

STATE OF CALIFORNIA

County of Kings

**ANNUAL BASIC
FINANCIAL
REPORT**

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2011**

**Rebecca Carr, CPA, CGMA
Director of Finance**

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County of Kings

For the Year Ended June 30, 2011

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Introductory Section



KINGS COUNTY GOVERNMENT CENTER
1400 W. LACEY BLVD.
HANFORD, CALIFORNIA 93230

ACCOUNTING DIVISION
(559) 582-3211, EXT. 2455
FAX (559) 587-9935

TREASURY/TAX COLLECTION DIVISION
TAX COLLECTION: (559) 582-3211, EXT. 2479
TREASURY: (559) 582-3211, EXT. 2477
FAX: (559) 582-1236

July 30, 2012

The Honorable Members of the Board of Supervisors
Citizens of the County of Kings, California:

In accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California, the Department of Finance hereby issues the Annual Basic Financial Report (AFR) for the County of Kings (County) for the fiscal year ended June 30, 2011.

General-purpose local governments publish a complete set of annual financial statements presented in conformity with the accounting principles and standards generally accepted in the United States of America. These financial statements were independently audited by the firm of Brown Armstrong Accountancy Corporation, licensed certified public accountants authorized to conduct audits in accordance with auditing standards generally accepted in the United States of America.

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.

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, 2011. 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 the 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 to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and therefore, should be read in conjunction with the MD&A.

Profile of the Government

The County of Kings, incorporated in 1893, is positioned midway between Los Angeles and the Bay Area, in the heart of California's San Joaquin Valley. The County covers 1,391 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 10,000. 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-Home Supportive Services (I.H.S.S.) Public Authority Fund for providing in-house care for the elderly, blind, and disabled, and the Redevelopment Agency for improving a 473 acre area in Kettleman City.

The County of Kings 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

The County's current population is 152,739 and is projected for expansion to 176,427 by 2020, and to 245,525 by 2040. Kings County has a civilian workforce of 62,100 and the average annual unemployment rate is 16.7 percent for the 2011 fiscal year.

During 2011, the gross value of all crops in Kings County increased 29.2 percent to a total of \$2.22 billion. Export demand also played a role due a weak dollar and generally healthy economies overseas. In 2011, milk prices turned around with an increase of 27 percent over 2010 prices. Milk has been selling for more than \$18 for each 100 pounds. California is ranked number one in the nation for dairy production generating more than \$7 billion with Kings County producing nearly 11 percent of all milk and cream in the State, making it the third largest producer in the State.

The government sector in Kings County accounts for 35% of all jobs and represents the largest source of employment in the County. Other sectors, such as Agriculture (15%); Trade (10%); Manufacturing (10%); Educational and Health Services (8%); Leisure and Hospitality (7%); Professional Business Services and Financial Activities (5%); and Natural Resources, Mining and Construction (3%) represent the other major contributors of jobs to the local economy.

Factors Affecting Financial Condition

The County's 2011/2012 budget contains many reductions as the result of the continuing economic struggles and many uncertainties regarding the budget for the State of California. The Governor's budget calls for realignment of local law enforcement as well as Health and Human Services programs which will result in cost shifts to the County.

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 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 have regained \$24.8 billion after having lost more than \$52.6 billion in investments due to a rebound in global equity markets. National foreclosure rates decreased 29 percent with the State foreclosure rate dropping close to 23 percent. Kings County has reduced costs and continues a hiring freeze. Proposed reductions include 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 \$5.9 million. A total of \$970 thousand was transferred out, including the Special Revenue Fund (\$929 thousand) supporting the ongoing operations of the Fire Department, \$700,000 that had been received from Tribal Mitigation Fees, and the In-Home Supportive Services (I.H.S.S.) Department \$228 thousand.

This resulted in a \$6.9 million draw down of existing fund balance leaving a residual general fund balance of \$14.2 million as of June 30, 2011.

Major Initiatives

Kings County has been selected for over \$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. This expansion is necessary due to the effect of realignment of State prisoners to the County Jail.

Capital projects completed for the County include 1) the completion of construction on the Library's Children's Reading Room that had a budget of \$126,000 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) with the loan from the County to begin repayment at the conclusion of construction. 2) 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 has been revised to late summer 2012.

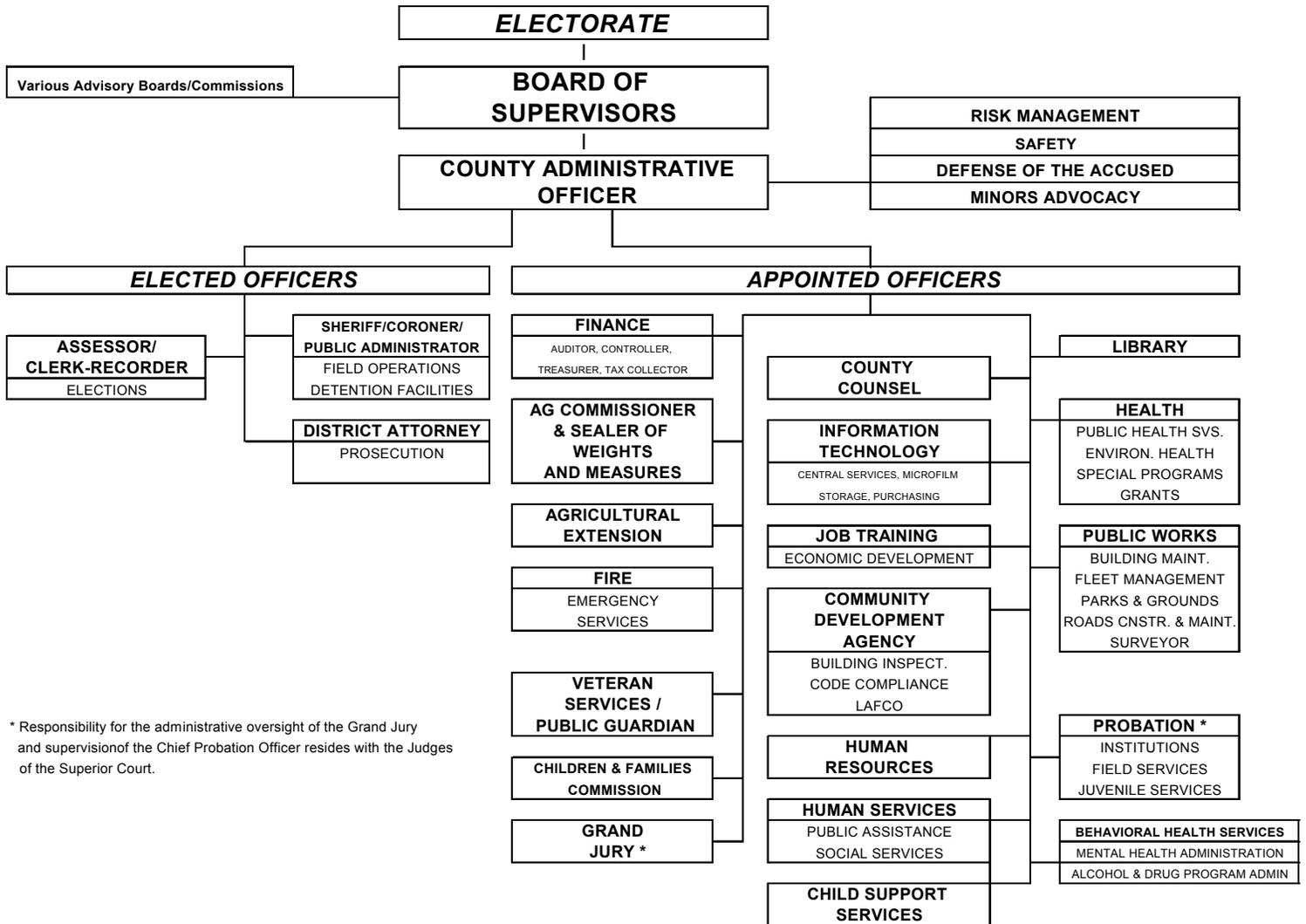
Acknowledgements

The preparation of the Annual Basic 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,

