adjustment for both plans. The actuarial value of the assets of the Miscellaneous Plan and the Safety Plan were determined using a technique that 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, 2008 for the Miscellaneous Plan and the Safety Plan were 23 years and 32 years, respectively.

Three-Year Trend Information

<u>Miscellaneous Plan</u>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 5,161,523	100.00%	\$ -
June 30, 2006	8,371,402	100.00%	-
June 30, 2007	11,412,238	100.00%	-
<u>Safety Plan</u>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 2,683,729	100.00%	\$ -
June 30, 2006	2,758,477	100.00%	-
June 30, 2007	2,568,062	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 Ca1PERS medical insurance plan. Under Ca1PERS regulations, the County pays a fixed amount of the retiree's monthly premium until age 65. For the year ended June 30, 2008, this premium contribution averaged \$80.80 per month for 243 retirees at a total cost of \$231,734. In addition, those employees who were retired and entitled to additional benefits at the date the County elected participation in the Ca1PERS medical insurance program, January 1, 2001, receive an additional monthly premium contribution until age 65. For the year ended June 30, 2008, this contribution averaged \$77.35 per month for 12 retirees at a total cost of \$11,138.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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:

	Balance at June 30, 2007	Current Year Claims and Changes in Estimates	Claim Payments	Balance at June 30, 2008
Liability and auto	\$ 1,589,152	\$ 1,164,981	\$ 1,099,372	\$ 1,654,761
Dental	95,000	1,148,323	1,165,896	77,427
Unemployment	136,850	365,738	327,726	174,862
	<u>\$ 1,821,002</u>	<u>\$ 2,679,042</u>	<u>\$ 2,592,994</u>	<u>\$ 1,907,050</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

NOTE 13: RISK MANAGEMENT (Continued)

	Balance at June 30, 2005	Current Year Claims and Changes in Estimates	Claim Payments	Balance at June 30, 2006
Liability and auto	\$ 1,243,509	\$ 1,100,873	\$ 755,230	\$ 1,589,152
Dental	95,000	993,299	993,299	95,000
Unemployment	136,850	213,455	213,455	136,850
	<u>\$ 1,475,359</u>	<u>\$ 2,307,627</u>	<u>\$ 1,961,984</u>	<u>\$ 1,821,002</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 June 2008. Actuarial reviews of dental and unemployment programs were last performed by Demsey, Fillingner and Associates and Bay Actuarial Consultants, Inc. in June and May 2008 respectively.

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

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

NOTE 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, 2008

- CSAC Excess Insurance Authority
- Humboldt Transit Authority
- North Coast Air Quality Management District
- Humboldt County Association of Government Trusts
- Redwood Coast Energy Authority
- 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, 2008 is not available for presentation.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2008

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, 2008 is as follows:

Total assets	\$ 539,919,068
Total liabilities and reserves	<u>402,208,250</u>
Total net assets	<u>\$ 137,710,818</u>
Total revenues	\$ 407,690,806
Total expenses	<u>381,084,125</u>
Net increase (decrease) in net assets	26,606,681
Net assets, beginning of the year	<u>111,104,137</u>
Net assets, end of the year	<u>\$ 137,710,818</u>

* June 30, 2008 information has not been made available.

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, 2008, 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.

NOTE 15: COMMITMENTS AND CONTINGENCIES (continued)

B. Legal Actions

In the opinion of County Counsel, there are potential liabilities as of June 30, 2008 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	\$ 460,726
Dental insurance	724,599
Liability insurance	1,302,690
Medical insurance	1,878,010
Information Technology	54,182

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: NOTES RECEIVABLE CDBG, Cal HOME and HOME

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

NOTE 17: PRIOR PERIOD ADJUSTMENT

It was determined that the County's financial statements did not reflect the outstanding balances of the CDBG, CalHOME and HOME Program loans receivable. It was determined that the effect of the adjustment to report those loans is to increase the net assets of the County's governmental activities by \$11,195,459.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT
 Required Supplementary Information
 For the Year Ended June 30, 2008

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
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%
June 30, 2006	\$ 324,836,433	\$ 262,947,029	\$ 61,889,404	80.09%	\$ 64,469,770	96.00%

Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
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%
June 30, 2006	\$ 99,055,554	\$ 87,581,538	\$ 11,474,016	88.40%	\$ 11,503,199	99.70%

* June 30, 2007 and 2008 information is not individually available from CalPERS. Additional information can be obtained on the CalPERS website at www.calpers.ca.gov.

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2008

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.

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, 2008**

	<u>Budgeted Amounts</u>		<u>June 30, 2008</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Budgetary fund balances, July 1 as previously stated	\$ 21,898,265	\$ 21,898,265	\$ 21,898,265	\$ -
Prior period Adjustment	-	-	10,338,670	10,338,670
Budgetary fund balances, July 1 as restated	<u>21,898,265</u>	<u>21,898,265</u>	<u>32,236,935</u>	<u>10,338,670</u>
Resources (Inflows):				
Taxes	41,362,304	41,412,304	41,232,589	(179,715)
Licenses and permits	1,754,883	1,754,883	1,679,886	(74,997)
Fines, forfeits and penalties	2,350,665	2,281,745	2,264,696	(17,049)
Revenue from use of money and property	960,519	989,244	1,307,598	318,354
Aid from other governments	135,721,871	139,141,973	110,688,598	(28,453,375)
Charges for services	27,912,792	28,934,719	23,938,741	(4,995,978)
Miscellaneous revenue	<u>5,934,331</u>	<u>6,806,803</u>	<u>4,942,143</u>	<u>(1,864,660)</u>
Other Financing Sources:				
Operating Transfers In	<u>4,326,247</u>	<u>4,326,247</u>	<u>(100,525)</u>	<u>(4,426,772)</u>
Amount Available for Appropriation	<u>220,323,612</u>	<u>225,647,918</u>	<u>185,953,726</u>	<u>(39,694,192)</u>
Charges to Appropriations (Outflows):				
Current:				
General government	16,334,090	17,055,614	13,774,354	3,281,260
Public protection	60,391,866	53,656,875	52,763,774	893,101
Public ways and facilities	4,285,850	4,422,232	1,345,977	3,076,255
Health and sanitation	60,506,113	58,005,864	44,203,018	13,802,846
Public assistance	71,795,082	71,350,888	64,692,391	6,658,497
Education	136,621	127,288	126,287	1,001
Recreation and Culture	1,180,606	43,635	649,464	(605,829)
Capital Outlay	6,499,774	6,499,774	2,211,303	4,288,471
Prior period adjustment	-	-	(856,784)	856,784
Operating Transfer Out	<u>5,670,504</u>	<u>5,670,504</u>	<u>3,730,245</u>	<u>1,940,259</u>
Total Charges to Appropriations	<u>226,800,506</u>	<u>216,832,674</u>	<u>182,640,029</u>	<u>34,192,645</u>
Excess (Deficiency) of Resources Over Appropriations	<u>(6,476,894)</u>	<u>8,815,244</u>	<u>3,313,697</u>	<u>(5,501,547)</u>
Budgetary fund balance, June 30	\$ <u>15,421,371</u>	\$ <u>30,713,509</u>	\$ <u>35,550,632</u>	\$ <u>4,837,123</u>

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	185,953,726
Receipts from funds reclassified from County Agency Funds, Not Budgeted	14,951,538
Differences -budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>100,525</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>201,005,789</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 182,640,029
Disbursements from funds reclassified from County Agency Funds, not budgeted	11,370,533
Difference - budgeted to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes	(3,730,245)
Prior period adjustment	2,393,240
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>192,673,557</u>

SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

Exhibit A-1

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 14,269,309	\$ (2,250)	\$ 14,267,059
Restricted Assets:			
Cash with fiscal agent	-	2,237,140	2,237,140
Departmental cash funds	1,065	-	1,065
Accounts Receivable:			
Other governmental agencies	5,800,169	-	5,800,169
Interest	181,390	-	181,390
Due from other funds	615,586	-	615,586
Inventory	15,075	-	15,075
Prepaid and other assets	<u>300</u>	<u>-</u>	<u>300</u>
 Total Assets	 \$ <u>20,882,894</u>	 \$ <u>2,234,890</u>	 \$ <u>23,117,784</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 984,560	\$ -	\$ 984,560
Accrued payroll and benefits	434,709	-	434,709
Due to other funds	2,294,241	71,528	2,365,769
Advances from other funds	<u>43</u>	<u>-</u>	<u>43</u>
 Total Liabilities	 <u>3,713,553</u>	 <u>71,528</u>	 <u>3,785,081</u>
Fund Balances:			
Reserved for:			
Departmental cash	1,065	-	1,065
Inventories	15,075	-	15,075
Prepays and other assets	300	-	300
Capital projects	-	-	-
Debt service	-	1,701,785	1,701,785
Unreserved:			
Undesignated	<u>17,152,901</u>	<u>461,577</u>	<u>17,614,478</u>
 Total Fund Balances	 <u>17,169,341</u>	 <u>2,163,362</u>	 <u>19,332,703</u>
 Total Liabilities and Fund Balances	 \$ <u><u>20,882,894</u></u>	 \$ <u><u>2,234,890</u></u>	 \$ <u><u>23,117,784</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, 2008

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:			
Taxes	\$ 5,888,216	\$ -	\$ 5,888,216
Licenses and permits	73,043	-	73,043
Fines, forfeitures and penalties	686,980	-	686,980
Use of money and property	535,133	-	535,133
Intergovernmental	33,678,886	-	33,678,886
Charges for services	1,211,289	-	1,211,289
Miscellaneous	<u>1,103,393</u>	-	<u>1,103,393</u>
Total revenues	<u>43,176,940</u>	<u>-</u>	<u>43,176,940</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public protection	6,237,021	-	6,237,021
Public ways and facilities	15,730,692	-	15,730,692
Education	2,965,380	-	2,965,380
Capital Outlay	14,454,430	-	14,454,430
Debt Service:	-	-	-
Principal	205,308	620,000	825,308
Interest and Other Charges	<u>144,957</u>	<u>635,323</u>	<u>780,280</u>
Total Expenditures	<u>39,737,788</u>	<u>1,255,323</u>	<u>40,993,111</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,439,152</u>	<u>(1,255,323)</u>	<u>2,183,829</u>
Other Financing Sources (Uses):			
Transfers In	822,946	1,581,689	2,404,635
Transfers Out	<u>(179,920)</u>	<u>-</u>	<u>(179,920)</u>
Total Other Financing Sources (Uses)	<u>643,026</u>	<u>1,581,689</u>	<u>2,224,715</u>
Net Change in Fund Balances	4,082,178	326,366	4,408,544
Fund Balances-Beginning	13,087,163	1,836,996	14,924,159
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ 17,169,341</u>	<u>\$ 2,163,362</u>	<u>\$ 19,332,703</u>

See accompanying notes to
the basic financial statements.

