

COUNTY OF HUMBOLDT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007

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INTRODUCTORY SECTION

COUNTY OF HUMBOLDT
BOARD OF SUPERVISORS AND FINANCE ADMINISTRATORS
June 30, 2007

BOARD OF SUPERVISORS
(as of June 30, 2007)

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

FINANCE ADMINISTRATORS

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

FINANCIAL SECTION

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Humboldt
Eureka, California

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, California, (the County), as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Humboldt
Eureka, California

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, California, (the County), as of and for the year ended June 30, 2007, 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.

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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, 2007, 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.

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

Honorable Board of Supervisors
County of Humboldt

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

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



Donald R. Reynolds
Certified Public Accountant
March 18, 2008

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, 2007. 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 2006-2007 fiscal year by \$434,965,091 (*net assets*). Of this amount, \$14,484,328 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors, \$63,073,182 is restricted for specific purposes (*restricted net assets*), and \$357,407,581 is invested in capital assets, net of related debt.
- The County's total net assets increased by \$21,758,498, of which \$13,896,734 is a prior period adjustment to recognize capital asset balances that were not previously reflected in the financial statements. Those assets are primarily infrastructure and buildings. Governmental activities (disregarding the prior period adjustment) increased the County's net assets by \$5,371,711. Business-type activities decreased countywide net assets by \$1,053,829 if one disregards the effect of a \$3,543,882 transfer of capital assets from the Airport Capital Assets Fund to the Airport. The capital assets transferred are part of the Airport remodel currently underway.
- As of June 30, 2007, the County's governmental funds reported combined ending fund balances of \$79,057,843, an increase of \$16,612,153 in comparison with the prior year. Approximately 70% of this total amount, \$55,234,069, 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 \$39,249,408, or 21% of total General Fund expenditures (\$187,160,540).
- The County's total long-term debt decreased by \$1,694,929 in comparison with the prior year. The overall decrease was caused by decreases in: capitalized lease obligations (\$446,051), certificates of participation (\$607,373), notes payable (\$2,447), accrued compensated absences (\$984,701). Partially offsetting these decreases was an increase in liability for unpaid claims of \$345,643.

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 xx-xx 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 55-58 of this report.

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

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

Combining and individual fund statements and schedules can be found on pages 59-88 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 \$434,965,091 at June 30, 2007, which is an increase of \$21,758,498 from the previous year. That increase includes the \$13,896,734 prior period adjustment for capital assets. Revenues exceeded expenditures by \$7,861,764 during the fiscal year.

County of Humboldt
Changes in Net Assets
June 30, 2007

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Fees, fines & charges for services	\$33,767,115	\$27,927,997	\$2,316,750	\$2,245,792	\$36,083,865	\$30,173,789
Operating grants & contributions	132,109,839	133,368,241	-	-	132,109,839	133,368,241
Capital grants & contributions	8,637,197	4,142,233	-	-	8,637,197	4,142,233
General revenues:						
Property taxes	21,498,195	17,023,677	-	-	21,498,195	17,023,677
Sales taxes	7,400,051	6,185,204	-	-	7,400,051	6,185,204
Other taxes	16,053,631	16,694,361	-	-	16,053,631	16,694,361
Interest & investment income	2,918,956	2,171,926	49,328	51,275	2,968,284	2,223,201
Other	9,875,588	6,756,778	113,136	105,351	9,988,724	6,862,129
Total revenues	<u>232,260,572</u>	<u>214,270,417</u>	<u>2,479,214</u>	<u>2,402,418</u>	<u>234,739,786</u>	<u>216,672,835</u>
Expenses:						
General government	16,708,753	15,864,617	-	-	16,708,753	15,864,617
Public protection	57,088,898	49,218,161	-	-	57,088,898	49,218,161
Public assistance	72,431,902	69,526,853	-	-	72,431,902	69,526,853
Health & sanitation	48,685,624	47,277,218	-	-	48,685,624	47,277,218
Public ways & facilities	23,677,121	25,651,107	3,533,043	2,875,039	27,210,164	28,526,146
Recreation & cultural services	971,634	803,098	-	-	971,634	803,098
Education	2,815,852	2,465,784	-	-	2,815,852	2,465,784
Interest and long-term debt	965,195	980,077	-	-	965,195	980,077
Total expenses	<u>223,344,979</u>	<u>211,786,915</u>	<u>3,533,043</u>	<u>2,875,039</u>	<u>226,878,022</u>	<u>214,661,954</u>
Increase (decrease) in net						
assets before transfers	8,915,593	2,483,502	(1,053,829)	(472,621)	7,861,764	2,010,881
Transfers	<u>(3,543,882)</u>	<u>(811,902)</u>	<u>3,543,882</u>	<u>811,902</u>	<u>-</u>	<u>-</u>
Change in net assets	5,371,711	1,671,600	2,490,053	339,281	7,861,764	2,010,881
Net assets - beginning	401,241,406	121,489,145	11,965,187	11,625,906	413,206,593	133,115,051
Prior period adjustment	<u>13,896,734</u>	<u>278,080,661</u>	<u>-</u>	<u>-</u>	<u>13,896,734</u>	<u>278,080,661</u>
Net assets - ending	<u>\$420,509,851</u>	<u>\$401,241,406</u>	<u>\$14,455,240</u>	<u>\$11,965,187</u>	<u>\$434,965,091</u>	<u>\$413,206,593</u>

Governmental activities

Governmental activities increased the County's net assets by \$8,915,593, which excludes the effect of the \$13,896,734 prior period adjustment recognizing capital assets and the \$3,543,882 transfer to the Airport. Governmental revenues increased by \$17,990,155 or about eight percent during FY 2006-07, while expenditures increased by \$11,558,064 or about five percent. Part of the growth in expense recognized is due to the addition of previously unrecognized capital assets, which increases the amount of depreciation expense recognized.

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

Last year's marked growth in both revenues and expenditures tempered somewhat in FY 2006-07. Revenues went up about \$18 million while expenditures only rose by \$11.5 million. The area of expenditures that grew the most in 2006-07 was public protection with an increase of about \$7.8 million. Some new public safety programs were initiated in 2006-07, such as the MIOCR and Cal-MMET programs. Also a change in the County's retirement plan encouraged many long-time law enforcement personnel to retire in 2006-07, and due to their employment contracts these terminations are more expensive than is generally the case with other County employees. This would explain part of the increase in public safety expenditures.

Fees, fines and charges for services increased by \$5,839,118, sales tax increased by \$1,214,847, property taxes increased by \$4,474,518 and interest income increased by \$747,030. Property tax revenue remained robust during 2006-07 in spite of a weakening real estate market. The negative conditions prevalent in other real estate markets in California have not been as pronounced in Humboldt County. The reckless speculation and subprime lending that occurred on a massive scale in some areas within commuting distance of California's major population centers was not as extensive in Humboldt County and thus we are avoiding some of the severe consequences of the collapse of that real estate bubble.

Business-type activities

Charges for services at the Airport increased modestly during FY 06-07 by \$70,958. Airport expenditures increased by \$658,004, or about twenty-three percent. There were increases in the cost of security and personnel at the Airport as well as expense for the clean up of underground tanks. Due to the many capital improvements at the Airport its depreciation expense increased by \$31,606. The Airport received \$49,328 in interest and investment earnings, which is a small decrease from the prior year. The Airport received an equity transfer of \$3,543,882 from the Aviation Capital Assets Fund to reflect the value of expansion and remodeling in the terminal facility.

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 \$434,965,091 at June 30, 2007. The largest portion of the County's net assets, \$357,407,581 (82 percent), reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Assets
June 30, 2007

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$103,596,158	\$89,994,508	\$1,395,314	\$1,713,350	\$104,991,472	\$91,707,858
Capital assets	366,187,031	362,931,535	13,233,960	10,441,500	379,420,991	373,373,035
Total assets	<u>469,783,189</u>	<u>452,926,043</u>	<u>14,629,274</u>	<u>12,154,850</u>	<u>484,412,463</u>	<u>465,080,893</u>
Liabilities:						
Current liabilities	21,404,731	21,557,741	161,799	134,985	21,566,530	21,692,726
Long-term liabilities	27,868,607	30,126,896	12,235	54,678	27,880,842	30,181,574
Total liabilities	<u>49,273,338</u>	<u>51,684,637</u>	<u>174,034</u>	<u>189,663</u>	<u>49,447,372</u>	<u>51,874,300</u>
Net assets:						
Invested in capital assets						
net of related debt	344,188,303	339,879,383	13,219,278	10,424,371	357,407,581	350,303,754
Restricted	63,073,182	51,516,565	-	-	63,073,182	51,516,565
Unrestricted	13,248,366	9,845,458	1,235,962	1,540,816	14,484,328	11,386,274
Total net assets	<u>\$420,509,851</u>	<u>\$401,241,406</u>	<u>\$14,455,240</u>	<u>\$11,965,187</u>	<u>\$434,965,091</u>	<u>\$413,206,593</u>

The restricted portion of the County's net asset balance (\$63,073,182) is the sum of three different categories of restrictions. The first is \$1,923,026 held by a fiscal agent for debt service on the 2005 COP (discussed in the long-term debt section of this analysis). The second component is \$21,551,012 held in the Headwaters Fund for future economic development. The third component is \$39,599,144 held in special revenue funds.

The restrictions upon the \$21,551,012 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.

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

As of June 30, 2007, the County's governmental funds reported combined ending fund balances of \$79,057,843. This is an increase of \$16,612,153 from the previous year. The unreserved amount of \$39,249,408 in the general fund is available for spending at the County's discretion. Another \$15,984,661 is unreserved in special revenue and debt service funds and available for the various purposes of those funds.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to pay debt service (\$1,923,026); (2) to recognize legal restrictions on the Headwaters economic development fund (\$19,382,940) and amounts loaned and receivable by the Headwaters fund (\$2,168,072); and (3) to recognize other reserved balances such as inventories (\$15,075), prepaid expenses (\$315,116) and imprest cash (\$19,545).

Revenues for governmental funds overall totaled \$234,528,885 in the fiscal year ended June 30, 2007. This represents an increase of \$23,273,366 or 11 percent from the prior year. Expenditures for governmental funds totaled \$213,879,993, an increase of \$9,365,458 or 4.6 percent over the prior year. As was the case in the analysis of the government-wide statements, public protection expenditures increased more than any other category of expenditure during the fiscal year. Most of the other categories of expenditures experienced modest increases in spending over the prior year.

These revenue and expense figures are somewhat different than what is reported in the analysis of the government-wide statements because the two sets of financial statements are prepared using different bases of accounting and due to a differing scope of view over the financial operations of the County. The general relationships between the numbers on each statement are very similar though, as on both sets of financial statements the public protection expenditures grew more than the other categories of expenditures. In the fiscal year ended June 30, 2007, revenues for government funds exceeded expenditures by \$20,648,892.

The general fund is the chief operating fund of the County. At the end of the 2006-07 fiscal year, the unreserved fund balance of the general fund was \$39,249,408, while total fund balance was \$39,583,004. 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 21 percent of total general fund expenditures of about \$187 million. The total general fund balance is also about 21 percent in comparison to general fund expenditures. The prior year percentage was about 17 percent and it was 14 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 9.8 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 \$3,467,041), combined with a substantial decrease in liabilities (\$6,352,510). 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.

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

Proprietary funds

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

The total change in net assets for the enterprise and internal service funds was an increase of \$3,804,192. These funds normally receive annual contributions from the County general and an equity transfer of \$3,543,882 was made from the Airport Capital Assets Fund to the Airport during the 2006-07 fiscal year. A total of \$492,857 in operating transfers was made to the internal service funds during the year. Factors concerning the financial operations of these funds have been addressed previously in the discussion of the County's business-type activities.

General fund budgetary highlights

The County's final budget of the general fund differs from the original budget in that it contains supplemental appropriations approved during the fiscal year. Spending appropriations were increased by about 3 percent during the year, while projections for revenue to be received were reduced by 3 percent. The actual results of the year's operations showed a favorable budget variance of about \$13 million. Some observations on the budget are as follows:

- Actual revenues fell short of the final budget by \$22,174,009. Actual expenditures were \$35,327,841 less than the final budget. The overall final budget to actual results had a favorable variance of \$13,153,832.
- Five of the seven categories of revenues fell short of the final budget when compared to actual results. Of these, two had significant shortfalls: aid from other governments (\$17,867,394) and miscellaneous revenue (\$4,263,904). These categories had similar shortfalls in 2005-06. The aid from other governments is most likely falling short of budgeted amounts due to a multi-year shortfall in State reimbursement for Mental Health services provided – the same budget category was under-funded by about \$14 million in 2005-06 and this gap is building cumulatively.
- The original budget projected an increase to general fund balance of \$6,377,964 over the fiscal year. The final budget projected a reduction to fund balance of \$6,694,937. The actual result of the year's operations on a budgetary basis was an increase of the general fund balance of \$6,458,895 – very close to the original budget projection.

