

**COUNTY OF KINGS, CALIFORNIA
ANNUAL BASIC FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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INTRODUCTORY SECTION

DOIL O'STEEN, DIRECTOR OF FINANCE



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August 10, 2011

To the Honorable Members of the Board of Supervisors and Citizens of
the County of Kings:

General-purpose local governments publish a complete set of annual financial statements presented in conformity with accounting principles generally accepted in the United States of America. The financial statements are independently audited by a firm of licensed certified public accountants authorized to conduct audits in accordance with auditing standards generally accepted in the United States of America. The Department of Finance hereby issues the annual financial report (AFR) for the County of Kings for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances for the County. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the County relies on internal controls established to present sufficient reliable information for the preparation of the County's financial statements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

An independent audit conducted by the firm Brown Armstrong Accountancy Corporation, Certified Public Accountants, issued an unqualified ("clean") opinion on the County of Kings' financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standard governing Single Audit engagement requires the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls over compliance involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic

financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government:

The County of Kings, incorporated in 1897, is positioned midway between Los Angeles and the Bay Area, in the heart of California's San Joaquin Valley. The County covers 1,390 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran, and Avenal. The City of Hanford is the County seat. Located seven miles West of Lemoore is Naval Air Station Lemoore, the home of the west coast fighter squadrons with a military and civilian workforce exceeding 9,000. The County of Kings is home for two major State Prisons at Corcoran and Avenal with a total population in excess of 20,000. The County of Kings is bordered by Fresno County to the North, Kern County to the South, Tulare County to the East, Monterey County to the Northwest, and San Luis Obispo County to the Southwest. Los Angeles and San Francisco International Airports are each about 3 ½ hours away. Fresno Yosemite International Airport is 35 miles North and Visalia Municipal Airport is 15 miles West from the County's population centers.

The County is governed by a five-member Board of Supervisors (Board) that are elected by district. Members serve staggered four-year terms with elections held every two years and the Chair is elected by the Board members. Other elected officials include the Assessor/Clerk-Recorder, Sheriff-Coroner, and District Attorney. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions, and committees that assist the Board of Supervisors.

As the governing body for the County, the Board is responsible for the planning and providing of services related to public needs, as required by state and federal law including: adopting the annual budget, adopting County ordinances, setting policies, confirming appointments of most non-elected officials, and assisting citizens in solving problems and addressing local concerns. The County is specifically charged by the State with providing services to the most at risk: children, the elderly, the poor, those with health problems, and those involved in the criminal justice system. As a countywide government, we also facilitate and coordinate the work of school districts, special districts, cities, and other organizations.

The County provides a wide range of services to its residents including: Public and Mental Health Services, Child Protection and Social Services, Public Assistance, Family Support Collections, Criminal Prosecution, Public Defender, Law Enforcement, Jails and Juvenile Facilities, Veterans Services, Maintenance of Roads & Bridges, Land Use Issues, Building and Safety, Libraries, Parks, Elections, Coroner, and Agricultural Weights & Measures.

The operations of some component units are so intertwined with those of the County of Kings that they function, for all practical purposes, as an integral part of the County despite their separate legal status and should be 'blended' with the financial statement reports in accordance with accounting principles generally accepted in the United States of America. Blended component units of the County include the Kings County Finance Authority for jail facility construction, Children and Families First Commission for early childhood

development services, In-House Supportive Services (IHSS) Public Authority Fund for providing in-house care for indigents, and the Redevelopment Agency for improving a 473 acre area in Kettleman City.

Kings County is strategically located between Interstate 5 and Highway 99, providing excellent access to all of California. Over 200 major carriers provide interstate trucking services to area businesses. Burlington Northern Santa Fe and Union Pacific Railroads provide freight service, including refrigerated shipping, piggyback service and reciprocal switching. San Joaquin Valley Railroad provides east-west "short line" services. Amtrak meets passenger needs at the Hanford and Corcoran stations.

Local Economy:

Kings County's current population is 152,982 and is projected for expansion to 205,700 by 2020, and to 352,750 by 2050. Kings County has a civilian workforce of 62,100 and the average annual unemployment rate is 16 percent for the 2010 fiscal year.

Even more serious than the economic downturn affecting unemployment rates is the Central Valley 'Water Wars'. During February 2009, West Valley Farmers were informed that their federal water allocations had been cut to zero representing 600,000 acres within the Westlands Water District. Valley farmers would not be able to plant in about two-thirds of the district representing about 400,000 acres in western Fresno County and Kings County. In addition, State water allocations were 10 percent of normal during 2009. Projected water related losses Statewide are between \$1.6 to \$2.2 billion with related job losses amounting to 60,000-80,000 that are likely to rise by 30 percent if the water issues continue. As of April 2011, water allocations were bumped back up to 85 percent.

California law makers passed an \$11 billion Infrastructure Bond to overhaul the antiquated water system by passing a package of water bills and a bond measure to provide funding for the new dam, groundwater cleanup, conservation and habitat restoration. It still has to be approved by voters in November 2012. This Assembly Bill 934 was introduced in March 2009 to increase pressure on the Legislature for more surface water storage and a conveyance system that would bring Northern California water to the thirsty San Joaquin Valley without going through the environmentally sensitive Sacramento San Joaquin River Delta. Three years of restrictions on water has caused farmers to pump increasing amounts of groundwater that are depleting supplies. Locally, many are still pushing for Temperance Flat, a proposed second dam on the San Joaquin River above the existing one at Millerton Lake in Fresno County. Millerton is inadequate to capture the runoff from the San Joaquin River in wet years. Even the wetter Kings River farms in northeastern Kings County that don't rely on Northern California water are expecting a nearly 50 percent reduction in water supplies.

Westlands Water District (Westlands), the nation's largest agricultural water supplier, has filed a lawsuit to protest a federal decision during June 2009 that seeks additional protection for threatened fish species by cutting back further on water deliveries. Westland's lawsuit was joined by 29 other public water agencies. Thirty thousand acres of Kings County land depend solely on Westlands water deliveries coming almost exclusively from the Delta.

Governor Arnold Schwarzenegger asked the Federal Emergency Management Agency to declare Fresno County a major disaster area as a result of drought, crop loss, and high unemployment. The Governor sent a letter of appeal to the President after the White House rejected the disaster petition. Water shortages cost the San Joaquin Valley an estimated 21,000 jobs in 2009. A wide range of federal help was requested by saying that the State's fiscal crisis left it unable to properly assist food banks and non-profit organizations in efforts to meet drought-related needs. For example, after several months of food drives, the Central Valley Food Bank has run out of funds. Kings County, along with other neighboring counties, would be included if Fresno County got the federal designation. The U.S. Agriculture Department has declared Kings County and 20 other California counties disaster areas. Farmers in the listed counties qualify for assistance in the form of low interest loans.

During 2010, the gross value of all crops in Kings County increased 30 percent to a total of \$1.72 billion. Export demand also played a role due to a weak dollar and generally healthy economies overseas. In 2010, milk prices have begun to turn around with an increase of 18 percent over 2009 prices. During 2010, overall crop values increased 30.1 percent to \$1.72 billion. When lines of credit were harmed worldwide and the market crashed, the industry lost half its exports causing a glut that subsequently led to a dramatic drop in domestic milk prices. Milk prices have been selling for \$14 or less for each 100 pounds, which is about \$6 less than it costs farmers to produce. California is ranked number one in the nation for dairy production generating more than \$7 billion with Kings County producing nearly 10 percent of all milk and cream in the State, making it the fourth largest producer in the State.

Local proposals and developments within Kings County are highlighted as follows: 1) Construction is completed on Hanford's newest hospital being built on a 31-acre site costing \$112 million. The 175,000 square foot hospital will more than double the number of hospital beds and will be three stories tall with a helipad. Hanford Community Medical Center promises to be state of the art, including \$14 million for new medical equipment that has already help recruit 35 to 40 new physicians. 2) Chemical Waste Management's proposal to expand the existing hazardous waste landfill by 11 acres and to build a new 64 acre landfill in Kettleman City. 3) Fast Federal Credit Union landed its first sizable tenant for its completed Fast Plaza in downtown Hanford. The deal, worth \$20,000/month involves a 10 year lease with the Kings County Child Support Services Department. 4) Construction of the Corcoran's Technology Learning Center to provide vocational high school courses, College of the Sequoias courses, and adult school courses with a total project cost of \$6 million. 5) The completion of the Burris Park Outdoor Education Center. 6) A four-story Holiday Inn Express is being constructed on an 4 acre parcel development that is a 90 room mid-priced hotel chain offering a venue for conferences and business meetings. 7) The first solar farm is now expected to be built in 2 or 4 years within Corcoran. A land lease agreement was signed with Enxco to construct solar panels at a city owned 144 acre parcel. The city will collect more than \$3 million in revenues over the next 3 decades. 8) The historical theater in Avenal, considered a landmark is set for restoration costing \$3.8 million. 9) A \$530 million Avenal Power Plant project to develop a 600 megawatt natural gas-fired power plant by a Houston-based company. The project will reduce greenhouse gas emissions, use treated wastewater, and recycle water within the system. Output from the plant is planned to be sold to PG&E.

10) Expansions at Leprino Foods added 240 employees and a new JG Boswell Company tomato processing plant that employs 130 people. 11) West Hills College Lemoore completed a new \$20 million multi-use sports complex with 55,000 square feet including both upper and lower levels seating 2,200; additional 1,000 seats at the floor level.

Two popular regional retail department store chains, Mervyns and Gottschalks that were long time local mainstays, filed bankruptcy and closed their doors permanently due to the struggling economy. Kohl's has taken over the Mervyns space at the Hanford Mall with a opening date in October 2010. Forever 21 replaced Gottschalks. SK Foods, a large food processor with a tomato packing plant in Lemoore, had filed for Chapter 11 Bankruptcy. SK Foods was sold in bankruptcy court to a Olam Foods. The Olam Foods plant has approximately 300 year-round and 650 seasonal workers that continues to operate and was originally put up for sale mainly due to internal struggles.

The good news about California is its diverse resources and economy. The large labor force helps preserve a relatively even mix of different and vast industries with high wage sectors leading the State economy. Driven primarily by affordability, State growth will be concentrated in the Central Valley, benefitting Kings County.

The government sector in Kings County accounts for 33% of all jobs and represents the largest source of employment in the County. Other sectors, such as Agriculture (19%); Trade (9%); Transportation and Utilities (13%); Manufacturing (9%); Educational and Health Services (8%); and Leisure and Hospitality (8%); Professional Business Services and Financial Activities (6%); and Natural Resources, Mining and Construction (3%) represent the other major contributors of jobs to the local economy.

Factors Affecting Financial Condition:

The annual budget serves as the foundation for the County's financial planning and control. All agencies under the control of the Board of Supervisors are required to submit budget requests to the County Administrator for review. The Administrator recommends a proposed budget to the Board for consideration and approval. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by September 30th of each year.

The budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff). Board action is required to approve new funding sources and new appropriations for expenditures. Transfers of appropriations between funds as well as transfers between departments of the same fund require the Board's approval.

The State's severe fiscal crisis included a \$19.3 billion deficit that was resolved by cuts to expenditures of \$9 billion (mainly from education and payroll), raising sales and income taxes, doubling of license fees, additional borrowing of \$11.4 billion, plus federal stimulus funds of \$8 billion. The Governor currently insists on resolving this fiscal crisis with further cuts to expenditures without further tax increases. The State has limited borrowing power and faces the worst credit rating in the nation, causing higher interest rates charged on bonds issued.

To address the State's current \$19.3 billion fiscal crisis, the Governor and State legislature cut spending by \$9 billion – including \$7.8 billion from education and \$1.6 billion from payroll, including State employees furloughs of three unpaid days a month. These budget revisions bring total spending back to 2005 levels.

Moving forward, the current anticipated deficit in 2011-2012 is \$21.3 billion. The largest shortfall is projected to be \$23 billion in the 2013 fiscal year. Because of these continuing deficits, Proposition 1A was suspended to reallocate 8 percent of property tax revenues to the State from local governments. In addition, accelerated withholdings of 10 percent more in State income taxes from employees amounting to a \$1.7 billion advance, \$2 billion for local redevelopment funds reallocated to school operations. The California Department of Education received nearly \$7 billion from federal stimulus funds.

The Governor wants \$10 billion from the federal government in 2011. If not, he will eliminate several key safety net programs from health and human services programs. Among other proposed program cuts include the following: Medi-Cal, higher education, judicial branches, removing 25,000 people from prison, shifts of offenders to County jails, send 19,000 undocumented prisoners to Mexico, and Williamson Act Funding cuts. Budget proposals also call for a 5 percent reduction in the State workforce, 5 percent across-the-board salary cuts, and a 5 percent increase in employee's contributions to their retirement fund. So far, the Governor is not receiving as much federal funds as planned with the State slated for just \$1.5 billion.

The national recession has led to a steep plunge in tax receipts on property, sales, and capital gains. Downward pressure on real estate and investments should lead to higher contribution rates to California Public Employees' Retirement System (CalPERS). California State and local public employee pension funds lost more than \$52.6 billion dollars in investments. National foreclosure rates jumped 38 percent. Kings County has reduced costs and continues a hiring freeze. Proposed reductions include layoffs, union negotiations to seek reductions, and changes to CalPERS contracts for new hires.

The County's General Purpose Fund had expenditures that exceeded revenues by \$3.7 million. A total of \$2 million was transferred-out, including the Capital Projects Fund (\$182 thousand) mainly for completion costs of the Human Services Expansion Project, the Special Revenue Fund (\$1.1 million) supporting the ongoing operations of the Fire Department, \$900,000 that had been received from Tribal Mitigation Fees, and the In-House Supportive Services (IHSS) Department \$249 thousand. This resulted in a \$5.5 million draw down of existing fund balance leaving a residual general fund balance of \$21.1 million as of June 30, 2010.

Major Initiatives:

Kings County has applied for \$30 million in State funding for the second phase of the new Main Jail Facility to expand its overcrowded jail. This \$42 million dollar project would include 170 additional beds for inmates to avoid early releases. Funding from the State is

dependent on the County securing an acceptable location for a State Prisoner Re-Entry Facility to allow inmates to spend the last 12 months of their sentence getting job training, education, and counseling to ready for civilian life. Currently, efforts by the County to secure a re-entry site for the State have been unsuccessful.

Capital projects completed for the County include 1) the completion of construction on the Human Services Department addition that had a budget of \$10,550,000 to be funded by Tobacco Securitization II funds of \$7,470,702 and transfers from General Fund revenues of \$4,554,186. 2) Burris Park Museum expansion (\$1,000,000) funded by private donations and grant applications. Other major capital projects include: 1) Kettleman City water project (\$3,000,000) to be ultimately repaid by redevelopment proceeds. 2) WIC Administration Building (\$2,461,400) relocating the WIC Program to a single 4,500 sq. ft. building to free up space in the existing Health Department. for other programs and is entirely funded from the Health Realignment Trust. 3) Thermal Storage East of Central Plant (\$1,800,000) to replace the existing thermal storage unit that is experiencing problems with a new ice storage technology. 4) Morgue (\$1,000,000) that is located in the Old Kings Building presents safety issues and must be relocated.

The California Transportation Commission awarded \$78 million to Tulare and Kings Counties to widen Highway 198 in order to expand from a two-lane highway to four lanes. The funds for this project will come from Proposition 1B, a bond measure approved by California voters in November 2006. The project's total estimated cost is \$111 million which will require officials to work together in order to find other monies such as federal funding sources that Kings County is currently pursuing. Estimated completion date is early 2012.

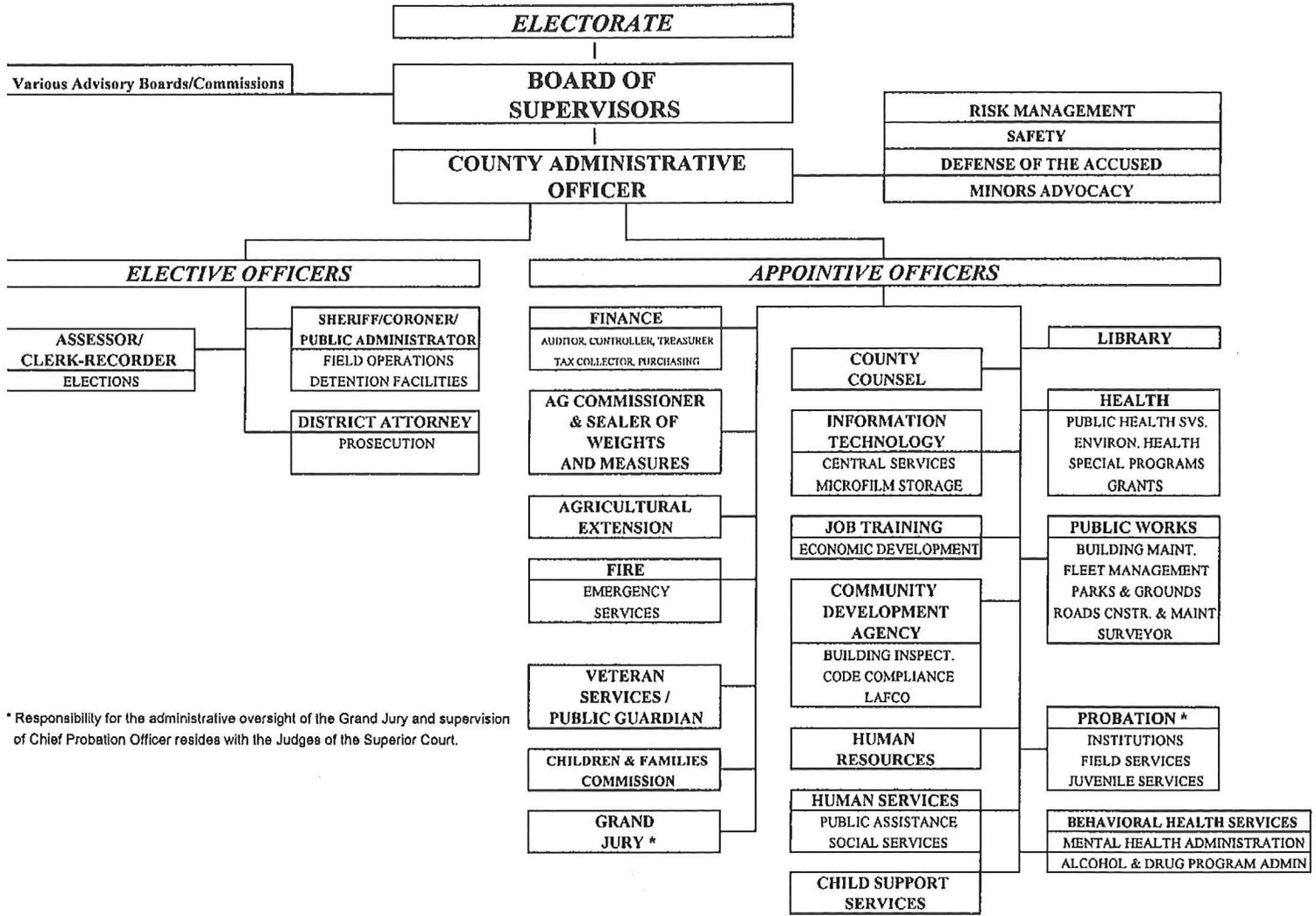
Acknowledgements

The preparation of the Annual Financial Report was made possible by the dedicated services of the staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I acknowledge the leadership and support provided by the Board of Supervisors and the County Administrator which have made the preparation of this report possible.

Respectfully submitted,


Doil O'Steen
Director of Finance

ORGANIZATION OF KINGS COUNTY GOVERNMENT



* Responsibility for the administrative oversight of the Grand Jury and supervision of Chief Probation Officer resides with the Judges of the Superior Court.