Rebecca Carr, CPA, CGMA
Director of Finance

ORGANIZATION OF KINGS COUNTY GOVERNMENT



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

County of Kings
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2011

ELECTED OFFICIALS

Supervisor – District 1	Joe Neves
Supervisor – District 2	Richard Valle
Supervisor – District 3	Doug Verboon
Supervisor – District 4	Tony Barba
Supervisor – District 5	Richard Fagundes
Assessor/Clerk Recorder	Ken Baird
District Attorney	Greg Strickland
Sheriff/Coroner/Public Administrator	David Robinson

APPOINTED OFFICIALS

County Administrative Officer	Larry Spikes
Director of Finance	Rebecca Carr, CPA, CGMA
County Counsel	Colleen Carlson
Clerk to the Board	Catherine Venturella
Agriculture Commissioner/Sealer	Tim Niswander
Agricultural Extension	Jim Sullins
Veterans Services/Public Guardian	Joe Wright
First 5 Children & Families Director	Lisa Watson
Information Technology Director	Mark Dawson
Job Training Office Director	John Lehn
Library Director	Natalie Rencher
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	Kevin McAlister
Planning Director	Gregory Gatzka
Fire Chief	Bill Lynch
Chief Probation Officer	Steve Brum
Behavioral Health Services Director	MaryAnn Ford-Sherman

Financial Section

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**BROWN
ARMSTRONG**

CERTIFIED
PUBLIC
ACCOUNTANTS

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, as of and for the year ended June 30, 2011, 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 the 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, 2011, 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 July 30, 2012, 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 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 14 and schedules of funding progress on pages 55 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922



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

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, the budgetary comparison information for major funds on pages 57 and 58, and the 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 budgetary comparison information for major funds on pages 57 and 58 and 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 it.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
July 30, 2012

County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011. 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 i to vi 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 \$133,934,695 (net assets) and from this amount \$37,937,270 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. (see page 13 Statement of Net Assets)
- The County's total net assets decreased by \$1,248,220 or 0.94% in fiscal year 2011 compared to fiscal year 2010, in part due to a prior period adjustment of \$304,626. The amount invested by the County in capital assets (net of related debt) increased by 0.02% or \$19,191. (see page 13 Statement of Net Assets)
- Restricted assets set aside for debt decreased to \$900,895 in Fiscal Year 2011 compared to \$994,486 in fiscal year 2010. No funds for Construction were reserved in fiscal years 2010 and 2011.
- Cash increased by approximately \$170,000 and investments increased by \$12 million in fiscal year 2011 while receivables decreased by \$1,653,413 compared to fiscal year 2010.
- The County of Kings' total liabilities increased by \$7,720,910 (11.21%) during the current fiscal year.
- The Statement of Activities (page 14) shows program expenditures for primary government programs in Fiscal Year 2011 to be \$186,401,300. Program revenues of \$147,266,891 derived from charges for services \$10,829,770 and operating grants/contributions \$136,437,121. The remaining balance of \$39,134,409 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 15) reported combined ending fund balances of \$44,370,833, a decrease of \$881,141 or (1.95%) in comparison with fiscal year 2010. This is the result of the decrease of fund balance from operations \$1,423,732 offset by the total prior period adjustment of \$542,591.
- Approximately \$13.2 million of the total combined ending fund balance amount is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,090,663, or 9.55% 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 Kings' 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

County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011

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, Information Services, and Health Self-Insurance Funds. The government-wide financial statements can be found on pages 13-14 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County of Kings maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, 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 nonmajor governmental funds is provided in

County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011

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 15-18 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, information systems management, 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 19-22 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 statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 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 governmental fund financial statements. The notes to the financial statements can be found on pages 25-53 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 road fund is required in order to demonstrate compliance with the annual adopted budget. Required supplementary information can be found on pages 54-58 of this report.

The combining statements referred to earlier in connection with nonmajor 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 59-94 of this report.

**County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011**

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 \$133,934,695 at the close of the most recent fiscal year.

		County of Kings' Net Assets	
		Governmental Activities	
		<u>2011</u>	<u>2010</u>
Assets:			
Current assets and other assets	\$	97,982,782	\$ 88,209,545
Capital assets		<u>112,558,374</u>	<u>113,362,481</u>
Total assets		<u>210,541,156</u>	<u>201,572,026</u>
Liabilities:			
Long-term liabilities outstanding		35,842,298	35,975,002
Other liabilities		<u>40,764,163</u>	<u>32,910,549</u>
Total liabilities		<u>76,606,461</u>	<u>68,885,551</u>
Net Assets:			
Invested in capital assets, net of related debt		95,096,530	95,077,339
Restricted		900,895	994,486
Unrestricted		<u>37,937,270</u>	<u>36,614,650</u>
Total net assets	\$	<u>133,934,695</u>	\$ <u>132,686,475</u>

The largest portion of the County's net assets, \$95,096,530 (71%), 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 \$900,895 (0.67%) represents 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 2011 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 \$37,937,270 (28.33%) may be used to meet the County's ongoing obligations to citizens and creditors.

The County's total net assets increased by \$1,248,220 (0.94%). Following the logic of the Statement of Activities this increase can be explained as the difference between total general revenues of \$40,078,003 and the net expense of the primary government functions of \$39,134,409. Public Safety, a governmental function, cost the citizens of the County \$59,837,378 in fiscal year 2011. The financial resources to cover this expense derived from Charges for Services of \$5,416,369 and Operating Grants and Contributions of \$22,400,192, the shortfall of \$32,020,817 must be met by other resources with the principal source coming from taxes. Governmental Accounting Standards Board (GASB) Statement No. 34 dictates that ten principal categories constitute Governmental Activities as shown on page 14. The General Revenue sources are listed on page 14 and shown below.

**County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011**

Total liabilities increased by \$7,720,910 in fiscal year 2011. 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 \$732,591, lease revenue bonds of \$400,000, and capital leases of \$562,729.

Governmental activities. Governmental activities increase the County of Kings net assets by \$943,594. Key elements of the increase in net assets are as follows:

**County of Kings'
Changes in Net Assets
Governmental Activities**

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 10,829,770	\$ 8,809,068
Operating Grants and Contributions	136,437,121	138,214,949
General Revenues:		
Property taxes	23,834,737	23,747,617
Other tax revenue	3,531,588	3,756,924
Other	12,711,678	6,963,016
Total revenues	<u>187,344,894</u>	<u>181,491,574</u>
Expenses:		
General government	18,950,737	16,124,520
Public safety	59,837,378	58,421,838
Public ways and facilities	2,470,902	-
Highways and streets	33,991	4,129,790
Health and sanitation	25,885,260	25,791,083
Public assistance	68,257,749	70,488,563
Education	2,053,849	2,098,651
Culture and recreation	1,826,861	1,633,433
Unallocated depreciation	5,316,438	4,540,074
Interest on long-term debt	1,768,135	1,401,289
Total expenses	<u>186,401,300</u>	<u>184,629,241</u>
Increase (Decrease) in net assets	943,594	(3,137,667)
Beginning net assets	132,686,475	135,824,142
Prior period adjustment	304,626	-
Net assets - ending	<u>\$ 133,934,695</u>	<u>\$ 132,686,475</u>

- Property tax revenues increased \$87,120 or 0.37% during fiscal year 2011. Assessed values of properties decreased 2.64% from fiscal year 2010. However, total delinquencies decreased approximately to \$7,190,159 (6.17%) from \$7,662,690 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 increased \$239,412 or 16.75%. Early estimates for fiscal year 2012 based on research