NONMAJOR SPECIAL REVENUE FUNDS

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Exhibit B-2
(Continued)

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2008

	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	\$ 3,362,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,362,696
Licenses and permits	73,043	-	-	-	-	-	73,043
Fines, forfeitures and penalties	-	-	-	384,404	294,809	-	679,213
Use of money and property	119,819	16,354	88,979	56,503	-	-	281,655
Intergovernmental	22,466,379	-	4,719,969	-	-	-	27,186,348
Charges for services	1,104,707	32,449	-	-	-	-	1,137,156
Miscellaneous	88,712	-	96	-	-	-	88,808
Total revenues	<u>27,215,356</u>	<u>48,803</u>	<u>4,809,044</u>	<u>440,907</u>	<u>294,809</u>	<u>-</u>	<u>32,808,919</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public protection	-	21,986	4,883,788	-	-	-	4,905,774
Public ways and facilities	15,730,692	-	-	-	-	-	15,730,692
Education	-	-	-	-	-	-	-
Capital Outlay	8,440,458	-	60,296	-	-	-	8,500,754
Debt Service:							
Principal	-	-	-	22,450	182,858	-	205,308
Interest and Other Charges	-	-	-	15,830	126,862	-	142,692
Total Expenditures	<u>24,171,150</u>	<u>21,986</u>	<u>4,944,084</u>	<u>38,280</u>	<u>309,720</u>	<u>-</u>	<u>29,485,220</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,044,206</u>	<u>26,817</u>	<u>(135,040)</u>	<u>402,627</u>	<u>(14,911)</u>	<u>-</u>	<u>3,323,699</u>
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	(133,547)	-	-	(133,547)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,547)</u>	<u>-</u>	<u>-</u>	<u>(133,547)</u>
Net Change in Fund Balances	3,044,206	26,817	(135,040)	269,080	(14,911)	-	3,190,152
Fund Balances-Beginning	3,989,724	\$ 291,217	\$ 1,421,410	\$ 951,864	\$ (445,815)	\$ 585	6,208,985
Prior Period Adjustments	-	-	-	-	-	-	-
Fund Balances-Ending	<u>\$ 7,033,930</u>	<u>\$ 318,034</u>	<u>\$ 1,286,370</u>	<u>\$ 1,220,944</u>	<u>\$ (460,726)</u>	<u>\$ 585</u>	<u>\$ 9,399,137</u>

(Continued)

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Exhibit B-2

(Continued)

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2008

	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	\$ 3,362,696	\$ -	\$ -	\$ -	\$ 1,958,331	\$ -	\$ 5,321,027
Licenses and permits	73,043	-	-	-	-	-	73,043
Fines, forfeitures and penalties	679,213	-	-	-	-	7,767	686,980
Use of money and property	281,655	-	-	1,008	31,289	652	314,604
Intergovernmental	27,186,348	-	-	5,939,775	502,763	-	33,628,886
Charges for services	1,137,156	-	-	-	74,133	-	1,211,289
Miscellaneous	88,808	-	-	-	80,133	-	168,941
Total revenues	<u>32,808,919</u>	<u>-</u>	<u>-</u>	<u>5,940,783</u>	<u>2,646,649</u>	<u>8,419</u>	<u>41,404,770</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public protection	4,905,774	-	-	-	-	6,987	4,912,761
Public ways and facilities	15,730,692	-	-	-	-	-	15,730,692
Education	-	-	-	-	2,965,380	-	2,965,380
Capital Outlay	8,500,754	-	-	5,869,017	23,230	-	14,393,001
Debt Service:							
Principal	205,308	-	-	-	-	-	205,308
Interest and Other Charges	142,692	-	-	2,265	-	-	144,957
Total Expenditures	<u>29,485,220</u>	<u>-</u>	<u>-</u>	<u>5,871,282</u>	<u>2,988,610</u>	<u>6,987</u>	<u>38,352,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,323,699</u>	<u>-</u>	<u>-</u>	<u>69,501</u>	<u>(341,961)</u>	<u>1,432</u>	<u>3,052,671</u>
Other Financing Sources (Uses):							
Transfers In	-	-	500,000	-	322,946	-	822,946
Transfers Out	(133,547)	-	-	-	(46,373)	-	(179,920)
Total Other Financing Sources (Uses)	<u>(133,547)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>276,573</u>	<u>-</u>	<u>643,026</u>
Net Change in Fund Balances	3,190,152	-	500,000	69,501	(65,388)	1,432	3,695,697
Fund Balances-Beginning	6,208,985	5,409	\$ 2,500,000	\$ (23,393)	\$ 798,420	\$ 9,219	9,498,640
Prior Period Adjustments	-	-	-	-	-	-	-
Fund Balances-Ending	<u>\$ 9,399,137</u>	<u>\$ 5,409</u>	<u>\$ 3,000,000</u>	<u>\$ 46,108</u>	<u>\$ 733,032</u>	<u>\$ 10,651</u>	<u>\$ 13,194,337</u>

(Continued)

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2008

	Subtotal (Brought forward)	Special Aviation (Fund 1800s)	Special Districts Under County Board of Supervisors (Fund Type 30)	Total
REVENUES:				
Taxes	\$ 5,321,027	\$ -	\$ 567,189	\$ 5,888,216
Licenses and permits	73,043	-	-	73,043
Fines, forfeitures and penalties	686,980	-	-	686,980
Use of money and property	314,604	1,201	219,328	535,133
Intergovernmental	33,628,886	50,000	-	33,678,886
Charges for services	1,211,289	-	-	1,211,289
Miscellaneous	168,941	-	934,452	1,103,393
Total revenues	<u>41,404,770</u>	<u>51,201</u>	<u>1,720,969</u>	<u>43,176,940</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public protection	4,912,761	-	1,324,260	6,237,021
Public ways and facilities	15,730,692	-	-	15,730,692
Education	2,965,380	-	-	2,965,380
Capital Outlay	14,393,001	61,429	-	14,454,430
Debt Service:				
Principal	205,308	-	-	205,308
Interest and Other Charges	144,957	-	-	144,957
Total Expenditures	<u>38,352,099</u>	<u>61,429</u>	<u>1,324,260</u>	<u>39,737,788</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,052,671</u>	<u>(10,228)</u>	<u>396,709</u>	<u>3,439,152</u>
Other Financing Sources (Uses):				
Transfers In	822,946	-	-	822,946
Transfers Out	(179,920)	-	-	(179,920)
Total Other Financing Sources (Uses)	<u>643,026</u>	<u>-</u>	<u>-</u>	<u>643,026</u>
Net Change in Fund Balances	3,695,697	(10,228)	396,709	4,082,178
Fund Balances-Beginning	9,498,640	100,407	3,488,116	13,087,163
Prior Period Adjustments	-	-	-	-
Fund Balances-Ending	<u>\$ 13,194,337</u>	<u>\$ 90,179</u>	<u>\$ 3,884,825</u>	<u>\$ 17,169,341</u>

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2008

Exhibit B-1
(Continued)

	<u>Roads</u> <u>(Fund 1200)</u>	<u>Recorder's</u> <u>Record</u> <u>Conversion</u> <u>(Fund 1310)</u>	<u>Family</u> <u>Support</u> <u>(Fund 1380)</u>	<u>Courthouse</u> <u>Construction</u> <u>Fund A</u> <u>(Fund 1410)</u>	<u>Courthouse</u> <u>Construction</u> <u>Fund B</u> <u>(Fund 1420)</u>	<u>Microfilm</u> <u>(Fund 1430)</u>	<u>Subtotal</u> <u>(Carried</u> <u>forward to</u> <u>next page)</u>
ASSETS							
Cash and Cash Equivalents	\$ 4,176,383	\$ 313,404	\$ 1,449,600	\$ 565,105	\$ -	\$ 585	\$ 6,505,077
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	-	-	200
Accounts Receivable:							
Other governmental agencies	3,548,974	-	-	19,140	154,860	-	3,722,974
Interest	68,658	6,210	35,792	21,113	-	-	131,773
Due from other funds	-	-	-	615,586	-	-	615,586
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	-	-	300	-	-	-	300
Total Assets	\$ 7,809,290	\$ 319,614	\$ 1,485,692	\$ 1,220,944	\$ 154,860	\$ 585	\$ 10,990,985
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 556,498	\$ 1,580	\$ 50,463	\$ -	\$ -	\$ -	\$ 608,541
Accrued payroll and benefits	218,861	-	148,817	-	-	-	367,678
Due to other funds	-	-	-	-	615,586	-	615,586
Advances from other funds	-	-	43	-	-	-	43
Total Liabilities	775,359	1,580	199,323	-	615,586	-	1,591,848
Fund Balances:							
Reserved	15,275	-	300	-	-	-	15,575
Unreserved	7,018,655	318,034	1,286,070	1,220,944	(460,726)	585	9,383,562
Total Fund Balances	7,033,930	318,034	1,286,370	1,220,944	(460,726)	585	9,399,137
Total Liabilities and Fund Balances	\$ 7,809,289	\$ 319,614	\$ 1,485,693	\$ 1,220,944	\$ 154,860	\$ 585	\$ 10,990,985

(Continued)

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2008

Exhibit B-1
(Continued)