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, 2007 amounted to \$379,420,991 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, construction in progress, buildings and improvements, and equipment. This is an increase of \$6,047,956 over the previous year, which is largely due to the recognition of capital assets that had not previously been carried on the books. This is an ongoing process in bringing the County's financial statements into compliance with generally accepted accounting principles.

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

County's Capital Assets
(net of depreciation)

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land & Easements	\$3,979,356	\$3,923,681	\$1,976,177	1,976,177	\$5,955,533	5,899,858
Construction in Progress	-	348,986	4,092,682	584,687	4,092,682	933,673
Infrastructure	302,019,777	302,412,087	-	-	302,019,777	302,412,087
Structures & Improvements	54,385,354	51,581,267	6,848,611	7,491,683	61,233,965	59,072,950
Equipment	5,802,544	4,665,514	316,490	388,953	6,119,034	5,054,467
Total	\$366,187,031	\$362,931,535	\$13,233,960	\$10,441,500	\$379,420,991	\$373,373,035

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 42-43 of this report.

Long-term debt. At June 30, 2007, the County had total long-term debt outstanding of \$39,044,100 compared to \$40,739,029 at the end of the previous fiscal year. This amount was comprised of \$15,195,000 of certificates of participation, \$44,680 of bond premium that will be amortized over the life of the COP, \$14,682 of notes payable, 6,759,048 of capital lease obligations, \$15,209,688 of accrued compensated absences and an accrued liability of \$1,821,007 for unpaid claims. Long-term debt decreased by a total of \$1,694,929 during the fiscal year ended June 30, 2007 as detailed at the beginning of this report. No new debt was issued during the year and existing debt was reduced through regular debt service.

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

Long-term debt at June 30, 2007 is summarized as follows:

	Balance			Due Within	
	June 30, 2006	Additions	Deletions	June 30, 2007	One Year
Governmental Activities:					
Certificates of Participation	\$ 15,800,000	\$ -	\$ (605,000)	\$ 15,195,000	\$ 620,000
Unamortized COP premium	47,053	-	(2,373)	44,680	2,372
Accrued compensated absences	16,083,042	9,456,680	(10,387,832)	15,151,890	8,248,465
Capitalized lease obligations	7,205,099	-	(446,051)	6,759,048	468,972
Liability for unpaid claims	1,475,359	2,307,627	(1,961,984)	1,821,002	1,821,002
Total Governmental Activities					
Long-term liabilities	\$ 40,610,553	\$ 11,764,307	\$ (13,403,240)	\$ 38,971,620	\$ 11,160,811
Business-type Activities					
Notes payable	\$ 17,129	\$ -	\$ (2,447)	\$ 14,682	\$ 2,447
Accrued compensated absences	111,347	64,147	(117,696)	57,798	57,798
Total Business-type Activities					
Long-term liabilities	\$ 128,476	\$ 64,147	\$ (120,143)	\$ 72,480	\$ 60,245

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

Economic Factors and Next Year's Budget and Rates

- The State of California is facing massive budget deficits in 2007-08 and possibly for a year or more beyond that. Historically the State has resorted to involuntary diversion of local government revenues when its budget situation has become dire. Proposition 1A, passed in 2004, has placed limits on the State's ability to balance its budget on the backs of local governments, requiring a declaration of fiscal emergency and the repayment of any diverted local tax revenue within three years. The State has made its declaration of fiscal emergency, thus paving the way for possible revenue diversions in 2008-09.
- The subprime lending and credit crisis has wreaked havoc in many communities in California, particularly in the outlying suburbs of major metropolitan areas. Humboldt County, not having experienced the most extreme price inflation of the real estate bubble, is not being impacted as severely as some of those real estate markets. Property tax revenue growth may flatten in coming years 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 been gradually increasing 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.

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

- The United States, including California and its political subdivisions, is currently experiencing a decline in economic activity that could become a recession. It remains to be seen how severe and long lasting this economic downturn will be. In Humboldt County the economy is being impacted by some of the highest fuel prices in the nation. This has the effect of siphoning off some of the excess buying power of consumers, which will adversely affect the retail and real estate sectors of the local economy. This will most likely lead to a flattening or decline in local government revenues related to sales taxes and curtailed growth in revenues generated by real estate activity.

All of these factors were considered in preparing the County's budget for FY 2007-08.

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 -
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

Statement 1

Primary Government

ASSETS

Current assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash and investments	\$ 75,220,958	\$ 1,284,187	\$ 76,505,145
Restricted assets:			
Cash with fiscal agent	1,923,025	-	1,923,025
Department cash funds	19,545	400	19,945
Receivables, net:			
Taxes	2,232,731	-	2,232,731
Other governmental agencies	17,905,949	-	17,905,949
Interest	546,213	17,391	563,604
Due from external parties	113,529	-	113,529
Inventory	237,031	93,336	330,367
Deposits and other assets	1,464,286	-	1,464,286
Total current assets	<u>99,663,267</u>	<u>1,395,314</u>	<u>101,058,581</u>

Noncurrent Assets:

Deferred costs	1,764,819	-	1,764,819
Loans receivable	2,168,072	-	2,168,072
Capital assets (Note 2):			
Nondepreciable	3,979,356	6,068,859	10,048,215
Depreciable, net	<u>362,207,675</u>	<u>7,165,101</u>	<u>369,372,776</u>
Net capital assets	<u>366,187,031</u>	<u>13,233,960</u>	<u>379,420,991</u>
Total noncurrent assets	<u>370,119,922</u>	<u>13,233,960</u>	<u>383,353,882</u>
Total assets	<u>\$ 469,783,189</u>	<u>\$ 14,629,274</u>	<u>\$ 484,412,463</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 4,905,492	\$ 74,932	\$ 4,980,424
Accrued salaries and benefits	3,840,262	26,622	3,866,884
Accrued interest payable	129,574	-	129,574
Other liabilities	436,414	-	436,414
Deferred revenue	990,874	-	990,874
Current portion of long term debt			
Certificates of participation	622,372	-	622,372
Notes payable	-	2,447	2,447
Capital leases	468,973	-	468,973
Compensated absences	8,189,768	57,798	8,247,566
Liability for unpaid claims	<u>1,821,002</u>	<u>-</u>	<u>1,821,002</u>
Total current liabilities	<u>21,404,731</u>	<u>161,799</u>	<u>21,566,530</u>

Noncurrent liabilities:

Certificates of participation	14,617,308	-	14,617,308
Notes payable	-	12,235	12,235
Capital leases	6,290,075	-	6,290,075
Compensated absences	<u>6,961,224</u>	<u>-</u>	<u>6,961,224</u>
Total noncurrent liabilities	<u>27,868,607</u>	<u>12,235</u>	<u>27,880,842</u>
Total liabilities	<u>49,273,338</u>	<u>174,034</u>	<u>49,447,372</u>

Net Assets

Investment in Capital Assets, net of related debt	344,188,303	13,219,278	357,407,581
Restricted for:			
Economic development	21,551,012	-	21,551,012
Capital project	-	-	-
Debt service	1,923,026	-	1,923,026
Other purposes	39,599,144	-	39,599,144
Unrestricted	<u>13,248,366</u>	<u>1,235,962</u>	<u>14,484,328</u>
Total Net Assets	<u>420,509,851</u>	<u>14,455,240</u>	<u>434,965,091</u>
Total Liabilities and Net Assets	<u>\$ 469,783,189</u>	<u>\$ 14,629,274</u>	<u>\$ 484,412,463</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Statement 2

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense)/ Revenue
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 16,708,753	\$ 4,689,686	\$ 5,217,981	\$ 849,680	\$ (5,951,406)
Public protection	57,088,898	8,685,542	16,874,228	446,983	(31,082,145)
Public ways and facilities	23,677,121	885,804	4,705,598	7,340,534	(10,745,185)
Health and sanitation	48,685,624	16,668,863	32,602,359	-	585,598
Public assistance	72,431,902	2,362,898	71,924,644	-	1,855,640
Education	2,815,852	95,279	769,697	-	(1,950,876)
Recreation and Culture	971,634	379,043	15,332	-	(577,259)
Debt Service					
Interest	965,195	-	-	-	(965,195)
Total Governmental Activities	<u>223,344,979</u>	<u>33,767,115</u>	<u>132,109,839</u>	<u>8,637,197</u>	<u>(48,830,828)</u>
Business-Type Activities:					
Airport	3,533,043	2,316,750	-	-	(1,216,293)
Total Humboldt County	<u>\$ 226,878,022</u>	<u>\$ 36,083,865</u>	<u>\$ 132,109,839</u>	<u>\$ 8,637,197</u>	<u>\$ (50,047,121)</u>

CHANGES IN NET ASSETS:

	Governmental Activities	Business-Type Activities	Total
Net (Expense)/Revenue	\$ (48,830,828)	\$ (1,216,293)	\$ (50,047,121)
General Revenues:			
Taxes			
Property Taxes	21,498,195	-	21,498,195
Sales and Use Taxes	7,400,051	-	7,400,051
Other Taxes	16,053,631	-	16,053,631
Unrestricted interest and investment earnings	2,918,956	49,328	2,968,284
Transfers - Internal Activity	(3,543,882)	3,543,882	-
Miscellaneous	9,875,588	113,136	9,988,724
Total General Revenues and Transfers	<u>54,202,539</u>	<u>3,706,346</u>	<u>57,908,885</u>
Change in Net Assets	5,371,711	2,490,053	7,861,764
Net Assets - Beginning	<u>401,241,406</u>	<u>11,965,187</u>	<u>413,206,593</u>
Prior Period Adjustment	<u>13,896,734</u>	<u>-</u>	<u>13,896,734</u>
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	-	-	-
Net Assets - Ending	<u>\$ 420,509,851</u>	<u>\$ 14,455,240</u>	<u>\$ 434,965,091</u>

COUNTY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

Statement 3
(Continued)

<u>ASSETS</u>	<u>General Funds</u>	<u>Headwaters Mitigation Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 35,401,960	\$ 20,804,027	\$ 12,912,767	\$ 69,118,754
Restricted assets:				
Cash with fiscal agent	-	-	1,923,025	1,923,025
Department cash funds	18,480	-	1,065	19,545
Receivables, net:				
Taxes	2,232,731	-	-	2,232,731
Other governmental agencies	15,850,791	572,546	1,327,012	17,750,349
Interest	153,640	221,580	77,370	452,590
Due From Other Funds	-	788,894	-	788,894
Inventory	-	-	15,075	15,075
Loans receivable	-	2,168,072	-	2,168,072
Prepays and other assets	315,116	-	-	315,116
 Total Assets	 \$ <u>53,972,718</u>	 \$ <u>24,555,119</u>	 \$ <u>16,256,314</u>	 \$ <u>94,784,151</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 3,840,515	\$ 4,439	\$ 855,403	\$ 4,700,357
Accrued salaries and benefits	3,372,407	-	381,589	3,753,996
Due to other funds	580,202	-	95,163	675,365
Other Liabilities	212,278	-	-	212,278
Advances from other funds	-	-	-	-
Deferred Revenue	6,384,312	-	-	6,384,312
 Total Liabilities	 <u>14,389,714</u>	 <u>4,439</u>	 <u>1,332,155</u>	 <u>15,726,308</u>
 <u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	-	-	-	-
Departmental cash	18,480	-	1,065	19,545
Inventories	-	-	15,075	15,075
Prepays and other assets	315,116	-	-	315,116
Loans receivable	-	2,168,072	-	2,168,072
Capital projects	-	-	-	-
Debt service	-	-	1,923,026	1,923,026
Economic development	-	19,382,940	-	19,382,940
Unreserved, reported in				
General Funds	39,249,408	-	-	39,249,408
Special Revenues Fund	-	2,999,668	12,849,782	15,849,450
Debt service funds	-	-	135,211	135,211
 Total Fund Balances	 <u>39,583,004</u>	 <u>24,550,680</u>	 <u>14,924,159</u>	 <u>79,057,843</u>
 Total Liabilities and Fund Balances	 \$ <u>53,972,718</u>	 \$ <u>24,555,119</u>	 \$ <u>16,256,314</u>	 \$ <u>94,784,151</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Statement 3

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
JUNE 30, 2007**

Fund Balance - total governmental funds	\$ 79,057,843
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.	6,384,312
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.	1,764,819
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	361,538,307
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:	8,275,007
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.	(129,574)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Certificates of participation	(15,195,000)
Unamortized premium	(44,680)
Notes Payable	-
Capital leases	(6,759,048)
Compensated absences	<u>(14,382,135)</u>
Net Assets of Governmental Activities	\$ <u>420,509,851</u>