County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011

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 \$499,012 or 23.45%. 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 increased by \$10,495.
- Tribal gaming revenues were \$900,000 in fiscal year 2011 as there was no additional State funding above the \$900,000 contributed by the Tachi Palace Hotel and Casino.
- The \$1,777,828 (net) decrease in operating grants and contributions can be attributed to decreases of \$1,375,198 from general government, \$1,838,561 from public ways and facilities, \$1,170,777 from health and sanitation, \$1,181,861 from public assistance, and \$3,726 from education. This was offset by increases in public safety \$308,119, highways and streets \$3,465,418, and culture and recreation \$18,758.
- Investment earnings decreased by \$243,105 as historically low interest rates continue unabated. Average investment returns dropped from 2.52% in fiscal year 2010 to 1.77% in fiscal year 2011. This is the net yield on pooled treasury funds, the rate pooled investments earn after expenses are deducted for administration and fees, from the Kings County Report of Interest Earnings.
- Miscellaneous revenues, the catchall category on the Statement of Activities, witnessed an increase of \$4,932,501 or 43%. This was primarily due to new programs in the Roads Department which increased the Miscellaneous Revenues in the amount of \$2,453,588 but was offset in part by other decreases in revenues such as Community Development \$63,274 and Job Training Office of \$622,147.

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 the County's net resources available for spending at the end of the fiscal year.

The County segregates from the General Fund a number of significant functions in major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Roads, Capital Projects, and Debt Service funds, all considered major funds. Data for the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$44,370,833, a decrease of \$881,141 (1.99%) in comparison with the prior fiscal year. Approximately 29.83% of this total amount or \$13,235,010 constitutes unassigned fund balance, which is available for spending at the County's discretion. A total of \$7,164,359 has been assigned, or constrained for

County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011

use by the County's intent to be used for a specific purpose but is neither restricted or committed, of this amount \$6,894,795 is for the purposes of advances and loans to other governmental funds, \$243,435 is for the purpose of repayment of debt service, and imprest cash, \$26,129. A total of \$3,000,000 is nonspendable as it cannot be spent because it is either not in spendable form or is contractually required to be maintained intact. The remainder of fund balance is restricted, resources subject to external restrictions on their use, or by enabling legislation (1) to pay debt service \$1,300,895, and (2) for other restricted purposes \$19,670,569.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,090,663, while total ending fund balance for the General Fund at the conclusion of fiscal year 2011 was \$14,234,613. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As seen from this perspective, unassigned fund balance represents 9.55% of total General Fund's expenditures, while total fund balance represents 9.65% of that same amount.

General Fund. In fiscal year 2011, the County's General Fund expenditures exceeded revenues by \$5,889,727. A total of \$970,046 was transferred out to the following funds: Special Revenue \$928,547, and Internal Services \$41,499. The Special Revenue Fund contributions support the ongoing operations of the Fire Department with \$700,000 received from Tribal Mitigation Fees and \$228,547 for the In-House Supportive Services (IHSS) Department. (see Notes, page 38-39). This resulted in a \$6,859,773 draw down of existing fund balance and leaving a residual General Fund balance of \$14,234,613.

Total expenditures increased in the General Fund by approximately \$668 thousand (\$147.56 million vs. \$146.89 million in 2010). The following factors contributed to the additional operating expenditures:

- General government expenditures from the General Fund decreased approximately \$1.2 million due mainly to liability insurance rates and claims reductions (\$541 thousand), fixed asset purchases (\$170 thousand) and a general reduction in departmental expenditures (\$423 thousand). A change in classification from general government expenditures to public safety to align with State requirements also impacted the comparison between years.
- Public Safety expenditures from the General Fund decreased only slightly in fiscal year 2011 to \$44,310,759 from \$44,348,939 in fiscal year 2010. The expenditures decreased in part to a countywide hiring freeze and vacant positions were not backfilled.
- Public Assistance expenditures from the General Fund decreased by \$1.2 million. Additional Aid went to the following recipients because of caseload increases: Aid for Families with Dependent Children (CalWorks) (\$1.28 million) and Foster Care (\$93 thousand). The increase in aid was offset by reductions in salaries and benefits in the Human Services Agency (\$864 thousand) and the reclassification of capital outlay expenditures (\$1.2 million).

Debt Service fund. The County of Kings debt service fund has a total fund balance of \$1,425,955 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 increased \$490,569 due to the difference between actual capital outlay revenues exceeded expenditures by \$319,657 as well as a prior period adjustment of \$170,912. Major capital outlays included \$353 thousand for the Burris Park Museum expansion completed in November 2010. The only project still in process is the Gateway (La Casa) Park

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Management Discussion and Analysis
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improvements budgeted for \$200 thousand.

Road fund. The County of Kings road fund has a total fund balance of \$11,970,830 as of June 30, 2011. This fund holds assets of \$11,970,830, of which \$10,336,327 are invested in the County's portfolio. This fund has no liabilities.

Nonmajor funds. These funds represent special revenue funds that account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The nonmajor fund balance increased by \$(70,454) (net) due to the following: 1) There was a shift in funds reported under nonmajor funds this year. The Road fund is now reported as a major fund and the Redevelopment Agency is no longer considered a major fund and has been relegated to reporting as a nonmajor fund. 2) Special Revenue Funds received \$7.25 million less in intergovernmental revenues in fiscal year 2011 than they had in fiscal year 2010. The Job Training Office received \$2.43 million and the Fire fund received \$227 thousand. 3) Fines and forfeits revenues increased \$276 thousand in fiscal year 2011. 4) The Job Training Office had decreased expenditures for public assistance \$3.10 million due to decreased funding for programs since the advent of the American Recovery and Reinvestment Act of 2009. 5) The Community Development Block Grants had decreased expenditures of \$741 thousand due to decreased funding. 6) Public assistance expenditures decreased by \$2.48 million. 7) Fire expenditures decreased by \$482 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 2011 amounted to \$8,750,230. Net assets from operations decreased \$486,597 mainly due to 1) a decrease to the Workers Compensation Self-Insurance Fund of (\$113 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 \$249 thousand resulting from an Actuarial Review. Current fund balance is \$7,646 as of year-end. 2) increase in expenditures in the Health Self-Insurance Fund of (\$777 thousand) as a result of more paid claims, and a 5.0% increase in premiums. A prior period adjustment of \$168,340 resulted in a total net change to net assets of \$318,257.

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 \$2,435,448 net decrease in appropriations are briefly summarized as follows:

- General government decreased appropriations \$968,827.
- Public Safety increased appropriations \$609,487.
- Public Assistance decreased appropriations \$1,740,372.
- Debt Service decreased appropriations \$2,440,620.
- Capital Outlay increased appropriations \$2,048,141

Overall, the County's actual General Fund revenues were less than budgeted during fiscal year 2011 by \$12,121,834 or 7.9%. Revenues that had significant variances include the following:

- Actual comparison of property tax revenues is \$33,040,170 (Budget) vs. \$16,080,300 (Actual) noting

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actual receipts less than budgeted by \$16,959,870 or 51.3%. Actual comparison of intergovernmental revenue is \$103,723,918 (Budget) vs. \$108,428,397 (Actual) showing more program revenues than budgeted of \$4,704,479 or 4.5%.

- Franchise tax revenues of \$967,790 from the General Fund were budgeted directly within the Capital Projects Fund. Sales and use taxes were more than budgeted by \$250,270 or 17.8%. Licenses and permits were less than budget by \$40,399 or 12.6%.
- Charges for services were more than budgeted by \$13,901 or 0.17%.
- Investment earnings were less than budgeted by \$40,264 or 5.8%.
- Miscellaneous revenues were less than budgeted by \$1,103,552 or 26.47%.