	<u>Subtotal (Brought forward)</u>	<u>Automated Warrants (Fund 1440)</u>	<u>General Reserve (Fund 1480)</u>	<u>Aviation Capital Projects (Fund 1490)</u>	<u>County Library (Fund 1500)</u>	<u>Fish and Game Propagation (Fund 1700)</u>	<u>Subtotal (Carried forward to next page)</u>
ASSETS							
Cash and Cash Equivalents	\$ 6,505,077	\$ 5,409	\$ 3,000,000	\$ -	\$ 802,451	\$ 10,390	\$ 10,323,327
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	865	-	1,065
Accounts Receivable:							
Other governmental agencies	3,722,974	-	-	2,071,457	5,738	-	5,800,169
Interest	131,773	-	-	-	10,644	261	142,678
Due from other funds	615,586	-	-	-	-	-	615,586
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	300	-	-	-	-	-	300
Total Assets	\$ 10,990,985	\$ 5,409	\$ 3,000,000	\$ 2,071,457	\$ 819,698	\$ 10,651	\$ 16,898,200
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 608,541	\$ -	\$ -	\$ 354,881	\$ 19,635	\$ -	\$ 983,057
Accrued payroll and benefits	367,678	-	-	-	67,031	-	434,709
Due to other funds	615,586	-	-	1,670,468	-	-	2,286,054
Advances from other funds	43	-	-	-	-	-	43
Total Liabilities	1,591,848	-	-	2,025,349	86,666	-	3,703,863
Fund Balances:							
Reserved	15,575	-	-	-	865	-	16,440
Unreserved	9,383,562	5,409	3,000,000	46,108	732,167	10,651	13,177,897
Total Fund Balances	9,399,137	5,409	3,000,000	46,108	733,032	10,651	13,194,337
Total Liabilities and Fund Balances	\$ 10,990,985	\$ 5,409	\$ 3,000,000	\$ 2,071,457	\$ 819,698	\$ 10,651	\$ 16,898,200

(Continued)

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2008

Exhibit B-1

	<u>Subtotal (Brought forward)</u>	<u>Special Aviation (Fund 1800s)</u>	<u>Special Districts Under County Board of Supervisors (Fund Type 30)</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 10,323,327	\$ 90,129	\$ 3,855,853	\$ 14,269,309
Restricted Assets:				
Cash with fiscal agent	-	-	-	-
Departmental cash funds	1,065	-	-	1,065
Accounts Receivable:				
Other governmental agencies	5,800,169	-	-	5,800,169
Interest	142,678	50	38,662	181,390
Due from other funds	615,586	-	-	615,586
Inventory	15,075	-	-	15,075
Prepaid and other assets	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
 Total Assets	 \$ <u>16,898,200</u>	 \$ <u>90,179</u>	 \$ <u>3,894,515</u>	 \$ <u>20,882,894</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 983,057	\$ -	\$ 1,503	\$ 984,560
Accrued payroll and benefits	434,709	-	-	434,709
Due to other funds	2,286,054	-	8,187	2,294,241
Advances from other funds	<u>43</u>	<u>-</u>	<u>-</u>	<u>43</u>
 Total Liabilities	 <u>3,703,863</u>	 <u>-</u>	 <u>9,690</u>	 <u>3,713,553</u>
Fund Balances:				
Reserved	16,440	-	-	16,440
Unreserved	<u>13,177,897</u>	<u>90,179</u>	<u>3,884,825</u>	<u>17,152,901</u>
 Total Fund Balances	 <u>13,194,337</u>	 <u>90,179</u>	 <u>3,884,825</u>	 <u>17,169,341</u>
 Total Liabilities and Fund Balances	 \$ <u>16,898,200</u>	 \$ <u>90,179</u>	 \$ <u>3,894,515</u>	 \$ <u>20,882,894</u>

NONMAJOR DEBT SERVICE FUNDS

COUNTY OF HUMBOLDT
Debt Service Funds
Combining Balance Sheet
June 30, 2008

Exhibit C-2

	Humboldt County Public Property Leasing (Fund)
	<u> </u>
REVENUES:	
Use of money and property	\$ <u> </u> -
Total revenues	<u> </u> -
EXPENDITURES:	
Debt Service:	
Principal	620,000
Interest and Other Charges	<u>635,323</u>
Total Expenditures	<u>1,255,323</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,255,323)</u>
Other Financing Sources (Uses):	
Transfers In	1,581,689
Transfers Out	<u> </u> -
Total Other Financing Sources (Uses)	<u>1,581,689</u>
Net Change in Fund Balances	326,366
Fund Balances-Beginning	1,836,996
Prior Period Adjustments	<u> </u> -
Fund Balances-Ending	\$ <u><u>2,163,362</u></u>

INTERNAL SERVICE FUNDS

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Fund Net Assets
June 30, 2008

Exhibit D-1
(Continued)

	<u>Self Insurance (Funds 3520s)</u>	<u>Motor Pool (Fund 3500)</u>	<u>Heavy Equipment (Fund 3540)</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,120,081	\$ 923,911	\$ 510,524
Accounts Receivable:			
Other governmental agencies	269,854	-	6,800
Interest	106,769	48,842	11,502
Due from other funds	1,961,989	238,135	-
Inventory	-	34,469	187,487
Deposits and other assets	<u>1,197,024</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>5,655,717</u>	<u>1,245,357</u>	<u>716,313</u>
Noncurrent Assets:			
Advances to other funds	(1,982,440)	1,670,468	-
Capital Assets, net of depreciation	<u>5,983</u>	<u>2,194,079</u>	<u>801,622</u>
Total Noncurrent Assets	<u>(1,976,457)</u>	<u>3,864,547</u>	<u>801,622</u>
Total Assets	<u>\$ 3,679,260</u>	<u>\$ 5,109,904</u>	<u>\$ 1,517,935</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 37,089	\$ 32,318	\$ 30,017
Accrued payroll and benefits	12,975	11,237	20,842
Advances payable	-	-	-
Due to other funds	-	-	-
Other liabilities	344,763	-	-
Deferred revenue	1,188,041	-	-
Liability for compensated absences	16,359	20,793	48,568
Provision for estimated claims	<u>1,907,050</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>3,506,277</u>	<u>64,348</u>	<u>99,427</u>
Long-term Liabilities			
Liability for compensated absences	<u>137,325</u>	<u>48,549</u>	<u>153,014</u>
Total Liabilities	<u>3,643,602</u>	<u>112,897</u>	<u>252,441</u>
Net Assets			
Investment in capital assets, net of related debt	5,983	2,194,079	801,622
Unrestricted	<u>29,675</u>	<u>2,802,928</u>	<u>463,872</u>
Total Net Assets	<u>35,658</u>	<u>4,997,007</u>	<u>1,265,494</u>
Total Liabilities and Net Assets	<u>\$ 3,679,260</u>	<u>\$ 5,109,904</u>	<u>\$ 1,517,935</u>

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Fund Net Assets
June 30, 2008

Exhibit D-1

	<u>Information Technology (Fund 3550)</u>	<u>Central Services (Fund 3555)</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 377,145	\$ 45,266	\$ 3,976,927
Accounts Receivable:			
Other governmental agencies	11,604	-	288,258
Interest	-	-	167,113
Due from other funds	-	3,582	2,203,706
Inventory	-	-	221,956
Deposits and other assets	<u>16,611</u>	<u>11</u>	<u>1,213,646</u>
Total Current Assets	<u>405,360</u>	<u>48,859</u>	<u>8,071,606</u>
Noncurrent Assets:			
Advances to other funds	-	-	(311,972)
Capital Assets, net of depreciation	<u>40,686</u>	<u>-</u>	<u>3,042,370</u>
Total Noncurrent Assets	<u>40,686</u>	<u>-</u>	<u>2,730,398</u>
Total Assets	<u>\$ 446,046</u>	<u>\$ 48,859</u>	<u>\$ 10,802,004</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 4,498	\$ 469	\$ 104,391
Accrued payroll and benefits	44,391	2,674	92,119
Advances payable	-	-	-
Due to other funds	-	-	-
Other liabilities	-	-	344,763
Deferred revenue	-	-	1,188,041
Liability for compensated absences	124,156	13,312	223,188
Provision for estimated claims	<u>-</u>	<u>-</u>	<u>1,907,050</u>
Total Current Liabilities	<u>173,045</u>	<u>16,455</u>	<u>3,859,552</u>
Long-term Liabilities			
Liability for compensated absences	<u>327,183</u>	<u>2,855</u>	<u>668,926</u>
Total Liabilities	<u>500,228</u>	<u>19,310</u>	<u>4,528,478</u>
Net Assets			
Investment in capital assets, net of related debt	40,686	-	3,042,370
Unrestricted	<u>(94,868)</u>	<u>29,549</u>	<u>3,231,156</u>
Total Net Assets	<u>(54,182)</u>	<u>29,549</u>	<u>6,273,526</u>
Total Liabilities and Net Assets	<u>\$ 446,046</u>	<u>\$ 48,859</u>	<u>\$ 10,802,004</u>

COUNTY OF HUMBOLDT

Exhibit D-2

Internal Service Funds

(Continued)

**Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2008**

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)
Operating Revenues:			
Charges for services	\$ 21,645,147	\$ 3,112,637	\$ 2,445,517
Miscellaneous revenues	<u>158,220</u>	<u>94,971</u>	<u>6,878</u>
Total Revenues	<u>21,803,367</u>	<u>3,207,608</u>	<u>2,452,395</u>
Operating Expenses:			
Salaries and benefits	398,189	352,264	668,644
Services and supplies	8,969	2,703,114	2,011,072
Self-insurance claims and purchase premiums	22,111,002	-	-
Depreciation	2,211	588,791	105,740
Other Expenses	<u>94,237</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>22,614,608</u>	<u>3,644,169</u>	<u>2,785,456</u>
Net Operating Income	<u>(811,241)</u>	<u>(436,561)</u>	<u>(333,061)</u>
Non-Operating Revenues (Expenses):			
Interest Income	191,007	138,501	36,401
Interest expense	(100,671)	-	-
Gain (loss) on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (expense)	<u>90,336</u>	<u>138,501</u>	<u>36,401</u>
Transfers:			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(720,905)	(298,060)	(296,660)
Net Assets-Beginning of Year - As previously stated	756,563	5,905,973	1,605,744
Prior period adjustment	<u>-</u>	<u>(610,906)</u>	<u>(43,590)</u>
Net Assets-Beginning of Year - As restated	756,563	5,295,067	1,562,154
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	\$ <u>35,658</u>	\$ <u>4,997,007</u>	\$ <u>1,265,494</u>