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

Statement 4
(Continued)

	General Funds	Headwaters Mitigation Funds	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 38,666,406	\$ -	\$ 5,831,362	\$ 44,497,768
Licenses and permits	1,779,368	-	80,533	1,859,901
Fines, forfeits and penalties	2,347,536	-	629,977	2,977,513
Revenue from use of money and property	1,557,252	918,465	443,239	2,918,956
Aid from other governments	123,360,955	-	20,929,785	144,290,740
Charges for services	27,992,339	-	937,362	28,929,701
Miscellaneous	3,921,046	-	5,133,260	9,054,306
Total Revenues	<u>199,624,902</u>	<u>918,465</u>	<u>33,985,518</u>	<u>234,528,885</u>
EXPENDITURES:				
Current:				
General government	13,648,918	-	-	13,648,918
Public protection	47,696,022	-	9,570,899	57,266,921
Public ways and facilities	1,297,425	-	11,080,227	12,377,652
Health and sanitation	48,691,444	-	-	48,691,444
Public assistance	72,435,073	-	-	72,435,073
Education	126,287	-	2,675,162	2,801,449
Recreation and Culture	718,355	240,463	-	958,818
Debt Service:				
Principal	240,593	-	810,458	1,051,051
Interest and Other Charges	160,133	-	810,453	970,586
Capital Outlay	2,146,290	-	1,531,791	3,678,081
Total Expenditures	<u>187,160,540</u>	<u>240,463</u>	<u>26,478,990</u>	<u>213,879,993</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,464,362</u>	<u>678,002</u>	<u>7,506,528</u>	<u>20,648,892</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	-	-
Transfers In	785,596	-	3,101,951	3,887,547
Transfers Out	<u>(3,430,407)</u>	<u>(785,596)</u>	<u>(3,708,283)</u>	<u>(7,924,286)</u>
Total Other Financing Sources and Uses	<u>(2,644,811)</u>	<u>(785,596)</u>	<u>(606,332)</u>	<u>(4,036,739)</u>
Net Change in Fund Balances	9,819,551	(107,594)	6,900,196	16,612,153
Fund Balances-Beginning	<u>29,763,453</u>	<u>24,658,274</u>	<u>8,023,963</u>	<u>62,445,690</u>
Prior Period Adjustment	-	-	-	-
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Fund Balances-Ending	<u>\$ 39,583,004</u>	<u>\$ 24,550,680</u>	<u>\$ 14,924,159</u>	<u>\$ 79,057,843</u>

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

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 \$ 16,612,153

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	3,599,026	
Less: current year depreciation	<u>(15,002,549)</u>	(11,403,523)

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. (3,089,595)

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>1,051,051</u>	1,051,051
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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	5,391	
Amortization of bond issuance costs	(96,480)	
Change in compensated absences	976,203	
Change in amortization of debt premium	<u>2,372</u>	887,486

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. 1,314,139

Change in Net Assets of Governmental Activities	\$ <u>5,371,711</u>
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COUNTY OF HUMBOLDT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Aviation</u>	<u>Internal Service Funds</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Investments	\$ 1,284,187	\$ 6,102,204
Departmental cash funds	400	-
Accounts Receivable:		
Other governmental agencies	-	155,600
Interest	17,391	93,623
Inventory	93,336	221,956
Deposits and other assets	-	1,149,170
Total Current Assets	<u>1,395,314</u>	<u>7,722,553</u>
<u>Noncurrent Assets:</u>		
Advances to other funds	-	-
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	15,759,279
Accumulated depreciation	<u>(12,889,761)</u>	<u>(11,369,932)</u>
Net Property, Plant and Equipment	<u>13,233,960</u>	<u>4,648,724</u>
Total Noncurrent Assets	<u>13,233,960</u>	<u>4,648,724</u>
Total Assets	<u>\$ 14,629,274</u>	<u>\$ 12,371,277</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 74,932	\$ 205,135
Accrued salaries and benefits	26,622	86,266
Provision for estimated claims	-	1,821,002
Other liabilities	-	224,136
Deferred revenue	-	990,874
Current portion of notes payable	2,447	-
Current portion of liability for compensated absences	<u>57,798</u>	<u>211,938</u>
Total Current Liabilities	161,799	3,539,351
<u>Noncurrent Liabilities:</u>		
Notes payable	12,235	-
Liability for compensated absences	-	<u>556,919</u>
Total Noncurrent Liabilities	<u>12,235</u>	<u>556,919</u>
Total Liabilities	<u>174,034</u>	<u>4,096,270</u>
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	13,219,278	4,648,724
Unrestricted	<u>1,235,962</u>	<u>3,626,283</u>
Total Net Assets	<u>14,455,240</u>	<u>8,275,007</u>
<u>Total liabilities and net assets</u>	<u>\$ 14,629,274</u>	<u>\$ 12,371,277</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, 2007

Statement 6

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Aviation</u>	<u>Internal Service Funds</u>
OPERATING REVENUES:		
Charges for Services	\$ 2,316,750	\$ 28,418,994
Other revenue	113,136	135,150
Total Operating Revenues	<u>2,429,886</u>	<u>28,554,144</u>
OPERATING EXPENSES:		
Salaries and Benefits	755,621	2,478,123
Services and supplies	2,024,811	3,937,214
Claims expense	-	20,752,036
Depreciation	751,422	777,163
Other Expenses	-	17,854
Total operating expenses	<u>3,531,854</u>	<u>27,962,390</u>
Net Operating Income	<u>(1,101,968)</u>	<u>591,754</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	49,328	332,198
Interest expense	(1,189)	(52,874)
Sale of capital assets	-	(49,796)
Total Nonoperating Revenue (expense)	<u>48,139</u>	<u>229,528</u>
Net Income Before Contributions and Transfers	(1,053,829)	821,282
Capital Contributions	-	-
Operating transfers in (out)	<u>3,543,882</u>	<u>492,857</u>
Net income	<u>2,490,053</u>	<u>1,314,139</u>
Net Assets-Beginning of Year - As previously stated	11,965,187	6,960,868
Prior period adjustment	-	-
Net Assets-Beginning of Year - As restated	<u>11,965,187</u>	<u>6,960,868</u>
Residual Equity Transfers In	-	-
Residual Equity Transfers Out	-	-
Net Assets-End of Year	<u>\$ 14,455,240</u>	<u>\$ 8,275,007</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2007

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	\$ 2,475,827	\$ -
Cash receipts from internal fund services provided	-	28,577,804
Cash paid to suppliers for goods and services	(1,968,368)	(24,336,635)
Cash paid to employees for services	(808,433)	(2,478,123)
Operating transfers	-	492,857
	<u>(300,974)</u>	<u>2,255,903</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to (from) other funds	3,543,882	-
Net temporary loans from (to) other funds	40,700	1,670,207
	<u>3,584,582</u>	<u>1,670,207</u>
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal repayment related to capital purposes	(2,447)	-
Sale/disposal of capital assets	-	90,249
Payments related to the acquisition of capital assets	(3,543,882)	(1,679,493)
	<u>(3,546,329)</u>	<u>(1,589,244)</u>
Net Cash Provided (Used) by Capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	46,490	266,693
Payments of interest	(1,189)	(52,874)
	<u>45,301</u>	<u>213,819</u>
Net Cash Provided by Investing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(217,420)</u>	<u>2,550,685</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,502,007</u>	<u>3,551,519</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,284,587</u>	<u>\$ 6,102,204</u>

See accompanying notes to the
basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2007

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)	\$ (1,101,968)	\$ 591,754
Adjustments to Reconcile Net Income to Net Cash From (Used For) Operating Activities:		
Depreciation	751,422	777,163
Operating Transfers	-	492,857
Decrease (Increase) in Accounts Receivable	45,941	-
Decrease (Increase) in Inventory	16,813	-
Decrease (Increase) in Prepaid Assets	-	(125,404)
Decrease (Increase) in Other Assets	-	-
Increase (Decrease) in Accounts Payable	39,630	48,893
Increase (Decrease) in Accrued Salaries and Benefits	737	7,383
Increase (Decrease) in Due From Other Governmental Entities	-	25,103
Increase (Decrease) in Estimated Insurance Payable	-	345,643
Increase (Decrease) in Deferred Revenue	-	(1,443)
Increase (Decrease) in Other Liabilities	-	49,802
Increase (Decrease) in Compensated Absences	(53,549)	44,152
Net Cash From (Used For) Operating Activities	\$ (300,974)	\$ 2,255,903

See accompanying notes to the
basic financial statements.

COUNTY OF HUMBOLDT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

Statement 8

	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Investments	\$ 133,641,009	\$ 26,530,507	\$ 160,171,516
Imprest cash	-	750	750
Departmental receivables	-	26,530	26,530
Taxes receivable	-	6,069,278	6,069,278
Due from other funds	9,133	602,089	611,222
Prepaid expenses and other assets	-	(504)	(504)
Total Assets	<u>\$ 133,650,142</u>	<u>\$ 33,228,650</u>	<u>\$ 166,878,792</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 193,786	\$ 994,411	\$ 1,188,197
Due to other funds	334,982	389,769	724,751
Agency funds held for others	-	31,844,470	31,844,470
Total Liabilities	<u>528,768</u>	<u>33,228,650</u>	<u>33,757,418</u>
<u>Net Assets</u>			
Net assets held in trust for investment pool participants	<u>133,121,374</u>	<u>-</u>	<u>133,121,374</u>
Total Net Assets	<u>133,121,374</u>	<u>-</u>	<u>133,121,374</u>
Total Liabilities and Net Assets	<u>\$ 133,650,142</u>	<u>\$ 33,228,650</u>	<u>\$ 166,878,792</u>

COUNTY OF HUMBOLDT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

Statement 9

	<u>Investment</u> <u>Trust</u>
<u>Additions:</u>	
Interest Income	\$ 5,349,395
Contributions to investment pool	<u>340,766,936</u>
Total Additions	<u>346,116,331</u>
<u>Deductions:</u>	
Distributions from investment pool	<u>328,821,574</u>
Total Deductions	<u>328,821,574</u>
Changes in Net Assets	<u>17,294,757</u>
Net Assets-Beginning of the Year	<u>115,826,617</u>
Net Assets-End of the Year	\$ <u>133,121,374</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, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

The County has several networks of infrastructure assets - roads, lighting, drainage, and flood control. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, lighting, drainage and flood control. These infrastructure assets are likely to be the largest asset class of the County. Their historical cost and related depreciation has been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and is first effective for the fiscal years ending June 30, 2006. The County elected to implement the general provisions of GASB No. 34 in the year ended June 30, 2002, and has implemented the retroactive infrastructure provisions in the fiscal year ending June 30, 2006.

H. Compensated Absences

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

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

I. Interfund Transactions

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

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007 consisted of the following:

Treasury cash on hand and in banks (deposits)	\$ 2,842,758
Investments (detailed below)	245,237,538
Less: outstanding warrants	(11,430,539)
Less: pending items	<u>(26,904)</u>
Total Cash and Investments	\$ <u>236,676,661</u>

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

Primary Government:	
Governmental activities	\$ 75,220,958
Business-type activities	1,284,187
Investment trust fund	133,641,009
Agency funds	<u>26,530,507</u>
Totals	\$ <u>236,676,661</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007, 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	\$ 2,838,358
Cash on hand	<u>4,400</u>
Total Deposits	\$ <u>2,842,758</u>

At June 30, 2007, the carrying amount of the County's cash deposits (checking account) was \$2,838,358 and the bank balance was \$2,959,311. The difference between the carrying amount and the bank balance is due to deposits in transit, warrants outstanding and other reconciling items.

Of the deposit balance, \$100,000 was covered by federal depository insurance, the remaining \$2,859,311 was collateralized according to State statutes. The California Government Code requires California banks and savings and loan associations to secure local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of an agency's deposits. California's law also allows financial institutions to secure an agency's deposit by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by federal deposit insurance.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007 was \$1,008,314. 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, 2007.