County of Kings
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2010

ELECTED OFFICIALS

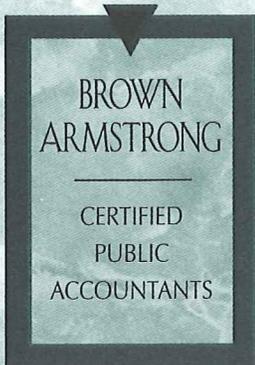
Supervisor – District 1	Joe Neves
Supervisor – District 2	Richard Valle
Supervisor – District 3	Tony Oliveira
Supervisor – District 4	Tony Barba
Supervisor – District 5	Richard Fagundes
Assessor/Clerk Recorder	Ken Baird
District Attorney	Ronald Calhoun
Sheriff/Coroner/Public Administrator	Chris Jordan

APPOINTED OFFICIALS

County Administrative Officer	Larry Spikes
Director of Finance	Doil O'Steen
County Counsel	Colleen Carlson
Clerk to the Board	Catherine Venturella
Agriculture Commissioner/Sealer	Tim Niswander
Agricultural Extension	Peggy Gregory
Veterans Services/Public Guardian	Joe Wright
First 5 Children & Families Director	Lisa Watson
Information Technology Director	Jim Hamersley
Job Training Office Director	John Lehn
Library Director	Louise Hodges
Human Resources Director	Allison Picard
Human Services Department Director	Peggy Montgomery
Child Support Services Department Director	Linda Warford
Public Health Director	Keith Winkler
Public Works Director	Harry Verheul
Planning Director	Gregory Gatzka
Fire Chief	Jim Kilner
Chief Probation Officer	Steve Brum
Behavioral Health Services Director	MaryAnn Ford-Sherman



FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Kings
Hanford, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Kings, California, as of and for the year ended June 30, 2010, which collectively comprise the County of Kings' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Kings' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Kings, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2011, on our consideration of the County of Kings' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, schedules of funding progress on pages 47 and 48, and budgetary comparison information on pages 49 and 50, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Kings' financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to be "W. A. K.", is written over the printed name of the corporation.

Bakersfield, California
August 12, 2011

Management's Discussion and Analysis (2010)

As management of the County of Kings (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County of Kings for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii to viii of this report. Readers should also review the notes that pertain to the basic financial statements to enhance their understanding of the County's financial performance. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the County of Kings exceeded its liabilities at the close of the most recent fiscal year by \$132,686,475 (net assets) and from this amount \$36,614,650 (unrestricted net assets) may be used to meet the County's on-going obligations to citizens and creditors. (see page 14 Statement of Net Assets)
- The County's total net assets decreased by \$3,137,667 or 2.31% in fiscal year 2010 compared to fiscal year 2009. The amount invested by the County in capital assets (net of related debt) decreased by 1.05% or \$1,006,334. (see page 14 Statement of Net Assets)
- Restricted assets set aside for debt decreased to \$994,486 in Fiscal Year 2010 compared to \$1,122,173 in fiscal year 2009. No funds for Construction were reserved in fiscal year 2010. In fiscal year 2009, \$2,234,938 was reserved for construction work-in-progress.
- Cash and investments declined by \$1.48 million and \$2.95 million, respectively, in fiscal year 2010 while receivables increased by \$525,550 compared to fiscal year 2009.
- The County of Kings' total liabilities increased by \$181,448 (0.26%) during the current fiscal year.
- The Statement of Activities (page 15) shows program expenditures for primary government programs in Fiscal Year 2010 to be \$184,629,241. Program revenues of \$147,024,017 derived from charges for services (\$8,809,068) and operating grants/contributions (\$138,214,949). The remaining balance of \$37,605,224 represents the net expense to the County for these programs.
- As of the close of the current fiscal year, the County of Kings governmental funds balance sheet (page 16) reported combined ending fund balances of \$45,251,974, a decrease of \$10,317,550 or -18.6% in comparison with fiscal year 2009.
- Approximately \$8,218,723 of the total combined ending fund balance amount is available for spending at the County's discretion (unreserved undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,970,472, or 2.7% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of King's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County of Kings finances, in a manner similar to 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.

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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years, such as revenues related to uncollected taxes.

Both of the government-wide financial statements distinguish functions of the County of Kings that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public assistance, health and sanitation, public ways and facilities, recreation and cultural services, and education. The business-type activities of the County include the following Internal Service Funds: Workers Compensation, Self-Insurance, Fleet Management, Data Processing, and Health Self-Insurance Fund. The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Kings, like all 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. 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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.

The County of Kings maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects funds, and the Redevelopment Agency (a special revenue fund), all of which are considered major funds. Data from the remaining governmental funds, which represent special revenue 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 County of Kings 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 basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The County of Kings maintains internal service funds, as an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, management information systems, public works department, workers compensation, and health self-insurance funds. Because these services predominantly reflect and 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 proprietary fund financial statements combine the internal service funds into a single, aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds. 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 statement 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 basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. In addition, a budgetary comparison schedule for the general fund and for the Redevelopment Agency is required in order to demonstrate compliance with the annual adopted budget. Required supplementary information can be found on pages 47-50 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions and budget comparisons. Combining and individual fund statements and schedules can be found on pages 51-85 of this report.

Government-wide Financial Analysis

As noted earlier and shown below, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Kings, assets exceed liabilities by \$132,686,475 at the close of the most recent fiscal year.

	County of Kings' Net Assets	
	Governmental Activities	
	2010	2009
Assets:		
Current and other assets	\$88,209,545	\$94,024,664
Capital assets	<u>113,362,481</u>	<u>110,503,581</u>
Total assets	<u>\$201,572,026</u>	<u>\$204,528,245</u>
Liabilities:		
Long-term liabilities outstanding	35,975,002	36,975,461
Other liabilities	<u>32,910,549</u>	<u>31,728,642</u>
Total liabilities	<u>\$68,885,551</u>	<u>\$68,704,103</u>
Net assets:		
Invested in capital assets, net of related debt	\$95,077,339	\$96,083,673
Restricted	994,486	3,357,111
Unrestricted	<u>36,614,650</u>	<u>36,383,358</u>
Total net assets	<u>\$132,686,475</u>	<u>\$135,824,142</u>

The largest portion of the County's net assets, \$95,077,339 (71.7%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets that is still outstanding. The County of Kings 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.

An additional portion of the County of Kings' net assets amounting to \$994,486 (0.75%) represent resources subject to external restrictions on how they may be used. These restricted net assets are to be used only for debt service payments related to the lease revenue bonds. For fiscal year 2010 there were no restricted funds set aside for ongoing construction as there were in the prior fiscal year. The remaining balance of unrestricted net assets of \$36,614,650 (27.59%) may be used to meet the County's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$3,137,667 or -2.31%. Following the logic of the Statement of Activities this decrease can be explained as the difference between total general revenues of \$34,467,557 and the net expense of the primary government functions of \$37,605,224. In other words, Public Safety, a governmental function, cost the citizens of the County \$58,421,838 in fiscal year 2010. The financial resources to cover this expense derived from Charges for Services of \$3,434,281 and Operating Grants and Contributions of \$22,092,073, the shortfall of \$32,895,484 must be met by other resources with the principal source coming from taxes. Governmental Accounting Standards Board (GASB) 34 dictates that ten principal categories constitute Governmental Activities as shown on page 15. The General Revenue sources are listed on page 15 and shown below.

Total liabilities increased by \$181,448 in fiscal year 2010. Liabilities are reported net of impact fees that are considered property tax revenues for government-wide reporting purposes rather than as an unearned liability for governmental funds. Liabilities include continued debt service payments for the pension obligation bonds of \$738,580, lease revenue bonds of \$375,000, and capital leases of \$416,543.

Governmental activities. Governmental activities decreased the County of Kings net assets by \$3,137,667. Key elements of the decrease in net assets are as follows:

	County of Kings' Changes in Net Assets	
	Governmental Activities	
Revenues:	2010	2009
Program revenues:		
Charges for services	\$8,809,068	\$9,172,050
Operating grants and contributions	138,214,949	143,090,074
General revenues:		
Property taxes	23,747,617	24,210,795
Other taxes	3,756,924	4,939,564
Other	<u>6,963,016</u>	<u>7,671,520</u>
Total revenues	<u>181,491,574</u>	<u>189,084,003</u>

County of Kings' Changes in Net Assets

Governmental Activities

	2010	2009
Expenses:		
General government	16,124,520	17,124,268
Public safety	58,421,838	58,485,454
Public ways and facilities	0	35,292
Highways and streets	4,129,790	3,703,924
Health and sanitation	25,791,083	27,687,327
Public assistance	70,488,563	65,086,192
Education	2,098,651	1,987,354
Culture and recreation	1,633,433	1,602,774
Unallocated depreciation	4,540,074	4,235,005
Interest on long-term debt	<u>1,401,289</u>	<u>1,425,965</u>
Total expenses	<u>184,629,241</u>	<u>181,373,555</u>
Increase (Decrease) in net assets	(3,137,667)	7,710,448
Net assets – beginning	<u>135,824,142</u>	<u>128,113,694</u>
Net assets – ending	<u>\$132,686,475</u>	<u>\$135,824,142</u>

- Property tax revenues decreased approximately \$463,178 or 1.95% during fiscal year 2010. Assessed values of properties decreased 5.24% from fiscal year 2009. However, delinquencies increased approximately 66.53% from the prior year due to foreclosures and taxpayers inability to make the payments. These revenues have also been impacted by the major drop in construction projects due to the current economic conditions.
- Sales taxes decreased approximately \$487,449 or 25.4%. Estimates for fiscal year 2010 indicated sales taxes would remain stagnant or decline based on current economic conditions and the State's economy and this has proved to be the case. Early estimates for fiscal year 2011 based on research and data provided by Hinderliter de Llamas and Associates project an upswing in sales tax revenues for the San Joaquin Valley in general.
- Franchise taxes decreased approximately \$681,322 or 24.3%. Franchise Taxes are derived from companies with telephone polls, lines, and other equipment throughout the County who pay franchise taxes based on their incomes from contracted agreements in lieu of paying property taxes.
- Rents and concessions revenue decreased by \$138 thousand due mostly to Kings Community Action Organization moving from the former Hospital Building. Kings Community Action Organization had been paying \$10,900 per month to rent this facility.
- Revenues from land conservation decreased by \$2,278,852 after the State suspended its support for the Williamson Act by 96%. The County received \$75 in fiscal year 2010 from the Williamson Act as opposed to the \$2,278,928 received in fiscal year 2009.
- Tribal gaming revenues were \$900,000 in fiscal year 2010 as there was no additional State funding above the \$900,000 contributed by the Tachi Palace Hotel and Casino.
- The \$4,875,125 (net) decrease in operating grants and contributions can be attributed to decreases of \$4,340,160 from general government, \$3,876,577 from public ways and facilities, \$1,727,516 from health and sanitation,

and \$1,605,504 from highways and streets. This was offset by increases in public assistance \$5,216,073 and public safety \$1,158,754.

- Investment earnings decreased by \$486,931 as historically low interest rates continue unabated. Average investment returns dropped from 2.52% in fiscal year 2009 to 1.77% in fiscal year 2010. This is the rate pooled investments earn after expenses are deducted for administration and fees.
- Miscellaneous revenues, the catchall category on the Statement of Activities, witnessed an increase of \$1,154,283 or 21.4%. This was primarily due to new programs in the Job Training Office which increased the Miscellaneous Revenues in the amount of \$1,815,719 but was offset in part by other decreases in revenues such as Fire \$931,967 due to the County responding to fewer State wildfires.

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County of Kings governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$45,251,974, a decrease of \$10,317,550 (18.6%) in comparison with the prior fiscal year. Approximately 20.37% of this total amount or \$8,218,723 constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved or designated (1) to liquidate existing construction contracts and purchase orders \$4,248,362, (2) Investments \$771,782, (3) self-insurance and economic uncertainties \$25,021,459, (4) pay debt service \$3,161,415, (5) advances and loans to other governmental funds \$3,500,000, (6) and for other restricted purposes \$330,233.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$3,970,472, while total fund ending fund balance for the General Fund at the conclusion of fiscal year 2010 was \$21,094,386. 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 as seen from this perspective unreserved, undesignated fund balance represents 2.7% of total General Fund's expenditures, while total fund balance represents 14.36% of that same amount.

General Fund. In fiscal year 2010, the County's General Fund expenditures exceeded revenues by \$3,703,364. A total of \$2,014,206 was transferred out to the following funds: Capital Projects (\$839,885), Special Revenue (\$1,149,821), and Internal Services \$24,500. The Capital Projects contributions represent costs of completing the Human Services Expansion Projects (\$839,885). The Special Revenue Fund contributions support the ongoing operations of the Fire Department with \$900,000 received from Tribal Mitigation Fees and \$249,821 for the In-House Supportive Services (IHSS) Department. (see Notes, page 37). This resulted in a \$5,535,565 draw down of existing fund balance and leaving a residual General Fund balance of \$21,094,386.

Total expenditures decreased in the General Fund by approximately \$1.9 million (\$146.89 million vs. \$148.82 million in 2009). The following factors contributed to the additional operating expenditures:

- General government expenditures from the General Fund decreased approximately \$1.9 million due mainly to the suspension of the Williamson Act (\$2.28 million), health insurance rates and claims reductions (\$549 thousand), and workers compensation claims (\$65 thousand). This was mitigated by the increase in expenditures due to funds received from the American Recovery and Reinvestment Act in In-House Supportive Services (\$740 thousand), Job Training Office (\$1.17 million), and Behavioral Health Department (\$1.33 million).

- Public Safety expenditures from the General Fund decreased only slightly in fiscal year 2010 to \$44.35 million from \$44.41 million in fiscal year 2009. The expenditures decreased in part to a countywide hiring freeze and vacant positions were not backfilled.
- Health and Sanitation expenditures from the General Fund decreased approximately \$1.91 million. Behavioral Health Services renegotiated their contract with Kings View for a savings in expenditures of \$1.39 million. Elimination of the Proposition 36 funding for Substance Abuse led to decreased expenditures \$648 thousand.
- Public Assistance expenditures from the General Fund increased by \$2.17 million. Contractual services expenditures increased (\$2.4 million) due to increases in the program caseloads for the CalWorks programs. Additional Aid went to the following recipients because of caseload increases: AFDC (CalWorks) (\$1.04 million) and Adoptions (\$104 thousand). Job Training Office increased (\$2.91 million) due to new programs created by the American Recovery and Reinvestment Act. Reductions were seen in the programs of Children and Families First (\$1.29 million) due to State cuts in funding the various programs overseen.

Debt Service fund. The County of Kings debt service fund has a total fund balance of \$1,306,078 that is comparable to the prior fiscal year, all of which is reserved for the payment of debt service. The County issued lease revenue bonds for the main jail facility construction project with revenues derived from the Criminal Justice Facilities Fund, which represent a portion of the penalty assessments by the Judicial Courts, have been pledged to pay the debt service.

Capital Projects fund. The County of Kings capital projects fund balance decreased approximately \$5 million mainly due to the difference between actual capital outlay expenditures exceeding revenues by \$5.7 million and the receipt of \$897 thousand in transferred funds from the general fund in order to complete construction in progress. Major capital outlays included \$1.4 million for the Thermal Storage East Central Plant and \$2.9 million for the Human Services Building expansion. The Human Services Building was budgeted for \$10.66 million with 70 percent being paid with Tobacco Securitization proceeds and completed in July 2010. Projects still in process include the replacement of the Morgue budgeted for \$1.0 million, the Kettleman City Water Treatment Project budgeted for \$3.0 million, and the Burris Park Museum expansion budgeted for \$1.0 million.

Redevelopment Agency fund. The County of Kings established this fund with an advancement of \$3 million in the form of a start-up loan in 2010. This fund is to account for receipt of property tax increments derived from the growth of assessed valuations within the redevelopment project area. Revenues are to be used for expenditures required to be paid in advance for the redevelopment of a 473 acre area in Kettleman City to eliminate blight, upgrade facilities and infrastructure (specifically sewer and water system capacities), community development programs, and improve low-moderate housing community. The fund is reporting a negative fund balance of \$119,685 as of June 30, 2010. This fund holds assets of \$2,907,968, of which \$2,781,111 are invested in the County's portfolio. The advance from the County's Capital Projects fund as mentioned above is the principal liability.

Children and Families First Fund. For fiscal year 2010 this fund is not considered a "Major" fund. The criteria for reporting a particular fund as a major fund occurs when the fund represents at least ten percent (10%) of all government funds' total assets. Children and Families First financial data is shown on the combining balance sheet for Special Revenues – Non-major Funds (page 57) and on the Schedule for Revenues, Expenditures, and Changes in Fund Balance (page 60).

Non-major funds. These funds represent special revenue funds that account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The non-major fund balance increased by \$330,472 (net) due to the following: 1) There was a shift in funds reported under non-major funds this year. The Redevelopment Agency is now reported as a major fund and Children and Families First is no longer considered a major fund and has been relegated to reporting as a non-major fund. This is due to the advance from the Capital Projects fund to Redevelopment to complete Phase I of the Water Treatment Facility in Kettleman City. 2) Special Revenue Funds received \$4.21 million more in intergovernmental revenues in fiscal year 2010 than they had in fiscal year 2009, The Job Training Office received \$1.96 million, the Children and Families First fund received \$2.18 million, and the Community Development Block Grants received \$1.36 million increased funding for new programs. However funding for Roads decreased \$1.6 million between fiscal years 2009 and 2010. 3) Fines and

forfeits revenues increased \$70 thousand in fiscal year 2010. 4) The Job Training Office had increased expenditures for public assistance \$3.76 million due to increased funding for new programs through the American Recovery and Reinvestment Act of 2009. 5) The Community Development Block Grants had increased expenditures of \$1.03 million due to funding received for the Armona Apartments project as well as the purchase of a Lemoore home with State grant money to be turned over to the Housing Authority in July 2010. 6) Public assistance expenditures increased by \$4.37 million. 7) Highways and streets expenditures increased by \$281 thousand. 8) Library expenditures increased \$149 thousand.

Proprietary funds. The County of Kings' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the internal service funds at the end of the fiscal year 2010 amounted to \$9,045,226. Changes in total net assets increased \$1.5 million mainly due to 1) an increase to the Workers Compensation Fund of (\$370 thousand) due in part to a reduction in the number of claims paid and restoring the negative asset balance from a prior year deficit of \$618 thousand resulting from an Actuarial Review. Current deficit balance is \$249 thousand as of year-end. 2) Increases in the Health Insurance Fund of (\$1.03 million) as a result of fewer paid claims, and a 7.30% increase in premiums.

General Fund Budgetary Highlights

The County's final budget of the General Fund differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. Differences between the original budget and the final amended budget of \$1,016,383 net increase in appropriations are briefly summarized as follows:

- General government decreased appropriations \$206,928.
- The Public Safety departments increased appropriations by \$105,753.
- The Health and Sanitation departments increased appropriations by \$977,531.

Overall, the County's actual General Fund revenues were less than budgeted during fiscal year 2010 by \$3,474,419 or 2.3%. Revenues that had significant variances include the following:

- Reclassed State payments recorded within property tax revenues for in-lieu sales taxes and license fees of \$17.9 million to intergovernmental revenues for financial reporting purposes. Per the Budget, this amount is included within property tax revenues.
- Actual comparison of property tax revenues is \$30,616,884 (Budget) vs. \$15,807,899 (Actual) noting actual receipts less than budgeted by \$14 million or 48.4%. Actual comparison of intergovernmental revenue is \$97,739,453 (Budget) vs. \$110,932,655 (Actual) showing more program revenues than budgeted of \$13.2 million or 13.5%.
- Franchise tax revenues of \$1,779,643 from general funds were budgeted directly within the Capital Projects Fund. Sales and use taxes were less than budgeted by \$70,379 or 4.69%. Licenses and permits were less than budget by \$1,070,848 or 75.16%.
- Charges for services were less than budgeted by \$1,327,857 or 13.59%.
- Investment earnings were less than budgeted by \$123,465 or 13.2%.
- Miscellaneous revenues were less than budgeted by \$1,509,313 or 38.48%.