COUNTY OF HUMBOLDT

Exhibit D-2

Internal Service Funds

**Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2008**

	<u>Information Technology (Fund 3550)</u>	<u>Central Services (Fund 3555)</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,863,589	\$ 552,275	\$ 29,619,165
Miscellaneous revenues	<u>23,840</u>	<u>8,201</u>	<u>292,110</u>
Total Revenues	<u>1,887,429</u>	<u>560,476</u>	<u>29,911,275</u>
Operating Expenses:			
Salaries and benefits	1,293,891	207,695	2,920,683
Services and supplies	819,784	308,889	5,851,828
Self-insurance claims and purchase premiums	-	-	22,111,002
Depreciation	12,836	-	709,578
Other Expenses	<u>-</u>	<u>4,247</u>	<u>98,484</u>
Total operating expenses	<u>2,126,511</u>	<u>520,831</u>	<u>31,691,575</u>
Net Operating Income	<u>(239,082)</u>	<u>39,645</u>	<u>(1,780,300)</u>
Non-Operating Revenues (Expenses):			
Interest Income	-	-	365,909
Interest expense	-	-	(100,671)
Gain (loss) on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (expense)	<u>-</u>	<u>-</u>	<u>265,238</u>
Transfers:			
Operating transfers in (out)	<u>168,750</u>	<u>-</u>	<u>168,750</u>
Change in Net Assets	(70,332)	39,645	(1,346,312)
Net Assets-Beginning of Year - As previously stated	16,823	(10,096)	8,275,007
Prior period adjustment	<u>(673)</u>	<u>-</u>	<u>(655,169)</u>
Net Assets-Beginning of Year - As restated	16,150	(10,096)	7,619,838
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	<u>\$ (54,182)</u>	<u>\$ 29,549</u>	<u>\$ 6,273,526</u>

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2008

Exhibit D-3
(Continued)

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)
Cash Flow from Operating Activities:			
Cash received for services	\$ 21,886,280	\$ 3,207,608	\$ 2,445,595
Cash paid to suppliers	(21,995,232)	(2,712,703)	(2,007,019)
Cash paid to employees	(398,189)	(352,264)	(668,644)
Operating transfers	-	-	-
Prior period adjustment	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>(507,141)</u>	<u>142,641</u>	<u>(230,068)</u>
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	1,982,440	-	-
Advances to other funds	<u>(1,961,989)</u>	<u>(1,670,468)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital Financing Activities	<u>20,451</u>	<u>(1,670,468)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	3,473	-
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>3,473</u>	<u>-</u>
Cash Flows from Investing Activities:			
Interest income	146,191	113,944	32,284
Interest expense	<u>(100,671)</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	<u>45,520</u>	<u>113,944</u>	<u>32,284</u>
Increase (Decrease) in Cash and Cash Equivalents	(441,170)	(1,410,410)	(197,784)
Cash and Cash Equivalents, Beginning of Year	<u>2,561,251</u>	<u>2,334,321</u>	<u>708,308</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>2,120,081</u></u>	\$ <u><u>923,911</u></u>	\$ <u><u>510,524</u></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, 2008

	Information Technology (Fund 3550)	Central Services (Fund 3555)	Total
Cash Flow from Operating Activities:			
Cash received for services	\$ 1,875,825	\$ 560,476	\$ 29,975,784
Cash paid to suppliers	(873,559)	(302,236)	(27,890,749)
Cash paid to employees	(1,293,891)	(207,695)	(2,920,683)
Operating transfers	168,750	-	168,750
Prior period adjustment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>(122,875)</u>	<u>50,545</u>	<u>(666,898)</u>
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	1,626	(5,208)	1,978,858
Advances to other funds	<u>72</u>	<u>(72)</u>	<u>(3,632,457)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>1,698</u>	<u>(5,280)</u>	<u>(1,653,599)</u>
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	-	3,473
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>3,473</u>
Cash Flows from Investing Activities:			
Interest income	-	-	292,419
Interest expense	<u>-</u>	<u>-</u>	<u>(100,671)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>191,748</u>
Increase (Decrease) in Cash and Cash Equivalents	(121,177)	45,265	(2,125,276)
Cash and Cash Equivalents, Beginning of Year	<u>498,323</u>	<u>1</u>	<u>6,102,204</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>377,146</u></u>	\$ <u><u>45,266</u></u>	\$ <u><u>3,976,928</u></u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2008

Exhibit D-3
(Continued)

	<u>Self Insurance (Fund)</u>	<u>Motor Pool (Fund)</u>	<u>Heavy Equipment (Fund)</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ (811,241)	\$ (436,561)	\$ (333,061)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:			
Depreciation	2,211	588,791	105,740
Operating transfers	-	-	-
Prior period adjustment	-	-	-
Increase (decrease) in due from other Governmental entities	(114,254)	-	(6,800)
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	(47,854)	-	-
Increase (decrease) in accounts payable	(24,205)	(8,567)	(28,353)
Increase (decrease) in accrued salaries and benefits	689	687	807
Increase (decrease) in other liabilities	120,627	-	-
Increase (decrease) in estimated insurance payable	86,048	-	-
Increase (decrease) in deferred revenue	197,167	-	-
Increase (decrease) in compensated absences	<u>83,671</u>	<u>(1,709)</u>	<u>31,599</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(507,141)</u>	\$ <u>142,641</u>	\$ <u>(230,068)</u>

COUNTY OF HUMBOLDT

Exhibit D-3

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2008

	<u>Information Technology (Fund)</u>	<u>Central Services (Fund 3555)</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ (239,082)	\$ 39,645	\$ (1,780,300)
Adjustments to Reconcile Operating Income to Net			
Cash provided (Used) by operating activities:			
Depreciation	12,836	-	709,578
Operating transfers	168,750	-	168,750
Prior period adjustment	-	-	-
Increase (decrease) in due from other			
Governmental entities	(11,604)	-	(132,658)
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	(16,611)	(11)	(64,476)
Increase (decrease) in accounts payable	(39,965)	346	(100,744)
Increase (decrease) in accrued salaries and benefits	1,909	1,761	5,853
Increase (decrease) in other liabilities	-	-	120,627
Increase (decrease) in estimated insurance payable	-	-	86,048
Increase (decrease) in deferred revenue	-	-	197,167
Increase (decrease) in compensated absences	892	8,804	123,257
Net Cash Provided (Used) by Operating Activities	\$ <u>(122,875)</u>	\$ <u>50,545</u>	\$ <u>(666,898)</u>

See accompanying notes to
the basic financial statements.

SELF-INSURANCE FUNDS

COUNTY OF HUMBOLDT
Self-Insurance Funds
Combining Statement of Fund Net Assets
As of June 30, 2008

Exhibit E-1
(Continued)

	<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	\$ -	\$ -	\$ 312,349	\$ 370,644
Accounts Receivable:				
Other governmental agencies	-	-	155,600	114,254
Interest	-	-	64,695	17,093
Due from other funds	-	502,840	2,491,000	-
Deposits and other assets	<u>28,000</u>	<u>1,990</u>	<u>-</u>	<u>4,480</u>
Total Current Assets	<u>28,000</u>	<u>504,830</u>	<u>3,023,644</u>	<u>506,471</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	-
Capital Assets, net of depreciation	<u>-</u>	<u>5,983</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>5,983</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u><u>28,000</u></u>	\$ <u><u>510,813</u></u>	\$ <u><u>3,023,644</u></u>	\$ <u><u>506,471</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ -	\$ 3,816	\$ 1,117	\$ 28,690
Accrued payroll and benefits	-	12,975	-	-
Advances payable	20,451	135,119	-	-
Due to other funds	654,721	-	125,710	125,710
Other liabilities	-	-	31,437	-
Liability for compensated absences	-	2,759	13,600	-
Provision for estimated claims	<u>77,427</u>	<u>-</u>	<u>-</u>	<u>1,654,761</u>
Total Current Liabilities	<u>752,599</u>	<u>154,669</u>	<u>171,864</u>	<u>1,809,161</u>
Long-term Liabilities				
Deferred revenue	-	-	-	-
Liability for compensated absences	<u>-</u>	<u>137,325</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>752,599</u>	<u>291,994</u>	<u>171,864</u>	<u>1,809,161</u>
Net Assets				
Investment in capital assets, net of related debt	-	5,983	-	-
Unrestricted	<u>(724,599)</u>	<u>212,836</u>	<u>2,851,780</u>	<u>(1,302,690)</u>
Total Net Assets	<u>(724,599)</u>	<u>218,819</u>	<u>2,851,780</u>	<u>(1,302,690)</u>
Total Liabilities and Net Assets	\$ <u><u>28,000</u></u>	\$ <u><u>510,813</u></u>	\$ <u><u>3,023,644</u></u>	\$ <u><u>506,471</u></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, 2008

Exhibit E-1

	<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	\$ -	\$ 488,284	\$ 948,804	\$ 2,120,081
Accounts Receivable:				
Other governmental agencies	-	-	-	269,854
Interest	-	13,913	11,068	106,769
Due from other funds	-	-	-	2,993,840
Deposits and other assets	<u>1,138,906</u>	<u>-</u>	<u>23,648</u>	<u>1,197,024</u>
Total Current Assets	<u>1,138,906</u>	<u>502,197</u>	<u>983,520</u>	<u>6,687,568</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	-
Capital Assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,983</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,983</u>
Total Assets	<u>\$ 1,138,906</u>	<u>\$ 502,197</u>	<u>\$ 983,520</u>	<u>\$ 6,693,551</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 2,005	\$ -	\$ 1,461	\$ 37,089
Accrued payroll and benefits	-	-	-	12,975
Advances payable	1,826,870	-	-	1,982,440
Due to other funds	-	40,227	85,483	1,031,851
Other liabilities	-	45,240	268,086	344,763
Liability for compensated absences	-	-	-	16,359
Provision for estimated claims	<u>-</u>	<u>174,862</u>	<u>-</u>	<u>1,907,050</u>
Total Current Liabilities	<u>1,828,875</u>	<u>260,329</u>	<u>355,030</u>	<u>5,332,527</u>
Long-term Liabilities				
Deferred revenue	1,188,041	-	-	1,188,041
Liability for compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,325</u>
Total Liabilities	<u>3,016,916</u>	<u>260,329</u>	<u>355,030</u>	<u>6,657,893</u>
Net Assets				
Investment in capital assets, net of related debt	-	-	-	5,983
Unrestricted	<u>(1,878,010)</u>	<u>241,868</u>	<u>628,490</u>	<u>29,675</u>
Total Net Assets	<u>(1,878,010)</u>	<u>241,868</u>	<u>628,490</u>	<u>35,658</u>
Total Liabilities and Net Assets	<u>\$ 1,138,906</u>	<u>\$ 502,197</u>	<u>\$ 983,520</u>	<u>\$ 6,693,551</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Self-Insurance Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2008

Exhibit E-2
(Continued)