Actual expenditures in the General Fund were less than the final budget by \$12,706,567, or 7.93%.

Capital Assets and Debt Administration

Capital assets. The County of Kings' investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$112,558,374 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, bridges, and water and sewer systems. The total increase in the County's investment in capital assets for the current fiscal year was 0.71% for governmental activities.

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

- Construction in progress was completed for the Human Services Expansion, the Burris Park Museum Expansion, and the Library's Children's Reading Room. Accordingly, construction expenditures were capitalized as part of structure and improvements.
- Continued construction in progress includes the Gateway (La Casa) Park Improvements.

**County of Kings' Capital
Assets**

(net of depreciation)

	2011	2010
Land	\$ 7,369,118	\$ 7,822,836
Structures and improvements	80,094,056	73,016,088
Equipment	9,674,517	8,265,415
Construction in progress	86,945	9,822,750
Infrastructure	15,333,738	14,435,393
Total	\$ 112,558,374	\$ 113,362,482

Additional information on the County of Kings' capital assets can be found in note 1.A. (page 32), and note 4 (pages 37-38) of this report.

Long-term debt. At the end of the current fiscal year, the County of Kings had total bonded debt outstanding of \$19,256,110. From this amount, \$9,931,110 (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

**County of Kings
Management Discussion and Analysis
For the Year Ended June 30, 2011**

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 \$9,756,235 representing retrofitting of County buildings with energy conservation equipment of \$405,496, the construction of a cogeneration plant \$1,933,042, the energy conservation project of \$7,006,788, and a storage area network system of \$410,909.

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	County of Kings' Outstanding Debt Pension Obligations, Revenue Bonds and Capital Leases	
	<u>2011</u>	<u>2010</u>
Pension Obligation Bonds	\$ 9,931,110	\$ 10,667,162
Lease Revenue Bonds	9,325,000	9,710,000
Capital Leases	9,756,235	9,776,156
Total	<u>\$ 29,012,345</u>	<u>\$ 30,153,318</u>

The County of Kings bonded debt decreased by \$1,121,052 (5.82%) and capital lease obligations outstanding decreased by \$19,921 (0.20%) during the current fiscal year representing principal reductions from bond and significant increases in lease payments.

The Lease 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 Bonds' prior rating of AAA was rendered irrelevant and the Bonds 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 \$440,192,084, 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 1 (page 33) and notes 6 and 7 (pages 39-43) of this report.

Budget and Economic Factors

- The unemployment rate for Kings County is currently 16.7%, which is an increase from a rate of 16.0% during fiscal year 2010. The unemployment rate for the State has been reported to be 12.0% and remain steady. The State unemployment rate was approximately 12.3% a year ago.
- The County's 2011 - 2012 final budget includes placeholders for "Realignment 2011", a major policy shift in which the counties will assume responsibility for functions previously handled by the State. The most noteworthy of these is the assumption of responsibilities for the incarceration and treatment of so-called low-level offenders that have gone to State prisons in the past. Other programs that will be impacted by "Realignment 2011" include: Court Security, Public Safety grants, Mental Health Managed Care, Early and Periodic Screening, Diagnosis and Treatment (EPSDT), Drug and Alcohol programs, Foster Care and Child Welfare services, and Adult Protective Services.
- In order for the State to balance its budget, and provide the \$6.3 billion to transfer responsibility to local governments, the State legislature shifts existing revenues rather than extending tax rates as proposed by the Governor. This revenue shift includes the following: a shift of Sales Tax in the amount of \$5.1 billion, a shift of existing Vehicle License Fees totaling \$453 million, and a one time shift of Prop 63 funds totaling \$763 million. The State Legislature set up a detailed and complex account structure for these funds to be allocated to local governments. This structure currently has little flexibility for local governments to align their needs to funding or to transfer funds between accounts.

County of Kings
Management Discussion and Analysis
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- In addition, the State has included two levels of Trigger Cuts if projected revenues fail to materialize by mid-year. If the State receives \$3 - \$4 billion of the \$4 billion of projected revenues, there would be no cuts. The remaining \$1 billion shortfall would be rolled into fiscal year 2012 - 13. If the State receives \$2 - \$3 billion of the projected \$4 billion in revenues, Tier 1 Trigger Cuts would be enacted for nearly \$601 million. If the State receives \$0 - \$2 billion of the proposed revenues, Tier 2 Trigger cuts of \$1.86 billion would be enacted.
- Another major assumption is that some level of funding under the Open Space Subvention Act, will be added back (through AB1265) This is estimated at \$650,000 for fiscal year 2011 - 2012 and if fully funded by the State would result in approximately \$2.6 million in discretionary revenue for the County.
- The 2011-2012 County of Kings' Final Budget included an overall budget of \$220,805,172, which is about \$3.7 million or 1.68% more than the fiscal year 2011 final budget. No actual workforce reduction is proposed for this budget year while the general fund budget is looking at a \$374,724 decrease in expenditures.
- Total allocated positions are 1,266.53 full-time equivalents (FTEs), which is 26.95 FTEs less than adopted in the 2010 - 2011 budget.

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, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,385,117
Investments	81,641,463
Receivables	11,247,689
Inventories and prepaids	183,644
Deferred charges	623,974
Restricted assets	900,895
Capital Assets	
Land	7,369,118
Structures and improvements	80,094,056
Equipment	9,674,517
Construction in progress	86,945
Infrastructure	15,333,738
Total Assets	210,541,156
 Liabilities	
Accounts payable and other current liabilities	\$ 5,199,547
Accrued interest payable	3,320,558
Unearned revenue	21,803,739
Claims payable	8,745,000
Noncurrent Liabilities	
Due within one year	1,695,319
Due in More Than One Year	
Capital leases	9,193,506
Pension obligation bonds	9,198,520
Lease revenue bonds	8,925,000
Compensated absences	6,169,621
Net OPEB obligation	2,355,651
Total Liabilities	76,606,461
 Net Assets	
Invested in capital assets, net of related debt	95,096,530
Restricted for Debt Service	900,895
Unrestricted	37,937,270
Total Net Assets	\$ 133,934,695

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

**County of Kings
Statement of Activities
For the Year Ended June 30, 2011**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities	
Function/Program Activities				
Primary Government				
Governmental Activities				
General government	\$ 18,950,737	\$ 2,836,138	\$ 18,307,302	\$ 2,192,703
Public safety	59,837,378	5,416,369	22,400,192	(32,020,817)
Public ways and facilities	2,470,902	463,265	351,483	(1,656,154)
Highways and streets	33,991	587,192	7,861,455	8,414,656
Health and sanitation	25,885,260	1,257,539	22,388,675	(2,239,046)
Public assistance	68,257,749	107,509	64,156,661	(3,993,579)
Education	2,053,849	32,576	76,497	(1,944,776)
Culture and recreation	1,826,861	129,182	894,856	(802,823)
Unallocated depreciation	5,316,438	-	-	(5,316,438)
Interest on long-term debt	1,768,135	-	-	(1,768,135)
Total Primary Government	\$ 186,401,300	\$ 10,829,770	\$ 136,437,121	\$ (39,134,409)
General Revenues				
Property taxes				\$ 23,834,737
Sales tax				1,669,159
Franchise taxes				1,629,148
Hotel taxes				233,281
Investment earnings				1,558,955
Gain/(loss) on sale of capital assets				(316,590)
Miscellaneous				11,469,313
Total General Revenues				40,078,003
Changes in Net Assets				943,594
Net Assets, Beginning of Year				132,686,475
Prior period adjustment				304,626
Net Assets, End of Year				\$ 133,934,695