Actual expenditures in the General Fund were less than the final budget by \$9,843,049, or 6.28%.

Capital Assets and Debt Administration

Capital assets. The County of Kings' investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$113,362,481 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, bridges, water, and sewer systems. The total increase in the County's investment in capital assets for the current fiscal year was 2.59% for governmental activities.

Major capital asset events during the current fiscal year included the following:

- Construction in progress was completed for the Energy Conservation System. Accordingly, construction expenditures were capitalized as part of structure and improvements.
- Continued construction in progress includes the Human Services Expansion, the Burris Park Museum Expansion, and the beginning of a new project for the Library's Children's Reading Room.

County of Kings' Capital Assets (net of depreciation)

	2010	2009
Land	\$7,822,835	\$7,528,650
Structures and improvements	73,016,087	66,382,674
Equipment	8,265,415	9,738,369
Construction in progress	9,822,751	11,247,785
Infrastructure	<u>14,435,393</u>	<u>15,606,103</u>
Total	<u>\$113,362,481</u>	<u>\$110,503,581</u>

Additional information on the County of Kings' capital assets can be found in note I.D.5. (pages 31-32), II.C. (page 35) of this report.

Long-term debt. At the end of the current fiscal year, the County of Kings had total bonded debt outstanding of \$19,256,289. From this amount, \$9,931,289 (Pension Obligation) comprises debt backed by the full faith and credit of the County and the remaining amount of \$9,325,000 (Lease Revenue) represents bonds secured by specified revenue sources that are collateralized by certain buildings of the County. In addition, the County of Kings has total capital leases outstanding of \$9,345,326 representing retrofitting of County buildings with energy conservation equipment of \$597,499, the construction of a cogeneration plant \$2,059,357, the energy conservation project of \$7,118,593, and an ongoing master lease agreement for vehicles \$707.

County of Kings' Outstanding Debt Pension Obligations, Revenue Bonds, and Capital Leases

	2010	2009
Pension obligation bonds	\$9,931,289	\$10,667,163
Lease revenue bonds	9,325,000	9,710,000
Capital leases	<u>9,345,326</u>	<u>9,776,156</u>
Total	<u>\$28,601,615</u>	<u>\$30,153,319</u>

The County of Kings bonded debt decreased by \$1,120,874 (5.82%) and capital lease obligations outstanding decreased by \$430,830 (4.41%) during the current fiscal year representing principal reductions from bond and significant increases in lease payments.

The Revenue Bonds issued by the Kings County Financing Authority in 2005, are, as of May 2009, rated A- by Standard & Poor's. Due to the eroding financial condition of the insuring company, AMBAC, the Bond's prior

rating of AAA was rendered irrelevant and are no longer rated by Moody's Investors Service. The bonds continue to be repaid as agreed and maintains a reserve fund equal to one year of principal and interest payments.

State statutes limit the amount of debt a County may issue to 5% of its total assessed valuation. The current debt limitation for the County of Kings is \$421,681,595, which is significantly in excess of the County's outstanding bonded debt.

Additional information on the County of Kings' long-term debt can be found in note I.D.7. (page 32) and I.E. to II.F. (pages 37-40) of this report.

State, Budget, and Economic Factors

- The unemployment rate for Kings County is currently 16.0%, which is an increase from a rate of 14.8% during fiscal year 2009. The unemployment rate for the State has been reported to be 12.3% and remain steady. The State unemployment rate was approximately 11.6% a year ago.
- The State's severe fiscal crisis included a \$19.3 billion deficit, which is larger than the budgets of all but nine States. To close this gap, the legislature voted in October 2010 to cut State expenditures by \$9 billion mainly from education (\$7.8 billion) and payroll cuts primarily from work furloughs (\$1.6 billion), the suspension of businesses ability to claim net operating losses, enhanced federal funding and extension of federal medical assistance percentage funding levels for Medi-Cal, selling of 24 state owned buildings and leasing back for a savings of \$660 million, plus additional borrowing of about \$11.4 billion. Soon thereafter, California is now facing a projected \$6.3 billion deficit that the Governor currently insists on resolving with spending cuts without further tax increases and has threatened to allow State Government to shut down over lack of budget resolutions. California currently has the worst credit rating in the nation (A-) linked to the possibility of cash deficiencies. The State owes billions from past years that it borrowed to patch previous deficits and has limited borrowing power. In addition, current estimates note \$50 billion in past-deferred maintenance costs that are needed for infrastructure projects over the next 20 years. Furthermore, there are discussions that have reached the point of scraping the State Constitution and starting over again.
- In the past 10 years, there has been a doubling of the California budget from \$122 billion in 2000 to \$206 billion in 2010. This is double the rate of population and inflation growth and is proving to be unsustainable. Since the previous Governor, Gray Davis, State spending jumped from \$156 billion in the 2003-04 budget to \$194 billion in the 2007-08 budget – a 24% increase in just 4 years. California has the highest income taxes, gas taxes, and sales tax rates in the nation. California has the highest corporate taxes in the western part of the nation as compared to their neighboring states. Property taxes are at the national average due to Proposition 13.
- California voters passed Proposition 25 in the 2010 regular Election that lowered the amount of votes needed to pass the State budget from a supermajority (2/3) to a simple majority with the added feature of pay and daily living allowance suspension for lawmakers for each day a balanced budget is not passed past the June 15 constitutional deadline. Proposition 22 prevents the State from borrowing from transportation funds such as Highway Users Tax to help the General Fund and to offset its debt service costs. In addition, California voters passed Proposition 26 requiring the legislature to pass fees, levies, tax revenues, and other charges with a supermajority vote. Income tax and sales tax increases are already required to be passed by this method. The County of Kings will also join a lawsuit against the State aiming to compel it to pay billions of dollars in funding for County run health and social programs. The State began delaying payments in the beginning of 2009 to preserve cash for these mandated Federal programs.
- National foreclosure rates jumped 38%. California had the fourth highest foreclosure rate in the nation. No slow down is expected because foreclosures were temporarily halted by Fannie Mae and Freddie Mac. This moratorium was lifted in April 2009 with subsequent foreclosure rates rapidly rising. The default rates for Prime Loans are quickly catching up to the Sub-Prime Loan market.
- The economy is slowing down while businesses and consumers are primarily focusing on paring down their high debt levels. This in turn is negatively affecting spending levels that account for 70 percent of economic activities. These developing circumstances have lead to projections of a continued rise in unemployment rates

putting sustained pressures on real estate values and investments. These economic conditions are expected to affect capital gain taxes, property, and sales tax receipts and could cause higher contribution rates for California Public Employees' Retirement System (CalPERS) due to reduced returns from investment portfolios. In addition, banks are implementing tougher loan standards and credit is tightening. Governments are strained under these conditions because demand for services increases during these difficult times.

- To address the State's current fiscal crisis, the Governor has stated a goal to cut at least 10 percent of the budgeted expenditures. All areas of the State will be under consideration for spending cuts while further tax increases will not be considered. The Governor has also stated that none of these cuts will be allowed unless the overlapping State Agencies and Commissions are consolidated. Highlights of the latest budget proposals are as follows: 1) Borrowing from property tax revenues of the counties (County impact \$2.6 million), 2) Loss of Williamson Act Funds to the counties (County impact \$2.28 million) for property tax revenues reimbursed for tax breaks to farmers who agree to keep their lands in agricultural production instead of being developed. This represents 90% of the County's farmland – a total of approximately 680 thousand acres. 3) Cuts to the following: State Employee Health Benefits, Public Assistance programs (CalWorks, Childs Health Insurance, Foster Care) (\$22 billion Statewide cuts), School Funding (\$5 billion Statewide cuts), Health Care, In-Home Supportive Services, Gas Tax Revenues for maintenance of roads. 4) State deferrals of Health and Social Service payments creating cash flow problems to counties. Currently Gas Tax revenues are 5 months overdue from the State (County impact \$1.5 million). 5) Concessions from Unions including layoffs of 5,000 State workers (already laid off all part-time and extra help), 5% wage cuts and Work Furlough Programs (already taking 2 days a month) 6) Sale of high profile State properties such as the Los Angeles Coliseum and San Quentin State Prison 7) State Prison may push lesser felony offenders (approximately 23 thousand) and undocumented immigrants (approximately 19 thousand) to County Jails.
- The 2010-2011 County of Kings' Final Budget included an overall budget of \$217,113,574, which is \$4,747,966 or 2.14% less than the fiscal year 2010 final budget. No actual workforce reduction is proposed for this budget year while the general fund budget is looking at a \$4,336,944 increase in expenditures.

Requests for Information

This financial report is designed to provide a general overview of the County of Kings' 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 County of Kings Department of Finance 1400 W. Lacey Blvd., Hanford, CA 93230.

County of Kings
Statement of Net Assets
June 30, 2010

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 3,215,129
Investments	69,640,968
Receivables	12,901,102
Inventories and prepaids	311,173
Loans receivable	500,000
Deferred charges	646,687
Restricted assets	994,486
Capital assets (net of accumulated depreciation):	
Land	7,822,835
Structures and improvements	73,016,088
Equipment	8,265,414
Construction in progress	9,822,751
Infrastructure	14,435,393
Total assets	201,572,026
LIABILITIES	
Accounts payable and other current liabilities	\$ 4,486,406
Accrued interest payable	3,036,651
Unearned revenue	13,968,788
Claims payable	9,867,000
Noncurrent liabilities:	
Due within one year	1,551,704
Due in more than one year	
Capital leases	9,345,326
Pension obligation bonds	9,931,289
Lease revenue bonds	9,325,000
Compensated absences	5,739,204
Net OPEB obligation	1,634,183
Total liabilities	68,885,551
NET ASSETS	
Invested in capital assets, net of related debt	95,077,339
Restricted for:	
Debt service	994,486
Unrestricted	36,614,650
Total net assets	\$ 132,686,475

The notes to the financial statements are an integral part of this statement.

County of Kings
Statement of Activities
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 16,124,520	\$ 3,296,769	\$ 19,682,500	\$ 6,854,749
Public safety	58,421,838	3,434,281	22,092,073	(32,895,484)
Public ways and facilities	-	71,538	2,190,044	2,261,582
Highways and streets	4,129,790	524,928	4,396,037	791,175
Health and sanitation	25,791,083	1,282,831	23,559,452	(948,800)
Public assistance	70,488,563	77,530	65,338,522	(5,072,511)
Education	2,098,651	37,164	80,223	(1,981,264)
Culture and recreation	1,633,433	84,027	876,098	(673,308)
Unallocated depreciation	4,540,074	-	-	(4,540,074)
Interest on long-term debt	1,401,289	-	-	(1,401,289)
Total primary government	<u>\$ 184,629,241</u>	<u>\$ 8,809,068</u>	<u>\$ 138,214,949</u>	<u>\$ (37,605,224)</u>

General revenues:

Property taxes	\$ 23,747,617
Sales taxes	1,429,747
Franchise taxes	2,128,160
Hotel taxes	199,017
Investment earnings	1,802,060
Gain / (loss) on sale of capital assets	(1,375,856)
Miscellaneous	6,536,812
Total general revenues	<u>34,467,557</u>
Change in net assets	<u>(3,137,667)</u>
Net assets - beginning	135,824,142
Net assets - ending	<u>\$ 132,686,475</u>

The notes to the financial statements are an integral part of this statement.

**County of Kings
Balance Sheet
Governmental Funds
June 30, 2010**

ASSETS	General	Debt Service	Capital Projects	Redevelopment Agency	Nonmajor Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,062,986	\$ 22,431	\$ 364,491	\$ 114,006	\$ 548,532	\$ 2,112,446
Imprest cash	24,930	-	-	-	754	25,684
Treasurer investments	27,007,848	553,897	8,976,987	2,781,111	13,529,801	52,849,644
Deposits with others	25,000	-	-	-	37,121	62,121
Investments	771,782	-	-	-	-	771,782
Receivables	10,110,763	1,227	213,719	12,252	2,261,759	12,599,720
Due from other funds	372,699	-	-	-	343	373,042
Due from other governments	125,853	-	-	599	-	126,452
Advances to other funds	-	-	3,000,000	-	-	3,000,000
Loans Receivable	500,000	-	-	-	-	500,000
Deposits with others - restricted	211,963	782,523	-	-	-	994,486
Total assets	40,213,824	1,360,078	12,555,197	2,907,968	16,378,310	73,415,377
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued expenses payable	\$ 1,454,995	\$ -	\$ 262,925	\$ -	\$ 1,872,551	\$ 3,590,471
Deferred revenue	17,091,657	-	2,888,046	-	527,545	20,507,248
Due to other funds	572,786	-	-	27,653	465,245	1,065,684
Advances from other funds	-	-	-	3,000,000	-	3,000,000
Total liabilities	19,119,438	-	3,150,971	3,027,653	2,865,341	28,163,403
Fund balances:						
Reserved for:						
Investments	771,782	-	-	-	-	771,782
Advances	-	-	3,000,000	-	-	3,000,000
Loans	500,000	-	-	-	-	500,000
Debt service	211,963	782,523	-	-	-	994,486
Donations	110,062	-	-	-	16,000	126,062
Construction	54,448	-	-	-	-	54,448
Equipment replacement & repair	4,171	-	-	-	-	4,171
Unreserved, designated for, reported in:						
Encumbrances	116,915	-	386,325	-	90,495	593,735
Earthquake self insurance	500,000	-	-	-	-	500,000
Liability self insurance	3,533,310	-	-	-	-	3,533,310
Economic uncertainties	3,039,935	-	-	-	260,336	3,300,271
Contingencies	4,484,341	-	2,208,351	-	10,995,186	17,687,878
Construction	1,430,058	-	2,170,121	-	-	3,600,179
Debt service	2,166,929	-	-	-	-	2,166,929
Financial system	200,000	-	-	-	-	200,000
Unreserved, undesignated reported in:						
General fund	3,970,472	-	-	-	-	3,970,472
Debt service fund	-	577,555	-	-	-	577,555
Capital projects funds	-	-	1,639,429	-	-	1,639,429
Redevelopment agency fund	-	-	-	(119,685)	-	(119,685)
Special revenue funds	-	-	-	-	2,150,952	2,150,952
Total fund balances	21,094,386	1,360,078	9,404,226	(119,685)	13,512,969	45,251,974
Total liabilities and fund balances	\$ 40,213,824	\$ 1,360,078	\$ 12,555,197	\$ 2,907,968	\$ 16,378,310	\$ 73,415,377

The notes to the financial statements are an integral part of this statement.

County of Kings
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - total governmental funds	\$45,251,974
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	109,437,909
Deferred charges represent issuance costs when debt is originally issued. These charges are deferred in order to amortize the issuance costs over the life of the borrowing. Governmental funds do not defer these charges but rather recognize the costs as incurred against current financial resources. (Pension Obligation Bonds \$228,197, Lease Revenue Bonds \$418,491)	646,688
Certain accrued revenue are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds. (Property Taxes \$1,781,280, Impact Fees \$2,888,047, Intergovernmental Revenues \$1,875,316)	6,544,643
Accrued interest payable represents interest incurred, but is not yet due, as of the end of the fiscal year. Governmental funds recognize interest payable when due since this requires the use of current financial resources. (Pension Obligation Bonds \$2,842,062, Lease Revenue Bonds \$98,326, Capital Leases \$96,263)	(3,036,651)
Internal service funds are used by management to charge the costs of public works, fleet management, information technology, health self-insurance and workers compensation self-insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	12,969,092
Long-term liabilities are not due in the current period, and therefore are not included in the funds. (Pension Obligation Bonds \$10,667,163, Lease Revenue Bonds \$9,710,000, Capital Leases \$9,775,449, Compensated Absences \$5,063,385, General Liability - IBNR \$1,277,000, Claims Liability \$1,000,000, Net OPEB Obligation \$1,634,183)	(39,127,180)
Total net assets - governmental activities	<u>\$132,686,475</u>

The notes to the financial statements are an integral part of this statement.

County of Kings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

REVENUES	General	Debt Service	Capital Projects	Redevelopment Agency	Nonmajor Funds	Total Governmental Funds
Taxes:						
Property	\$ 15,807,899	\$ -	\$ 6,043	\$ 112,047	\$ 6,906,788	\$ 22,832,777
Sales	1,429,621	-	-	-	128	1,429,749
Franchise	1,779,643	-	-	-	348,517	2,128,160
Hotel	199,017	-	-	-	-	199,017
Licenses and permits	354,002	-	-	-	-	354,002
Fines and forfeits	289,871	-	-	-	525,329	815,200
Intergovernmental	110,932,655	-	1,349,337	-	24,127,375	136,409,367
Charges for services	8,442,424	-	-	-	45,335	8,487,759
Rents and concessions	671,589	-	-	-	4,085	675,674
Investment earnings	811,535	48,582	210,472	53,448	380,418	1,504,455
Contributions and donations	56,921	-	350,000	-	18,666	425,587
Miscellaneous	2,413,245	-	834,775	-	3,575,843	6,823,863
Total revenues	<u>143,188,422</u>	<u>48,582</u>	<u>2,750,627</u>	<u>165,495</u>	<u>35,932,484</u>	<u>182,085,610</u>
EXPENDITURES						
Current:						
General government	\$ 17,203,868	\$ -	\$ -	\$ -	\$ -	\$ 17,203,868
Public safety	44,348,939	-	-	-	13,216,712	57,565,651
Public ways and facilities	29,365	4,000	-	379,663	8,005	421,033
Highways and streets	-	-	-	-	4,328,609	4,328,609
Health and sanitation	25,714,275	-	-	-	-	25,714,275
Public assistance	55,357,065	-	-	-	15,665,379	71,022,444
Education	198,251	-	-	-	1,884,590	2,082,841
Culture and recreation	1,633,433	-	-	-	-	1,633,433
Debt service:						
Principal	1,047,942	375,000	-	-	58,662	1,481,604
Interest	528,735	403,637	87,458	-	7,338	1,027,168
Capital outlay	829,913	-	8,375,656	-	692,165	9,897,734
Total expenditures	<u>146,891,786</u>	<u>782,637</u>	<u>8,463,114</u>	<u>379,663</u>	<u>35,861,460</u>	<u>192,378,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,703,364)</u>	<u>(734,055)</u>	<u>(5,712,487)</u>	<u>(214,168)</u>	<u>71,024</u>	<u>(10,293,050)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	182,005	832,816	897,442	-	1,149,821	3,062,084
Transfers out	(2,014,206)	-	(182,005)	-	(890,373)	(3,086,584)
Total other financing sources (uses)	<u>(1,832,201)</u>	<u>832,816</u>	<u>715,437</u>	<u>-</u>	<u>259,448</u>	<u>(24,500)</u>
Net change in fund balances	<u>(5,535,565)</u>	<u>98,761</u>	<u>(4,997,050)</u>	<u>(214,168)</u>	<u>330,472</u>	<u>(10,317,550)</u>
Fund balances - beginning	26,629,951	1,261,317	14,401,276	94,483	13,182,497	55,569,524
Fund balances - ending	<u>\$ 21,094,386</u>	<u>\$ 1,360,078</u>	<u>\$ 9,404,226</u>	<u>\$ (119,685)</u>	<u>\$ 13,512,969</u>	<u>\$ 45,251,974</u>

The notes to the financial statements are an integral part of this statement.