	<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	\$ 1,196,879	\$ 590,415	\$ 3,040,737	\$ 1,831,942
Miscellaneous revenues	-	59	120,876	2,000
Total Revenues	<u>1,196,879</u>	<u>590,474</u>	<u>3,161,613</u>	<u>1,833,942</u>
Operating Expenses:				
Salaries and benefits	-	398,189	-	-
Services and supplies	-	8,969	-	-
Self-insurance claims and purchase premiums	1,165,896	-	3,885,816	2,091,438
Depreciation	-	2,211	-	-
Other Expenses	-	58,844	-	23,493
Total operating expenses	<u>1,165,896</u>	<u>468,213</u>	<u>3,885,816</u>	<u>2,114,931</u>
Net Operating Income	<u>30,983</u>	<u>122,261</u>	<u>(724,203)</u>	<u>(280,989)</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	-	103,878	35,230
Interest expense	(25,511)	(5,447)	-	(1,280)
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>(25,511)</u>	<u>(5,447)</u>	<u>103,878</u>	<u>33,950</u>
Transfers:				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	5,472	116,814	(620,325)	(247,039)
Net Assets-Beginning of Year - As previously stated	(730,071)	102,005	3,472,105	(1,055,651)
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(730,071)</u>	<u>102,005</u>	<u>3,472,105</u>	<u>(1,055,651)</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (724,599)</u>	<u>\$ 218,819</u>	<u>\$ 2,851,780</u>	<u>\$ (1,302,690)</u>

COUNTY OF HUMBOLDT

Exhibit E-2

Self-Insurance Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2008

	<u>Medical (Fund 3525)</u>	<u>Unemployment (Fund 3527)</u>	<u>Purchase Insurance Premium (Fund 3528)</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 13,869,311	\$ 4,617	\$ 1,111,246	\$ 21,645,147
Miscellaneous revenues	34,996	-	289	158,220
Total Revenues	<u>13,904,307</u>	<u>4,617</u>	<u>1,111,535</u>	<u>21,803,367</u>
Operating Expenses:				
Salaries and benefits	-	-	-	398,189
Services and supplies	-	-	-	8,969
Self-insurance claims and purchase premiums	13,699,309	327,726	940,817	22,111,002
Depreciation	-	-	-	2,211
Other Expenses	916	-	10,984	94,237
Total operating expenses	<u>13,700,225</u>	<u>327,726</u>	<u>951,801</u>	<u>22,614,608</u>
Net Operating Income	<u>204,082</u>	<u>(323,109)</u>	<u>159,734</u>	<u>(811,241)</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	36,977	14,922	191,007
Interest expense	(68,433)	-	-	(100,671)
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>(68,433)</u>	<u>36,977</u>	<u>14,922</u>	<u>90,336</u>
Transfers:				
Operating transfers in (out)	-	-	-	-
Change in Net Assets	135,649	(286,132)	174,656	(720,905)
Net Assets-Beginning of Year - As previously stated	(2,013,659)	528,000	453,834	756,563
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(2,013,659)</u>	<u>528,000</u>	<u>453,834</u>	<u>756,563</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (1,878,010)</u>	<u>\$ 241,868</u>	<u>\$ 628,490</u>	<u>\$ 35,658</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT**Self-Insurance Funds**

Combining Statement of Cash Flows

June 30, 2008

Exhibit E-3

(Continued)

	<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	\$ 1,196,879	\$ 590,474	\$ 3,161,613	\$ 1,719,688
Cash paid to suppliers	(1,183,469)	1,935	(3,871,099)	(2,081,150)
Cash paid to employees	-	(398,189)	-	-
Operating transfers	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>13,410</u>	<u>194,220</u>	<u>(709,486)</u>	<u>(361,462)</u>
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	(25,203)	134,643	1,139,614	-
Advances to other funds	<u>37,304</u>	<u>(323,416)</u>	<u>(659,059)</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>12,101</u>	<u>(188,773)</u>	<u>480,555</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest income	-	-	77,708	25,147
Interest expense	<u>(25,511)</u>	<u>(5,447)</u>	<u>-</u>	<u>(1,280)</u>
Net Cash Provided (Used) by Investing Activities	<u>(25,511)</u>	<u>(5,447)</u>	<u>77,708</u>	<u>23,867</u>
Increase (Decrease) in Cash and Cash Equivalents	-	-	(151,223)	(337,595)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>	<u>463,572</u>	<u>708,239</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,349</u>	<u>\$ 370,644</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit E-3

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2008

	<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	\$ 14,101,474	\$ 4,617	\$ 1,111,535	\$ 21,886,280
Cash paid to suppliers	(13,749,609)	(289,714)	(822,126)	(21,995,232)
Cash paid to employees	-	-	-	(398,189)
Operating transfers	-	-	-	-
	<u>351,865</u>	<u>(285,097)</u>	<u>289,409</u>	<u>(507,141)</u>
Net Cash Provided (Used) by Operating Activities				
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	733,386	-	-	1,982,440
Advances to other funds	(1,016,818)	-	-	(1,961,989)
	<u>(283,432)</u>	<u>-</u>	<u>-</u>	<u>20,451</u>
Net Cash Provided (Used) by Capital Financing Activities				
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities				
Cash Flows from Investing Activities:				
Interest income	-	31,937	11,399	146,191
Interest expense	(68,433)	-	-	(100,671)
	<u>(68,433)</u>	<u>31,937</u>	<u>11,399</u>	<u>45,520</u>
Net Cash Provided (Used) by Investing Activities				
Increase (Decrease) in Cash and Cash Equivalents	-	(253,160)	300,808	(441,170)
Cash and Cash Equivalents, Beginning of Year	-	741,444	647,996	2,561,251
Cash and Cash Equivalents, End of Year	\$ <u>-</u>	\$ <u>488,284</u>	\$ <u>948,804</u>	\$ <u>2,120,081</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT**Self-Insurance Funds**

Combining Statement of Cash Flows

June 30, 2008

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)	\$ 30,983	\$ 122,261	\$ (724,203)	\$ (280,989)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:				
Depreciation	-	2,211	-	-
Operating transfers	-	-	-	-
Increase (decrease) in due from other Governmental entities	-	-	-	(114,254)
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	-	(1,990)	-	(4,480)
Increase (decrease) in accounts payable	-	978	1,117	(27,348)
Increase (decrease) in accrued salaries and benefits	-	689	-	-
Increase (decrease) in other liabilities	-	-	-	-
Increase (decrease) in estimated insurance payable	(17,573)	-	-	65,609
Increase (decrease) in deferred revenue	-	-	-	-
Increase (decrease) in compensated absences	-	70,071	13,600	-
Net Cash Provided (Used) by Operating Activities	\$ <u>13,410</u>	\$ <u>194,220</u>	\$ <u>(709,486)</u>	\$ <u>(361,462)</u>

COUNTY OF HUMBOLDT

Exhibit E-3

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2008

	<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)	\$ 204,082	\$ (323,109)	\$ 159,734	\$ (811,241)
Adjustments to Reconcile Operating Income to Net				
Cash provided (Used) by operating activities:				
Depreciation	-	-	-	2,211
Operating transfers	-	-	-	-
Increase (decrease) in due from other				
Governmental entities	-	-	-	(114,254)
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	(48,971)	-	7,587	(47,854)
Increase (decrease) in accounts payable	(413)	-	1,461	(24,205)
Increase (decrease) in accrued salaries and benefits	-	-	-	689
Increase (decrease) in other liabilities	-	-	120,627	120,627
Increase (decrease) in estimated insurance payable	-	38,012	-	86,048
Increase (decrease) in deferred revenue	197,167	-	-	197,167
Increase (decrease) in compensated absences	-	-	-	83,671
Net Cash Provided (Used) by Operating Activities	\$ <u>351,865</u>	\$ <u>(285,097)</u>	\$ <u>289,409</u>	\$ <u>(507,141)</u>

See accompanying notes to
the basic financial statements.

MOTOR POOL

COUNTY OF HUMBOLDT

Exhibit F-1

Motor Pool

**Combining Statement of Fund Net Assets
June 30, 2008**

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 221,561	\$ 702,350	\$ 923,911
Accounts Receivable:			
Interest	-	48,842	48,842
Due from other funds	-	238,135	238,135
Inventory	34,469	-	34,469
Deposits and other assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>256,030</u>	<u>989,327</u>	<u>1,245,357</u>
Noncurrent Assets:			
Advances to other funds	-	1,670,468	1,670,468
Capital Assets, net of depreciation	<u>26,592</u>	<u>2,167,487</u>	<u>2,194,079</u>
Total Noncurrent Assets	<u>26,592</u>	<u>3,837,955</u>	<u>3,864,547</u>
Total Assets	<u>\$ 282,622</u>	<u>\$ 4,827,282</u>	<u>\$ 5,109,904</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 32,318	\$ -	\$ 32,318
Accrued payroll and benefits	11,237	-	11,237
Due to other funds	-	-	-
Liability for compensated absences	<u>20,793</u>	<u>-</u>	<u>20,793</u>
Provision for estimated claims	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>64,348</u>	<u>-</u>	<u>64,348</u>
Long-term Liabilities			
Liability for compensated absences	<u>48,549</u>	<u>-</u>	<u>48,549</u>
Total Liabilities	<u>112,897</u>	<u>-</u>	<u>112,897</u>
Net Assets			
Investment in capital assets, net of related debt	26,592	2,167,487	2,194,079
Unrestricted	<u>143,133</u>	<u>2,659,795</u>	<u>2,802,928</u>
Total Net Assets	<u>169,725</u>	<u>4,827,282</u>	<u>4,997,007</u>
Total Liabilities and Net Assets	<u>\$ 282,622</u>	<u>\$ 4,827,282</u>	<u>\$ 5,109,904</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, 2008**