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

**County of Kings
Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Assets						
Cash and cash equivalents	\$ 673,384	\$ 34,271	\$ 534,605	\$ 580,210	\$ 634,362	\$ 2,456,832
Imprest cash	25,575	-	-	-	754	26,329
Treasurer's investments	33,749,608	607,858	9,479,097	10,336,327	11,117,241	65,290,131
Deposit with others	25,000	-	-	-	35,415	60,415
Investments	706,782	-	-	-	-	706,782
Receivables	8,722,329	1,306	94,481	1,054,293	1,179,254	11,051,663
Due from other funds	56,699	-	-	-	12,345	69,044
Due from other governments	-	-	-	-	30,131	30,131
Advances to other funds	-	-	3,000,000	-	-	3,000,000
Deposit with others - restricted	118,375	782,520	-	-	-	900,895
Total Assets	44,077,752	1,425,955	13,108,183	11,970,830	13,009,502	83,592,222
Liabilities and Fund Balances						
Liabilities						
Accrued Expenses Payable	1,973,720	-	38,747	-	1,254,841	3,267,308
Deferred revenue	27,290,289	-	3,174,641	-	472,552	30,937,482
Due to other funds	579,130	-	-	-	199,932	779,062
Due to other governments	-	-	-	-	1,237,537	1,237,537
Advances from other funds	-	-	-	-	3,000,000	3,000,000
Total Liabilities	29,843,139	-	3,213,388	-	6,164,862	39,221,389
Fund Balances						
Nonspendable	-	-	3,000,000	-	-	3,000,000
Restricted	118,375	1,182,520	-	11,970,830	7,699,739	20,971,464
Assigned	25,575	243,435	6,894,795	-	554	7,164,359
Unassigned	14,090,663	-	-	-	(855,653)	13,235,010
Total Fund Balances	14,234,613	1,425,955	9,894,795	11,970,830	6,844,640	44,370,833
Total Liabilities and Fund Balances	\$ 44,077,752	\$ 1,425,955	\$ 13,108,183	\$ 11,970,830	\$ 13,009,502	\$ 83,592,222

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

County of Kings
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

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

Total fund balances - total governmental funds	\$ 44,370,833
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	108,246,860
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 \$212,897, Lease Revenue Bonds \$411,077)	623,974
Certain accrued revenues are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds. (Property Taxes \$1,569,533, Impact Fees \$3,174,641 and Intergovernmental Revenues \$4,343,792)	9,087,966
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 \$2,576,740, Lease Revenue Bonds \$98,326, Capital Leases \$628,837)	(3,303,903)
Internal services funds are used by management to charge the costs of public works, fleet management, information services, 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.	12,650,835
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. (Pension Obligation Bonds \$9,931,110, Lease Revenue Bonds \$9,325,000, Capital Leases \$9,345,326, Compensated Absences \$5,512,782, General Liability - IBNR \$1,272,000, Net OPEB Obligation \$2,355,651)	<u>(37,741,870)</u>
Total net assets - governmental activities	<u><u>\$133,934,695</u></u>

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

County of Kings
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property taxes	\$ 16,080,300	\$ -	\$ -	\$ -	\$ 7,396,668	\$ 23,476,968
Sales tax	1,650,270	-	-	18,889	-	1,669,159
Franchise taxes	967,790	-	248,009	-	413,349	1,629,148
Hotel taxes	233,281	-	-	-	-	233,281
Licenses and Permits	360,131	-	-	-	-	360,131
Fines and Forfeits	1,019,336	-	-	587,192	801,765	2,408,293
Intergovernmental revenues	108,428,397	-	351,483	7,861,455	16,706,454	133,347,789
Charges for services	8,394,774	-	-	-	45,420	8,440,194
Rents and concessions	686,169	-	-	-	-	686,169
Investment earnings	714,736	32,062	193,611	176,119	223,856	1,340,384
Contributions and donations	69,034	-	-	-	28,150	97,184
Miscellaneous revenues	3,065,350	-	1,182,325	2,522,177	2,561,393	9,331,245
Total Revenues	<u>141,669,568</u>	<u>32,062</u>	<u>1,975,428</u>	<u>11,165,832</u>	<u>28,177,055</u>	<u>183,019,945</u>
Expenditures						
Current:						
General government	16,002,933	-	-	-	-	16,002,933
Public safety	44,310,759	-	-	-	12,902,287	57,213,046
Public ways and facilities	-	2,000	1,043,341	-	141,125	1,186,466
Highways and streets	-	-	-	6,044,871	-	6,044,871
Health	25,800,712	-	-	-	-	25,800,712
Public assistance	54,158,061	-	-	-	13,182,323	67,340,384
Education	185,580	-	-	-	1,859,185	2,044,765
Recreation	1,865,725	-	-	-	-	1,865,725
Debt Service:						
Debt Service	1,089,401	385,000	-	-	46,874	1,521,275
Interest expense	630,672	393,324	-	-	4,911	1,028,907
Capital Outlay	3,515,452	-	612,430	-	225,212	4,353,094
Total Expenditures	<u>147,559,295</u>	<u>780,324</u>	<u>1,655,771</u>	<u>6,044,871</u>	<u>28,361,917</u>	<u>184,402,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,889,727)</u>	<u>(748,262)</u>	<u>319,657</u>	<u>5,120,961</u>	<u>(184,862)</u>	<u>(1,382,233)</u>
Other Financing Sources (Uses)						
Transfers In	-	814,139	-	-	928,547	1,742,686
Transfers out	(970,046)	-	-	-	(814,139)	(1,784,185)
Total Other Financing Sources (Uses)	<u>(970,046)</u>	<u>814,139</u>	<u>-</u>	<u>-</u>	<u>114,408</u>	<u>(41,499)</u>
Net change in fund balances	<u>(6,859,773)</u>	<u>65,877</u>	<u>319,657</u>	<u>5,120,961</u>	<u>(70,454)</u>	<u>(1,423,732)</u>
Fund Balances - Beginning	21,094,386	1,360,078	9,404,226	6,849,869	6,543,415	45,251,974
Prior Period Adjustment	-	-	170,912	-	371,679	542,591
Fund Balances - Ending	<u>\$ 14,234,613</u>	<u>\$ 1,425,955</u>	<u>\$ 9,894,795</u>	<u>\$ 11,970,830</u>	<u>\$ 6,844,640</u>	<u>\$ 44,370,833</u>

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

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, 2011

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

Net change in fund balances - total governmental funds	\$ (1,423,732)
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 depreciation (\$5,337,872) exceeded capital outlays (\$4,353,094) in the current period.	(984,778)
The net effect from sale, trade-in transactions and transfers involving capital assets is to decrease net assets.	(795,474)
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 (\$1,569,533), intergovernmental revenues (\$2,468,476), and impact fees (\$286,598) are unavailable for current fiscal year expenditures.	4,324,607
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 \$1,781,280 were reported as revenue during the current year within the statement of activities.	(1,781,280)
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 \$544,173, Pension Obligation Bonds \$735,874, Lease Revenue Bonds \$385,000.	1,665,047
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 (\$39,876), general liability - IBNR \$5,000, claims liability \$1,000,000, and accrued interest (\$267,252).	697,872
Governmental funds expense payments for compensated absences and other postemployment 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 (\$721,468) versus excess payments for Compensated Absences (\$449,397).	(272,071)
Internal service funds are used by management to charge the costs of public works, fleet management, information services, 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.	<u>(486,597)</u>
Change in net assets of governmental activities	<u>\$ 943,594</u>