**County of Kings
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010**

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

Net change in fund balances - total governmental funds	(\$10,317,550)
Governmental funds report capital outlays 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. This is the amount by which capital outlays (\$9,897,734) exceeded depreciation (\$5,011,388) in the current period.	4,886,346
The net effect from sale, trade-in transactions and transfers involving capital assets is to decrease net assets.	(1,269,983)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. Deferred revenues from property tax receivables (\$1,781,280), impact fees (\$885,886) and intergovernmental revenues (\$1,875,316) are unavailable for current fiscal year expenditures.	4,542,482
Governmental funds may not report revenues until they are available. The statement of activities, however, is not subject to this availability criterion. Property taxes of (\$1,752,326) were reported as revenue during the prior year within the statement of activities.	(1,752,326)
The issuance of long-term debt for the bonds and capital leases provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Governmental activities record the principal portion as a reduction to the noncurrent liability outstanding. Capital Leases \$403,020, Pension Obligation Bonds \$738,580, Lease Revenue Bonds \$375,000.	1,516,600
Certain expenses reported in the statement of activities do not require the use of financial resources and, therefore, are not reported as expenditures in the general funds. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Amortization of deferred charges (\$39,877), general liability - IBNR (\$407,000), claims liability (\$1,000,000) and accrued interest (\$335,008).	(1,781,885)
Governmental funds expense payments for compensated absences and other post-employment benefits (OPEB) related to the self-funded health care program, however the statement of activities accounts for expenditures using the accrual basis of accounting. This amount results from the net accrued expenses exceeding paid for the Net OPEB Obligation (\$760,733) versus excess payments for Compensated Absence (\$303,949).	(456,784)
Internal service funds are used by management to charge the costs of public works, fleet management, information technology, health self-insurance and workers compensation self-insurance to individual funds. The net revenue (expenses) of activities from internal service funds is reported within governmental activities.	1,495,433
Change in net assets of governmental activities	<u><u>(\$3,137,667)</u></u>

The notes to the financial statements are an integral part of this statement.

**County of Kings
Statement of Net Assets
Proprietary Funds
June 30, 2010**

	Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 654,090
Imprest cash	330
Treasurer investments	16,019,998
Deposit with others	360,000
Receivables	152,688
Due from other funds	774,965
Due from other governments	22,242
Inventories and prepaids	311,173
Total current assets	18,295,486
Noncurrent assets:	
Capital assets:	
Land	88,691
Structures and improvements	620,198
Equipment	12,468,501
Less accumulated depreciation	(9,252,817)
Total capital assets (net of accumulated depreciation)	3,924,573
Total noncurrent assets	3,924,573
Total assets	\$ 22,220,059
LIABILITIES	
Current liabilities:	
Accrued expenses payable	\$ 895,936
Due to other funds	82,323
Unearned revenue	6,182
Capital leases payable	707
Claims payable	7,590,000
Total current liabilities	8,575,148
Noncurrent liabilities:	
Compensated absences payable	675,819
Total noncurrent liabilities	675,819
Total liabilities	9,250,967
NET ASSETS	
Invested in capital assets, net of related debt	3,923,866
Unrestricted	9,045,226
Total net assets	\$ 12,969,092

The notes to the financial statements are an integral part of this statement.

County of Kings
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 16,840,908
Miscellaneous	10,832,668
Total operating revenues	<u>27,673,576</u>
Operating expenses:	
Salaries and benefits	15,774,454
Services and supplies	7,288,086
Administration	2,321,933
Depreciation	986,784
Total operating expenses	<u>26,371,257</u>
Operating income (expenses)	<u>1,302,319</u>
Nonoperating revenues (expenses):	
Intergovernmental	1,635
Investment earnings	297,604
Interest expense	(24,749)
Net gain / (loss) on sale of assets	(6,519)
Total nonoperating revenue (expenses)	<u>267,971</u>
Income before contributions and transfers	1,570,290
Capital contributions from governmental funds	7,227
Transfers in	24,500
Loss on equipment disposals/transfers	(106,584)
Change in net assets	1,495,433
Total net assets - beginning	11,473,659
Total net assets - ending	<u>\$ 12,969,092</u>

The notes to the financial statements are an integral part of this statement.

**County of Kings
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010**

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 28,280,064
Payments to suppliers	(8,739,165)
Payments to and on behalf of employees	(15,208,444)
Payments for interfund services used	(659,430)
Net cash provided (used) by operating activities	<u>3,673,025</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	24,500
Federal aid for homeland security	1,635
Net cash provided (used) by noncapital and related financing activities	<u>26,135</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(446,186)
Interest paid on capital debt	(24,749)
Loss on equipment disposals/transfers	(106,584)
Net cash provided (used) by capital and related financing activities	<u>(577,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	9,088,552
Purchase of investments	(12,156,834)
Interest and dividends received	297,604
Net cash provided (used) by investing activities	<u>(2,770,678)</u>
Net increase in cash and cash equivalents	350,963
Cash and cash equivalents - beginning of the year	<u>303,457</u>
Cash and cash equivalents - end of the year	<u>\$ 654,420</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**County of Kings
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2010**

	<u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (expense)	\$ 1,302,319
Adjustments to reconcile operating income (expense) to net cash provided (used) by operating activities:	
Depreciation expense	986,784
Net loss on sale of assets	(6,519)
(Increase) decrease in accounts receivable	72,047
(Increase) decrease in due from other funds	523,435
(Increase) decrease in due from other governments	17,521
(Increase) decrease in inventories and prepaids	9,673
Increase (decrease) in accrued expenses payable	465,588
Increase (decrease) in due to other funds	(57,764)
Increase (decrease) in unearned revenue	4
Increase (decrease) in capital leases payable	(13,523)
Increase (decrease) in claims payable	279,000
Increase (decrease) in compensated absences payable	94,460
Total adjustments	<u>2,370,706</u>
Net cash provided (used) by operating activities	<u>\$ 3,673,025</u>
 Noncash capital activities:	
Contributions of capital assets from governmental funds	\$ 7,227

The notes to the financial statements are an integral part of this statement.

County of Kings
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Retiree Health Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 10,854	\$ 5,479,830
Treasurer investments	264,374	126,500,899
Deposit with others		2,970,844
Receivables		9,436,434
Prepaid expenses		110,234
Total assets	<u>275,228</u>	<u>144,498,241</u>
 LIABILITIES		
Due other agencies	<u>-</u>	<u>144,498,241</u>
Total liabilities	<u>-</u>	<u>144,498,241</u>
 NET ASSETS		
Held in trust for retiree health insurance premiums	<u>\$ 275,228</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

County of Kings
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2010

	Retiree Health Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 46,999
Plan members	42,867
Total additions	89,866
 DEDUCTIONS	
Health insurance premiums	89,449
Total deductions	89,449
Change in net assets	417
Net assets - beginning	274,811
Net assets - ending	\$ 275,228

The notes to the financial statements are an integral part of this statement.

County of Kings
Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The County of Kings was incorporated in 1897 under laws of the State of California and currently consists of approximately 1,390 square miles with four incorporated cities within the County: Hanford, Lemoore, Corcoran and Avenal. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west and Tulare County to the east. The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors that is elected by district. Members serve staggered four-year terms and the Chair is elected by the Board members. The County Administrative Officer is appointed by the Board. County administration consists of appointed and elected officials, boards, commissions and committees that assist the Board of Supervisors, including the Director of Finance, County Counsel, the Assessor-Clerk-Recorder, the District Attorney and the Sheriff-Coroner-Public Administrator.

Many of the County's functions are required under County ordinances, or by State and Federal mandate. State and federally mandated programs, primarily in the social and health care service areas, are required to be maintained at certain minimum levels, which limits the County's control.

The County provides a wide range of services to its residents including: health and welfare, sheriff, jails, probation, medical examiner, fire fighting and prevention force, elections, planning, a park and recreation system, libraries, road maintenance and the necessary support for these service providers. All are responsible to the Citizens of the County of Kings, and are therefore included within the reporting entity.

The financial statements of the County of Kings have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance a part of the government operations. There are no discretely presented component units included in these financial statements.

Blended Component Units. The operations of some component units are so intertwined with those of Kings County Government that they function, for all practical purposes, as an integral part of the County despite their separate legal status. GAAP prescribe that the data from such integral component units be blended with Kings County financial statement reports. Criteria used for determination of blended component units include a shared governing body, exclusive or almost exclusive benefit to the County Government, and that the County is financially responsible. Blended component units of Kings County include Kings County Financing Authority for jail facility construction, Children and Families First Commission for early childhood development services, I.H.S.S. Public Authority Fund for providing in-house care for indigents and the Redevelopment Agency for improving a 473-acre area in Kettleman City. The Kings County Financing Authority is reported in the Capital Project and Debt Service Fund to account for the bond proceeds used for jail construction. The Children and Families First Commission, I.H.S.S. Public Authority and Redevelopment Agency are reported in separate Special Revenue Funds to account for revenues received that are legally restricted to expenditures for those specific purposes. Completed financial statements for each of the individual blended component units may be obtained by contacting the County of Kings, Finance Department, 1400 W. Lacey Blvd., Hanford, CA 93230, Attn: Doil O'Steen – Director of Finance – Accounting, telephone number 559-582-3211 ext. 2473.

Related Organizations. A government may appoint the voting majority of board members for another entity without establishing a bond of financial accountability with that entity that would justify its inclusion as a component unit. GAAP refer to entities that meet this description as related organizations. The Kings County Board of Supervisors has authority to appoint the majority of members for the Law Library Board, Corcoran Cemetery District, Hanford Cemetery District, Lemoore Cemetery District, Cross Creek Flood Control District, the Excelsior-Kings River Resource Conservation District and Mosquito Abatement District. The Library Board operates and maintains the County's Law Library. The Cemetery Districts maintain, operate and establish rules and regulations for the management of cemeteries under their control within the County of Kings. The Flood Control District appointees are from land owners residing in the district in order to manage the entity's affairs and act as a governing board. The Conservation District was formed to control water runoff, the prevention and control of soil erosion, development and distribution of water, and the improvement of land capabilities. The Mosquito District defines the policies for operations and employs the necessary staff with resources necessary to control mosquitoes.

B. Government wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the County of Kings.

The statement of activities demonstrates to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) fees, fines and charges paid by the recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. If revenues are considered *unavailable*, then they are recorded as *deferred revenue* on the balance sheet; such as property taxes levied but unavailable for expenditures during the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days at the end of the current fiscal period. Expenditures generally are 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*. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements include the activities of various funds and account groups, for which the County has oversight responsibility. The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Account groups are no longer presented as such in the financial statements, but the information is incorporated in the governmental activities column of the government-wide statement of net assets. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are

allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County groups and reports the various funds in the financial statements as follows:

Governmental Funds:

General Fund – This is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. **(Major Fund)**

Special Revenue Funds – Account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Reported in the **Nonmajor Fund** column, except for **Redevelopment Agency considered a major fund** for financial reporting purposes.

Debt Service Fund – Account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds. **(Major Fund)**

Capital Project Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. **(Major Fund)**

Proprietary Funds:

Workers Compensation Self-Insurance – Internal Service Fund: Accounts for the County’s Workers Compensation Self-Insurance program. This program provides Workers Compensation insurance coverage for the County’s employees.

Fleet Management – Internal Service Fund: Accounts for program costs relating to motor pool and equipment maintenance for other County departments and agencies on a cost-reimbursement basis.

Information Technology Service – Internal Service Fund: Accounts for costs relating to operations of the County’s Data Processing department. Costs (including depreciation) of providing services to County departments and outside agencies are to be recovered primarily through user charges.

Health Self-Insurance Fund – Internal Service Fund: Accounts for the County’s health self-insurance program. The program offers optional health insurance coverage to County employees.

Public Works – Internal Service Fund: Accounts for program costs relating to roads, building and maintenance projects, surveyor and other reimbursable projects for other County departments and agencies on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds – Account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs. The County has a Retiree Health Trust Fund used to account for sick leave accumulated by County employees who subsequently retire and have the option to contribute a portion of their sick leave to this fund, with County matching, in order to assist with their health insurance premiums during retirement. The remainder of the Fiduciary Funds of the County are Agency Funds in which the County’s role is purely custodial such as the receipt of monies, temporary investment, and remittance to other parties outside of Kings County. Includes Special Districts, School Districts, Colleges and Hospitals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements for the primary government including interfund receivables, payables, and transfers between the governmental funds. Also, eliminated are indirect expenses for administration that are charged to certain departments. Only direct expenditures incurred are allowed to be charged to each functional category for government-wide financial reporting purposes. Exceptions to this rule are for goods and services provided by internal services funds to other governmental funds. Internal activity consists of Fleet Management, Information Technology and Public Works Departments that record program revenues representing charges for services to various other functions of County departments who in-turn record expenditures for these charges. Also, the Health Self-Insurance Fund records miscellaneous revenue for charges and these expenditures are not eliminated as well from the various functional categories. Elimination of all these interfund charges would distort the direct costs and program revenues reported for the various functions concerned. However, any net profit or loss resulting from these internal service fund activities is eliminated.

Amounts reported as *program revenues* include 1) charges to recipients for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (if applicable). Internally dedicated resources are reported as *general revenues (discretionary revenues)* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges for services provided to County departments and other agencies on a cost-reimbursement basis. Operating expenses for internal service funds include cost of services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County maintains an Investment Pool managed by the Treasurer, which acts as a depository for over 42 units of local government including funds of the County, School Districts and Special Districts.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition including the Statement of Cash Flows for proprietary funds. Note that the Money Market Funds are reported within the Treasurer Investments.

State statutes authorize the government to invest in obligations of the U.S. Treasury and agencies of the Federal, State and Local Governments, bankers acceptances, commercial paper, negotiable certificate of deposits, collateralized certificates of deposit, repurchase agreements or reverse repurchase agreements or securities lending agreements, medium term corporate notes and bonds, asset back securities, money market mutual funds, and the State Treasurer's Investment Pool. In general, the statutes allow no maturities of investments to be in excess of five years.

The Treasurer is authorized by the County Board of Supervisors to invest within the parameters of the California State statutes except for the County does not invest in asset back securities. The Treasury Oversight Committee is a seven member committee composed of County officials, a member of the public, and representatives of the

school districts and special districts who meet semiannually with the County Board to review the adoption of investment policies to ensure compliance.

In general, GASB #31 accounting pronouncements require governmental entities to report the fair market value changes for these investments at year-end and if significant, report these gains or losses on their income statements. Accordingly, the carrying value of County investments at fair market value were greater than their historical cost as of June 30, 2010. As a result, the County increased treasurer investments and investment earnings in Governmental Funds by \$399,384, Proprietary Funds \$169,713 and Fiduciary Funds \$1,523,882.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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). All other outstanding balances between funds are reported as 'due to / from other funds.'

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 expendable available financial resources.

All trade and property tax receivables are not shown as net of an allowance for uncollectibles. The County has evaluated the collectability of receivables as adequate to report them as gross receivables without a deduction for discounts and allowances.

Property taxes are levied as of October 6th on property values assessed as of the preceding January 1st and are payable in equal installments November 1 and February 1 and are receivable when levied. For assessment and collection purposes, property is classified either as 'secured' or 'unsecured' and is listed accordingly on separate parts of the assessment roll. The secured roll is that part of the assessment roll containing State assessed property and real property which can be secured by liens. Other property is assessed on the 'unsecured roll' representing taxes paid on property that is not owned by the property tax payer; this property is not secured if unpaid by the tax payer (i.e., business leases a building).

The County has not adopted the method of secured property tax apportionment known as the Teeter Plan. The County levies a one percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State Law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation on the basis of 'situs' growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Property taxes on the secured roll are due in two installments during the fiscal year that become delinquent on December 10th and April 10th, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30th of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the County Tax Collector.

Legislation established the 'supplemental roll' in 1984 which directs the Assessor to reassess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property of the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: 1) by filing a civil action against the taxpayer, 2) by filing a certificate in the office of the County Clerk by specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, 3) by filing a certificate of delinquency for record in the County Recorders office in order to obtain a lien on certain property of the taxpayer, and 4) by seizure and sale of personal property, improvements or possessory interest, belonging to the tax payer.

3. Inventories and prepaid items

Inventories of materials and supplies are for the Information Technology Service and Fleet Management internal service funds. Cost is determined by the average cost method not to be in excess of fair value. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Kings County Public Finance Authority's lease revenue bonds are recorded in the debt service fund, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The debt service fund is used to account for resources accumulated from the Courts to pay the bond debt service. A 'reserve account' at the bank is used to maintain and report the portion of bond proceeds set aside in order to make up for potential future deficiencies in the debt service fund amounting to \$782,523. In addition, the pension obligation bonds (Series B) require an additional 2% of the estimated debt service amount in the event Libor interest rates paid exceed projections. This restricted deposit amounts to \$211,963 for the current fiscal year.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water/sewer systems and similar items), are reported in the government-wide financial statements. The proprietary fund financials include capital assets which are also reported in the government-wide financials. Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The County reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of infrastructure assets, the County chose to include all such items purchased and constructed after June 30, 1980, as required by the Governmental Accounting Standards Board. The reported cost of capital assets exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the County values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	50
Building Improvements	10-25
Infrastructure	10-50
Vehicles	3-15
Machinery & Equipment	5-20
Office Equipment	5-20
Computer Equipment	5-10

6. Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. County employees are generally vested to twenty-five percent of their sick leave balance after five years of service for accrual purposes. There is a cap on the maximum amount of vacation hours an employee can accrue ranging from 160 to 320 hours based on years of service. Once the maximum accrual for vacation has been reached, employees stop earning additional vacation hours until the accumulation level drops below the established limits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements that become due and payable in the current fiscal year.

7. Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources revenue while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans by management that are subject to change.

9. Deficit fund equity

The following special revenue funds, included in the column for nonmajor governmental funds, had deficit fund balances as follows: The Job Training Office for \$586,441, and In-House Supportive Services for \$308,644 as of June 30, 2010. In addition, the Workers Compensation Self-Insurance internal service fund held a deficit balance of \$248,603. The Redevelopment Agency, a major governmental fund had a deficit fund balance of \$119,685. The Job Training Office and In-House Supportive Services operate on a cost reimbursement basis; expenditures causing the fund deficits have been claimed for reimbursement, but have not yet been received from the State. If

the State were not to approve the costs, the County would transfer funds from the general fund to cover the expenditures. During the 2010 fiscal year, an Actuarial Review of the Worker's Compensation Program was completed requiring a \$279,000 expense accrual for the ultimate cost of claims and expenses associated with all reported and unreported claims. Costs are applied to individual funds in the amount of \$2,500,000 per year to cover actual workers compensation claims, if needed; the cost-applied amount will be adjusted higher based on actual results.

10. Allocation of investment income among funds

It is presumed under Generally Accepted Accounting Principles (GAAP) that investment income is reported in the same fund that reports the underlying investment. However, it is common for income on investments to legally accrue to the benefit of some other fund. GAAP require that a government disclose whenever the income from investments in one fund is assigned directly to the benefit of another fund.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2010, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturities</u>				
		<u>Less than 1 Year</u>	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>4 Year</u>
Federal Agencies	\$59,405,569	\$9,370,341	\$3,889,670	\$35,125,218	\$4,008,760	7,011,580
Local Agency Investment Fund	50,132,388	50,132,388				
Money Market Mutual Funds	21,586,222	21,586,222				
Collateralized Time Deposits	16,000,000	16,000,000				
Medium-Term Corporate Notes	<u>56,577,256</u>	<u>21,044,120</u>	<u>24,044,096</u>	<u>11,489,040</u>		
Total	<u>\$203,701,435</u>	<u>\$118,133,071</u>	<u>\$27,933,766</u>	<u>\$46,614,258</u>	<u>\$4,008,760</u>	<u>\$7,011,580</u>

Note: Federal Agency Callable bonds are shown at maturity rather than call date. All bonds are callable within the next year; however, the County invests with the assumption that the callable investments will be held to maturity.