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, 2007.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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	\$ 192,826,886	191,931,113	\$ 192,823,000	2.50-6.00%	7/29/07-4/23/12
Short term	<u>3,679,658</u>	<u>3,680,000</u>	<u>3,700,000</u>	2.50-5.20%	9/05/07-6/20/08
	196,506,544	195,611,113	196,523,000		
Noncategorized:					
California Asset Management Program JPA	47,722,680	47,722,680	47,722,680		
Local Agency Investment Fund	<u>1,008,314</u>	<u>1,008,314</u>	<u>1,008,314</u>		
	<u>\$ 245,237,538</u>	<u>\$ 244,342,107</u>	<u>\$ 245,253,994</u>		

The following are condensed statements of net assets and changes in net assets, for the County's investment pool as of June 30, 2007 and for the year then ended:

Statement of Net Assets

Net assets held for pool participants	<u>\$ 236,676,661</u>
Equity of internal pool participants	\$ 105,035,652
Equity of external pool participants	<u>133,641,009</u>
Total Equity	<u>\$ 236,676,661</u>

Statement of Changes in Net Assets

Net assets at July 1, 2006	\$ 205,757,482
Investment income	19,135,868
Investment costs	-
Net Deposit/withdrawals by pool participants	<u>11,783,311</u>
Net assets at June 30, 2007	<u>\$ 236,676,661</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007

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, 2007, the various components of unavailable deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Activities:		
General Fund:		
Various grants and charges	\$ 4,151,581	\$ -
Property taxes	2,232,731	-
Internal Service Funds:		
Insurance premiums	<u>-</u>	<u>990,874</u>
Total Governmental Activities	<u>\$ 6,384,312</u>	<u>\$ 990,874</u>

NOTE 6: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2007 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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Headwaters Mitigation Funds	General Fund	399,125
	Agency Funds	<u>389,769</u>
		<u>788,894</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 6: INTERFUND TRANSACTIONS (continued)

Interfund Receivables/Payables (continued)

Agency Funds	Investment Trust Funds	334,982
	Debt Service Funds	86,030
	Nonmajor Governmental Funds	<u>181,077</u>
		<u>602,089</u>
Investment Trust Funds	Special Revenue Funds	<u>9,113</u>
		<u>\$ 1,400,116</u>

Transfers

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Funds	Nonmajor Governmental Funds	\$ 1,114,392	Transfer funds for Debt service payments.
General Fund	Nonmajor Governmental Funds	323,158	Transfer funds for Library operating subsidy.
General Fund	Nonmajor Governmental Funds	1,500,000	Transfer reserve funds to General Reserve.
General Fund	Internal Service Funds	492,857	Transfer funds for asset acquisitions & operations.
Headwaters Fund	General Fund	785,596	Timber yield tax loss, charges for services.
Nonmajor Governmental Funds	Nonmajor Government Funds	164,401	Transfer funds for debt service payments
Nonmajor Governmental Funds	Enterprise Funds	<u>3,543,882</u>	Transfer of asset addition
		<u>\$ 7,924,286</u>	

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,923,681	\$ -	\$ -	\$ 55,675	\$ 3,979,356
Construction in progress	348,986	-	-	(348,986)	-
Total capital assets, not being depreciated	<u>4,272,667</u>	<u>-</u>	<u>-</u>	<u>(293,311)</u>	<u>3,979,356</u>
Capital assets, being depreciated:					
Infrastructure	554,112,794	1,228,745	(358,658)	4,279,656	559,262,537
Structures and improvements	80,585,098	1,231,565	-	7,655,480	89,472,143
Equipment	18,555,261	2,210,194	(1,038,816)	2,542,841	22,269,480
Total capital assets, being depreciated	<u>653,253,153</u>	<u>4,670,504</u>	<u>(1,397,474)</u>	<u>14,477,977</u>	<u>671,004,160</u>
Less accumulated depreciation for:					
Infrastructure	(251,700,707)	(11,268,430)	268,797	5,457,580	(257,242,760)
Structures and improvements	(29,003,831)	(2,404,298)	-	(3,678,660)	(35,086,789)
Equipment	(13,889,747)	(1,329,821)	819,484	(2,066,852)	(16,466,936)
Total accumulated depreciation	<u>(294,594,285)</u>	<u>(15,002,549)</u>	<u>1,088,281</u>	<u>(287,932)</u>	<u>(308,796,485)</u>
Total capital assets, being depreciated, net	<u>358,658,868</u>	<u>(10,332,045)</u>	<u>(309,193)</u>	<u>14,190,045</u>	<u>362,207,675</u>
Government activities capital assets, net	<u>\$ 362,931,535</u>	<u>\$ (10,332,045)</u>	<u>\$ (309,193)</u>	<u>\$ 13,896,734</u>	<u>\$ 366,187,031</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,976,177	\$ -	\$ -	\$ -	\$ 1,976,177
Construction in progress	584,687	3,507,995	-	-	4,092,682
Total capital assets, not being depreciated	<u>2,560,864</u>	<u>3,507,995</u>	<u>-</u>	<u>-</u>	<u>6,068,859</u>
Capital assets, being depreciated:					
Structures and improvements	18,984,202	35,887	(50,048)	-	18,970,041
Equipment	1,182,131	-	(97,310)	-	1,084,821
Total capital assets, being depreciated	<u>20,166,333</u>	<u>35,887</u>	<u>(147,358)</u>	<u>-</u>	<u>20,054,862</u>
Less accumulated depreciation for:					
Structures and improvements	(11,492,519)	(678,959)	50,048	-	(12,121,430)
Equipment	(793,178)	(72,463)	97,310	-	(768,331)
Total accumulated depreciation	<u>(12,285,697)</u>	<u>(751,422)</u>	<u>147,358</u>	<u>-</u>	<u>(12,889,761)</u>
Total capital assets, being depreciated, net	<u>7,880,636</u>	<u>(715,535)</u>	<u>-</u>	<u>-</u>	<u>7,165,101</u>
Business-type activities capital assets, net	<u>\$ 10,441,500</u>	<u>\$ 2,792,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,233,960</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 7: CAPITAL ASSETS (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,154,539
Public protection	229,416
Public ways	11,424,173
Health and sanitation	97,212
Public assistance	78,953
Education	14,095
Recreation	<u>4,161</u>
Total Depreciation Expense - Governmental Functions	\$ <u>15,002,549</u>

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

Airport	\$ <u>751,422</u>
Total Depreciation Expense - Business-Type Functions	\$ <u>751,422</u>

NOTE 8: LEASE COMMITMENTS

Operating Leases

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

At June 30, 2007, the future minimum rental payments required under operating leases for buildings and equipment were as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Total</u>
2008	\$ 2,236,513	\$ 13,020	\$ 2,249,533
2009	1,347,533	-	1,347,533
2010	1,069,349	-	1,069,349
2011	1,027,184	-	1,027,184
2012-2016	<u>2,455,976</u>	<u>-</u>	<u>2,455,976</u>
	<u>\$ 8,136,555</u>	<u>\$ 13,020</u>	<u>\$ 8,149,575</u>

Rent expenditures were \$2,774,486 for the year ended June 30, 2007.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007:

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2007</u>
Governmental Activities:		
Biological laboratory	4.98%	\$ 268,198
Computer equipment	5.99%	60,031
Animal shelter	2 - 4.4%	3,578,300
Building remodel	5.10%	<u>2,852,519</u>
Total		<u>\$ 6,759,048</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, 2007, future minimum lease payments under capital leases was as follows:

<u>Year Ending June 30,</u>	
2008	\$ 740,922
2009	730,137
2010	702,430
2011	625,308
2012	628,400
2013-2017	3,205,399
2018-2022	1,768,557
2023-2024	<u>671,776</u>
Total Future Minimum Lease Payments	9,072,928
	<u>Less: Interest (1)</u>
Present Value of Minimum Lease Payments	<u>\$ 6,759,048</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, 2007

NOTE 9: LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions/ Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Certificates of Participation	\$ 15,800,000	\$ -	\$ (605,000)	\$ 15,195,000	\$ 620,000
Unamortized premium	47,053	-	(2,373)	44,680	2,372
Accrued compensated absences	16,083,042	9,456,680	(10,387,832)	15,151,890	8,248,465
Capital lease obligations	7,205,099	-	(446,051)	6,759,048	468,972
Liability for unpaid claims	<u>1,475,359</u>	<u>2,307,627</u>	<u>(1,961,984)</u>	<u>1,821,002</u>	<u>1,821,002</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 40,610,553</u>	<u>\$ 11,764,307</u>	<u>\$ (13,403,240)</u>	<u>\$ 38,971,620</u>	<u>\$ 11,160,811</u>
Business-Type Activities:					
Notes payable	\$ 17,129	\$ -	\$ (2,447)	\$ 14,682	\$ 2,447
Accrued compensated absences	<u>111,347</u>	<u>64,147</u>	<u>(117,696)</u>	<u>57,798</u>	<u>57,798</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 128,476</u>	<u>\$ 64,147</u>	<u>\$ (120,143)</u>	<u>\$ 72,480</u>	<u>\$ 60,245</u>

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows:

<u>Fiscal</u> <u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u> <u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 620,000	\$ 620,534
2009	635,000	605,034
2010	655,000	586,619
2011	675,000	565,659
2012	695,000	542,709
2013-2017	3,910,000	2,293,659
2018-2022	4,785,000	1,408,769
2023-2025	<u>3,220,000</u>	<u>318,713</u>
Total Liability at June 30, 2007	<u>\$ 15,195,000</u>	<u>\$ 6,941,696</u>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 9: LONG-TERM DEBT (Continued)

As of June 30, 2007, annual debt service requirements of business-type activities to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,447	\$ 1,019
2009	2,447	850
2010	2,447	680
2011	2,447	510
2012	2,447	340
2013	<u>2,447</u>	<u>169</u>
	<u>\$ 14,682</u>	<u>\$ 3,568</u>

Long-term liabilities at June 30, 2007, consisted of the following:

<u>Type of Indebtedness (Purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
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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>\$ 15,195,000</u>
Total Governmental Activities				<u>\$ 17,815,000</u>	<u>\$ 15,195,000</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>\$ 14,682</u>
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COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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, 2007, reservations of fund balance are described below:

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

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 10: NET ASSETS/FUND BALANCES (continued)

Fund Balances (continued)

The County has "reserved" fund balances as follows:

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

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

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

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

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

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

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

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

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

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 11: EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute 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 2006/2007 was 18.409% for miscellaneous employees, and 21.418% 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 2006/2007, the County's annual pension cost was \$11,412,238 and the County actually contributed \$11,412,238. For the Safety Plan for fiscal year 2006/2007, the County's annual pension cost was \$2,568,062 and the County actually contributed \$2,562,062. The required Miscellaneous Plan and Safety Plan contributions for fiscal year 2006/2007 was determined as part of the June 30, 2004 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, 2007

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, 2007 for the Miscellaneous Plan and the Safety Plan were 23 years and 32 years, respectively.

Three-Year Trend Information

Miscellaneous Plan

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2005	\$ 5,161,523	100.00%	\$ -
June 30, 2006	8,371,402	100.00%	-
June 30, 2007	11,412,238	100.00%	-

Safety Plan

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
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 CalPERS medical insurance plan. Under CalPERS regulations, the County pays a fixed amount of the retiree's monthly premium until age 65. For the year ended June 30, 2007, 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 CalPERS medical insurance program, January 1, 2001, receive an additional monthly premium contribution until age 65. For the year ended June 30, 2007, 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, 2007

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, 2006	Current Year Claims and Changes in Estimates	Claim Payments	Balance at June 30, 2007
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>

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

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	\$ 2,022,000	\$ (292,546)	\$ 485,945	\$ 1,243,509
Dental	95,000	914,701	914,701	95,000
Unemployment	<u>136,850</u>	<u>157,056</u>	<u>157,056</u>	<u>136,850</u>
	<u>\$ 2,253,850</u>	<u>\$ 779,211</u>	<u>\$ 1,557,702</u>	<u>\$ 1,475,359</u>

The claims liability, including incurred but not reported claims, were based on actuarial reviews. An actuarial review of the liability program was performed by Bickmore Risk Services in September 2005. Actuarial reviews of dental and unemployment programs were last performed by Total Compensation Systems, Inc. in March 2000.

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

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

NOTE 14: JOINT VENTURES

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

The County participated in the following JPAs at June 30, 2007

- 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, 2007 is not available for presentation.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 14: JOINT VENTURES (continued)

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

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

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

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

* June 30, 2007 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, 2007, have not yet been conducted. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The County believes that such disallowances, if any, would not have a material effect on the combined financial statements.

COUNTY OF HUMBOLDT

Notes to the Basic Financial Statements

June 30, 2007

NOTE 15: COMMITMENTS AND CONTINGENCIES (continued)

B. Legal Actions

In the opinion of County Counsel, there are potential liabilities as of June 30, 2007 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	\$ 445,815
Aviation Capital Project	23,393
Dental insurance	730,071
Liability insurance	1,055,651
Medical insurance	2,013,659
Central Services	10,096

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

NOTE 17: PRIOR PERIOD ADJUSTMENT

In the County's continuing effort to comply with the requirements of GASB 34, certain adjustments were made to the valuations of the opening balances of Fixed Assets. The adjustments are necessary to correct fixed asset valuations at the beginning of the year based upon continuing detailed evaluations on the part of County's personnel regarding the estimated historical value of certain long-term assets. The effect of the adjustment is to increase the net assets of the County's governmental activities by \$13,896,734.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT

Required Supplementary Information
For the Year Ended June 30, 2007

Schedule of Funding Progress

The tables below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Funded Status of Plans

Miscellaneous Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 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

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
June 30, 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 information not available from CalPERS.