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,144,321	\$ 968,316	\$ 3,112,637
Miscellaneous revenues	94,971	-	94,971
Total Revenues	<u>2,239,292</u>	<u>968,316</u>	<u>3,207,608</u>
Operating Expenses:			
Salaries and benefits	352,264	-	352,264
Services and supplies	1,659,351	1,043,763	2,703,114
Self-insurance claims and purchase premiums	-	-	-
Depreciation	4,639	584,152	588,791
Other Expenses	-	-	-
Total operating expenses	<u>2,016,254</u>	<u>1,627,915</u>	<u>3,644,169</u>
Net Operating Income	<u>223,038</u>	<u>(659,599)</u>	<u>(436,561)</u>
Non-Operating Revenues (Expenses):			
Interest Income	-	138,501	138,501
Interest expense	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Total Non-Operating Revenue (expense)	<u>-</u>	<u>138,501</u>	<u>138,501</u>
Transfers:			
Operating transfers in (out)	-	-	-
Interfund transfers in (out)	-	-	-
Change in Net Assets	223,038	(521,098)	(298,060)
Net Assets-Beginning of Year - As previously stated	(53,313)	5,959,286	5,905,973
Prior period adjustment	-	(610,906)	(610,906)
Net Assets-Beginning of Year - As restated	<u>(53,313)</u>	<u>5,348,380</u>	<u>5,295,067</u>
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	-	-	-
Net Assets-End of Year	<u>\$ 169,725</u>	<u>\$ 4,827,282</u>	<u>\$ 4,997,007</u>

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2008

Exhibit F-3
(Continued)

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Cash received for services	\$ 2,239,292	\$ 968,316	\$ 3,207,608
Cash paid to suppliers	(1,668,940)	(1,043,763)	(2,712,703)
Cash paid to employees	(352,264)	-	(352,264)
Operating transfers	-	-	-
Prior period adjustment	-	-	-
	<u>218,088</u>	<u>(75,447)</u>	<u>142,641</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	-	-	-
Advances to other funds	-	(1,670,468)	(1,670,468)
	<u>-</u>	<u>(1,670,468)</u>	<u>(1,670,468)</u>
Net Cash Provided (Used) by Capital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	3,473	-	3,473
Purchase of capital assets	-	-	-
	<u>3,473</u>	<u>-</u>	<u>3,473</u>
Net Cash Provided (Used) by Capital Financing Activities			
Cash Flows from Investing Activities:			
Interest income	-	113,944	113,944
Interest expense	-	-	-
	<u>-</u>	<u>113,944</u>	<u>113,944</u>
Net Cash Provided (Used) by Investing Activities			
Increase (Decrease) in Cash and Cash Equivalents	221,561	(1,631,971)	(1,410,410)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>2,334,321</u>	<u>2,334,321</u>
Cash and Cash Equivalents, End of Year	\$ <u>221,561</u>	\$ <u>702,350</u>	\$ <u>923,911</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit F-3

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2008

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ 223,038	\$ (659,599)	\$ (436,561)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:			
Prior period adjustment	-	-	-
Depreciation	4,639	584,152	588,791
Operating transfers	-	-	-
Increase (decrease) in due from other Governmental entities	-	-	-
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	-	-	-
Increase (decrease) in accounts payable	(8,567)	-	(8,567)
Increase (decrease) in accrued salaries and benefits	687	-	687
Increase (decrease) in other liabilities	-	-	-
Increase (decrease) in estimated insurance payable	-	-	-
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absences	(1,709)	-	(1,709)
Net Cash Provided (Used) by Operating Activities	\$ <u>218,088</u>	\$ <u>(75,447)</u>	\$ <u>142,641</u>

**COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
JUNE 30, 2008**

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Donald R. Reynolds

Certified Public Accountant

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

Board of Supervisors

County of Humboldt
Eureka, CA

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Humboldt as of and for the year ended June 30, 2008, which collectively comprise the County of Humboldt's basic financial statements and have issued our report thereon dated March 13, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, we considered County of Humboldt's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Humboldt's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County of Humboldt's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Humboldt's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Humboldt's financial statements that is more than inconsequential will not be prevented or detected by the County of Humboldt's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Humboldt's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiencies described above as 2008-1 and 2008-2 to be material weaknesses.

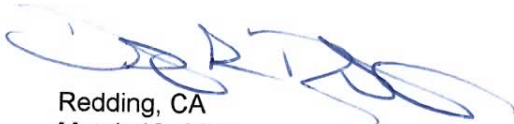
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grant 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 our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

I have also noted certain matters that we reported to management of County of Humboldt in a separate letter dated March 13, 2008.

The County of Humboldt's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit County of Humboldt's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, 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.



Redding, CA
March 13, 2009

Donald R. Reynolds

Certified Public Accountant

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

Board of Supervisors
County of Humboldt
Eureka, CA

Compliance

I have audited the compliance of 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, 2008. 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 County of Humboldt's management. My responsibility is to express an opinion on 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 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 of County of Humboldt's compliance with those requirements.

As described in item 2008-1 and 2008-2 in the accompanying schedule of findings and questioned costs, County of Humboldt did not comply with requirements regarding the accounting for grants funds and the monitoring of sub-recipients that are applicable to programs of the US Department of Housing and Urban Development. Compliance with such requirements is necessary, in our opinion, for County of Humboldt, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items as items 2008-1 and 2008-2.

Internal Control Over Compliance

The management of County of Humboldt is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Humboldt's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Humboldt's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-1 and 2008-2 to be material weaknesses.

County of Humboldt's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit County of Humboldt's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, 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
Redding, CA
March 13, 2009

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS

Honorable Board of Supervisors
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, 2008, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 13, 2009. These financial statements are the responsibility of the County of Humboldt's management. My responsibility was to express an opinion of 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 for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of State and Local Governments and Non Profit Organizations." 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 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 provided a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining financial statements. The accompanying Schedule of Federal Financial Assistance is presented for the purposes of additional analysis and is not a required part of the financial statements of the County of Humboldt. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Donald R. Reynolds
Certified Public Accountants
March 13, 2009

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
National Forest - Dependent Rural Communities	10.670	**	\$ 120,770
Regional Business Enterprise Program	66.811	**	-
Subtotal			120,770
Passed through State Department of Social Services:			
Food Stamps	10.551*	**	13,461,007
State Administrative Matching Grants for Food Stamps Program	10.561*	**	1,603,991
Subtotal			15,064,998
Passed through State Department of Education:			
National School Lunch Program	10.555	**	69,432
Subtotal			69,432
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	**	744,917
Subtotal			744,917
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	**	-
Schools and Roads - Grants to Counties	10.666	**	-
Subtotal			-
Total U.S. Department of Agriculture			16,000,117
<u>U.S. Department of Commerce</u>			
Direct Program:			
Economic Adjustment Assistance	11.307	**	48,557
Total U.S. Department of Commerce			48,557
<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	05-PTAA-1448	1,252
	14.228	06-EDBG-2507	34,257
	14.228	06-STBG-2501	49,530
	14.228	06-SEBG-2508	9,778
	14.228	04-STBG-1974	22,907
	14.228	05-EDBG-1963	224,943
Home Investment Program	14.239	01-HOME-0547	-
	14.239	03-HOME-0667	-
	14.239	04-HOME-0729	259,037
Total U.S. Department of Housing & Urban Development			601,704

* Major Program

** See Note 4

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<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 Interior</u>			
Direct Program:			
Payment in Lieu of Taxes	15.226	**	-
Total U.S. Department of Interior			-
<u>U.S. Department of Justice</u>			
Direct Programs:			
Marijuana Eradication DEA	15.579	**	206,894
Grants to Encourage Arrests	16.588	2005WEAX0067	186,643
Spousal Abuser Prosecution Grant	16.592	**	43,727
Drug Court - Local Law Enforcement Block Grant	16.592	**	-
Drug Court - Local Law Enforcement Block Grant	16.592	**	-
Total U.S. Department of Justice			437,264
Pass through State Office of Emergency Services:			
Marijuana Suppression	16.738	MS07230120	122,078
Marijuana Suppression	16.738	MS05210120	-
Juvenile Drug Court	16.585	CSA-314-05	-
Victim Witness Assistance	16.575	VW022Q0120	-
Anti-Drug Abuse Enforcement	16.579	DC07180120	156,606
Victim Witness Assistance	16.575	7250120	181,014
Domestic Violence Vertical Prosecution	16.588	7050120	146,954
Anti-Drug Abuse Enforcement	16.738	DC06170120	-
Subtotal			606,652
Pass through State Board of Corrections			
Repeat Offender Accountability Assessment Coordinator	16.523	IP3020120	-
Total U.S. Department of Justice			1,043,916
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Adult Program	17.258*	R865458	393,982
WIA Title I Youth	17.259*	R865458	45,833
WIA Dislocated Workers	17.260*	R865458	938,965
WIA Rapid Response	17.260*	R865458	69,422
WIA Nurse Workforce Initiative	17.260*	R865458	-
WIA Newcomers Discretionary	17.260*	R865458	909
WIA National Emergency Grant	17.260*	R865458	125,979
WIA Navigator	17.260*	R865458	64,856
Total U.S. Department of Labor			1,639,946

* Major Program

** See Note 4

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	**	5,596,630
Passed through State Department of Transportation			
Highway Planning and Construction	20.205*	**	-
Bicycle Transportation Account	20.205*	-	22,617
Highway Bridge and Replacement	20.205*	-	4,165,097
Safe Routes to School	20.205*	-	413,615
Emergency Relief	20.205*	-	3,543,236
Transportation Improvement Project	20.205*	-	1,192
			8,145,757
Passed through the State Office of Traffic Safety			
Traffic Safety Grant	20.600		-
Total U.S. Department of Transportation			13,742,387
<u>Environmental Protection Agency</u>			
Direct Programs:			
Brownfield Pilot Program	14.239		-
Brownfield Revolving Loan Fund	66.818	BP-96986701-0	13,847
Brownfield Assessment Grant	66.818	BF-96915401-5	3,335
Subtotal			17,182
Pass through State Water Resources Control Board			
Health Local Oversight Program	60.805	**	265,569
Total Environmental Protection Agency			282,751
<u>U.S. Department of Education</u>			
Passed through California Department of Alcohol and Drug Programs			
Brownfield Pilot Program	84.186	**	-
Total U.S. Department of Education			-
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Health Services			
TB Prevention/Housing	93.116	TBCSGF-90	103,348
Federal Immunization Program	93.268	01-15289	102,433
Bioterrorism Preparedness	93.283	**	770,834
Refugee Cash Assistance	93.566	**	-
Chafee Education and Training Vouchers Program	93.599	**	-
In-Home Supportive Services	93.667	**	-
Medical Assistance Program	93.778*	**	5,832,679
HIV Care Formula Grants	91.917	**	157,471