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by investing operating funds primarily in shorter-term securities. The maximum maturity for investments is five years or less including Federal Agencies and Medium-Term Corporate Notes. Commercial Paper is limited to 270 days maximum maturity.

Credit risk. State law limits investment purchases in commercial paper to the highest rating and medium-term corporate notes to the upper investment grade rating and higher (A to AAA for S&P, A2 to Aaa for Moody's) issued by nationally recognized statistical rating organizations (NRSROs). Prior to 2009, it was the County's policy to limit its investments in these investment types to the same ratings as required by the State. The County changed its policy to increase minimum credit quality ratings (from A to AA- for S&P, A2 to Aa3 for Moody's). As of June 30, 2010, the County's investments in medium-term notes were rated A+ to AAA by Standard & Poor's and A1 to Aaa by Moody's Investors Service. The Federal Agencies, Money Market Mutual Funds, and Collateralized Time Deposits are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The County's investment policy does not allow for an investment in any one corporate issuer that is in excess of 10 percent of the County's total investments. Investments in the following corporate issuers exceeded 5 percent: General Electric Corporation (5.38 percent) and Goldman Sachs Group (5.55 percent).

In April of 1988, the Board of Supervisors authorized the purchase of Farmers' Home Administration bonds outstanding on local sewer and water assessment bonds in the amount of \$2,335,000. The investment is amortized over 35 years and returns are all being transferred to the General Fund. At June 30, 2010, the County's remaining unamortized balance is \$771,782.

B. Receivables

Receivables as of year end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	Debt		Capital	Redevelopment	Nonmajor	Total	Internal		
	General	Service	Projects	Agency	Funds	Governmental	Service	Fiduciary	Total
						Funds	Funds	Funds	
Receivables:									
Accounts	\$180,812	\$ -	\$ -	\$ -	\$ -	\$180,812	\$113,311	\$1,540,467	\$1,834,590
Intergovernmental	8,493,804	-	-	-	1,603,708	10,097,512	-	582,092	10,679,604
Taxes	1,253,735	-	174,838	-	598,958	2,027,531	-	6,661,667	8,689,198
Interest	<u>182,412</u>	<u>1,227</u>	<u>38,881</u>	<u>12,252</u>	<u>59,093</u>	<u>293,865</u>	<u>39,377</u>	<u>652,208</u>	<u>985,450</u>
Total Receivables	<u>\$10,110,763</u>	<u>\$1,227</u>	<u>\$213,719</u>	<u>\$12,252</u>	<u>\$2,261,759</u>	<u>\$12,599,720</u>	<u>\$152,688</u>	<u>\$9,436,434</u>	<u>\$22,188,842</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be 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. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds and proprietary funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$1,253,735	
Delinquent property taxes receivable (special fund)	527,545	
Impact Fees collected on new developments for future supporting facilities (capital projects fund)	2888,046	
Grant drawdown's and fees collected past the modified accrual 60 day timeperiod (general fund)	1,875,316	
Deposit for Environmental Impact Studies (internal service fund)		\$6,182
Deposits for appeals against property assessments (general fund)		13,700
Property taxes paid in advance for mobile homes sold (general fund)		44,239
Grant drawdown's and fees collected prior to meeting all eligibility requirements		<u>13,904,667</u>
Total deferred / unearned revenue for governmental funds and internal service funds	<u>\$6,544,642</u>	<u>\$13,968,788</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$7,528,650	\$454,178	(\$159,993)	\$7,822,835
Construction in progress	11,247,785	5,677,860	(7,102,894)	9,822,751
Total capital assets, not being depreciated	18,776,435	6,132,038	(7,262,887)	17,645,586
Capital assets, being depreciated:				
Structures and improvements	99,547,854	9,675,692	(1,408,356)	107,815,190
Equipment	24,952,810	1,749,610	(1,636,167)	25,066,253
Infrastructure	40,436,803			40,436,803
Total capital assets being depreciated	164,937,467	11,425,302	(3,044,523)	173,318,246
Less accumulated depreciation:				
Structures and improvements	(33,165,180)	(2,405,083)	771,161	(34,799,102)
Equipment	(15,214,441)	(2,422,378)	835,980	(16,800,839)
Infrastructure	(24,830,700)	(1,170,710)		(26,001,410)
Total accumulated depreciation	(73,210,321)	(5,998,171)	1,607,141	(77,601,351)
Total capital assets, being depreciated, net	91,727,146	5,427,131	(1,418,903)	95,716,895
Governmental activities capital assets, net	\$110,503,581	\$11,559,169	(\$8,700,269)	\$113,362,481

Depreciation expense was charged to functions/programs for governmental activities as follows:

Governmental Activities:	
General Government	\$269,132
Public Safety	710,479
Health and Sanitation	134,415
Public Assistance	341,659
Education	2,412
Unallocated Depreciation	<u>4,540,074</u>
Grand Total	<u>\$5,998,171</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Fund	\$27,653
	Nonmajor Funds (2)	345,046
Health Self-Insurance Fund (1)	General Fund	572,786
	Nonmajor Funds (2)	119,856
	Fleet Management Fund (1)	4,203
	Information Technology Services Fund (1)	30,844
	Public Works Fund (1)	47,276
Nonmajor Fund (2)	Nonmajor Fund (2)	343
	Total	<u>\$1,148,007</u>

(1) Internal Service Funds

(2) Nonmajor Funds = Special Revenue Funds

Short-term working capital loans payable to the General Fund represent \$345,046 of the total interfund balance amount of \$1,148,007 as noted above. The Redevelopment Agency owes the General Fund \$27,653 for 'pass-through' amounts derived from incremental taxes. The remaining \$774,965 reflects a timing difference between the current year insurance contributions withheld from payroll using a clearing account verses the allocation of these contributions to the Health Self-Insurance Fund subsequent to year-end.

Advances from / to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Redevelopment Agency Fund	\$3,000,000
		<u>\$3,000,000</u>

The \$3,000,000 due to the Capital Projects Fund represents a loan for completing Phase I of the Water Treatment Plan in the redevelopment area of Kettleman City.

Interfund transfers:

<u>Transfer In:</u>					
<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Transfers out:					

General Fund	\$ -	\$ -	\$839,885	\$1,149,821	\$24,500	\$2,014,206
Capital Projects Fund	182,005	-	-	-	-	182,005
Nonmajor Funds (2)	-	832,816	57,557	-	-	890,373
Internal Service Funds	-	-	-	-	-	0
Total	<u>\$182,005</u>	<u>\$832,816</u>	<u>\$897,442</u>	<u>\$1,149,821</u>	<u>\$24,500</u>	<u>\$3,086,584</u>

(2) Nonmajor Funds = Special Revenue Funds

The \$832,816 above represents transfers from the Criminal Justice Facility Fund to the Debt Service Fund for Lease Revenue bond payments that are due annually for the new Jail Facility. The \$897,442 transferred to the Capital Project Fund mainly reflects contributions for building projects from the General Fund for the costs of construction for the Human Services Expansion Project. The \$1,149,821 of transfers to the Special Revenue Funds represent contributions for supporting the Fire Department (\$900,000) received from Tribal Mitigation Fees and \$249,821 for the In-House Supportive Services (IHSS) Department. The \$182,005 of transfers to the General Revenue Fund from the Capital Projects Fund reflect refunds of unused funds (\$128,582) representing the Financial and H.R. System and (\$53,423) for the Kings View Lobby Remodel. General Fund transferred \$24,500 to the Internal Service Fund for a vehicle (Van) to be used for the Victim Assistance Program.

E. Leases

Operating Leases

The government leases buildings and office facilities, vehicles, and office equipment under noncancelable operation leases. Total estimated costs for such leases were \$853,305 for the year ended June 30, 2010. The future minimum lease payments for the leases are estimated as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$637,863
2012	500,127
2013	498,749
2014	157,457
2015	81,905
2016-2017	<u>78,919</u>
Total	<u>\$1,955,020</u>

Capital Leases

The County has entered into the following lease agreements as lessee for the following purposes: 1) Energy Conservation Equipment (Feb. 2003) in the amount of \$1,332,318 to finance the acquisition, installation and retrofitting of buildings that includes lighting, air conditioning, heating, and roofing. This same lease agreement financed Fire Trucks amounting to \$430,306. 2) Cogeneration Plant (July 2004) for construction costs of \$3,005,000 partially financed with a \$2,460,358 lease agreement. Construction also included new roofs for certain County buildings. 3) Energy Conservation Project (Sept. 2008) representing a major upgrade costing \$8,372,764 for the construction and installation of a central heating, cooling and storage plant including a new energy management system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Structures and Improvements	\$12,710,082
Equipment	<u>430,306</u>
Total	13,140,388

Less: Accumulated Depreciation
 Total

(1,224,435)
\$11,915,953

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$883,966
2012	901,383
2013	929,854
2014	746,216
2015	775,717
2016-2020	4,261,786
2021-2025	3,435,498
2026-2029	2,588,878
Total minimum lease payments	14,523,298
Less: amount representing interest	(4,747,142)
Present value of minimum lease payments	<u>\$9,776,156</u>

F. Long-term debt

Pension Obligation Bonds

On June 29, 2004, Kings County issued \$13,877,742 in taxable Pension Obligation Bonds. Kings County participated in two separate issues. For Series A-2, the County issued \$7,007,742 in Capital Appreciation Bonds through the California Statewide Community Development Authority. For Series B, the County issued \$6,870,000 in floating rate securities (Index Bonds) by private placement. The bonds were issued to pay the County's unfunded accrued actuarial liability (UAAL) to the California Public Employees' Retirement System (CALPERS). Pension Obligation bonds are unconditional obligations, payable from any legally available source of funds.

2004 Series A-2 Pension Obligation Bonds (Capital Appreciation Bonds)

The Series A-2 Pension Obligation Bonds were structured with no interest or principal payments during the first two years of the twenty year issue. Each year, as a bond coupon matures within the series, principal and interest are due and payable for that coupon.

Series A-2 Pension Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
CALPERS UAAL (2011-2015)	5.24-5.94%	\$2,114,102
CALPERS UAAL (2016-2020)	6.08-6.45%	1,764,111
CALPERS UAAL (2021-2024)	6.48-6.58%	<u>1,203,950</u>
Total		<u>\$5,082,163</u>

Annual debt service requirements to maturity for the Series A-2 Pension Obligation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
----------------------------	------------------	-----------------

2011	\$450,874	\$194,126
2012	437,591	232,410
2013	423,484	271,516
2014	409,061	310,939
2015	393,092	351,908
2016-2020	1,764,111	2,415,888
2021-2024	<u>1,203,950</u>	<u>2,736,228</u>
Total	<u>\$5,082,163</u>	<u>\$6,513,015</u>

2004 Series B Pension Obligation Bonds (Index Bonds)

The interest rate for the Series B Pension Obligation Bonds is indexed to the London Interbank Offered Rate (LIBOR). The calculation is based on LIBOR plus .30%. The County is required to deposit with the Trustee, on or before August 1 of each year of the 20 year issue, the estimated annual debt service amount for the upcoming year. Plus an additional 2.00%, amounting to \$211,963 for the 2010 fiscal year, to ensure that debt service funds will be sufficient in the event that the LIBOR rate exceeds projections.

Series B Pension Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Current Interest Rate</u>	<u>Amount</u>
CALPERS UAAL	.74 as of 05/11 (variable)	\$5,585,000

Projected annual debt service requirements to maturity for the Series B Pension Obligation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Projected Interest</u>
2011	\$285,000	\$128,915
2012	295,000	175,560
2013	295,000	216,075
2014	290,000	250,690
2015	300,000	284,160
2016-2020	1,940,000	1,281,690
2021-2024	<u>2,180,000</u>	<u>450,840</u>
Total	<u>\$5,585,000</u>	<u>\$2,787,930</u>

Lease Revenue Bonds

Kings County created the Kings County Public Finance Authority in order to issue \$11,470,000 of non-taxable Revenue Bonds on March 15, 2005, to finance a portion of the Jail Facility Construction Project costs. The County has pledged revenues derived from the Criminal Justice Facilities Fund representing a portion of the penalty assessments by the Judicial Courts to pay the debt service. In general, these bonds are issued as 23-year serial bonds that are structured for principal amounts to mature each year. Bonds maturing April 01, 2009, to April 01, 2015, are subject to optional call redemptions by the County on or after April 01, 2008, as a whole or in part. In addition, bonds are redeemable on or after April 01, 2015, for bonds maturing April 01, 2016, to April 01, 2028. The bond issuance is collateralized by the County's Human Services Building, Law Building and Human Resources Building with a combined appraised value of \$11,461,700. A Reserve Fund is also required to be established and maintained to secure annual debt service payments that amount to \$782,523 for fiscal year 2010.

Series A Lease Revenue Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Jail Construction (2011-2015)	3.00-3.75%	\$2,060,000
Jail Construction (2016-2020)	3.75-4.125%	2,480,000
Jail Construction (2021-2025)	4.125-4.25%	3,025,000
Jail Construction (2026-2028)	4.50%	<u>2,145,000</u>
Total		<u>\$9,710,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$385,000	\$393,325
2012	400,000	381,775
2013	410,000	368,775
2014	425,000	354,425
2015	440,000	339,019
2016-2020	2,480,000	1,428,175
2021-2025	3,025,000	878,244
2026-2028	<u>2,145,000</u>	<u>195,750</u>
Total	<u>\$9,710,000</u>	<u>\$4,339,488</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Pension obligation bonds Series A-2	\$5,545,743	\$ -	(\$463,580)	\$5,082,163	\$450,874
Pension obligation bonds Series B	5,860,000	-	(275,000)	5,585,000	285,000
Lease revenue bonds	10,085,000	-	(375,000)	9,710,000	385,000
Total bonds payable	<u>21,490,743</u>	<u>-</u>	<u>(1,113,580)</u>	<u>20,377,163</u>	<u>1,120,874</u>
Capital leases	10,192,699	-	(416,543)	9,776,156	430,830
Claims	8,181,000	4,955,293	(3,269,293)	9,867,000	9,867,000
Compensated absences	5,948,692	5,405,606	(5,615,094)	5,739,204	-
Long-term liabilities	<u>\$45,813,134</u>	<u>\$10,360,899</u>	<u>(\$10,414,510)</u>	<u>\$45,759,523</u>	<u>\$11,418,704</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$8,590,000 of claims, \$675,819 of compensated absences, and \$707 of capital leases from internal service funds are included in the above amounts.

III. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of Assets; errors and omissions; and natural disasters. The County established in 1979 Self-Insurance Programs for Workers

Compensation, General Liability, and Health Insurance risk management funds. County premiums paid into the general fund (general liabilities) and into the internal service funds (workers compensation, health insurance) are primarily premium charges to other funds and are available to pay claims, claim reserves, and administrative costs of the programs. Some insurance programs are partially self-funded.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of this process in estimating the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Liabilities include allocated loss adjustment expenses (ALAE) which are direct costs associated with the defense of individual claims (legal fees, investigation fees, court fees). Also included are unallocated loss adjustment expenses (ULAE) representing the cost to administer all claims to final settlement, which may be years into the future. A discount is calculated for investment income assuming a 6.0% return on investments per year for both workers compensation and general liability.

The County has coverage limits for excess liability for individual claims in excess of \$500,000 thru \$15,000,000 and excess workers compensation claims from \$300,000 through \$100,000,000.

	General <u>Liability</u>	Workers <u>Compensation</u>	Year ended <u>06/30/10</u>
Unpaid claims, beginning of fiscal year	\$870,000	\$7,311,000	\$8,181,000
Incurred claims (including IBNRs)	2,713,860	2,241,433	4,955,293
Claim payments	<u>(1,306,860)</u>	<u>(1,962,433)</u>	<u>(3,269,293)</u>
Unpaid claims, end of fiscal year	<u>\$2,277,000</u>	<u>\$7,590,000</u>	<u>\$9,867,000</u>

The County has medical malpractice coverage with limits of \$11,500,000 over the \$5,000 deductible. Fully insured programs include property insurance with limits of \$600,000,000, a blanket crime bond program and a pollution liability program with limitations to \$10,000,000 for each program, a fiduciary liability program with limits of \$5,000,000, and an aircraft liability program with limits of \$20,000,000. In addition, the County has designated funds to manage risk as follows: Earthquake Self-Insurance for \$500,000, Liability Self-Insurance for \$3,533,310, Economic Uncertainties for \$3,300,271 and reserves for Contingencies amounting to \$17,687,878.

B. Jointly governed organization

Kings County, with fifty-two other counties, is a member of the California State Association of Counties Excess Insurance Authority (C.S.A.C. or the "Authority"). The Authority is a statewide Joint Powers Agency for insurance purposes organized in accordance with California Government Codes. The purpose of the entity is to develop and fund excess insurance programs for member counties. Each member county pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the Authority. The Authority operates public entity risk pools including workers' compensation, comprehensive liability, property, medical malpractice, and other pool purchases for excess insurance programs and services for members. The Authority is under the control and direction of the board of directors consisting of representatives of the fifty-two member counties who annually elect an executive committee. The executive committee controls include the daily management of ongoing operations and the budgeting process.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

As a public entity and due to its size and its activities, at virtually all times, the County is a defendant, co-defendant, or cross-defendant in various court cases in which money damages are sought. The majority of these lawsuits are not presently determinable; in the opinion of the government's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government. However, the County is involved and subsequent to June 30, 2010, and prior to the issuance of the financial statements, a decision, and ruling has been made in two larger cases.

In a civil action suit, a complaint was filed on July 7, 2008, asserting various claims for damages incurred by the plaintiff in the course of their employment as a Kings County employee. Subsequent to the year ending June 30, 2010, the jury trial was completed; the plaintiff prevailed with an award of \$500,000 in damages. Currently, the County is assessing the possibility of appeal.

A separate civil action arising out of an automobile accident involving a County employee while driving a County vehicle was filed for \$975,000 on April 12, 2011. The County is self-insured for general liability claims up to \$500,000. Individual claims in excess of \$500,000 to \$15,000,000 are covered under the County's excess liability policy. As such, all individual claims up to \$500,000 are paid at a cost to the County. For the above-mentioned claims settled subsequent to June 30, 2010, an additional amount of \$1,000,000 has been accrued in claims liability and general governmental expenses in the Statement of Net Assets and Statement of Activities, respectively.

D. Employee retirement systems and pension plans

Plan description:

The County of Kings contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the County are eligible to participate. CalPERS provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions and other requirements are established by County ordinance and contract. A copy of the 2007 Annual Actuarial Valuation Report may be obtained from their Executive Offices – Lincoln Plaza – 400 Q Street – Sacramento, CA 95814.

Funding policy:

The contribution requirements of plan members and the County are established and may be amended by the CalPERS Board. Plan members are required to contribute 7% for the Miscellaneous Plan and 8.991% for the Safety Plan of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 9.738% for non-safety employees (Miscellaneous Plan) and 15.100% for safety employees (Safety Plan) of annual covered payroll. For the Miscellaneous Plan, the County pays the contributions required of employees as an additional benefit for their accounts. The Safety Plan has the County paying employee's required contributions for the Fire Department; the County pays 7% of the 9% required for the group supervisors in juvenile hall and boot camp departments, and 2% of the 9% required is paid by the County for the management detention and probation officers. The remaining County employees contribute their required 9% towards the CalPERS plan.