**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, 2007**

	<u>Budgeted Amounts</u>		<u>June 30, 2007</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	\$ 15,439,370	\$ 15,439,370	\$ 15,439,370	\$ -
Resources (Inflows):				
Taxes	41,054,304	38,818,337	38,666,406	(151,931)
Licenses and permits	1,679,883	1,735,771	1,779,368	43,597
Fines, forfeits and penalties	2,350,665	2,412,120	2,345,138	(66,982)
Revenue from use of money and property	960,519	458,612	998,479	539,867
Aid from other governments	135,114,256	130,972,626	113,105,232	(17,867,394)
Charges for services	27,662,792	28,271,994	27,838,876	(433,118)
Miscellaneous revenue	8,282,605	8,111,860	3,847,956	(4,263,904)
Other Financing Sources:				
Operating Transfers In	759,740	759,740	785,596	25,856
Amount Available for Appropriation	217,864,764	211,541,060	189,367,051	(22,174,009)
Charges to Appropriations (Outflows):				
Current:				
General government	22,368,795	23,905,600	13,774,354	10,131,246
Public protection	52,956,928	56,496,041	50,869,857	5,626,184
Public ways and facilities	1,264,147	1,264,147	1,184,721	79,426
Health and sanitation	57,588,442	58,854,747	47,420,701	11,434,046
Public assistance	71,064,681	71,244,681	63,237,184	8,007,497
Education	134,093	141,864	126,287	15,577
Recreation and Culture	509,393	728,596	718,355	10,241
Capital Outlay	2,336,271	2,336,271	2,146,290	189,981
Operating Transfer Out	3,264,050	3,264,050	3,430,407	(166,357)
Total Charges to Appropriations	211,486,800	218,235,997	182,908,156	35,327,841
Excess (Deficiency) of Resources Over Appropriations	6,377,964	(6,694,937)	6,458,895	13,153,832
Budgetary fund balance, June 30	\$ 21,817,334	\$ 8,744,433	\$ 21,898,265	\$ 13,153,832

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule	189,367,051
Receipts from funds reclassified from County Agency Funds, Not Budgeted	11,043,447

Differences -budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(785,596)
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	199,624,902
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**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, 2007**

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$	182,908,156
Disbursements from funds reclassified from County Agency Funds, not budgeted		7,682,791
Difference - budgeted to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for budgetary purposes		(3,430,407)
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>187,160,540</u>

COUNTY OF HUMBOLDT

Note to Required Supplementary Information
For the Year Ended June 30, 2007

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.

SUPPLEMENTARY INFORMATION

COUNTY OF HUMBOLDT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

Exhibit A-1

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 12,912,766	\$ 1	\$ 12,912,767
Restricted Assets:			
Cash with fiscal agent	-	1,923,025	1,923,025
Departmental cash funds	1,065	-	1,065
Accounts Receivable:			
Other governmental agencies	1,327,012	-	1,327,012
Interest	77,370	-	77,370
Due from other funds	445,881	-	445,881
Inventory	15,075	-	15,075
Prepaid and other assets	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 14,779,169	\$ 1,923,026	\$ 16,702,195
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 855,403	\$ -	\$ 855,403
Accrued payroll and benefits	381,589	-	381,589
Due to other funds	455,014	86,030	541,044
Advances from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,692,006	86,030	1,778,036
Fund Balances:			
Reserved for:			
Departmental cash	1,065	-	1,065
Inventories	15,075	-	15,075
Prepays and other assets	-	-	-
Capital projects	-	-	-
Debt service	-	1,701,785	1,701,785
Unreserved:			
Undesignated	13,071,023	135,211	13,206,234
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	13,087,163	1,836,996	14,924,159
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 14,779,169	\$ 1,923,026	\$ 16,702,195

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, 2007

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:			
Taxes	\$ 5,831,362	\$ -	\$ 5,831,362
Licenses and permits	80,533	-	80,533
Fines, forfeitures and penalties	629,977	-	629,977
Use of money and property	321,709	121,530	443,239
Intergovernmental	20,929,785	-	20,929,785
Charges for services	937,362	-	937,362
Miscellaneous	5,133,260	-	5,133,260
Total revenues	<u>33,863,988</u>	<u>121,530</u>	<u>33,985,518</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public protection	9,570,899	-	9,570,899
Public ways and facilities	11,080,227	-	11,080,227
Education	2,675,162	-	2,675,162
Capital Outlay	1,531,791	-	1,531,791
Debt Service:	-	-	-
Principal	205,458	605,000	810,458
Interest and Other Charges	142,692	667,761	810,453
Total Expenditures	<u>25,206,229</u>	<u>1,272,761</u>	<u>26,478,990</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,657,759</u>	<u>(1,151,231)</u>	<u>7,506,528</u>
Other Financing Sources (Uses):			
Transfers In	1,823,158	1,278,793	3,101,951
Transfers Out	(3,708,283)	-	(3,708,283)
Total Other Financing Sources (Uses)	<u>(1,885,125)</u>	<u>1,278,793</u>	<u>(606,332)</u>
Net Change in Fund Balances	6,772,634	127,562	6,900,196
Fund Balances-Beginning	6,314,529	1,709,434	8,023,963
Prior Period Adjustments	-	-	-
Fund Balances-Ending	<u>\$ 13,087,163</u>	<u>\$ 1,836,996</u>	<u>\$ 14,924,159</u>

See accompanying notes to
the basic financial statements.

NONMAJOR SPECIAL REVENUE FUNDS

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2007**

Exhibit B-1
(Continued)

	Roads (Fund 1200)	Recorder's Record Conversion (Fund 1310)	Family Support (Fund 1380)	Courthouse Construction Fund A (Fund 1410)	Courthouse Construction Fund B (Fund 1420)	Microfilm (Fund 1430)	Subtotal (Carried forward to next page)
ASSETS							
Cash and Cash Equivalents	\$ 3,543,978	\$ 288,148	\$ 1,549,042	\$ 478,705	\$ -	\$ 585	\$ 5,860,458
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	-	-	200
Accounts Receivable:							
Other governmental agencies	994,768	-	37,292	17,126	66	-	1,049,252
Interest	40,088	3,261	20,702	10,152	-	-	74,203
Due from other funds	-	-	-	445,881	-	-	445,881
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	-	-	-	-	-	-	-
Total Assets	\$ 4,594,109	\$ 291,409	\$ 1,607,036	\$ 951,864	\$ 66	\$ 585	\$ 7,445,069
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 412,328	\$ 192	\$ 56,156	\$ -	\$ -	\$ -	\$ 468,676
Accrued payroll and benefits	192,057	-	129,470	-	-	-	321,527
Due to other funds	-	-	-	-	445,881	-	445,881
Advances from other funds	-	-	-	-	-	-	-
Total Liabilities	604,385	192	185,626	-	445,881	-	1,236,084
Fund Balances:							
Reserved	15,275	-	-	-	-	-	15,275
Unreserved	3,974,449	291,217	1,421,410	951,864	(445,815)	585	6,193,710
Total Fund Balances	3,989,724	291,217	1,421,410	951,864	(445,815)	585	6,208,985
Total Liabilities and Fund Balances	\$ 4,594,109	\$ 291,409	\$ 1,607,036	\$ 951,864	\$ 66	\$ 585	\$ 7,445,069

(Continued)

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
 Combining Balance Sheet
 June 30, 2007

Exhibit B-1
 (Continued)

	Subtotal (Brought forward)	Automated Warrants (Fund 1440)	General Reserve (Fund 1480)	Aviation Capital Projects (Fund 1490)	County Library (Fund 1500)	Fish and Game Propagation (Fund 1700)	Subtotal (Carried forward to next page)
ASSETS							
Cash and Cash Equivalents	\$ 5,860,458	\$ 5,409	\$ 2,500,000	\$ 43,683	\$ 885,489	\$ 10,571	\$ 9,305,610
Restricted Assets:							
Cash with fiscal agent	-	-	-	-	-	-	-
Departmental cash funds	200	-	-	-	865	-	1,065
Accounts Receivable:							
Other governmental agencies	1,049,252	-	-	272,265	5,495	-	1,327,012
Interest	74,203	-	-	-	2,969	148	77,320
Due from other funds	445,881	-	-	-	-	-	445,881
Inventory	15,075	-	-	-	-	-	15,075
Prepaid and other assets	-	-	-	-	-	-	-
Total Assets	\$ 7,445,069	\$ 5,409	\$ 2,500,000	\$ 315,948	\$ 894,818	\$ 10,719	\$ 11,171,963

LIABILITIES AND FUND BALANCE

Liabilities:							
Accounts Payable	\$ 468,676	\$ -	\$ -	\$ 339,341	\$ 36,336	\$ 1,500	\$ 845,853
Accrued payroll and benefits	321,527	-	-	-	60,062	-	381,589
Due to other funds	445,881	-	-	-	-	-	445,881
Advances from other funds	-	-	-	-	-	-	-
Total Liabilities	1,236,084	-	-	339,341	96,398	1,500	1,673,323
Fund Balances:							
Reserved	15,275	-	-	-	865	-	16,140
Unreserved	6,193,710	5,409	2,500,000	(23,393)	797,555	9,219	9,482,500
Total Fund Balances	6,208,985	5,409	2,500,000	(23,393)	798,420	9,219	9,498,640
Total Liabilities and Fund Balances	\$ 7,445,069	\$ 5,409	\$ 2,500,000	\$ 315,948	\$ 894,818	\$ 10,719	\$ 11,171,963

(Continued)

See accompanying notes to
 the basic financial statements.

COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2007

Exhibit B-1

	Subtotal (Brought forward)	Special Aviation (Fund 1800s)	Special Districts Under County Board of Supervisors (Fund)	Total
ASSETS				
Cash and Cash Equivalents	\$ 9,305,610	\$ 104,817		\$ 9,410,427
Restricted Assets:				
Cash with fiscal agent	-	-		-
Departmental cash funds	1,065	-		1,065
Accounts Receivable:				
Other governmental agencies	1,327,012	-		1,327,012
Interest	77,320	50		77,370
Due from other funds	445,881	-		445,881
Inventory	15,075	-		15,075
Prepaid and other assets	-	-		-
Total Assets	\$ 11,171,963	\$ 104,867	\$ 3,502,339	\$ 14,779,169
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 845,853	\$ 4,460		\$ 850,313
Accrued payroll and benefits	381,589	-		381,589
Due to other funds	445,881	-		445,881
Advances from other funds	-	-		-
Total Liabilities	1,673,323	4,460	14,223	1,692,006
Fund Balances:				
Reserved	16,140	-		16,140
Unreserved	9,482,500	100,407	3,488,116	13,071,023
Total Fund Balances	9,498,640	100,407	3,488,116	13,087,163
Total Liabilities and Fund Balances	\$ 11,171,963	\$ 104,867	\$ 3,502,339	\$ 14,779,169

See accompanying notes to
the basic financial statements.