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

**County of Kings
Statement of Net Assets
Proprietary Funds
June 30, 2011**

	Internal Service Funds
Assets	
Current Assets	
Cash and cash equivalents	\$ 901,626
Imprest cash	330
Treasurer's investments	15,224,135
Deposit with others	360,000
Receivables	141,661
Due from other funds	710,018
Due from other governments	24,234
Inventories and prepaids	183,644
Total Current Assets	17,545,648
Noncurrent Assets	
Capital assets:	
Structures and improvements	12,104
Equipment	13,868,627
Less: accumulated depreciation	(9,569,217)
Total capital assets (net of accumulated depreciation)	4,311,514
Total Noncurrent Assets	4,311,514
Total Assets	\$ 21,857,162
Liabilities	
Current Liabilities	
Accrued Expenses Payable	\$ 639,555
Deferred revenue	9,369
Interest payable	16,655
Capital leases payable	96,688
I.B.N.R. Claims	7,473,000
Total Current Liabilities	8,235,267
Noncurrent Liabilities	
Leases payable	314,221
Compensated absences payable	656,839
Total Noncurrent Liabilities	971,060
Total Liabilities	9,206,327
Net Assets	
Invested in capital assets, net of related debt	3,900,605
Unrestricted	8,750,230
Total Net Assets	\$ 12,650,835

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

County of Kings
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Internal Service Funds</u>
Operating Revenues	
Charges for services	\$ 18,529,713
Miscellaneous revenues	11,193,105
Total Operating Revenues	<u>29,722,818</u>
Operating Expenses	
Salaries and employee benefits	16,191,793
Services and supplies	10,698,071
Administration	2,408,345
Depreciation	1,165,492
Total Operating Expenses	<u>30,463,701</u>
Operating Income (Loss)	<u>(740,883)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental revenues	3,079
Investment earnings	218,572
Interest expense	(44,989)
Net gain/(loss) on sale of assets	36,125
Total Nonoperating Revenues (Expenses)	<u>212,787</u>
Income (Loss) before Operating Transfers	(528,096)
Transfers In	41,499
Change in Net Assets	(486,597)
Net Assets, Beginning of Year	12,969,092
Prior Period Adjustment	168,340
Net Assets, End of Year	<u><u>\$ 12,650,835</u></u>

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

**County of Kings
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011**

	<u>Internal Service Funds</u>
Cash Flows from Operating Activities	
Receipts from interfund services provided	\$ 29,750,516
Payments to suppliers	(12,210,954)
Payments to and on behalf of employees	(16,420,606)
Payments for interfund services used	<u>(501,351)</u>
Net Cash Provided (used) by Operating Activities	<u>617,605</u>
Cash Flows from Non-Capital Financing Activities	
Transfers In	41,499
Intergovernmental revenues	<u>3,079</u>
Net Cash Provided (used) by Non-Capital Financing Activities	<u>44,578</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(1,709,488)
Interest expense	<u>(44,989)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(1,754,477)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	7,368,378
Purchase of investments	(6,247,120)
Investment earnings	<u>218,572</u>
Net Cash Provided (used) by Investing Activities	<u>1,339,830</u>
Net Increase in Cash and Cash Equivalents	<u>247,536</u>
Cash and Cash Equivalents, Beginning of Year	<u>654,420</u>
Cash and Cash Equivalents, End of Year	<u>\$ 901,956</u>

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

**County of Kings
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2011**

	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating income (loss)	\$ (740,883)
Adjustment to Reconcile Operating Income (Loss)	
Depreciation expense	1,165,492
Net gain on sale of assets	36,125
(Increase) Decrease in receivables	11,027
(Increase) Decrease in due from other funds	(20,649)
(Increase) Decrease in due from other governments	(1,992)
(Increase) Decrease in inventories and prepaids	127,528
Increase (Decrease) in deferred revenue	3,187
Increase (Decrease) in accrued expenses payable	(256,382)
Increase (Decrease) in due to other funds	3,273
Increase (Decrease) in capital leases payable	410,202
Increase (Decrease) in compensated absences payable	(18,978)
Increase (Decrease) in accrued interest payable	16,655
Increase (Decrease) in claims payable	(117,000)
Total adjustments	<u>1,358,488</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 617,605</u>

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

County of Kings
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Retiree Health Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ 23,764	\$ 8,864,918
Treasurer's investments	418,297	129,284,913
Deposit with others	-	2,980,086
Receivables	-	9,923,677
Prepaid expenses	-	71,579
	<u>442,061</u>	<u>151,125,173</u>
Liabilities		
Due to other agencies	-	151,125,173
Total Liabilities	<u>-</u>	<u>151,125,173</u>
Net Assets		
Net assets held in trust for retiree health insurance premiums	<u>\$ 442,061</u>	<u>\$ -</u>

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

County of Kings
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011

	<u>Retiree Health Trust</u>
Additions	
Contributions	
Employer contributions	\$ 179,456
Plan members contributions	<u>74,489</u>
Total Additions	<u>253,945</u>
Deductions	
Health insurance premiums	<u>87,112</u>
Total Deductions	<u>87,112</u>
Change in net assets	166,833
Net Assets, Beginning of Year	<u>275,228</u>
Net Assets, End of Year	<u>\$ 442,061</u>

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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Reporting entity

The County of Kings (County) was incorporated in 1893 under laws of the State of California and currently consists of approximately 1,391 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 (Board) 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 County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance a part of the County 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, In-Home Supportive Services (I.H.S.S.) Public Authority for providing an alternative to out of home care for the elderly, disabled and/or blind and the Redevelopment Agency for improving a 473-acre area in Kettleman City. The Kings County Financing Authority is reported in the Capital Projects and Debt Service Funds 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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

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: Rebecca Carr, CPA, CGMA – Director of Finance – Accounting, telephone number 559-852-2460.

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 Law 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 Abatement District defines the policies for operations and employs the necessary staff with resources necessary to control mosquitoes.

Government-wide and fund financial statements

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

The statement of activities demonstrates 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.

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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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 the **Roads Fund which is considered a major fund** for financial reporting purposes.

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

Capital Projects 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.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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 Services – 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 County'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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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.

A. Assets, Liabilities, and Net Assets or Equity

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 County 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 backed 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 that the County does not invest in asset backed 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 Statement No. #31 accounting pronouncement requires 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, 2011. As a result, the County increased treasurer investments and investment earnings in Governmental Funds by \$372,655, Proprietary Funds

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

Deposits and investments (continued)

\$176,708 and Fiduciary Funds \$1,474,474.

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).

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.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

Receivables and payables (continued)

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.

Inventories and prepaid items

Inventories of materials and supplies are for the Information Services 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.

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 \$782,520. 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 \$118,375 for the current fiscal year.

**County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

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 financial statements include capital assets which are also reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets, other than infrastructure assets, are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. 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:

Asset Class	<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

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.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

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.

Fund equity

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are:

Nonspendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action (Resolution) of the highest level of decision making authority (Board of Supervisors) and do not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management decision. The assigned balances in this report represent budgeted amounts set by Board of Supervisor's approval of the subsequent year budget.

Unassigned - Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

Fund equity (continued)

As of June 30, 2011, the fund balance details by classification are listed below:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total
Nonspendable:	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Restricted for:						
Library	-	-	-	-	2,656,706	2,656,706
Road	-	-	-	11,970,830	-	11,970,830
Fire	-	-	-	-	1,506,501	1,506,501
County Fish & Game	-	-	-	-	35,203	35,203
Off-Highway Motor Vehicle	-	-	-	-	100,889	100,889
Community Development						
Block Grants	-	-	-	-	1,166,651	1,166,651
Criminal Justice Facility	-	-	-	-	172,345	172,345
In-Home Supportive Services	-	-	-	-	37,287	37,287
Children and Families First	-	-	-	-	2,024,157	2,024,157
Debt Service Reserve Funds	118,375	782,520	-	-	-	900,895
Debt Service	-	400,000	-	-	-	400,000
Total Restricted Fund Balance	118,375	1,182,520	-	11,970,830	7,699,739	20,971,464
Assigned:						
Debt Service	-	243,435	-	-	-	243,435
Imprest Cash	25,575	-	-	-	554	26,129
Capital Projects	-	-	6,894,795	-	-	6,894,795
Total Assigned Fund Balance	25,575	243,435	6,894,795	-	554	7,164,359
Unassigned:						
General	14,090,663	-	-	-	-	14,090,663
Redevelopment Agency	-	-	-	-	(47,662)	(47,662)
Child Support Services	-	-	-	-	(11,775)	(11,775)
Job Training Office	-	-	-	-	(628,822)	(628,822)
Criminal Justice Facility	-	-	-	-	(1,637)	(1,637)
Children & Families First	-	-	-	-	(165,757)	(165,757)
Total Unassigned Fund Balance	14,090,663	-	-	-	(855,653)	13,235,010
Total Fund Balances	\$ 14,234,613	\$ 1,425,955	\$ 9,894,795	\$ 11,970,830	\$ 6,844,640	\$ 44,370,833

Deficit fund equity

The following special revenue funds, included in the column for nonmajor governmental funds, had deficit unassigned fund balances as follows: The Job Training Office for \$628,822, the Kings County Redevelopment Agency for \$47,662, and Child Support Services for \$11,775 as of June 30, 2011. The Job Training Office operates 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.