Annual pension cost – Miscellaneous Plan:

For the fiscal year 2009-2010, the County's annual pension cost for the Miscellaneous Plan is \$4,538,354 (exclusive of the employees share) for CalPERS that was equal to the government's required and actual contributions. In addition, the County pays the employee's required contributions of \$3,262,321, amounting to a total County annual pension cost of \$7,800,675. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25 to 14.45 percent depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 3.00 percent and payroll growth of 3.25 percent, and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period.

CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30-year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6 percent each year. The unfunded actuarial liability of \$12,749,341 is amortized over an average 14.25 year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by \$894,408. These net amortization charges have increased the County's rates by 1.92 percent.

Annual pension cost – Safety Plan:

For the fiscal year 2009-2010, the County's annual pension cost for the Safety Plan is \$2,896,903 (exclusive of the employees share) for CalPERS that was equal to the government's required and actual contributions. In addition, the County pays the required contributions for certain employees and only a portion of the contributions for other employees within this group totaling \$1,724,904, which amounts to a total County pension cost of \$4,621,807. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25 to 13.15 percent depending on age, service, and type of employment, increased annually, (c) assumed annual inflation growth rate of 3.00 percent and payroll growth of 3.25 percent, and (d) no post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. CalPERS amortizes unfunded actuarial accrued liabilities as a level percentage of projected payroll on a closed basis not to be lower than the payment calculated over a 30 year amortization period. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6 percent each year. The unfunded actuarial liability of \$4,160,120 is amortized over an average 39.38 year amortization period. The net effect from all amortization bases, including the expected payments and interest charges, increased the required employer annual contribution by \$105,638. These net amortization charges have increased the County's rates by .55 percent.

E. Other postemployment benefits (OPEB)

Plan description:

Kings County provides health insurance benefits (medical, dental, vision, chiropractic, and mental health) through a self-insured plan administered by Blue Cross using the Blue Cross PPO. The County contributes toward the cost of such coverage for its employees as set forth in a bargaining memorandum of understanding. The County does not explicitly contribute toward the cost of health benefits for retirees. However, there are two benefits offered to County retirees that give rise to an implicit cost to the County under GASB 45:

- 1) Retirees with more than a stated number of service hours at the time they retire are entitled to convert a portion of their accumulated sick leave to a dollar amount which is held in a Medical Incentive Account (MIA) for the purpose of helping defray some or all of the costs of health insurance coverage through the County's plan until the account is exhausted.
- 2) Premiums charged to retirees in the plan are the same as those used for active employees. Because the plan is self-insured, the County is actually paying claims and administrative expenses on behalf of all participating retirees – the premiums are a mechanism for budgeting and negotiations, but do not reflect the underlying cost of providing retiree healthcare coverage. The excess of the actual cost of retiree and dependent coverage over the premiums charged to those retirees constitutes a significant financial benefit, sometimes called an employer's "implicit subsidy" under GASB 45.

When the retiree reaches Medicare eligibility, he/she is no longer eligible to participate in the County plan; however, any remaining account balance may be used for purposes of defraying Medicare Supplement insurance premiums purchased outside the County's plan.

All employee groups except Elected Officials follow the same general rule, in that there are two tiers of employees, those hired before a given cutoff date and those hired on or after that date. Employees hired before the cutoff date may

make a one-time election to receive a cash-out of their accumulated sick-leave hours rather than convert them to an MIA, an option not available to post-cutoff date hires. Also, the benefit percentage applied dollar value of accumulated sick-leave hours may differ between the two tiers, and number of service hours required to be eligible for a given benefit percentage may differ as well.

A general description of the benefit provisions by group follow (memoranda of understanding should be referred to for more details). Members of CCAPE, Kings County Prosecutors Association, and Kings County Detention Deputy Association hired prior to January 1, 1999 (September 1, 2000 for KCDDA) with at least 10,401 service hours may receive an MIA equal to 40% of the converted value of their sick-leave hours. A benefit percentage of 50% applies to members with at least 41,601 service hours. Members of these three associations hired after the applicable cutoff date have percentages of 25%, 35%, or 45% applied to the converted value of their sick-leave hours, based on having attained service hour thresholds of at least 20,801, 31,201, or 41,601 hours, respectively.

Members of Kings County Deputy Sheriffs' Association have percentages of 40% and 50% apply whether hired before or after a cutoff date of January 1, 1999, but those hired before the cutoff date have service hours threshold of 10,400, while those hired on or after that date have a threshold of 20,801 to receive the 40% benefit.

Employees covered under the Kings County Unrepresented Management memorandum are subject to percentages of 40% and 50% with thresholds of 10,401 and 41,601, respectively. Fire employees are not eligible for the sick-leave conversion benefit, but may elect coverage in the County's health plan upon retirement and self-pay the premiums for such coverage. Elected officials earn MIA account balance at the rate of 7.5 months of the single-retiree premium for each year of service, with a minimum of 12 years of service (normally three terms) in order to qualify.

Funding policy:

As required by GASB 45, an actuary will determine the County's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years. However, GASB 45 does not require pre-funding of OPEB benefits. Therefore, the County's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County has elected not to establish an irrevocable trust at this time. The County's Board of Supervisors reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County.

Annual OPEB cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$1,502,192
Interest on net OPEB obligation	43,673
Adjustment to annual required contribution	<u>(29,115)</u>
Annual OPEB cost (expense)	1,516,750
Contributions made	<u>(756,017)</u>
Increase in net OPEB obligation	760,733
Net OPEB obligation – beginning of year	<u>873,450</u>
Net OPEB obligation – end of year	<u>\$1,634,183</u>

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation for the FYE 2010 and the proceeding year was as follows:

Fiscal	Percentage of	Net
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<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
06/30/09	\$1,502,192	\$628,742	41.85%	\$873,450
06/30/10	1,516,750	756,017	49.84%	1,634,183

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's initial (and most recent) actuarial valuation was performed as of July 1, 2008. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 3 years. Both assumptions reflect an implicit 3.0 percent general inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of June 30, 2010, was 30 years.

F. Excess of expenditures over appropriations For the year ended June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Major Funds:	
General Fund	
General Government Expenditures	\$4,012,216
Public Ways & Facilities Expenditures	29,365
Interest Payments	528,735
Debt Service Fund:	
Public Ways & Facilities Expenditures	4,000
Principal and Interest Payments	778,637
Capital Projects Fund:	
Interest Payments	87,458
Non-Major Funds:	
Fire Fund	
Principal and Interest Payments	66,000
Off Highway Motor-Vehicle	
Public Safety	324
Job Training Office Fund	
Public Assistance Expenditures	2,451,137
Community Development Block Grants	
Public Assistance Expenditures	2,653,657
Capital Outlays	329,181

Criminal Justice Facility Fund	
Public Ways and Facilities Expenditures	8,005
Internal Service Funds:	
Workers Compensation Self-Insurance Fund	
Administrative Expenditures	502,520
Fleet Management Fund	
Administrative Expenditures	35,708
Interest Payments	753
Information Technology Services Fund	
Administration Expenses	10,573
Depreciation Expenses	51,557
Net gain (loss) on sale of assets	15,386
Public Works Fund	
Administrative Expenditures	134,509
Interest Payments	23,996

G. Investment income assigned directly to the benefit of another fund is as follows:

<u>Type of Fund</u>	<u>Fund Name</u>	<u>General Fund</u>
Internal Service Fund	Worker Comp. Self-Insur.	\$120,125
Fiduciary Fund	Agency Collections Payable	3,118
Fiduciary Fund	Welfare Repayment Trust	346
Fiduciary Fund	City of Avenal	1,868
Fiduciary Fund	City of Corcoran	3,301
Fiduciary Fund	City of Hanford	7,844
Fiduciary Fund	City of Lemoore	8,420
Fiduciary Fund	Stratford Flood	43
Fiduciary Fund	Food Stamp Trust	7,597
Fiduciary Fund	Retiree Health Trust	4,854
Fiduciary Fund	School Developer Fees	359
Fiduciary Fund	Schools Trust	16,221
		<u>\$ 174,096</u>

A Fiduciary Fund called 'Department Trust' reported investment income of \$41,647 which includes all fund types that were directly assigned to the benefit of the General Fund.



**REQUIRED SUPPLEMENTARY
INFORMATION**

County of Kings
Required Supplementary Information
California Public Employees Retirement System (CalPERS)
Schedule of Funding Progress
For the Year Ended June 30, 2010

Miscellaneous Plan (Non-Safety)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability AAL (Entry Age)	(3) Unfunded (Overfunded) AAL (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll (3) / (5)
06/30/01	\$ 147,139,738	\$ 116,306,273	\$(30,833,465)	126.5%	\$ 31,880,982	(96.7%)
06/30/02	138,532,056	127,834,418	(10,697,638)	108.4%	35,079,465	(30.5%)
06/30/03	140,251,440	144,404,384	4,152,944	97.1%	33,870,312	12.3%
06/30/04	147,285,370	154,954,922	7,669,552	95.1%	35,101,173	21.8%
06/30/05	157,417,167	167,860,950	10,443,783	93.8%	36,707,124	28.5%
06/30/06	169,450,555	181,127,876	11,677,321	93.6%	37,988,203	30.7%
06/30/07	183,906,512	196,655,853	12,749,341	93.5%	42,338,924	30.1%
06/30/08	197,990,793	212,155,872	14,165,079	93.3%	46,813,581	30.3%
06/30/09	208,741,913	228,858,969	20,117,056	91.2%	46,025,287	43.7%

Safety Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability AAL (Entry Age)	(3) Unfunded (Overfunded) AAL (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	Unfunded (Overfunded) AAL Percentage of Covered Payroll (3) / (5)
06/30/01	\$ 82,835,185	\$ 74,718,598	\$ (8,116,587)	110.9%	\$ 12,573,091	(64.6%)
06/30/02	76,538,512	85,432,196	8,893,684	89.6%	13,965,256	63.7%
06/30/03	78,156,781	90,794,141	12,637,360	86.1%	13,787,105	91.7%
06/30/04	97,831,081	100,136,652	2,305,571	97.7%	14,614,667	15.8%
06/30/05	105,933,868	107,950,259	2,016,391	98.1%	15,219,303	13.2%
06/30/06	114,158,296	116,899,376	2,741,080	97.7%	16,061,956	17.1%
06/30/07	124,199,564	128,359,684	4,160,120	96.8%	17,429,831	23.9%
06/30/08	133,358,580	138,613,602	5,255,022	96.2%	18,253,435	28.8%
06/30/09	140,267,899	146,892,194	6,624,295	95.5%	18,311,261	36.2%

County of Kings
Required Supplementary Information
Other Post Employment Benefits (OPEB) - Health Insurance
Schedule of Funding Progress
For the Year Ended June 30, 2010

OPEB - Health Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Overfunded (Unfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/08	\$ -	\$ 10,182,975	\$(10,182,975)	0.0%	64,336,548	-15.83%

Note: GASB 45 requires an actuarial valuation for the County's retiree health insurance program at least once every two fiscal years.

County of Kings
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property	\$ 30,616,884	\$ 30,616,884	\$ 15,807,899	\$ (14,808,985)
Sales	1,500,000	1,500,000	1,429,621	(70,379)
Franchise	-	-	1,779,643	1,779,643
Hotel	200,000	200,000	199,017	(983)
Licenses and permits	1,418,250	1,424,850	354,002	(1,070,848)
Fines and forfeits	38,700	58,250	289,871	231,621
Intergovernmental	96,331,874	97,739,453	110,932,655	13,193,202
Charges for services	9,996,920	9,770,281	8,442,424	(1,327,857)
Rents and concessions	495,565	495,565	671,589	176,024
Investment earnings	930,000	935,000	811,535	(123,465)
Contributions and donations	-	-	56,921	56,921
Miscellaneous	4,098,558	3,922,558	2,413,245	(1,509,313)
Total revenues	145,626,751	146,662,841	143,188,422	(3,474,419)
EXPENDITURES				
Current:				
General government	\$ 13,398,580	\$ 13,191,652	\$ 17,203,868	\$ (4,012,216)
Public safety	51,447,637	51,553,390	44,348,939	7,204,451
Public ways and facilities	-	-	29,365	(29,365)
Health and sanitation	27,100,530	28,078,061	25,714,275	2,363,786
Public assistance	57,074,567	57,133,117	55,357,065	1,776,052
Education	145,990	221,535	198,251	23,284
Culture and recreation	1,725,157	1,725,157	1,633,433	91,724
Debt service payment				
Principal	2,681,258	2,681,258	1,047,942	1,633,316
Interest	-	-	528,735	(528,735)
Capital outlay	2,144,733	2,150,665	829,913	1,320,752
Total expenditures	155,718,452	156,734,835	146,891,786	9,843,049
Excess (deficiency) of revenues over (under) expenditures	(10,091,701)	(10,071,994)	(3,703,364)	6,368,630
OTHER FINANCING SOURCES (USES)				
Transfers in	1,049,829	1,068,172	182,005	(886,167)
Transfers out	(1,636,571)	(1,862,303)	(2,014,206)	(151,903)
Contingencies	(4,484,341)	(4,425,609)	-	4,425,609
Total other financing sources (uses)	(5,071,083)	(5,219,740)	(1,832,201)	3,387,539
Net change in fund balances	(15,162,784)	(15,291,734)	(5,535,565)	9,756,169
Fund balances - beginning	26,629,951	26,629,951	26,629,951	-
Fund balances - ending	\$ 11,467,167	\$ 11,338,217	\$ 21,094,386	\$ 9,756,169

Note:

The basis of budgeting for the County is essentially a Non-GAAP accounting basis less contingencies that differs from cash basis. Removing contingencies of \$4,425,609, the final budgeted fund balance result is \$15,763,826. The fund balance ending variance would then be \$15,763,826 final budget vs. \$21,094,386 actual = \$5,330,560 variance with budget. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.

County of Kings
Required Supplementary Information
Redevelopment Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Property	\$ 100,000	\$ 112,047	\$ 12,047
Interest earnings	6,000	53,448	47,448
Total revenues	<u>106,000</u>	<u>165,495</u>	<u>59,495</u>
EXPENDITURES			
Current:			
Public ways and facilities	\$ 402,828	\$ 379,663	\$ 23,165
Capital outlay	3,000,000	-	3,000,000
Total expenditures	<u>3,402,828</u>	<u>379,663</u>	<u>3,023,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,296,828)</u>	<u>(214,168)</u>	<u>3,082,660</u>
Fund balances - beginning	94,483	94,483	-
Fund balances - ending	<u>\$ (3,202,345)</u>	<u>\$ (119,685)</u>	<u>\$ 3,082,660</u>

Note:

The basis of budgeting for the County is essentially a Non-GAAP accounting basis less contingencies that differs from cash basis. The actual fund balance amount is based on GAAP using the modified accrual basis of accounting.



SUPPLEMENTARY INFORMATION

**County of Kings
Debt Service Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Interest earnings	\$ -	\$ 48,582	\$ 48,582
Total revenues	<u>-</u>	<u>48,582</u>	<u>48,582</u>
EXPENDITURES			
Current:			
Public ways & facilities	-	4,000	(4,000)
Debt service payment:			
Principal	-	375,000	(375,000)
Interest	-	403,637	(403,637)
Total expenditures	<u>-</u>	<u>782,637</u>	<u>(782,637)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(734,055)</u>	<u>(734,055)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	832,816	832,816
Total other financing sources (uses)	<u>-</u>	<u>832,816</u>	<u>832,816</u>
Net change in fund balances	-	98,761	98,761
Fund balances - beginning	1,261,317	1,261,317	-
Fund balances - ending	<u>\$ 1,261,317</u>	<u>\$ 1,360,078</u>	<u>\$ 98,761</u>

County of Kings
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Property taxes	\$ -	\$ 6,043	\$ 6,043
Franchise taxes	1,200,000	-	(1,200,000)
Intergovernmental	662,166	1,349,337	687,171
Charges for services	5,800	-	(5,800)
Investment earnings	10,000	210,472	200,472
Contribution and donations	-	350,000	350,000
Miscellaneous	650,000	834,775	184,775
Total revenues	<u>2,527,966</u>	<u>2,750,627</u>	<u>222,661</u>
EXPENDITURES			
Current:			
Public ways & facilities	5,800	-	5,800
Debt service:			
Interest	-	87,458	(87,458)
Capital outlays	12,658,463	8,375,656	4,282,807
Total expenditures	<u>12,664,263</u>	<u>8,463,114</u>	<u>4,201,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,136,297)</u>	<u>(5,712,487)</u>	<u>4,423,810</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	186,139	897,442	711,303
Transfers out	-	(182,005)	(182,005)
Contingencies	(2,108,351)	-	2,108,351
Total other financing sources (uses)	<u>(1,922,212)</u>	<u>715,437</u>	<u>2,637,649</u>
Net change in fund balances	<u>(12,058,509)</u>	<u>(4,997,050)</u>	<u>7,061,459</u>
Fund balances - beginning	14,401,276	14,401,276	-
Fund balances - ending	<u>\$ 2,342,767</u>	<u>\$ 9,404,226</u>	<u>\$ 7,061,459</u>

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Library Fund – The Library is a Special District under the governance of the Kings County Board of Supervisors providing informational, cultural and recreational services to the public through 6 library branches. This fund is used to account for revenues derived from property taxes, state aid, and service fees that are restricted to fund the operations of the County libraries.

Road Fund – This fund is used to account for revenues generated by a 1/4% sales tax, Federal and State Aid, and the County's share of fines for vehicle code and traffic violations. Expenditures are restricted to road and bridge construction and maintenance which are performed by the Public Works Department.

Fire Fund – This fund is used to account for mainly property tax revenues and Federal and State Aid to provide fire protection and rescue related services thru 12 fire stations to the cities of Corcoran, Avenal and unincorporated areas in the County.

Fish and Game Fund – This fund is used to account for the County's share of fines levied for violations of the fish and game laws within its boundaries. Expenditures are made from time to time for purposes of improving the habitat for wildlife propagation and for incidental administrative matters based on recommendations of the Fish and Game Commission to the Kings County Board of Supervisors.

Child Support Services Fund – This fund is used to account for the Federal and State mandated program revenues designed to provide a variety of services related to the establishment of paternity and the legal enforcement, modification, collection and disbursement of support payments to families.

Off – Highway Motor Vehicle Fund – The Off-Highway Vehicle Law of 1971 requires users of trail bikes, dune buggies, and similar vehicles designed for off-highway use to purchase an identification certificate. This fund can only be used to account for acquisition and development of off-road recreation areas. Allowable expenditures include feasibility studies, planning studies, environmental impact reports and other expenses necessary to implement acquisition or development.

Special Revenue Funds

Job Training Office Fund (JTO) – This fund is used to account for Federal funding for all Workforce Investment Act (WIA) funded programs used to provide for County-wide expenditures related to employment, training and economic development activities.

Community Development Block Grant Fund (CDBG) – This fund is used to account for Federal Funding related to public assistance programs for home loans and housing rehabilitations.

Criminal Justice Facility Fund – This fund is used to account for the fines received from the Courts designated for the construction of the Criminal Justice Facility and Court Buildings.

I.H.S.S. Public Authority Fund – This fund is used to account for Federal and State Aid designated for County-wide oversight of the In Home Support Services Program providing in-house care for indigents.

Kings County Redevelopment Agency – This fund is used to account for the receipt of property tax increments derived from the growth of assessed valuations within the redevelopment project area. Revenues are used for expenditures required to be paid in advance for the redevelopment of a 473 acre area in Kettleman City to eliminate blight, upgrade facilities and infrastructure (specifically sewer and water system capacities), community development programs, and improve low-moderate housing community.