* Major Program

** See Note 4

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
Preventive Health and Health Services Block Grant	93.991	**	-
Maternal and Child Health Services Block Grant to States	93.994	**	632,367
Childhood Disability Program	93.994	**	568,173
Healthy Families	93.994	**	201,406
California Children's Services	93.994	**	1,622,156
Subtotal			9,990,867
Passed through State Department of Mental Health Services			
Block Grant for Community Mental Health Services	93.958	**	468,940
McKinney Grant (PATH)	93.150	**	43,688
Block Grant for Prevention and Treatment of Substance Abuse	93.959	**	1,173,037
Subtotal			1,685,665
Passed through State Department of Child Support Services			
Child Support Enforcement	93.563*	**	4,996,370
Subtotal			4,996,370
Passed through State Department of Social Services			
Temporary Assistance for needy Families	93.558*	**	17,166,564
Temporary Assistance for needy Families - Incentives	93.558	**	14,804
Child Welfare Services - State Grants	93.645	**	116,180
Foster Care - Title IV-E	93.658*	**	4,742,458
Adoption Assistance	93.659*	**	2,225,424
Promotion Safe and Stable Families	93.556	**	95,591
Child Welfare Services - Title XX	93.667	**	149,000
Chafee Foster Care Independent Living	93.674	**	103,117
Subtotal			24,613,138
Total Department of Health and Human Services			41,286,040
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security			
Buffer Zone Protection Plan Program	97.078	**	-
Transportation Security Administration	97.001		202,879
Homeland Security Grant	97.067	2005-15	322,815
Subtotal			525,694
Passed through State Office of Emergency Services			
Public Assistance Grants	97.036	FEMA-1628-CA	453,460
Multi-Hazard Mitigation Grant	97.017	PDM05	-
Flood Mitigation Grant	97.029	FMA-PL-09-A-2004	-
Emergency Management Performance Grant	97.042	**	64,734
Subtotal			518,194
Total U.S. Department of Homeland Security			1,043,888
Total Expenditure of Federal Awards			\$ 75,689,306

* Major Program

** See Note 4

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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.

Note 4: Pass-Through Contract Numbers

Certain federal contracts provided directly or passed through various State and other agencies were unable to supply direct or pass-through contract numbers.

**COUNTY OF HUMBOLDT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2008**

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|--------------------|
| a.) Type of auditor's report issued on financial statements | Unqualified |
| b.) Internal control over financial reporting: | |
| Material weaknesses identified: | Yes |
| Significant Deficiencies identified that are not considered to be material weaknesses: | Yes |
| c.) Noncompliance which is material to the financial statements: | Yes |

Federal Awards

- | | |
|---|--------------------|
| d.) Internal control over major programs: | |
| Material weaknesses identified: | No |
| Significant Deficiencies identified that are not considered to be material weaknesses: | No |
| e.) Type of auditors' report issued on compliance for major programs: | Unqualified |
| f.) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: | Yes |
| g.) The dollar threshold used to distinguish between Type "A" and Type "B" programs was | \$2,023,434 |

- | | |
|---|--|
| h.) Program identified as a major program | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 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 |

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1 (Continued)

- i.) Auditee qualified as a low risk auditee under Section 0.530 of OMB Circular A-133: **No**

Section 2

Financial Statement Findings

2008-1

Significant Deficiency and Material Weakness

Condition

In our test work on loans receivable we noted:

- A) The County had not correctly recorded any loans to homeowners and developers for home improvements and low income rentals in the CDBG, CalHOME and Home Programs. The loans totaled \$11,146,654 at June 30, 2008.
- B) The County did not correctly record any accrued interest on loans to homeowners and developers. The accrued interest was \$475,735 at June 30, 2008.

Criteria

Federal and state grants require the County to maintain the accounting records under generally accepted accounting principles.

Effect

The financial statements understated assets and fund balance by \$11,622,389 at June 30, 2008.

Recommendation

As a result of the annual audit, the County has recorded the loans and accrued interest correctly.

County Response

See separate response.

2008-2

Significant Deficiency and Material Weakness

Condition

During our audit we noted that the County failed to monitor an agency under contract that distribute County loans to homeowners and collect payments from these same loans. The agency did not adequately adequately report loans and collections to the County as required under a contract. This problem has been on-going for the past two years and the County has taken no steps to require the agency to perform under the contract. The County does not have the ability to determine if loans are being distributed by the agency on a timely basis nor that collections are being remitted to the County on a timely basis.

Criteria

The County's contract with the agency, as well as the grant requirements, require that the County properly account for the loans and collections. The County is required to account for collections on the records of the County on a timely basis.

Effect

The County's financial records are not accurate and the agency has the opportunity to utilize the unremitted collections for cash flow without the County's knowledge.

County Response

See separate response.

Section 3

Federal Award Findings and Questioned Costs

2008-1 Above

**COUNTY OF HUMBOLDT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Audit Reference
Number

Status of Prior Year Audit Findings

Finding 03-1

None Reported

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, 2008, which collectively comprise the County's basic financial statements and have issued my report thereon dated March 13, 2009. 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
March 13, 2009

1438 Oregon Street, P.O. Box 994508 Redding, CA 96099-4508 (530) 246-2834 fax (530) 244-0331

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, 2008, which collectively comprise the County's basic financial statements and have issued my report thereon dated March 18, 2008. 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, 2008. 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.

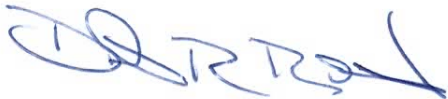
These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the County of Humboldt's Statement of Revenues, Expenditures and Changes in Fund Balance - Passenger Facility Charges. Accordingly, I do not express such an opinion.

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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.

A handwritten signature in blue ink, appearing to read 'D. R. Reynolds', with a stylized flourish at the end.

Donald R. Reynolds
Certified Public Accountant
March 18, 2008

COUNTY OF HUMBOLDT
STATEMENT OF REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCE - PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2008

Revenues:

Passenger Facility Charges (3992)	\$ 426,138.51
Interest	<u>30,563.89</u>
Total Revenues	<u>456,702.40</u>

Expenditures:

Contributions to other funds for Aviation Capital Projects	<u>819,008.98</u>
Total Expenditures	<u>819,008.98</u>
Excess of Revenues Over (Under) Expenditures	(362,306.58)
Fund Balance at Beginning of Year	<u>622,445.04</u>
Fund Balance at End of Year	<u><u>\$ 260,138.46</u></u>

Donald R. Reynolds

Certified Public Accountant

MANAGEMENT LETTER

Board of Supervisors
County of Humboldt
Eureka, CA

In planning and performing our audit of the financial statements of the County of Humboldt for the year ended June 30, 2008, I considered the County of Humboldt's internal control structure in order to determine my audit procedures for the purpose of expressing an opinion on the financial statements but not provide assurance on the internal control structure.

During our audit I noted certain matters involving the internal control structure that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could affect the County of Humboldt's ability to record, process, summarize, and report the financial data consistent with the assertions of management in the financial statements.

PRIOR YEAR RECOMMENDATIONS

Fund Balance Reconciliation

Prior Recommendation: I recommended that the County reconcile fund balance amounts to the prior year audited balances on a monthly basis. The County did not implement this recommendation. The County continues to have unreconciled fund balances.

Current Status: This recommendation is basic in account maintenance and should be implemented immediately.

Written Accounting, Administrative and Fraud Policies Manual

Recommendation: I recommended that the County develop and maintain an up-to-date accounting, fraud prevention, purchasing and administrative policies and procedures manual.

Current Status: It is my understanding that the Auditor-Controller's office is working on this but no completion deadline has been established.

Loan Administration Agreements

See current recommendations.

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Electronic Payments and Transfers

Prior Recommendation: I recommended that the County develop written policies and procedures regarding electronic payments and transfers. I recommended that wire transfers and electronic payments be approved by two check signers prior to transfer.

Current Status: The County is working on this recommendation.

Petty Cash

Prior Recommendation: I recommended the County develop and follow written procedures for all petty cash funds. This recommendation was partially implemented.

Current Status: Our fraud risk interviews indicated that there are situations for potential abuse in several departments as well as abuse in the use of gift certificates by County personnel that are intended for social service clients.

Employee Dishonesty Insurance

Prior Recommendation: I recommended the County purchase employee dishonesty insurance.

Current Status: The County has a policy in place.

Payroll Tax Returns

Prior Recommendation: I recommended that the County reconcile the wage totals and related amounts on the quarterly payroll tax returns to the general ledger.

Current Status: This recommendation has been implemented.

Receivable and Payable Reconciliations

Prior Recommendation: I recommended that the receivable reports and vouchers payable detail be reconciled to the general ledger on a monthly basis.

Current Status: This recommendation has not been implemented.

Federal and State Grants

Prior Recommendation: I recommended that the County track federal and state grant revenue and expenditures by grant number.

Current Status: This recommendation has not been implemented. The inability to track this information has resulted in additional audit fees and a weakness in internal controls noted to grantors.

Financial Management Education for Public Officials

Prior Recommendation: I recommended that the County Consider providing public officials with financial management training on an annual basis. This recommendation is very important in the light of the lack of financial oversight observed this year.

Current Status: This recommendation has not yet been implemented.

General Journal Entries

Prior Recommendation: I recommended that the Board of Supervisors make every effort to assist the Auditor-Controller's office in maintaining staffing levels which allow for the orderly and timely completion of their assigned tasks.

Current Status: See additional comments under current year recommendations on decentralization. All positions in the Auditor-Controller's office have been filled.

CURRENT YEAR RECOMMENDATIONS

Loans Receivable

The County has not recorded approximately \$11,000,000 in CDBG loans in the financial statements plus accrued interest of approximately \$400,000. Generally accepted accounting principles require that these loans be recorded with the terms of repayment disclosed in the financial statements. The County began making these loans in the mid-1980's and never recorded these loans correctly in the County's accounting records. The County has been aware of this deficiency for at least two years and began taking the steps about a year ago to determine the dollar amount of the loans and the status of each loan. In addition, the County has not met the requirements of OMB Circular A-87 and the grant requirements by not accounting for the loans correctly. The failure to record these loans correctly is considered a material weakness in internal control and a reportable condition.

I recommend that the County needs to identify each and every loan ever made and determine the status of each. The loans have now been entered in the records of the County.

Economic Development

During my test work on compliance in the Headwaters Mitigation Fund I noted that the County's contract with the Arcata Economic Development Corporation (AEDC) requires that the AEDC have an annual audit performed by an independent certified public accountant. In reviewing loan applications at the AEDC, I noted that AEDC's independent auditor was in the process of applying for an economic development loan from the County and AEDC during the auditor's fieldwork. A check representing the loan proceeds was eventually prepared, but never cashed. The standards related to auditor independence do not allow for material financial transactions between an auditor and auditee.