Allocation of investment income among funds

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Assets, Liabilities, and Net Assets or Equity (continued)

Allocation of investment income among funds (continued)

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.

Implementation of New Standards

For the fiscal year ended June 30, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type and permanent fund type are also clarified by the provisions in this statement.

Note 2. Deposits and Investments

As of June 30, 2011, the County had the following investments and maturities:

Investment Type	Investment Maturities					
	Total	Less than 1 Year	1 Year	2 Years	3 Years	4 Years
Federal Agencies	\$ 83,427,543	\$ -	\$ 6,835,717	\$ 32,844,846	\$12,027,820	\$31,719,160
Local Agency Investment Fund	50,211,212	50,211,212	-	-	-	-
Money Market Mutual Funds	39,410,016	39,410,016	-	-	-	-
Collateralized Time Deposits	10,000,000	4,000,000	6,000,000	-	-	-
Medium-Term Corporate Notes	40,569,701	23,894,366	12,216,033	383,562	2,077,860	1,997,880
Total	\$223,618,472	\$117,515,594	\$ 25,051,750	\$ 33,228,408	\$14,105,680	\$33,717,040

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.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 2. Deposits and Investments (continued)

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, 2011, the County's investments in medium-term notes were rated A+ to AAA by Standard & Poor's (S&P) and A1 to Aaa by Moody's Investors Service (Moody's). 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: Goldman Sachs Group (5.91 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, 2011, the County's remaining unamortized balance is \$706,782.

Note 3. 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:

	General Fund	Debt Service	Capital Projects	Road	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Receivables									
Accounts	\$ 1,235,979	\$ -	\$ -	\$ -	\$ -	\$ 1,235,979	\$ 114,866	\$ 1,977,135	\$ 3,327,980
Intergovernmental	6,250,617	-	-	1,018,639	670,184	7,939,440	-	1,358,473	9,297,913
Taxes	1,096,981	-	64,179	-	472,552	1,633,712	-	6,057,391	7,691,103
Interest	138,752	1,306	30,302	35,654	36,518	242,532	26,795	530,678	800,005
Total Receivables	<u>\$ 8,722,329</u>	<u>\$ 1,306</u>	<u>\$ 94,481</u>	<u>\$ 1,054,293</u>	<u>\$ 1,179,254</u>	<u>\$ 11,051,663</u>	<u>\$ 141,661</u>	<u>\$ 9,923,677</u>	<u>\$ 1,117,001</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*

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 3. Receivables (continued)

revenue reported in the governmental funds and proprietary funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 1,096,981	\$ -
Delinquent property taxes receivable (special revenue fund)	472,552	-
Impact Fees collected on new developments for future supporting facilities (capital projects fund)	3,174,641	-
Deposit for Environmental Impact Studies (internal service fund)	-	9,369
Deposits for appeals against property assessments (general fund)	-	45,700
Property taxes paid in advance for mobile homes sold (general fund)	-	61,580
Grant drawdowns and fees collected prior to meeting all eligibility requirements	4,343,792	21,687,090
Total deferred/unearned revenue for governmental funds and internal service funds	<u>\$ 9,087,966</u>	<u>\$21,803,739</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,822,835	\$ -	\$ (453,717)	\$ 7,369,118
Construction in progress	9,822,750	63,843	(9,799,648)	86,945
Total capital assets, not being depreciated	<u>17,645,585</u>	<u>63,843</u>	<u>(10,253,365)</u>	<u>7,456,063</u>
Capital assets, being depreciated:				
Structures and improvements	107,815,190	10,372,842	(608,094)	117,579,938
Equipment	25,066,252	3,732,569	(869,706)	27,929,115
Infrastructure	40,436,803	2,089,000	-	42,525,803
Total capital assets, being depreciated	<u>173,318,245</u>	<u>16,194,411</u>	<u>(1,477,800)</u>	<u>188,034,856</u>
Less accumulated depreciation:				
Accumulated depreciation - Structures & improvements	(34,799,102)	(3,017,747)	330,967	(37,485,882)
Accumulated depreciation - Equipment	(16,800,837)	(2,294,962)	841,201	(18,254,598)
Accumulated depreciation - Infrastructure	(26,001,410)	(1,190,655)	-	(27,192,065)
Total accumulated depreciation	<u>(77,601,349)</u>	<u>(6,503,364)</u>	<u>1,172,168</u>	<u>(82,932,545)</u>
Total capital assets being depreciated, net	<u>95,716,896</u>	<u>9,691,047</u>	<u>(305,632)</u>	<u>105,102,311</u>
Governmental activities capital assets, net	<u>\$113,362,481</u>	<u>\$ 9,754,890</u>	<u>\$ (10,558,997)</u>	<u>\$112,558,374</u>

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 4. Capital Assets (continued)

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

Governmental Activities:		
General Government	\$	237,814
Public Safety		456,001
Health and Sanitation		130,246
Public Assistance		359,050
Education		3,815
Unallocated depreciation		<u>5,316,438</u>
Grand Total		<u>\$ 6,503,364</u>

Note 5. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds (2)	\$ 56,699
Health Self-Insurance Fund (1)	General Fund	579,130
	Nonmajor Funds (2)	130,888
	Fleet Management Fund (1)	4,780
	Information Services Fund (1)	35,883
	Public Works Funds (1)	44,933
Nonmajor Fund (2)	Nonmajor Fund (2)	12,345
	Total	<u>\$ 864,658</u>

(1) Internal Service Funds (2) Nonmajor Funds = Special Revenue Funds

Short-term working capital loans payable to the General Fund represent \$17,801 of the total interfund balance amount of \$864,658 as noted above. The Redevelopment Agency owes the General Fund \$38,898 for 'pass-through' amounts derived from incremental taxes. The remaining \$876,567 reflects a timing difference between the current year insurance contributions withheld from payroll using a clearing account versus 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	<u>\$ 3,000,000</u>
		<u>\$ 3,000,000</u>

The \$3,000,000 due to the Capital Projects Fund represents a loan for completing Phase I of the

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 5. Interfund Receivables, Payables, and Transfers (continued)

Water Treatment Plan in the redevelopment area of Kettleman City.

Interfund transfers:

	Transfers In:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out:						
General Fund	\$ -	\$ -	\$ -	\$ 928,547	\$ 41,499	\$ 970,046
Nonmajor Funds (2)	-	814,139	-	-	-	814,139
Total	<u>\$ -</u>	<u>\$ 814,139</u>	<u>\$ -</u>	<u>\$ 928,547</u>	<u>\$ 41,499</u>	<u>\$ 1,784,185</u>

(2) Nonmajor Funds = Special Revenue Funds

The \$814,139 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 \$NIL of transfers to the Special Revenue Funds represent contributions for supporting the Fire Department \$700,000 and the Sheriff Department \$200,000 received from Tribal Mitigation Fees and \$28,547 for the In-Home Supportive Services (I.H.S.S.) Department. General Fund transferred \$41,499 to the Internal Service Fund for the new Countywide telephone system.