Major Fund during 2009 Fiscal Year:

Children and Families First Fund – This fund is used to account for Proposition 10 revenues, passed by California voters in November of 1998, imposing a fifty-cent-per-pack State sales tax on tobacco to fund a comprehensive, integrated system of early childhood development services for California children ages 0 to 5. The overall intent of the program is for children to enter school healthy and ready to learn with 80% of the revenues going to County Commissions to fund local programs.

**County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2010**

	<u>Library</u>	<u>Road</u>	<u>Fire</u>	<u>Fish and Game</u>	<u>Child Support Services</u>
ASSETS					
Cash and cash equivalents	\$ 104,690	\$ 242,999	\$ 44,702	\$ 1,597	\$ 1,921
Imprest cash	454	-	200	-	-
Treasurer investments	2,564,096	6,092,950	1,190,570	39,671	83,983
Deposit with others	-	-	-	-	-
Receivables	145,212	513,920	748,270	223	1,348
Due from other funds	45	-	298	-	-
Total assets	<u>\$2,814,497</u>	<u>\$ 6,849,869</u>	<u>\$1,984,040</u>	<u>\$ 41,491</u>	<u>\$ 87,252</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued expenses payable	\$ 63,317	\$ -	\$ 135,790	\$ -	\$ 47,045
Deferred revenue	132,865	-	394,680	-	-
Due to other funds	9,003	-	51,681	-	30,028
Advances from other funds	-	-	-	-	-
Total liabilities	<u>205,185</u>	<u>-</u>	<u>582,151</u>	<u>-</u>	<u>77,073</u>
Fund balances:					
Reserved for:					
Donations	16,000	-	-	-	-
Unreserved, designated for, reported in:					
Encumbrances	80,134	-	3,180	-	6,113
Economic Uncertainties	260,336	-	-	-	-
Contingencies	1,471,568	5,201,976	1,316,547	60,635	475
Unreserved, undesignated reported in:					
Special revenue funds	781,274	1,647,893	82,162	(19,144)	3,591
Total fund balances	<u>2,609,312</u>	<u>6,849,869</u>	<u>1,401,889</u>	<u>41,491</u>	<u>10,179</u>
Total liabilities and fund balances	<u>\$2,814,497</u>	<u>\$ 6,849,869</u>	<u>\$1,984,040</u>	<u>\$ 41,491</u>	<u>\$ 87,252</u>

**County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2010**

	<u>Off-Highway Motor Vehicle</u>	<u>Job Training Office</u>	<u>Community Development Block Grants</u>	<u>Criminal Justice Facility</u>	<u>In - House Supportive Services</u>
ASSETS					
Cash and cash equivalents	\$ 3,846	\$ 9,552	\$ 22,649	\$ 335	\$ -
Imprest cash	-	-	-	-	-
Treasurer investments	94,635	(30,397)	553,311	179,629	-
Deposit with others	-	-	-	-	37,121
Receivables	407	5,689	514,496	722	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 98,888</u>	<u>\$ (15,156)</u>	<u>\$ 1,090,456</u>	<u>\$ 180,686</u>	<u>\$ 37,121</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued expenses payable	\$ -	\$ 552,184	\$ 995,977	\$ -	\$ 377
Deferred revenue	-	-	-	-	-
Due to other funds	-	19,101	-	-	345,388
Advances from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>571,285</u>	<u>995,977</u>	<u>-</u>	<u>345,765</u>
Fund balances:					
Reserved for:					
Donations	-	-	-	-	-
Unreserved, designated for, reported in:					
Encumbrances	-	1,068	-	-	-
Economic Uncertainties	-	-	-	-	-
Contingencies	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	98,888	(587,509)	94,479	180,686	(308,644)
Total fund balances	<u>98,888</u>	<u>(586,441)</u>	<u>94,479</u>	<u>180,686</u>	<u>(308,644)</u>
Total liabilities and fund balances	<u>\$ 98,888</u>	<u>\$ (15,156)</u>	<u>\$ 1,090,456</u>	<u>\$ 180,686</u>	<u>\$ 37,121</u>

County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2010

	Children & Families First	Total Nonmajor Governmental Total
ASSETS		
Cash and cash equivalents	\$ 116,241	\$ 548,532
Imprest cash	100	754
Treasurer investments	2,761,353	13,529,801
Deposit with others	-	37,121
Receivables	331,472	2,261,759
Due from other funds	-	343
Total assets	\$ 3,209,166	\$ 16,378,310
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued expenses payable	\$ 77,861	\$ 1,872,551
Deferred revenue	-	527,545
Due to other funds	10,044	465,245
Advances from other funds	-	-
Total liabilities	87,905	2,865,341
Fund balances:		
Reserved for:		
Donations	-	16,000
Unreserved, designated for, reported in:		
Encumbrances	-	90,495
Economic Uncertainties	-	260,336
Contingencies	2,943,985	10,995,186
Unreserved, undesignated reported in:		
Special revenue funds	177,276	2,150,952
Total fund balances	3,121,261	13,512,969
Total liabilities and fund balances	\$ 3,209,166	\$ 16,378,310

County of Kings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
For the Year Ended June 30, 2010

	<u>Library</u>	<u>Road</u>	<u>Fire</u>	<u>Fish and Game</u>	<u>Child Support Services</u>
REVENUES					
Taxes:					
Property	\$1,736,210	\$ -	\$ 5,170,578	\$ -	\$ -
Sales	-	128	-	-	-
Franchise	-	-	348,517	-	-
Fines and forfeits	-	524,929	-	400	-
Intergovernmental	80,223	4,396,036	2,666,903	(7)	4,070,084
Charges for services	37,164	-	7,494	677	-
Rents and concessions	-	-	-	-	-
Investment earnings	72,015	164,708	23,763	2,205	5,450
Contributions and donations	13,775	-	3,750	-	-
Miscellaneous	19,078	68,589	372,871	-	17,197
Total revenues	<u>\$1,958,465</u>	<u>\$5,154,390</u>	<u>\$ 8,593,876</u>	<u>\$ 3,275</u>	<u>\$4,092,731</u>
EXPENDITURES					
Current:					
Public safety	-	-	9,113,817	19,544	4,083,027
Public ways and facilities	-	-	-	-	-
Highways and streets	-	4,328,609	-	-	-
Public assistance	-	-	-	-	-
Education	1,884,590	-	-	-	-
Debt service:					
Principal	-	-	58,662	-	-
Interest	-	-	7,338	-	-
Capital outlay	10,000	-	352,984	-	-
Total expenditures	<u>1,894,590</u>	<u>4,328,609</u>	<u>9,532,801</u>	<u>19,544</u>	<u>4,083,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,875</u>	<u>825,781</u>	<u>(938,925)</u>	<u>(16,269)</u>	<u>9,704</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	900,000	-	-
Transfers out	-	-	(57,557)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>842,443</u>	<u>-</u>	<u>-</u>
Net change in fund balances	63,875	825,781	(96,482)	(16,269)	9,704
Fund balances - beginning	2,545,437	6,024,088	1,498,371	57,760	475
Fund balances - ending	<u>\$2,609,312</u>	<u>\$6,849,869</u>	<u>\$ 1,401,889</u>	<u>\$ 41,491</u>	<u>\$ 10,179</u>

County of Kings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
For the Year Ended June 30, 2010

	<u>Off-Highway Motor Vehicle</u>	<u>Job Training Office</u>	<u>Community Development Block Grants</u>	<u>Criminal Justice Facility</u>	<u>In - House Supportive Services</u>
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	-
Franchise	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	5,928,767	2,702,019	840,708	1,267,114
Charges for services	-	-	-	-	-
Rents and concessions	-	-	-	-	-
Investment earnings	2,711	(954)	19,280	4,510	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	2,851,612	137,539	-	108,911
Total revenues	<u>\$ 2,711</u>	<u>\$ 8,779,425</u>	<u>\$ 2,858,838</u>	<u>\$ 845,218</u>	<u>\$ 1,376,025</u>
EXPENDITURES					
Current:					
Public safety	324	-	-	-	-
Public ways and facilities	-	-	-	8,005	-
Highways and streets	-	-	-	-	-
Public assistance	-	8,886,332	2,653,657	-	1,525,021
Education	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	329,181	-	-
Total expenditures	<u>324</u>	<u>8,886,332</u>	<u>2,982,838</u>	<u>8,005</u>	<u>1,525,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,387</u>	<u>(106,907)</u>	<u>(124,000)</u>	<u>837,213</u>	<u>(148,996)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	249,821
Transfers out	-	-	-	(832,816)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(832,816)</u>	<u>249,821</u>
Net change in fund balances	2,387	(106,907)	(124,000)	4,397	100,825
Fund balances - beginning	96,501	(479,534)	218,479	176,289	(409,469)
Fund balances - ending	<u>\$ 98,888</u>	<u>\$ (586,441)</u>	<u>\$ 94,479</u>	<u>\$ 180,686</u>	<u>\$ (308,644)</u>

County of Kings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
For the Year Ended June 30, 2010

	Children & Families First	Total Nonmajor Governmental Total
REVENUES		
Taxes:		
Property	\$ -	\$ 6,906,788
Sales	-	128
Franchise	-	348,517
Fines and forfeits	-	525,329
Intergovernmental	2,175,528	24,127,375
Charges for services	-	45,335
Rents and concessions	4,085	4,085
Investment earnings	86,730	380,418
Contributions and donations	1,141	18,666
Miscellaneous	46	3,575,843
Total revenues	\$ 2,267,530	\$ 35,932,484
EXPENDITURES		
Current:		
Public safety	-	13,216,712
Public ways and facilities	-	8,005
Highways and streets	-	4,328,609
Public assistance	2,600,369	15,665,379
Education	-	1,884,590
Debt service:		
Principal	-	58,662
Interest	-	7,338
Capital outlay	-	692,165
Total expenditures	2,600,369	35,861,460
Excess (deficiency) of revenues over (under) expenditures	(332,839)	71,024
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,149,821
Transfers out	-	(890,373)
Total other financing sources (uses)	-	259,448
Net change in fund balances	(332,839)	330,472
Fund balances - beginning	3,454,100	13,182,497
Fund balances - ending	\$ 3,121,261	\$ 13,512,969

County of Kings
Library Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Property	\$ 1,712,187	\$ 1,736,210	\$ 24,023
Intergovernmental	68,000	80,223	12,223
Charges for services	30,000	37,164	7,164
Investment earnings	30,000	72,015	42,015
Contributions and donations	-	13,775	13,775
Miscellaneous	21,000	19,078	(1,922)
Total revenues	<u>1,861,187</u>	<u>1,958,465</u>	<u>97,278</u>
EXPENDITURES			
Current:			
Education	2,624,973	1,884,590	740,383
Capital outlays	75,545	10,000	65,545
Total expenditures	<u>2,700,518</u>	<u>1,894,590</u>	<u>805,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(839,331)</u>	<u>63,875</u>	<u>903,206</u>
OTHER FINANCING SOURCES (USES)			
Contingencies	(1,426,797)	-	1,426,797
Total other financing sources (uses)	<u>(1,426,797)</u>	<u>-</u>	<u>1,426,797</u>
Net change in fund balances	(2,266,128)	63,875	2,330,003
Fund balances - beginning	2,545,437	2,545,437	-
Fund balances - ending	<u>\$ 279,309</u>	<u>\$ 2,609,312</u>	<u>\$ 2,330,003</u>

County of Kings
Road Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Sales	\$ 10,000	\$ 128	\$ (9,872)
Fines and forfeits	380,000	524,929	144,929
Intergovernmental	5,761,770	4,396,036	(1,365,734)
Investment earnings	30,000	164,708	134,708
Miscellaneous	1,180,000	68,589	(1,111,411)
Total revenues	<u>7,361,770</u>	<u>5,154,390</u>	<u>(2,207,380)</u>
EXPENDITURES			
Current:			
Highways and streets	8,074,051	4,328,609	3,745,442
Total expenditures	<u>8,074,051</u>	<u>4,328,609</u>	<u>3,745,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(712,281)</u>	<u>825,781</u>	<u>1,538,062</u>
OTHER FINANCING SOURCES (USES)			
Contingencies	(5,201,976)	-	5,201,976
Total other financing sources (uses)	<u>(5,201,976)</u>	<u>-</u>	<u>5,201,976</u>
Net change in fund balances	(5,914,257)	825,781	6,740,038
Fund balances - beginning	6,024,088	6,024,088	-
Fund balances - ending	<u>\$ 109,831</u>	<u>\$ 6,849,869</u>	<u>\$ 6,740,038</u>

County of Kings
Fire Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes:			
Property	\$ 4,824,299	\$ 5,170,578	\$ 346,279
Franchise	500,000	348,517	(151,483)
Intergovernmental	3,541,227	2,666,903	(874,324)
Charges for services	5,700	7,494	1,794
Investment earnings	20,000	23,763	3,763
Contributions and donations	-	3,750	3,750
Miscellaneous	504,000	372,871	(131,129)
Total revenues	<u>9,395,226</u>	<u>8,593,876</u>	<u>(801,350)</u>
EXPENDITURES			
Current:			
Public safety	9,369,287	9,113,817	255,470
Debt service:			
Principal	-	58,662	(58,662)
Interest	-	7,338	(7,338)
Capital outlay	368,882	352,984	15,898
Total expenditures	<u>9,738,169</u>	<u>9,532,801</u>	<u>205,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(342,943)</u>	<u>(938,925)</u>	<u>(595,982)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	900,000	900,000
Transfers out	(57,557)	(57,557)	-
Contingencies	(1,082,978)	-	1,082,978
Total other financing sources (uses)	<u>(1,140,535)</u>	<u>842,443</u>	<u>1,982,978</u>
Net change in fund balances	<u>(1,483,478)</u>	<u>(96,482)</u>	<u>1,386,996</u>
Fund balances - beginning	1,498,371	1,498,371	-
Fund balances - ending	<u>\$ 14,893</u>	<u>\$ 1,401,889</u>	<u>\$ 1,386,996</u>

County of Kings
Fish and Game Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Fines and forfeits	\$ 1,500	\$ 400	\$ (1,100)
Intergovernmental revenue	-	(7)	(7)
Charges for services	-	677	677
Investment earnings	1,000	2,205	1,205
Total revenues	<u>2,500</u>	<u>3,275</u>	<u>775</u>
EXPENDITURES			
Current:			
Public safety	22,263	19,544	2,719
Total expenditures	<u>22,263</u>	<u>19,544</u>	<u>2,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,763)</u>	<u>(16,269)</u>	<u>3,494</u>
OTHER FINANCING SOURCES (USES)			
Contingencies	(43,947)	-	43,947
Total other financing sources (uses)	<u>(43,947)</u>	<u>-</u>	<u>43,947</u>
Net change in fund balances	(63,710)	(16,269)	47,441
Fund balances - beginning	57,760	57,760	-
Fund balances - ending	<u>\$ (5,950)</u>	<u>\$ 41,491</u>	<u>\$ 47,441</u>

County of Kings
Child Support Services - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 4,249,753	\$ 4,070,084	\$ (179,669)
Investment earnings	5,000	5,450	450
Miscellaneous	8,000	17,197	9,197
Total revenues	<u>4,262,753</u>	<u>4,092,731</u>	<u>(170,022)</u>
EXPENDITURES			
Current:			
Public safety	4,262,753	4,083,027	179,726
Capital outlays	-	-	-
Total expenditures	<u>4,262,753</u>	<u>4,083,027</u>	<u>179,726</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>9,704</u>	<u>9,704</u>
OTHER FINANCING SOURCES (USES)			
Contingencies	(475)	-	475
Total other financing sources (uses)	<u>(475)</u>	<u>-</u>	<u>475</u>
Net change in fund balances	(475)	9,704	10,179
Fund balances - beginning	475	475	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 10,179</u>	<u>\$ 10,179</u>

County of Kings
Off-Highway Motor Vehicle Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Investment earnings	\$ -	\$ 2,711	\$ 2,711
Total revenues	<u>-</u>	<u>2,711</u>	<u>2,711</u>
EXPENDITURES			
Current:			
Public Safety	-	324	(324)
Total expenditures	<u>-</u>	<u>324</u>	<u>(324)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>2,387</u>	<u>2,387</u>
Fund balances - beginning	96,501	96,501	-
Fund balances - ending	<u>\$ 96,501</u>	<u>\$ 98,888</u>	<u>\$ 2,387</u>

County of Kings
Job Training Office Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 4,727,695	\$ 5,928,767	\$ 1,201,072
Investment earnings	-	(954)	(954)
Miscellaneous	1,707,500	2,851,612	1,144,112
Total revenues	<u>6,435,195</u>	<u>8,779,425</u>	<u>2,344,230</u>
EXPENDITURES			
Current:			
Public assistance	6,435,195	8,886,332	(2,451,137)
Total expenditures	<u>6,435,195</u>	<u>8,886,332</u>	<u>(2,451,137)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(106,907)</u>	<u>(106,907)</u>
Fund balances - beginning	(479,534)	(479,534)	-
Fund balances - ending	<u>\$ (479,534)</u>	<u>\$ (586,441)</u>	<u>\$ (106,907)</u>

County of Kings
Community Development Block Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ -	\$ 2,702,019	\$ 2,702,019
Investment earnings	-	19,280	19,280
Miscellaneous	-	137,539	137,539
Total revenues	<u>-</u>	<u>2,858,838</u>	<u>2,858,838</u>
EXPENDITURES			
Current:			
Public assistance	-	2,653,657	(2,653,657)
Capital outlays	-	329,181	(329,181)
Total expenditures	<u>-</u>	<u>2,982,838</u>	<u>(2,982,838)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(124,000)</u>	<u>(124,000)</u>
Fund balances - beginning	218,479	218,479	-
Fund balances - ending	<u>\$ 218,479</u>	<u>\$ 94,479</u>	<u>\$ (124,000)</u>

County of Kings
Criminal Justice Facility Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ -	\$ 840,708	\$ 840,708
Investment earnings	-	4,510	4,510
Total revenues	<u>-</u>	<u>845,218</u>	<u>845,218</u>
EXPENDITURES			
Current:			
Public ways and facilities	-	8,005	(8,005)
Total expenditures	<u>-</u>	<u>8,005</u>	<u>(8,005)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>837,213</u>	<u>837,213</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(832,816)	(832,816)
Total other financing sources (uses)	<u>-</u>	<u>(832,816)</u>	<u>(832,816)</u>
Net change in fund balances	-	4,397	4,397
Fund balances - beginning	176,289	176,289	-
Fund balances - ending	<u>\$ 176,289</u>	<u>\$ 180,686</u>	<u>\$ 4,397</u>

County of Kings
I.H.S.S. Public Authority Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 459,614	\$ 1,267,114	\$ 807,500
Miscellaneous	107,239	108,911	1,672
Total revenues	<u>566,853</u>	<u>1,376,025</u>	<u>809,172</u>
EXPENDITURES			
Current:			
Public assistance	1,588,760	1,525,021	63,739
Total expenditures	<u>1,588,760</u>	<u>1,525,021</u>	<u>63,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,021,907)</u>	<u>(148,996)</u>	<u>872,911</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	65,443	249,821	184,378
Total other financing sources (uses)	<u>65,443</u>	<u>249,821</u>	<u>184,378</u>
Net change in fund balances	(956,464)	100,825	1,057,289
Fund balances - beginning	(409,469)	(409,469)	-
Fund balances - ending	<u>\$ (1,365,933)</u>	<u>\$ (308,644)</u>	<u>\$ 1,057,289</u>

County of Kings
Children and Families First Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Intergovernmental	\$ 2,232,918	\$ 2,175,528	\$ (57,390)
Rents and concessions	-	4,085	4,085
Investment earnings	98,537	86,730	(11,807)
Contributions and donations	-	1,141	1,141
Miscellaneous	11,000	46	(10,954)
Total revenues	<u>2,342,455</u>	<u>2,267,530</u>	<u>(74,925)</u>
EXPENDITURES			
Current:			
Public assistance	2,768,041	2,600,369	167,672
Total expenditures	<u>2,768,041</u>	<u>2,600,369</u>	<u>167,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(425,586)</u>	<u>(332,839)</u>	<u>92,747</u>
OTHER FINANCING SOURCES (USES)			
Contingencies	(3,038,541)	-	3,038,541
Total other financing sources (uses)	<u>(3,038,541)</u>	<u>-</u>	<u>3,038,541</u>
Net change in fund balances	(3,464,127)	(332,839)	3,131,288
Fund balances - beginning	3,454,100	3,454,100	-
Fund balances - ending	<u>\$ (10,027)</u>	<u>\$ 3,121,261</u>	<u>\$ 3,131,288</u>

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Worker Compensation Self-Insurance Fund – This fund is used to account for the County Workers Compensation Self-Insurance Program providing coverage to County employees.