The County requested that the State Board of Accountancy investigate the alleged violation of auditor independence. The Board of Accountancy responded that they found no impairment of independence. The County is currently seeking clarification on the Board's response as the County feels that the loan does not meet the exemptions under the independence standards of the American Institute of Certified Public Accountants.

I noted during my audit that the County does not exercise adequate sub recipient monitoring of the AEDC. The AEDC does not provide the County an adequate accounting for the collections on economic development loans by the County and AEDC. I found the AEDC to be uncooperative and unresponsive when asked for documentation regarding loan activities. I was unable to determine if the County received loan repayments promptly, if the correct amounts were being remitted and what cash was on hand at AEDC that belonged to the County. This issue was cited in last year's management letter and I noted a deteriorated situation again this year.

I recommend that the County suspend activities with AEDC until AEDC and the County can implement better controls over loan reporting.

Management Override

In my test work on revenue we noted that an interest income account also included expenditures posted against that income. The expenditures were for travel and office equipment. The recording of expenditures in a revenue account completely circumvents the budget process and expenditure controls. The staff in the Auditor-Controller's office was aware of this departure from the policies of the County, but did not bring this to management's attention because it was management itself in another department that was instituting the violation. The management in question is elected and therefore is not directly supervised.

Management override can completely destroy internal controls. The Board of Supervisors must be willing to provide oversight to elected officials. The responsibility cannot be delegated to the voters. I recommend that the County Administrative Officer and the Board implement a training program with elected officials on internal controls and accountability and this type of activity cease immediately.

Cash Overdrafts

I noted during my test work that the County allows other governments to over- draft or "borrow" from their cash accounts with the County. I noted that one local government has borrowed continuously for the last four years and has had a loan balance in excess of \$450,000 at times. In the most serious case, I was unable to locate any County policy that allows for this level of borrowing, any note, nor any collateral on the borrowing or any approval of this type of borrowing by the Board. The loan balance in this most serious case was in excess of in excess of \$156,000 at June 30, 2008. The government in question does not currently have the means for repayment and the general fund of the County has reclassified this overdraft as an unauthorized expenditure to the government. I was unable to determine why staff never reported this situation or why management ignored the advances. Unauthorized expenditures are considered a material weakness in internal control and a reportable condition.

I recommend that the County develop policies on this type of borrowing which include signed notes and collateral. Many of these governments have little collateral and the loans of this type may never be repaid.

Decentralization

The Auditor-Controller is responsible for the financial records and is the lead department in implementing and maintaining internal controls. In most counties, the Auditor-Controller is the resource for departments in obtaining data for management purposes. I noted that the County's departments associated with health and human services are almost autonomous, in that they place very little reliance on the controls and expertise of the Auditor-Controller. These departments have over 60% of the County's employees and a greater amount of County revenue. Health and Human Services have their own internal auditor and analysts. Clearly, Health and Human Services have more resources to devote to the accounting process than is provided by the general fund to the Auditor-Controller. This decentralization is resulting, in my opinion, in the development of two distinct internal control systems. The Health and Human Services departments have needs that are not currently being met by the Auditor-Controller's office and have not hesitated to fill their own needs.

Having two parallel systems can be expensive. I noted many good practices in the Health and Human Services departments that would be valuable controls County-wide.

I recommend that the Auditor-Controller and Health and Human Services work together in developing stronger controls County-wide.

In discussions with County personnel I noted that the Auditor-Controller is not fully aware of all the types of transactions that go on in the departments. The CDBG loan finding stated above is an example of this. I was really unable to ascertain if departments were reluctant to seek guidance from the Auditor-Controller's office or the Auditor-Controller's office lacks the staff to stay on top all the departments.

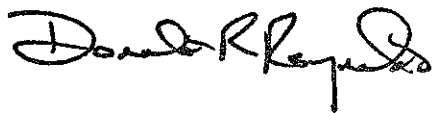
I recommend that the Auditor-Controller's office provide the leadership and consider adding an internal auditor to the staff.

Audit Committee

Unlike most counties, Humboldt County does not have an audit committee. An audit committee is a standing committee of the Board of Supervisors. The audit committee works directly with the independent auditor. The committee is responsible for the engagement of an auditor and meets with the auditor in the audit planning and risk assessment phases of the annual audit. The committee meets with the auditor at the conclusion of the audit and is the auditor's contact should any difficulties be encountered during the audit.

I recommend that an audit committee be formed.

This letter is solely intended for the information and use of the Board of Supervisors, management, others within the County, 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 "Don R. Reynolds". The signature is written in a cursive style with a large, stylized initial "D".

Don R. Reynolds, CPA

March 13, 2009

COUNTY OF HUMBOLDT
JUNE 30, 2008
ATTACHMENT 1

Management letter responses:

Fund Balance Reconciliation

This recommendation refers to booking each year's audit adjustments to the County's general ledger. The difficulty we have faced with this each year is that by the time we have the audit adjustments in hand we are already six to nine months past the close of the fiscal year. The revenue and expenditure accounts cannot be adjusted at that point – only the balance sheet accounts can be adjusted. We have discussed this situation with our independent auditor and are confident we can have those balances appropriately adjusted before we roll into the new fiscal year.

Written Accounting, Administrative and Fraud Policies Manual

The County Administrative Office continues to develop and update the County's administrative policies. A draft Purchasing policy and other associated policies were developed and are in the review process. The Purchasing policy is anticipated to be taken to the Board of Supervisors in FY 2009-10. All Board adopted policies and the County Administrative Handbook are posted on the County intranet.

We have collected fraud and internal control policies from other counties and are working on developing a policy for Humboldt County. We concur that the County should develop an accounting and fraud prevention policy and procedures manual

Electronic Payments and Transfers

We are in the process of developing written procedures for all Auditor functions. The procedure for electronic payments and transfers will include an authorized signature requirement as recommended.

Petty Cash

We developed and distributed a written petty cash procedure in March of 2008. All claims for reimbursement of petty cash funds are reviewed by Auditor staff for compliance with the procedure. We also maintain a list of all petty cash funds by location and department.

The Department of Health and Human Services (DHHS) has a written procedure for gift certificates and gift cards. DHHS Financial Services and Internal Audit are aware of the "potential" for abuse in the use of gift certificates by County personnel that are intended for Social Services. Due to this awareness they have established fiscal control mechanisms, such as single point distribution, double audit record logs, limited locked

access to gift certificates, as well as verifying the program authorization for client, amount, and reason to reconcile it with program allocation requirements. In order to ensure the upstream integrity, DHHS FS Internal Audit conducted an internal audit of the program side authorization of clients in 2008. In that audit they noted the possible scenarios under which fraud could possibly occur. Fiscal staff made the appropriate changes to reduce the exposure of gift cards to fraud and have increased the fiscal controls significantly. They continuously monitor the process, and will always treat it with due diligence as a priority.

Receivable and Payable Reconciliations

We agree that it would be desirable for us to reconcile these accounts monthly but such frequent reconciliation would require more staff resources than we have available at this time. We will commit our office to trying to achieve this task quarterly.

Federal and State Grants

We agree that we should be tracking grants by grant number for the sake of efficiency and clear reporting. We recently upgraded our financial software and now have a module that appears capable of performing this function. We are looking into acquiring training on the use of this grant management software for fiscal staff. After we have received training and evaluated the functionality of the module we will develop a plan to implement this recommendation.

Financial Management Education for Public Officials

There has been an effort at ongoing financial education but the classes are infrequent and poorly attended by line staff. It also seems that the curriculum hasn't been targeted to the skill level and subject matter that would most effectively improve our daily accounting processes. We have a full-day training course in June, 2009, dealing with basic governmental accounting principles and budgeting processes that will be attended by a large number of County and cities' fiscal staff. If this material proves to be appropriate and effective in augmenting staff capabilities we may adapt it for an internal training program. We concur with this recommendation and seek an effective path toward implementation.

General Journal Entries

We will continue to work to improve our year-end closing process and preparation of required journal entries.

Loans Receivable

We agree with the recommendation that these CDBG loans must be tracked in the County's general ledger. We are working with Economic Development staff to improve the reporting of these loans for financial statement and grant monitoring purposes.

Economic Development

The California Board of Accountancy performed its investigation and exonerated the accounting firm and the County considers that investigation a closed matter.

As you note, AEDC's reporting in prior years has been opaque and their fiscal staff uncooperative in response to inquiries. Their reporting has improved over the last year and it is now much easier to see outstanding loan balances and activity on a monthly basis. Loan payments are being remitted to the County by the 15th of the following month and AEDC has established a separate account for tracking cash as required by their agreement.

The County has had an agreement with AEDC since 2004 that contained adequate internal controls and reporting requirements. Unfortunately due to staff changes at both the County and AEDC these terms were not being followed. County staff has been working with AEDC to ensure compliance with the existing agreement. We believe that adequate reporting controls are in place and activities with AEDC do not need to be suspended.

Management Override

The County Auditor-Controller and County Administrative office have established a new departmental budget for any expenses related to the handling of receipting, depositing, investing, accounting, and disbursing of funds held for local agencies in the County Treasury. This budget will be included in the county budget for 2009/10. All expenses shall be made from the adopted budget and the reimbursement for these costs shall be made from investment income to the General Fund.

This budget will provide internal controls on the expenditure of funds in accordance with other practices within the county.

Cash Overdrafts

We concur with this observation and recommendation. The County has brought the matter to the attention of the agency involved and will no longer allow the fund to have a negative balance.

Decentralization

We concur with the recommendation and will work toward a stronger, more centralized system of internal control but caution that this will be a long-range project. It is going to require creativity and cooperation to make progress in improving the efficiency of our internal control system.

The previous recommendation regarding staff training will be part of the process for improvement. We also agree that adding an internal audit position to the Auditor-Controller's staff would strengthen overall internal control but do not see that as a likely prospect until the current economic situation has improved.

Audit Committee

Having an audit committee is a good managerial practice and we recommend that the Board of Supervisors consider the establishment of such a committee. We have been in contact with other counties to survey what their practices are in this regard. Generally these are subcommittees of the Board of Supervisors and vary in composition. Some include their fiscal officers in their audit committees; others do not. Some include a financial expert from outside the government as a member. Sacramento County does not have an audit committee but they seem to be an exception among the large urban counties. The Auditor-Controller can provide some guidance if the Board decides to explore the establishment of an audit committee.