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2007

Exhibit B-2
(Continued)

	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	\$ 3,427,463	\$ -	\$ -	\$ -	\$ -	\$ -	3,427,463
Licenses and permits	80,533	-	-	-	-	-	80,533
Fines, forfeitures and penalties	-	-	-	365,763	256,657	-	622,420
Use of money and property	63,668	11,511	68,017	33,368	-	-	176,564
Intergovernmental	11,823,510	-	4,777,891	-	-	-	16,601,401
Charges for services	805,271	41,632	(343)	-	-	-	846,560
Miscellaneous	81,796	-	127	-	-	-	81,923
Total revenues	<u>16,282,241</u>	<u>53,143</u>	<u>4,845,692</u>	<u>399,131</u>	<u>256,657</u>	<u>-</u>	<u>21,836,864</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public protection	-	13,433	4,812,701	-	-	-	4,826,134
Public ways and facilities	11,080,227	-	-	-	-	-	11,080,227
Education	-	-	-	-	-	-	-
Capital Outlay	1,236,705	-	16,601	-	-	-	1,253,306
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	22,600	182,858	-	205,458
Total Expenditures	<u>12,316,932</u>	<u>13,433</u>	<u>4,829,302</u>	<u>15,830</u>	<u>126,862</u>	<u>-</u>	<u>142,692</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,965,309</u>	<u>39,710</u>	<u>16,390</u>	<u>360,701</u>	<u>(53,063)</u>	<u>-</u>	<u>4,329,047</u>
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	(74,385)	-	-	(74,385)
Total Other Financing Sources (Uses)	-	-	-	<u>(74,385)</u>	<u>-</u>	<u>-</u>	<u>(74,385)</u>
Net Change in Fund Balances	3,965,309	39,710	16,390	286,316	(53,063)	-	4,254,662
Fund Balances-Beginning Prior Period Adjustments	24,415	251,507	1,405,020	665,548	(392,752)	585	1,954,323
Fund Balances-Ending	\$ 3,989,724	\$ 291,217	\$ 1,421,410	\$ 951,864	\$ (445,815)	\$ 585	\$ 6,208,985

(Continued)

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2007

Exhibit B-2
(Continued)

	Subtotal (Brought forward)	Automated Warrants (Fund 1440)	General Reserve (Fund 1480)	Aviation Capital Projects (Fund 1490)	County Library (Fund 1500)	Fish and Game Propagation (Fund 1700)	Subtotal (Carried forward to next page)
REVENUES:							
Taxes	\$ 3,427,463	\$ -	\$ -	\$ -	\$ 1,861,185	\$ -	\$ 5,288,648
Licenses and permits	80,533	-	-	-	-	-	80,533
Fines, forfeitures and penalties	622,420	-	-	-	-	7,557	629,977
Use of money and property	176,564	-	-	10,466	3,319	581	190,930
Intergovernmental	16,601,401	-	-	3,612,338	666,046	-	20,879,785
Charges for services	846,560	-	-	-	90,802	-	937,362
Miscellaneous	81,923	-	-	-	65,586	-	147,509
Total revenues	<u>21,836,864</u>	-	-	<u>3,622,804</u>	<u>2,686,938</u>	<u>8,138</u>	<u>28,154,744</u>
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	-
Public protection	4,826,134	-	-	-	-	10,429	4,836,563
Public ways and facilities	11,080,227	-	-	-	-	-	11,080,227
Education	-	-	-	-	2,675,162	-	2,675,162
Capital Outlay	1,253,306	-	-	99,791	83,083	-	1,436,180
Debt Service:							
Principal	205,458	-	-	-	-	-	205,458
Interest and Other Charges	142,692	-	-	-	-	-	142,692
Total Expenditures	<u>17,507,817</u>	-	-	<u>99,791</u>	<u>2,758,245</u>	<u>10,429</u>	<u>20,376,282</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,329,047</u>	-	-	<u>3,523,013</u>	<u>(71,307)</u>	<u>(2,291)</u>	<u>7,778,462</u>
Other Financing Sources (Uses):							
Transfers In	-	-	1,500,000	-	323,158	-	1,823,158
Transfers Out	(74,385)	-	-	(3,543,882)	(90,016)	-	(3,708,283)
Total Other Financing Sources (Uses)	<u>(74,385)</u>	-	<u>1,500,000</u>	<u>(3,543,882)</u>	<u>233,142</u>	-	<u>(1,885,125)</u>
Net Change in Fund Balances	4,254,662	-	1,500,000	(20,869)	161,835	(2,291)	5,893,337
Fund Balances-Beginning	1,954,323	5,409	1,000,000	(2,524)	636,585	11,510	3,605,303
Prior Period Adjustments	-	-	-	-	-	-	-
Fund Balances-Ending	<u>\$ 6,208,985</u>	<u>\$ 5,409</u>	<u>\$ 2,500,000</u>	<u>\$ (23,393)</u>	<u>\$ 798,420</u>	<u>\$ 9,219</u>	<u>\$ 9,498,640</u>

(Continued)

**COUNTY OF HUMBOLDT
SPECIAL REVENUE FUNDS**

Exhibit B-2

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2007

	Subtotal (Brought forward)	Special Aviation (Fund 1800s)	Special Districts Under County Board of Supervisors (Fund)	Total
REVENUES:				
Taxes	\$ 5,288,648	\$ -	\$ 542,714	\$ 5,831,362
Licenses and permits	80,533	-	-	80,533
Fines, forfeitures and penalties	629,977	-	-	629,977
Use of money and property	190,930	4,357	126,422	321,709
Intergovernmental	20,879,785	50,000	-	20,929,785
Charges for services	937,362	-	-	937,362
Miscellaneous	147,509	-	4,985,751	5,133,260
Total revenues	<u>28,154,744</u>	<u>54,357</u>	<u>5,654,887</u>	<u>33,863,988</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public protection:	4,836,563	-	4,734,336	9,570,899
Public ways and facilities	11,080,227	-	-	11,080,227
Education	2,675,162	-	-	2,675,162
Capital Outlay	1,436,180	95,611	-	1,531,791
Debt Service:				
Principal	205,458	-	-	205,458
Interest and Other Charges	142,692	-	-	142,692
Total Expenditures	<u>20,376,282</u>	<u>95,611</u>	<u>4,734,336</u>	<u>25,206,229</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,778,462</u>	<u>(41,254)</u>	<u>920,551</u>	<u>8,657,759</u>
Other Financing Sources (Uses):				
Transfers In	1,823,158	-	-	1,823,158
Transfers Out	(3,708,283)	-	-	(3,708,283)
Total Other Financing Sources (Uses)	<u>(1,885,125)</u>	<u>-</u>	<u>-</u>	<u>(1,885,125)</u>
Net Change in Fund Balances	5,893,337	(41,254)	920,551	6,772,634
Fund Balances-Beginning Prior Period Adjustments	3,605,303	141,661	2,567,565	6,314,529
Fund Balances-Ending	<u>\$ 9,498,640</u>	<u>\$ 100,407</u>	<u>\$ 3,488,116</u>	<u>\$ 13,087,163</u>

See accompanying notes to
the basic financial statements.

NONMAJOR DEBT SERVICE FUNDS

COUNTY OF HUMBOLDT
Debt Service Funds
Combining Balance Sheet
June 30, 2007

Exhibit C-1

	Humboldt County Public Property Leasing (Fund)
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 1
Restricted Assets:	
Cash with fiscal agent	<u>1,923,025</u>
 Total Assets	 \$ <u>1,923,026</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other funds	\$ <u>86,030</u>
 Total Liabilities	 <u>86,030</u>
 Fund Balances:	
Reserved	-
Unreserved	<u>1,836,996</u>
 Total Fund Balances	 <u>1,836,996</u>
 Total Liabilities and Fund Balances	 \$ <u><u>1,923,026</u></u>

COUNTY OF HUMBOLDT
Debt Service Funds
Combining Balance Sheet
June 30, 2007

Exhibit C-2

	Humboldt County Public Property Leasing (Fund)
REVENUES:	
Use of money and property	\$ 121,530
Total revenues	<u>121,530</u>
EXPENDITURES:	
Debt Service:	
Principal	605,000
Interest and Other Charges	<u>667,761</u>
Total Expenditures	<u>1,272,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,151,231)</u>
Other Financing Sources (Uses):	
Transfers In	1,278,793
Transfers Out	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,278,793</u>
Net Change in Fund Balances	127,562
Fund Balances-Beginning	1,709,434
Prior Period Adjustments	<u>-</u>
Fund Balances-Ending	\$ <u>1,836,996</u>

INTERNAL SERVICE FUNDS

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Fund Net Assets
June 30, 2007

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	\$ 2,561,251	\$ 2,334,321	\$ 708,308
Accounts Receivable:			
Other governmental agencies	155,600	-	-
Interest	61,953	24,285	7,385
Due from other funds	-	-	-
Inventory	-	34,469	187,487
Deposits and other assets	<u>1,149,170</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>3,927,974</u>	<u>2,393,075</u>	<u>903,180</u>
Noncurrent Assets:			
Advances to other funds	-	-	-
Capital Assets, net of depreciation	<u>8,194</u>	<u>3,635,384</u>	<u>950,952</u>
Total Noncurrent Assets	<u>8,194</u>	<u>3,635,384</u>	<u>950,952</u>
Total Assets	<u>\$ 3,936,168</u>	<u>\$ 6,028,459</u>	<u>\$ 1,854,132</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 61,294	\$ 40,885	\$ 58,370
Accrued payroll and benefits	12,286	10,550	20,035
Advances payable	-	-	-
Due to other funds	-	-	-
Other liabilities	224,136	-	-
Deferred revenue	990,874	-	-
Liability for compensated absences	21,205	24,143	47,741
Provision for estimated claims	<u>1,821,002</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>3,130,797</u>	<u>75,578</u>	<u>126,146</u>
Long-term Liabilities			
Liability for compensated absences	<u>48,808</u>	<u>46,908</u>	<u>122,242</u>
Total Liabilities	<u>3,179,605</u>	<u>122,486</u>	<u>248,388</u>
Net Assets			
Investment in capital assets, net of related debt	8,194	3,635,384	950,952
Unrestricted	<u>748,369</u>	<u>2,270,589</u>	<u>654,792</u>
Total Net Assets	<u>756,563</u>	<u>5,905,973</u>	<u>1,605,744</u>
Total Liabilities and Net Assets	<u>\$ 3,936,168</u>	<u>\$ 6,028,459</u>	<u>\$ 1,854,132</u>

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Fund Net Assets
June 30, 2007

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	\$ 498,323	\$ 1	\$ 6,102,204
Accounts Receivable:			
Other governmental agencies	-	-	155,600
Interest	-	-	93,623
Due from other funds	1,626	-	1,626
Inventory	-	-	221,956
Deposits and other assets	-	-	1,149,170
	<u>499,949</u>	<u>1</u>	<u>7,724,179</u>
Total Current Assets			
Noncurrent Assets:			
Advances to other funds	72	-	72
Capital Assets, net of depreciation	54,194	-	4,648,724
	<u>54,266</u>	<u>-</u>	<u>4,648,796</u>
Total Noncurrent Assets			
Total Assets	\$ <u>554,215</u>	\$ <u>1</u>	\$ <u>12,372,975</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 44,463	\$ 123	\$ 205,135
Accrued payroll and benefits	42,482	913	86,266
Advances payable	-	72	72
Due to other funds	-	1,626	1,626
Other liabilities	-	-	224,136
Deferred revenue	-	-	990,874
Liability for compensated absences	111,486	7,363	211,938
Provision for estimated claims	-	-	1,821,002
	<u>198,431</u>	<u>10,097</u>	<u>3,541,049</u>
Total Current Liabilities			
Long-term Liabilities			
Liability for compensated absences	338,961	-	556,919
	<u>537,392</u>	<u>10,097</u>	<u>4,097,968</u>
Total Liabilities			
Net Assets			
Investment in capital assets, net of related debt	54,194	-	4,648,724
Unrestricted	(37,371)	(10,096)	3,626,283
	<u>16,823</u>	<u>(10,096)</u>	<u>8,275,007</u>
Total Net Assets			
Total Liabilities and Net Assets	\$ <u>554,215</u>	\$ <u>1</u>	\$ <u>12,372,975</u>

COUNTY OF HUMBOLDT

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2007

Exhibit D-2
(Continued)

	Self Insurance (Funds 3520s)	Motor Pool (Fund 3500)	Heavy Equipment (Fund 3540)
Operating Revenues:			
Charges for services	\$ 21,320,721	\$ 2,562,513	\$ 2,253,199
Miscellaneous revenues	116,127	18,811	212
Total Revenues	<u>21,436,848</u>	<u>2,581,324</u>	<u>2,253,411</u>
Operating Expenses:			
Salaries and benefits	308,946	313,081	592,353
Services and supplies	102,997	1,384,171	1,534,427
Self-insurance claims and purchase premiums	20,752,036	-	-
Depreciation	2,993	644,343	116,325
Other Expenses	10,461	-	-
Total operating expenses	<u>21,177,433</u>	<u>2,341,595</u>	<u>2,243,105</u>
Net Operating Income	<u>259,415</u>	<u>239,729</u>	<u>10,306</u>
Non-Operating Revenues (Expenses):			
Interest Income	219,208	79,419	33,571
Interest expense	(52,874)	-	-
Gain (loss) on sale of capital assets	-	(49,796)	-
Total Non-Operating Revenue (expense)	<u>166,334</u>	<u>29,623</u>	<u>33,571</u>
Transfers:			
Operating transfers in (out)	<u>82,500</u>	<u>241,607</u>	<u>-</u>
Change in Net Assets	508,249	510,959	43,877
Net Assets-Beginning of Year - As previously stated	248,314	5,395,014	1,561,867
Prior period adjustment	-	-	-
Net Assets-Beginning of Year - As restated	<u>248,314</u>	<u>5,395,014</u>	<u>1,561,867</u>
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	-	-	-
Net Assets-End of Year	<u>\$ 756,563</u>	<u>\$ 5,905,973</u>	<u>\$ 1,605,744</u>