Fleet Management Fund – This fund is used to account for program costs related to motor pool and equipment maintenance to other departments and agencies.

Data Processing Fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing and related services provided.

Health Insurance Fund – This fund is used to account for the County Health Self-Insurance Program providing coverage to County employees.

Public Works Fund – This fund is used to account for program costs related to roads, building and maintenance projects, surveyor and other projects.

**County of Kings
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010**

ASSETS	Workers Compensation Self-Insurance	Fleet Management	Information Technology
Current assets:			
Cash and cash equivalents	\$287,069	\$123,618	\$50,802
Imprest cash	-	-	-
Treasurer investments	7,084,931	3,052,272	1,290,715
Deposit with others	210,000	-	-
Accounts receivable	-	11,334	114,534
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories and prepaids	-	165,394	29,098
Total current assets	<u>7,582,000</u>	<u>3,352,618</u>	<u>1,485,149</u>
Noncurrent assets:			
Capital assets:			
Land	-	-	-
Structures and improvements	-	608,094	-
Equipment	-	9,405,651	2,831,086
Less accumulated depreciation	-	(7,234,403)	(1,843,779)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>2,779,342</u>	<u>987,307</u>
Total noncurrent assets	<u>-</u>	<u>2,779,342</u>	<u>987,307</u>
Total assets	<u>7,582,000</u>	<u>6,131,960</u>	<u>2,472,456</u>
LIABILITIES			
Current liabilities:			
Accrued expenses payable	240,603	11,355	71,773
Due to other funds	-	4,203	30,844
Unearned revenue	-	-	-
Capital leases payable	-	707	-
Claims payable	7,590,000	-	-
Total current liabilities	<u>7,830,603</u>	<u>16,265</u>	<u>102,617</u>
Noncurrent liabilities:			
Compensated absences payable	-	36,840	218,081
Total noncurrent liabilities	<u>-</u>	<u>36,840</u>	<u>218,081</u>
Total liabilities	<u>7,830,603</u>	<u>53,105</u>	<u>320,698</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	2,778,635	987,307
Unrestricted	(248,603)	3,300,220	1,164,451
Total net assets	<u>(\$248,603)</u>	<u>\$6,078,855</u>	<u>\$2,151,758</u>

County of Kings
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010

ASSETS	Health Self-Insurance	Public Works	Total
Current assets:			
Cash and cash equivalents	\$155,975	\$36,626	\$654,090
Imprest cash	-	330	330
Treasurer investments	3,809,252	782,828	16,019,998
Deposit with others	150,000	-	360,000
Accounts receivable	16,942	9,878	152,688
Due from other funds	774,965	-	774,965
Due from other governments	22,242	-	22,242
Inventories and prepaids	-	116,681	311,173
Total current assets	4,929,376	946,343	18,295,486
Noncurrent assets:			
Capital assets:			
Land	-	88,691	88,691
Structures and improvements	-	12,104	620,198
Equipment	-	231,764	12,468,501
Less accumulated depreciation	-	(174,635)	(9,252,817)
Total capital assets (net of accumulated depreciation)	-	157,924	3,924,573
Total noncurrent assets	-	157,924	3,924,573
Total assets	4,929,376	1,104,267	22,220,059
LIABILITIES			
Current liabilities:			
Accrued expenses payable	162,110	410,095	895,936
Due to other funds	-	47,276	82,323
Unearned revenue	-	6,182	6,182
Capital leases payable	-	-	707
Claims payable	-	-	7,590,000
Total current liabilities	162,110	463,553	8,575,148
Noncurrent liabilities:			
Compensated absences payable	-	420,898	675,819
Total noncurrent liabilities	-	420,898	675,819
Total liabilities	162,110	884,451	9,250,967
NET ASSETS			
Invested in capital assets, net of related debt	-	157,924	3,923,866
Unrestricted	4,767,266	61,892	9,045,226
Total net assets	\$4,767,266	\$219,816	\$12,969,092

County of Kings
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

	Workers Compensation Self-Insurance	Fleet Management	Information Technology
Operating revenues:			
Charges for services	\$ -	\$2,942,948	\$5,641,493
Miscellaneous	211,391	90,286	1,394
Total operating revenues	<u>211,391</u>	<u>3,033,234</u>	<u>5,642,887</u>
Operating expenses:			
Salaries and benefits	(754,547)	476,331	3,359,132
Services and supplies	168,347	1,372,454	1,758,544
Administration	502,520	195,277	217,909
Depreciation	-	659,038	315,160
Total operating expenses	<u>(83,680)</u>	<u>2,703,100</u>	<u>5,650,745</u>
Operating income (expenses)	<u>295,071</u>	<u>330,134</u>	<u>(7,858)</u>
Nonoperating revenues (expenses):			
Intergovernmental	-	-	1,635
Investment earnings	74,484	75,004	28,890
Interest expense	-	(753)	-
Net gain / (loss) on sale of assets	-	8,867	(15,386)
Total nonoperating revenue (expenses)	<u>74,484</u>	<u>83,118</u>	<u>15,139</u>
Income (loss) before contributions and transfers	369,555	413,252	7,281
Capital contributions from general funds	-	-	7,227
Transfers in	-	24,500	-
Loss on equipment disposals/transfers	-	-	(106,584)
Change in net assets	<u>369,555</u>	<u>437,752</u>	<u>(92,076)</u>
Total net assets - beginning	<u>(618,158)</u>	<u>5,641,103</u>	<u>2,243,834</u>
Total net assets - ending	<u>(\$248,603)</u>	<u>\$6,078,855</u>	<u>\$2,151,758</u>

County of Kings
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Health Self-Insurance</u>	<u>Public Works</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$8,256,467	\$16,840,908
Miscellaneous	10,529,495	102	10,832,668
Total operating revenues	<u>10,529,495</u>	<u>8,256,569</u>	<u>27,673,576</u>
Operating expenses:			
Salaries and benefits	8,674,257	4,019,281	15,774,454
Services and supplies	-	3,988,741	7,288,086
Administration	1,159,983	246,244	2,321,933
Depreciation	-	12,586	986,784
Total operating expenses	<u>9,834,240</u>	<u>8,266,852</u>	<u>26,371,257</u>
Operating income (expenses)	<u>695,255</u>	<u>(10,283)</u>	<u>1,302,319</u>
Nonoperating revenues (expenses):			
Intergovernmental	-	-	1,635
Investment earnings	104,967	14,259	297,604
Interest expense	-	(23,996)	(24,749)
Net gain / (loss) on sale of assets	-	-	(6,519)
Total nonoperating revenue (expenses)	<u>104,967</u>	<u>(9,737)</u>	<u>267,971</u>
Income (loss) before contributions and transfers	800,222	(20,020)	1,570,290
Capital contributions from general funds	-	-	7,227
Transfers in	-	-	24,500
Loss on equipment disposals/transfers	-	-	(106,584)
Change in net assets	<u>800,222</u>	<u>(20,020)</u>	<u>1,495,433</u>
Total net assets - beginning	<u>3,967,044</u>	<u>239,836</u>	<u>11,473,659</u>
Total net assets - ending	<u>\$4,767,266</u>	<u>\$219,816</u>	<u>\$12,969,092</u>

**County of Kings
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

	Workers Compensation Self-Insurance	Fleet Management	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$211,391	\$3,041,586	\$5,707,971
Payments to suppliers	(670,867)	(1,393,513)	(1,735,224)
Payments to and on behalf of employees	1,274,150	(479,938)	(3,413,874)
Payments for interfund services used	-	(195,277)	(217,909)
Net cash provided (used) by operating activities	<u>814,674</u>	<u>972,858</u>	<u>340,964</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loss on equipment disposals/transfers	-	24,500	-
Transfers to other funds	-	-	(106,584)
Federal aid for homeland security	-	-	1,635
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>24,500</u>	<u>(104,949)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(231,410)	(210,299)
Interest paid on capital debt	-	(753)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(232,163)</u>	<u>(210,299)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	3,994,475	1,716,724	706,887
Purchase of investments	(4,668,674)	(2,470,928)	(788,459)
Interest and dividends received	74,484	75,004	28,890
Net cash provided (used) by investing activities	<u>(599,714)</u>	<u>(679,200)</u>	<u>(52,683)</u>
Net increase (decrease) in cash and cash equivalents	214,960	85,995	(26,967)
Cash and cash equivalents - beginning of the year	<u>72,109</u>	<u>37,623</u>	<u>77,769</u>
Cash and cash equivalents - end of the year	<u>\$287,069</u>	<u>\$123,618</u>	<u>\$50,802</u>

**County of Kings
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

	Health Self-Insurance	Public Works	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$11,069,943	\$8,249,173	\$28,280,064
Payments to suppliers	(1,159,983)	(3,779,578)	(8,739,165)
Payments to and on behalf of employees	(8,521,434)	(4,067,348)	(15,208,444)
Payments for interfund services used	-	(246,244)	(659,430)
Net cash provided (used) by operating activities	<u>1,388,526</u>	<u>156,003</u>	<u>3,673,025</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loss on equipment disposals/transfers	-	-	24,500
Transfers to other funds	-	-	(106,584)
Federal aid for homeland security	-	-	1,635
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>(80,449)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(4,477)	(446,186)
Interest paid on capital debt	-	(23,996)	(24,749)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(28,473)</u>	<u>(470,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	2,165,542	504,925	9,088,552
Purchase of investments	(3,530,741)	(698,033)	(12,156,834)
Interest and dividends received	104,967	14,259	297,604
Net cash provided (used) by investing activities	<u>(1,260,232)</u>	<u>(178,849)</u>	<u>(2,770,678)</u>
Net increase (decrease) in cash and cash equivalents	128,294	(51,319)	350,963
Cash and cash equivalents - beginning of the year	<u>27,681</u>	<u>88,275</u>	<u>303,457</u>
Cash and cash equivalents - end of the year	<u>\$155,975</u>	<u>\$36,956</u>	<u>\$654,420</u>

**County of Kings
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

	<u>Workers Compensation Self-Insurance</u>	<u>Fleet Management</u>	<u>Information Technology</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (expense)	<u>\$295,071</u>	<u>\$330,134</u>	<u>(\$7,858)</u>
Adjustments to reconcile operating income (expense) to net cash provided (used) by operating activities:			
Depreciation expense	-	659,038	315,160
Net (gain) / loss on sale of assets	-	8,867	(15,386)
(Increase) decrease in accounts receivable	-	(516)	80,469
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventories and prepaids	-	9,673	-
Increase (decrease) in accrued expenses payable	240,603	(29,793)	(37,332)
Increase (decrease) in due to other funds	-	(4,644)	(23,770)
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in capital leases payable	-	(13,523)	-
Increase (decrease) in clamis payable	279,000	-	-
Increase (decrease) in compensated absences payable	-	13,622	29,681
Total adjustments	<u>519,603</u>	<u>642,724</u>	<u>348,822</u>
Net cash provided (used) by operating activities	<u>\$814,674</u>	<u>\$972,858</u>	<u>\$340,964</u>
Noncash capital activities:			
Contributions of capital assets from governmental funds			\$7,227

**County of Kings
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

	<u>Health Self-Insurance</u>	<u>Public Works</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (expense)	<u>\$695,255</u>	<u>(\$10,283)</u>	<u>\$1,302,319</u>
Adjustments to reconcile operating income (expense) to net cash provided (used) by operating activities:			
Depreciation expense	-	12,586	986,784
Net (gain) / loss on sale of assets	-	-	(6,519)
(Increase) decrease in accounts receivable	(508)	(7,398)	72,047
(Increase) decrease in due from other funds	523,435	-	523,435
(Increase) decrease in due from other governments	17,521	-	17,521
(Increase) decrease in inventories and prepaids	-	-	9,673
Increase (decrease) in accrued expenses payable	152,823	139,287	465,588
Increase (decrease) in due to other funds	-	(29,350)	(57,764)
Increase (decrease) in unearned revenue	-	4	4
Increase (decrease) in capital leases payable	-	-	(13,523)
Increase (decrease) in clamis payable	-	-	279,000
Increase (decrease) in compensated absences payable	-	51,157	94,460
Total adjustments	<u>693,271</u>	<u>166,286</u>	<u>2,370,706</u>
Net cash provided (used) by operating activities	<u>\$1,388,526</u>	<u>\$156,003</u>	<u>\$3,673,025</u>
Noncash capital activities:			
Contributions of capital assets from governmental funds			\$7,227

County of Kings
Workers Compensation Self-Insurance Internal Service Fund
Schedule of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Miscellaneous	\$ 235,733	\$ 211,391	\$ (24,342)
Total operating revenues	<u>235,733</u>	<u>211,391</u>	<u>(24,342)</u>
Operating expenses:			
Salaries and benefits	-	(754,547)	754,547
Services and supplies	232,416	168,347	64,069
Administration	-	502,520	(502,520)
Capital outlays	3,317	-	3,317
Total operating expenses	<u>235,733</u>	<u>(83,680)</u>	<u>319,413</u>
Operating income (expenses)	<u>-</u>	<u>295,071</u>	<u>295,071</u>
Non-operating revenues (expenses):			
Investment earnings	-	74,484	74,484
Total non-operating revenue (expenses)	<u>-</u>	<u>74,484</u>	<u>74,484</u>
Change in net assets	-	369,555	369,555
Total net assets - beginning	(618,158)	(618,158)	-
Total net assets - ending	<u>\$ (618,158)</u>	<u>\$ (248,603)</u>	<u>\$ 369,555</u>

County of Kings
Fleet Management Internal Service Fund
Schedule of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Charges for services	\$ 3,184,145	\$ 2,942,948	\$ (241,197)
Miscellaneous	100,000	90,286	(9,714)
Total operating revenues	<u>3,284,145</u>	<u>3,033,234</u>	<u>(250,911)</u>
Operating expenses:			
Salaries and benefits	527,279	476,331	50,948
Services and supplies	1,550,662	1,372,454	178,208
Administration	159,569	195,277	(35,708)
Depreciation	716,807	659,038	57,769
Capital outlays	278,275	-	278,275
Total operating expenses	<u>3,232,592</u>	<u>2,703,100</u>	<u>529,492</u>
Operating income (expenses)	<u>51,553</u>	<u>330,134</u>	<u>278,581</u>
Non-operating revenues (expenses):			
Investment earnings	30,000	75,004	45,004
Interest expense	-	(753)	(753)
Net gain (loss) on sale of assets	-	8,867	8,867
Total non-operating revenue (expenses)	<u>30,000</u>	<u>83,118</u>	<u>53,118</u>
Income (loss) before transfers	81,553	413,252	331,699
Transfers in	24,500	24,500	-
Change in net assets	106,053	437,752	331,699
Total net assets - beginning	5,641,103	5,641,103	-
Total net assets - ending	<u>\$ 5,747,156</u>	<u>\$ 6,078,855</u>	<u>\$ 331,699</u>

County of Kings
Information Technology Internal Service Fund
Schedule of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Charges for services	\$ 6,381,396	\$ 5,641,493	\$ (739,903)
Miscellaneous	-	1,394	1,394
Total operating revenues	<u>6,381,396</u>	<u>5,642,887</u>	<u>(738,509)</u>
Operating expenses:			
Salaries and benefits	3,459,687	3,359,132	100,555
Services and supplies	2,015,956	1,758,544	257,412
Administration	207,336	217,909	(10,573)
Depreciation	263,603	315,160	(51,557)
Capital outlays	283,192	-	283,192
Total operating expenses	<u>6,229,774</u>	<u>5,650,745</u>	<u>579,029</u>
Operating income (expenses)	<u>151,622</u>	<u>(7,858)</u>	<u>(159,480)</u>
Non-operating revenues (expenses):			
Intergovernmental	1,632	1,635	3
Investment earnings	14,000	28,890	14,890
Net gain (loss) on sale of assets	-	(15,386)	(15,386)
Total non-operating revenue (expenses)	<u>15,632</u>	<u>15,139</u>	<u>(493)</u>
Income (loss) before contributions and transfers	167,254	7,281	(159,973)
Capital contributions from general funds	-	7,227	7,227
Transfers out	-	(106,584)	(106,584)
Change in net assets	167,254	(92,076)	(259,330)
Total net assets - beginning	2,243,834	2,243,834	-
Total net assets - ending	<u>\$ 2,411,088</u>	<u>\$ 2,151,758</u>	<u>\$ (259,330)</u>

County of Kings
Health Self-Insurance Internal Service Fund
Schedule of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Miscellaneous	\$ 11,587,425	\$ 10,529,495	\$ (1,057,930)
Total operating revenues	<u>11,587,425</u>	<u>10,529,495</u>	<u>(1,057,930)</u>
Operating expenses:			
Salaries and benefits	10,327,447	8,674,257	1,653,190
Administration	1,323,478	1,159,983	163,495
Total operating expenses	<u>11,650,925</u>	<u>9,834,240</u>	<u>1,816,685</u>
Operating income (expenses)	<u>(63,500)</u>	<u>695,255</u>	<u>758,755</u>
Non-operating revenues (expenses):			
Investment earnings	63,500	104,967	41,467
Total non-operating revenue (expenses)	<u>63,500</u>	<u>104,967</u>	<u>41,467</u>
Change in net assets	-	800,222	800,222
Total net assets - beginning	3,967,044	3,967,044	-
Total net assets - ending	<u>\$ 3,967,044</u>	<u>\$ 4,767,266</u>	<u>\$ 800,222</u>

County of Kings
Public Works Internal Service Fund
Schedule of Revenue, Expenditures, and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Charges for services	\$ 12,135,997	\$ 8,256,467	\$ (3,879,530)
Miscellaneous	-	102	102
Total operating revenues	<u>12,135,997</u>	<u>8,256,569</u>	<u>(3,879,428)</u>
Operating expenses:			
Salaries and benefits	4,145,812	4,019,281	126,531
Services and supplies	7,824,825	3,988,741	3,836,084
Administration	111,735	246,244	(134,509)
Depreciation	13,076	12,586	490
Capital outlays	5,950	-	5,950
Total operating expenses	<u>12,101,398</u>	<u>8,266,852</u>	<u>3,834,546</u>
Operating income (expenses)	<u>34,599</u>	<u>(10,283)</u>	<u>(44,882)</u>
Non-operating revenues (expenses):			
Investment earnings	-	14,259	14,259
Interest expense	-	(23,996)	(23,996)
Total non-operating revenue (expenses)	<u>-</u>	<u>(9,737)</u>	<u>(9,737)</u>
Change in net assets	34,599	(20,020)	(54,619)
Total net assets - beginning	239,836	239,836	-
Total net assets - ending	<u>\$ 274,435</u>	<u>\$ 219,816</u>	<u>\$ (54,619)</u>