COUNTY OF HUMBOLDT

Exhibit D-2

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2007

	Information Technology (Fund 3550)	Central Services (Fund 3555)	Total
Operating Revenues:			
Charges for services	\$ 1,936,848	\$ 345,713	\$ 28,418,994
Miscellaneous revenues	-	-	135,150
Total Revenues	<u>1,936,848</u>	<u>345,713</u>	<u>28,554,144</u>
Operating Expenses:			
Salaries and benefits	1,219,367	44,376	2,478,123
Services and supplies	611,579	304,040	3,937,214
Self-insurance claims and purchase premiums	-	-	20,752,036
Depreciation	13,502	-	777,163
Other Expenses	-	7,393	17,854
Total operating expenses	<u>1,844,448</u>	<u>355,809</u>	<u>27,962,390</u>
Net Operating Income	<u>92,400</u>	<u>(10,096)</u>	<u>591,754</u>
Non-Operating Revenues (Expenses):			
Interest Income	-	-	332,198
Interest expense	-	-	(52,874)
Gain (loss) on sale of capital assets	-	-	(49,796)
Total Non-Operating Revenue (expense)	<u>-</u>	<u>-</u>	<u>229,528</u>
Transfers:			
Operating transfers in (out)	<u>168,750</u>	<u>-</u>	<u>492,857</u>
Change in Net Assets	261,150	(10,096)	1,314,139
Net Assets-Beginning of Year - As previously stated	(244,327)	-	6,960,868
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-Beginning of Year - As restated	(244,327)	-	6,960,868
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	\$ <u>16,823</u>	\$ <u>(10,096)</u>	\$ <u>8,275,007</u>

COUNTY OF HUMBOLDT**Internal Service Funds**

Combining Statement of Cash Flows

June 30, 2007

Exhibit D-3

(Continued)

	<u>Self Insurance (Funds 3520s)</u>	<u>Motor Pool (Fund 3500)</u>	<u>Heavy Equipment (Fund 3540)</u>
Cash Flow from Operating Activities:			
Cash received for services	\$ 21,435,405	\$ 2,581,324	\$ 2,260,350
Cash paid to suppliers	(20,585,444)	(1,339,556)	(1,485,917)
Cash paid to employees	(308,946)	(313,081)	(592,353)
Operating transfers	82,500	241,607	-
Prior period adjustment	-	-	-
	<u>623,515</u>	<u>1,170,294</u>	<u>182,080</u>
Net Cash Provided (Used) by Operating Activities			
	<u>623,515</u>	<u>1,170,294</u>	<u>182,080</u>
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	-	-	-
Advances to other funds	-	1,670,207	-
	<u>-</u>	<u>1,670,207</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities			
	<u>-</u>	<u>1,670,207</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	90,249	-
Purchase of capital assets	-	(1,268,329)	(356,945)
	<u>-</u>	<u>(1,178,080)</u>	<u>(356,945)</u>
Net Cash Provided (Used) by Capital Financing Activities			
	<u>-</u>	<u>(1,178,080)</u>	<u>(356,945)</u>
Cash Flows from Investing Activities:			
Interest income	171,897	61,364	33,432
Interest expense	(52,874)	-	-
	<u>119,023</u>	<u>61,364</u>	<u>33,432</u>
Net Cash Provided (Used) by Investing Activities			
	<u>119,023</u>	<u>61,364</u>	<u>33,432</u>
Increase (Decrease) in Cash and Cash Equivalents	742,538	1,723,785	(141,433)
Cash and Cash Equivalents, Beginning of Year	<u>1,818,713</u>	<u>610,536</u>	<u>849,741</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,561,251</u>	\$ <u>2,334,321</u>	\$ <u>708,308</u>

See accompanying notes to
the basic financial statements.

County of Humboldt Supplemental Section Page 73

COUNTY OF HUMBOLDT

Exhibit D-3

Internal Service Funds

Combining Statement of Cash Flows
June 30, 2007

	<u>Information Technology (Fund 3550)</u>	<u>Central Services (Fund 3555)</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Cash received for services	\$ 1,955,012	\$ 345,713	\$ 28,577,804
Cash paid to suppliers	(622,684)	(303,034)	(24,336,635)
Cash paid to employees	(1,219,367)	(44,376)	(2,478,123)
Operating transfers	168,750	-	492,857
Prior period adjustment	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>281,711</u>	<u>(1,697)</u>	<u>2,255,903</u>
Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	(1,626)	1,626	-
Advances to other funds	(72)	72	1,670,207
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,698)</u>	<u>1,698</u>	<u>1,670,207</u>
Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	-	90,249
Purchase of capital assets	(54,219)	-	(1,679,493)
Net Cash Provided (Used) by Capital Financing Activities	<u>(54,219)</u>	<u>-</u>	<u>(1,589,244)</u>
Cash Flows from Investing Activities:			
Interest income	-	-	266,693
Interest expense	-	-	(52,874)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>213,819</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>225,794</u>	<u>1</u>	<u>2,550,685</u>
Cash and Cash Equivalents, Beginning of Year	<u>272,529</u>	<u>-</u>	<u>3,551,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 498,323</u>	<u>\$ 1</u>	<u>\$ 6,102,204</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT**Internal Service Funds**

Combining Statement of Cash Flows

June 30, 2007

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)	\$ 259,415	\$ 239,729	\$ 10,306
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:			
Depreciation	2,993	644,343	116,325
Operating transfers	82,500	241,607	-
Prior period adjustment	-	-	-
Increase (decrease) in due from other Governmental entities	-	-	6,939
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	(125,404)	-	-
Increase (decrease) in accounts payable	7,160	36,977	31,826
Increase (decrease) in accrued salaries and benefits	1,021	364	343
Increase (decrease) in other liabilities	49,802	-	-
Increase (decrease) in estimated insurance payable	345,643	-	-
Increase (decrease) in deferred revenue	(1,443)	-	-
Increase (decrease) in compensated absences	1,828	7,274	16,341
Net Cash Provided (Used) by Operating Activities	\$ <u>623,515</u>	\$ <u>1,170,294</u>	\$ <u>182,080</u>

COUNTY OF HUMBOLDT

Exhibit D-3

Internal Service Funds

Combining Statement of Cash Flows

June 30, 2007

	<u>Information Technology (Fund)</u>	<u>Central Services (Fund 3555)</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ 92,400	\$ (10,096)	\$ 591,754
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:			
Depreciation	13,502	-	777,163
Operating transfers	168,750	-	492,857
Prior period adjustment	-	-	-
Increase (decrease) in due from other Governmental entities	18,164	-	25,103
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	-	-	(125,404)
Increase (decrease) in accounts payable	(27,193)	123	48,893
Increase (decrease) in accrued salaries and benefits	4,742	913	7,383
Increase (decrease) in other liabilities	-	-	49,802
Increase (decrease) in estimated insurance payable	-	-	345,643
Increase (decrease) in deferred revenue	-	-	(1,443)
Increase (decrease) in compensated absences	11,346	7,363	44,152
Net Cash Provided (Used) by Operating Activities	\$ <u>281,711</u>	\$ <u>(1,697)</u>	\$ <u>2,255,903</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, 2007

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	\$ -	\$ -	\$ 463,572	\$ 708,239
Accounts Receivable:				
Other governmental agencies	-	-	155,600	-
Interest	-	-	38,525	7,010
Due from other funds	-	502,840	1,831,941	-
Deposits and other assets	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>28,000</u>	<u>502,840</u>	<u>2,489,638</u>	<u>715,249</u>
Noncurrent Assets:				
Advances to other funds	-	-	1,139,614	-
Capital Assets, net of depreciation	<u>-</u>	<u>8,194</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>8,194</u>	<u>1,139,614</u>	<u>-</u>
Total Assets	<u>\$ 28,000</u>	<u>\$ 511,034</u>	<u>\$ 3,629,252</u>	<u>\$ 715,249</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ -	\$ 2,838	\$ -	\$ 56,038
Accrued payroll and benefits	-	12,286	-	-
Advances payable	45,654	476	-	-
Due to other funds	617,417	323,416	125,710	125,710
Other liabilities	-	-	31,437	-
Liability for compensated absences	-	21,205	-	-
Provision for estimated claims	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>1,589,152</u>
Total Current Liabilities	<u>758,071</u>	<u>360,221</u>	<u>157,147</u>	<u>1,770,900</u>
Long-term Liabilities				
Deferred revenue	-	-	-	-
Liability for compensated absences	<u>-</u>	<u>48,808</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>758,071</u>	<u>409,029</u>	<u>157,147</u>	<u>1,770,900</u>
Net Assets				
Investment in capital assets, net of related debt	-	8,194	-	-
Unrestricted	<u>(730,071)</u>	<u>93,811</u>	<u>3,472,105</u>	<u>(1,055,651)</u>
Total Net Assets	<u>(730,071)</u>	<u>102,005</u>	<u>3,472,105</u>	<u>(1,055,651)</u>
Total Liabilities and Net Assets	<u>\$ 28,000</u>	<u>\$ 511,034</u>	<u>\$ 3,629,252</u>	<u>\$ 715,249</u>

See accompanying notes to the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit E-1

Self-Insurance Funds

Combining Statement of Fund Net Assets
As of June 30, 2007

	<u>Medical (Fund 3525)</u>	<u>Unemployment (Fund 3527)</u>	<u>Purchase Insurance Premium (Fund 3528)</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 741,444	\$ 647,996	\$ 2,561,251
Accounts Receivable:				
Other governmental agencies	-	-	-	155,600
Interest	-	8,873	7,545	61,953
Due from other funds	-	-	-	2,334,781
Deposits and other assets	<u>1,089,935</u>	<u>-</u>	<u>31,235</u>	<u>1,149,170</u>
Total Current Assets	<u>1,089,935</u>	<u>750,317</u>	<u>686,776</u>	<u>6,262,755</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	1,139,614
Capital Assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,194</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147,808</u>
Total Assets	<u>\$ 1,089,935</u>	<u>\$ 750,317</u>	<u>\$ 686,776</u>	<u>\$ 7,410,563</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 2,418	\$ -	\$ -	\$ 61,294
Accrued payroll and benefits	-	-	-	12,286
Advances payable	1,093,484	-	-	1,139,614
Due to other funds	1,016,818	40,227	85,483	2,334,781
Other liabilities	-	45,240	147,459	224,136
Liability for compensated absences	-	-	-	21,205
Provision for estimated claims	<u>-</u>	<u>136,850</u>	<u>-</u>	<u>1,821,002</u>
Total Current Liabilities	<u>2,112,720</u>	<u>222,317</u>	<u>232,942</u>	<u>5,614,318</u>
Long-term Liabilities				
Deferred revenue	990,874	-	-	990,874
Liability for compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,808</u>
Total Liabilities	<u>3,103,594</u>	<u>222,317</u>	<u>232,942</u>	<u>6,654,000</u>
Net Assets				
Investment in capital assets, net of related debt	-	-	-	8,194
Unrestricted	<u>(2,013,659)</u>	<u>528,000</u>	<u>453,834</u>	<u>748,369</u>
Total Net Assets	<u>(2,013,659)</u>	<u>528,000</u>	<u>453,834</u>	<u>756,563</u>
Total Liabilities and Net Assets	<u>\$ 1,089,935</u>	<u>\$ 750,317</u>	<u>\$ 686,776</u>	<u>\$ 7,410,563</u>

See accompanying notes to the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit E-2

Self-Insurance Funds

(Continued)

Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2007

	<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	\$ 915,282	\$ 502,840	\$ 5,585,656	\$ 410,408
Miscellaneous revenues	-	13,936	101,741	-
Total Revenues	<u>915,282</u>	<u>516,776</u>	<u>5,687,397</u>	<u>410,408</u>
Operating Expenses:				
Salaries and benefits	-	308,946	-	-
Services and supplies	-	102,997	-	-
Self-insurance claims and purchase premiums	1,129,820	-	4,290,344	1,872,548
Depreciation	-	2,993	-	-
Other Expenses	-	1,351	-	7,926
Total operating expenses	<u>1,129,820</u>	<u>416,287</u>	<u>4,290,344</u>	<u>1,880,474</u>
Net Operating Income	<u>(214,538)</u>	<u>100,489</u>	<u>1,397,053</u>	<u>(1,470,066)</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	-	141,146	15,013
Interest expense	(16,330)	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>(16,330)</u>	<u>-</u>	<u>141,146</u>	<u>15,013</u>
Transfers:				
Operating transfers in (out)	-	82,500	-	-
Change in Net Assets	(230,868)	182,989	1,538,199	(1,455,053)
Net Assets-Beginning of Year - As previously stated	(499,203)	(80,984)	1,933,906	399,402
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(499,203)</u>	<u>(80,984)</u>	<u>1,933,906</u>	<u>399,402</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (730,071)</u>	<u>\$ 102,005</u>	<u>\$ 3,472,105</u>	<u>\$ (1,055,651)</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Exhibit E-2

Self-Insurance Funds

**Combining Statement of Revenues, Expenses and
Changes in Net Assets
June 30, 2007**

	<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	\$ 12,789,189	\$ 20,376	\$ 1,096,970	\$ 21,320,721
Miscellaneous revenues	-	-	450	116,127
Total Revenues	<u>12,789,189</u>	<u>20,376</u>	<u>1,097,420</u>	<u>21,436,848</u>
Operating Expenses:				
Salaries and benefits	-	-	-	308,946
Services and supplies	-	-	-	102,997
Self-insurance claims and purchase premiums	12,493,879	255,003	710,442	20,752,036
Depreciation	-	-	-	2,993
Other Expenses	1,018	-	166	10,461
Total operating expenses	<u>12,494,897</u>	<u>255,003</u>	<u>710,608</u>	<u>21,177,433</u>
Net Operating Income	<u>294,292</u>	<u>(234,627)</u>	<u>386,812</u>	<u>259,415</u>
Non-Operating Revenues (Expenses):				
Interest Income	-	35,665	27,384	219,208
Interest expense	(36,544)	-	-	(52,874)
Gain (loss) on sale of capital assets	-	-	-	-
Total Non-Operating Revenue (expense)	<u>(36,544)</u>	<u>35,665</u>	<u>27,384</u>	<u>166,334</u>
Transfers:				
Operating transfers in (out)	-	-	-	<u>82,500</u>
Change in Net Assets	257,748	(198,962)	414,196	508,249
Net Assets-Beginning of Year - As previously stated	(2,271,407)	726,962	39,638	248,314
Prior period adjustment	-	-	-	-
Net Assets-Beginning of Year - As restated	<u>(2,271,407)</u>	<u>726,962</u>	<u>39,638</u>	<u>248,314</u>
Residual Equity Transfers In	-	-	-	-
Residual Equity Transfers Out	-	-	-	-
Net Assets-End of Year	<u>\$ (2,013,659)</u>	<u>\$ 528,000</u>	<u>\$ 453,834</u>	<u>\$ 756,563</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2007

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	\$ 913,983	\$ 516,776	\$ 5,687,397	\$ 410,408
Cash paid to suppliers	(1,146,398)	(112,551)	(4,260,085)	(1,496,870)
Cash paid to employees	-	(308,946)	-	-
Operating transfers	-	82,500	-	-
Net Cash Provided (Used) by Operating Activities	<u>(232,415)</u>	<u>177,779</u>	<u>1,427,312</u>	<u>(1,086,462)</u>
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	45,654	476	(1,139,614)	-
Advances to other funds	203,091	(179,424)	(377,336)	1,454,605
Net Cash Provided (Used) by Capital Financing Activities	<u>248,745</u>	<u>(178,948)</u>	<u>(1,516,950)</u>	<u>1,454,605</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest income	-	-	106,102	8,306
Interest expense	(16,330)	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>(16,330)</u>	<u>-</u>	<u>106,102</u>	<u>8,306</u>
Increase (Decrease) in Cash and Cash Equivalents	-	(1,169)	16,464	376,449
Cash and Cash Equivalents, Beginning of Year	-	1,169	447,108	331,790
Cash and Cash Equivalents, End of Year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>463,572</u>	\$ <u>708,239</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, 2007

	<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	\$ 12,789,045	\$ 20,376	\$ 1,097,420	\$ 21,435,405
Cash paid to suppliers	(12,619,339)	(258,035)	(692,166)	(20,585,444)
Cash paid to employees	-	-	-	(308,946)
Operating transfers	-	-	-	82,500
Net Cash Provided (Used) by Operating Activities	<u>169,706</u>	<u>(237,659)</u>	<u>405,254</u>	<u>623,515</u>
Cash Flows from Noncapital Financing Activities:				
Net temporary loans from other funds	1,093,484	-	-	-
Advances to other funds	(1,226,646)	40,227	85,483	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(133,162)</u>	<u>40,227</u>	<u>85,483</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest income	-	35,700	21,789	171,897
Interest expense	(36,544)	-	-	(52,874)
Net Cash Provided (Used) by Investing Activities	<u>(36,544)</u>	<u>35,700</u>	<u>21,789</u>	<u>119,023</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>	<u>(161,732)</u>	<u>512,526</u>	<u>742,538</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>903,176</u>	<u>135,470</u>	<u>1,818,713</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 741,444</u>	<u>\$ 647,996</u>	<u>\$ 2,561,251</u>

See accompanying notes to
the basic financial statements.

COUNTY OF HUMBOLDT**Self-Insurance Funds**

Combining Statement of Cash Flows

June 30, 2007

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)	\$ (214,538)	\$ 100,489	\$ 1,397,053	\$ (1,470,066)
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:				
Depreciation	-	2,993	-	-
Operating transfers	-	82,500	-	-
Increase (decrease) in due from other Governmental entities	-	-	-	-
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	-	-	-	-
Increase (decrease) in accounts payable	(16,578)	(11,052)	(1,178)	37,961
Increase (decrease) in accrued salaries and benefits	-	1,021	-	-
Increase (decrease) in other liabilities	-	-	31,437	-
Increase (decrease) in estimated insurance payable	-	-	-	345,643
Increase (decrease) in deferred revenue	(1,299)	-	-	-
Increase (decrease) in compensated absences	-	1,828	-	-
Net Cash Provided (Used) by Operating Activities	\$ <u>(232,415)</u>	\$ <u>177,779</u>	\$ <u>1,427,312</u>	\$ <u>(1,086,462)</u>

COUNTY OF HUMBOLDT

Exhibit E-3

Self-Insurance Funds

Combining Statement of Cash Flows

June 30, 2007

	<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)	\$ 294,292	\$ (234,627)	\$ 386,812	\$ 259,415
Adjustments to Reconcile Operating Income to Net Cash provided (Used) by operating activities:				
Depreciation	-	-	-	2,993
Operating transfers	-	-	-	82,500
Increase (decrease) in due from other Governmental entities	-	-	-	-
Decrease (increase) in inventory	-	-	-	-
Decrease (increase) in prepaid assets	(125,404)	-	-	(125,404)
Increase (decrease) in accounts payable	962	-	(2,955)	7,160
Increase (decrease) in accrued salaries and benefits	-	-	-	1,021
Increase (decrease) in other liabilities	-	(3,032)	21,397	49,802
Increase (decrease) in estimated insurance payable	-	-	-	345,643
Increase (decrease) in deferred revenue	(144)	-	-	(1,443)
Increase (decrease) in compensated absences	-	-	-	1,828
Net Cash Provided (Used) by Operating Activities	\$ <u>169,706</u>	\$ <u>(237,659)</u>	\$ <u>405,254</u>	\$ <u>623,515</u>

MOTOR POOL

COUNTY OF HUMBOLDT
Motor Pool

Exhibit F-1

Combining Statement of Fund Net Assets
June 30, 2007

	<u>Operating</u> <u>(Fund)</u>	<u>Capital</u> <u>(Fund)</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 2,334,321	\$ 2,334,321
Accounts Receivable:			
Interest	-	24,285	24,285
Due from other funds	-	-	-
Inventory	34,469	-	34,469
Deposits and other assets	-	-	-
	<u>34,469</u>	<u>2,358,606</u>	<u>2,393,075</u>
Total Current Assets			
Noncurrent Assets:			
Advances to other funds	-	-	-
Capital Assets, net of depreciation	<u>34,704</u>	<u>3,600,680</u>	<u>3,635,384</u>
	<u>34,704</u>	<u>3,600,680</u>	<u>3,635,384</u>
Total Noncurrent Assets			
	<u>34,704</u>	<u>3,600,680</u>	<u>3,635,384</u>
Total Assets			
	<u>\$ 69,173</u>	<u>\$ 5,959,286</u>	<u>\$ 6,028,459</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 40,885	\$ -	\$ 40,885
Accrued payroll and benefits	10,550	-	10,550
Due to other funds	-	-	-
Liability for compensated absences	<u>24,143</u>	<u>-</u>	<u>24,143</u>
Provision for estimated claims	<u>-</u>	<u>-</u>	<u>-</u>
	<u>75,578</u>	<u>-</u>	<u>75,578</u>
Total Current Liabilities			
Long-term Liabilities			
Liability for compensated absences	<u>46,908</u>	<u>-</u>	<u>46,908</u>
	<u>122,486</u>	<u>-</u>	<u>122,486</u>
Total Liabilities			
Net Assets			
Investment in capital assets, net of related debt	34,704	3,600,680	3,635,384
Unrestricted	<u>(88,017)</u>	<u>2,358,606</u>	<u>2,270,589</u>
	<u>(53,313)</u>	<u>5,959,286</u>	<u>5,905,973</u>
Total Net Assets			
	<u>\$ 69,173</u>	<u>\$ 5,959,286</u>	<u>\$ 6,028,459</u>
Total Liabilities and Net Assets			

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, 2007**

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,624,206	\$ 938,307	\$ 2,562,513
Miscellaneous revenues	<u>18,811</u>	<u>-</u>	<u>18,811</u>
Total Revenues	<u>1,643,017</u>	<u>938,307</u>	<u>2,581,324</u>
Operating Expenses:			
Salaries and benefits	313,081	-	313,081
Services and supplies	1,381,770	2,401	1,384,171
Self-insurance claims and purchase premiums	-	-	-
Depreciation	4,639	639,704	644,343
Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,699,490</u>	<u>642,105</u>	<u>2,341,595</u>
Net Operating Income	<u>(56,473)</u>	<u>296,202</u>	<u>239,729</u>
Non-Operating Revenues (Expenses):			
Interest Income	-	79,419	79,419
Interest expense	-	-	-
Gain (loss) on sale of capital assets	<u>-</u>	<u>(49,796)</u>	<u>(49,796)</u>
Total Non-Operating Revenue (expense)	<u>-</u>	<u>29,623</u>	<u>29,623</u>
Transfers:			
Operating transfers in (out)	-	241,607	241,607
Interfund transfers in (out)	<u>216,224</u>	<u>(216,224)</u>	<u>-</u>
Change in Net Assets	159,751	351,208	510,959
Net Assets-Beginning of Year - As previously stated	(213,064)	5,608,078	5,395,014
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-Beginning of Year - As restated	(213,064)	5,608,078	5,395,014
Residual Equity Transfers In	-	-	-
Residual Equity Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets-End of Year	<u>\$ (53,313)</u>	<u>\$ 5,959,286</u>	<u>\$ 5,905,973</u>

COUNTY OF HUMBOLDT
Internal Service Funds
Combining Statement of Cash Flows
June 30, 2007

Exhibit F-3
(Continued)

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Cash received for services	\$ 1,643,017	\$ 938,307	\$ 2,581,324
Cash paid to suppliers	(1,337,155)	(2,401)	(1,339,556)
Cash paid to employees	(313,081)	-	(313,081)
Operating transfers	-	241,607	241,607
Prior period adjustment	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(7,219)</u>	<u>1,177,513</u>	<u>1,170,294</u>
 Cash Flows from Noncapital Financing Activities:			
Net temporary loans from other funds	216,224	(216,224)	-
Advances to other funds	-	1,670,207	1,670,207
Net Cash Provided (Used) by Capital Financing Activities	<u>216,224</u>	<u>1,453,983</u>	<u>1,670,207</u>
 Cash Flows from Capital and Related Financing Activities:			
Sale/disposal of capital assets	-	90,249	90,249
Purchase of capital assets	-	(1,268,329)	(1,268,329)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(1,178,080)</u>	<u>(1,178,080)</u>
 Cash Flows from Investing Activities:			
Interest income	-	61,364	61,364
Interest expense	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>61,364</u>	<u>61,364</u>
Increase (Decrease) in Cash and Cash Equivalents	209,005	1,514,780	1,723,785
Cash and Cash Equivalents, Beginning of Year	<u>(209,005)</u>	<u>819,541</u>	<u>610,536</u>
Cash and Cash Equivalents, End of Year	\$ <u>-</u>	\$ <u>2,334,321</u>	\$ <u>2,334,321</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, 2007

	<u>Operating (Fund)</u>	<u>Capital (Fund)</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating Income (loss)	\$ (56,473)	\$ 296,202	\$ 239,729
Adjustments to Reconcile Operating Income to Net			
Cash provided (Used) by operating activities:			
Prior period adjustment	-	-	-
Depreciation	4,639	639,704	644,343
Operating transfers	-	241,607	241,607
Increase (decrease) in due from other			
Governmental entities	-	-	-
Decrease (increase) in inventory	-	-	-
Decrease (increase) in prepaid assets	-	-	-
Increase (decrease) in accounts payable	36,977	-	36,977
Increase (decrease) in accrued salaries and benefits	364	-	364
Increase (decrease) in other liabilities	-	-	-
Increase (decrease) in estimated insurance payable	-	-	-
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in compensated absences	7,274	-	7,274
	<u>7,274</u>	<u>-</u>	<u>7,274</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(7,219)</u>	\$ <u>1,177,513</u>	\$ <u>1,170,294</u>