Note 6. 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 \$776,275 for the year ended June 30, 2011. The future minimum lease payments for the leases are estimated as follows:

Year Ending June 30	<u>Amount</u>
2012	\$ 611,981
2013	532,998
2014	248,118
2015	183,561
2016	59,646
2017	19,730
Total	<u>\$ 1,656,034</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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 6. Leases (continued)

Capital Leases (continued)

management system. 4) Dell Financial Services (February 2011) SAN system replacement computers in the amount of \$524,252 to finance the acquisition. 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:

	<u>Governmental Activities</u>
Asset:	
Structures and Improvements	\$ 12,710,082
Equipment	<u>954,558</u>
Total	<u>13,664,640</u>
Less: Accumulated Depreciation	<u>(1,865,418)</u>
Total	<u>\$ 11,799,222</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	<u>Governmental Activities</u>
2012	\$ 1,014,726
2013	1,043,197
2014	859,560
2015	889,060
2016	805,935
2017-2021	4,094,042
2022-2026	3,562,424
2027-2029	<u>1,823,760</u>
Total: minimum lease payments	14,092,704
Less: amount representing interest	<u>(4,336,469)</u>
Present value of minimum lease payments	<u>\$ 9,756,235</u>

Note 7. 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)

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 7. Long-Term Debt (continued)

Pension Obligation Bonds (continued)

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:

Purpose	Interest Rates	Amount
CALPERS UAAL (2012-2016)	5.45-6.08%	\$ 2,042,698
CALPERS UAAL (2017-2021)	6.20-6.48%	1,700,720
CALPERS UAAL (2022-2024)	6.53-6.58%	887,693
Total		<u>\$ 4,631,111</u>

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

Year Ending June 30,	Principal	Interest
2012	\$ 437,590	\$ 232,410
2013	423,484	271,516
2014	409,061	310,939
2015	393,092	351,908
2016	379,471	395,529
2017-2021	1,700,720	2,634,280
2022-2024	887,693	2,122,307
Total	<u>\$ 4,631,111</u>	<u>\$ 6,318,889</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, Wells Fargo Bank, 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 \$118,353 for the 2011 fiscal year, to ensure that debt service funds will be sufficient in the event that the LIBOR rate exceeds projections.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 7. Long-Term Debt (continued)

Pension Obligation Bonds (continued)

Series B Pension Obligation Bonds currently outstanding are as follows:

Purpose	<u>Current Interest Rate</u>	<u>Amount</u>
CALPERS UAAL	.491% as of 06/11 (variable)	\$ 5,300,000

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

Year Ending June 30,	<u>Principal</u>	<u>Projected Interest</u>
2012	\$ 295,000	\$ 122,360
2013	295,000	165,825
2014	290,000	203,390
2015	300,000	235,320
2016	330,000	260,820
2017-2021	2,085,000	1,134,780
2021-2024	1,705,000	279,240
Total	<u>\$ 5,300,000</u>	<u>\$ 2,401,735</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 1, 2009, to April 1, 2015, are subject to optional call redemptions by the County on or after April 1, 2008, as a whole or in part. In addition, bonds are redeemable on or after April 1, 2015, for bonds maturing April 1, 2016, to April 1, 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 \$782,520 for fiscal year 2011.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 7. Long-Term Debt (continued)

Lease Revenue Bonds (continued)

Series A Lease Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Jail Construction (2012-2016)	3.00-3.75%	\$ 2,135,000
Jail Construction (2017-2021)	3.875-4.125%	2,575,000
Jail Construction (2022-2026)	4.25-4.50%	3,155,000
Jail Construction (2026-2028)	4.50%	1,460,000
Total		<u>\$ 9,325,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 400,000	\$ 381,775
2013	410,000	368,775
2014	425,000	354,425
2015	440,000	339,019
2016	460,000	322,519
2017-2021	2,575,000	1,330,050
2022-2026	3,155,000	750,375
2027-2028	1,460,000	99,225
Total	<u>\$ 9,325,000</u>	<u>\$ 3,946,163</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Pension obligation bonds Series A-2	\$ 5,082,163	\$ -	\$ (451,053)	\$ 4,631,110	\$ 437,590
Pension obligation bonds Series B	5,585,000	-	(285,000)	5,300,000	295,000
Lease revenue bonds	9,710,000	-	(385,000)	9,325,000	400,000
Total Bonds Payable	20,377,163	-	(1,121,053)	19,256,110	1,132,590
Capital Leases	9,776,156	524,252	(544,173)	9,756,235	562,729
Claims	9,867,000	3,162,522	(4,284,522)	8,745,000	8,745,000
Compensated absences	5,739,204	6,869,302	(6,438,885)	6,169,621	-
Long-term liabilities	<u>\$ 45,759,523</u>	<u>\$ 10,556,076</u>	<u>\$ (12,388,633)</u>	<u>\$43,926,966</u>	<u>\$ 10,440,319</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, \$7,473,000 of claims, \$656,839 of compensated absences, and \$410,909 of capital leases from internal service funds are included in the above amounts.

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 8. 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 pay-outs), 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 through \$15,000,000 and excess workers compensation claims from \$300,000 through \$100,000,000.

	General Liability	Workers Compensation	Year Ended June 30, 2011
Unpaid claims, beginning of fiscal year	\$ 2,277,000	\$ 7,590,000	\$ 9,867,000
Incurred claims (including IBNRs)	903,137	2,259,385	3,162,522
Claim payments	<u>(1,908,137)</u>	<u>(2,376,385)</u>	<u>(4,284,522)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,272,000</u>	<u>\$ 7,473,000</u>	<u>\$ 8,745,000</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.

Note 9. 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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 9. Jointly Governed Organization (continued)

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.

Note 10. 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 County 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, 2011, 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, 2011, the jury trial was completed; the plaintiff prevailed with an award of \$375,000 in damages. A settlement was reached with the County paying \$375,000 in November 2011.

In another civil action suit, a complaint was filed on December 15, 2008, for damages incurred by the plaintiffs in the course of their employment as Kings County employees. Subsequent to the year ending June 30, 2011, a settlement was reached in September 2011 with the County settling for \$81,000.

Note 11. Subsequent Events

The Kings County Redevelopment Agency (Agency) operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.) On June 28, 2011, the California Legislature adopted Assembly Bill X1 26 (Dissolution Act) and Assembly Bill X1 27 (Voluntary Program Act) which taken together are known as the Redevelopment Restructuring Act. The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of the Voluntary Program Act was to provide a voluntary alternative for local governments to continue redevelopment activities. The Redevelopment Restructuring Act requires the Agency and its sponsoring government (County of Kings) to take several legislative actions to

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 11. Subsequent Events (continued)

implement the various provisions of each assembly bill.

The County, as the Agency's sponsoring government, elected to continue the Agency by enacting a non-binding resolution of its intent to continue, and by adopting Ordinance 655 on August 23, 2011, complying with the provisions of the Voluntary Program Act.

On December 29, 2011, in its decision in the California Redevelopment Association v. Matosantos case the California Supreme Court struck down the provisions in Assembly Bill X1 27. As a result, effective February 1, 2012, all Redevelopment Agencies in the State of California ceased to exist.

On January 31, 2012, the County became the Successor Agency for the former County of Kings, Redevelopment Agency. As such the County will receive reimbursement for administrative expenses incurred while concluding redevelopment related business. Subject to approval of the Oversight Board of the former County of Kings, Redevelopment Agency, the Successor Agency's annual administrative costs will be an amount up to five percent of the property tax allocated to the Successor Agency for fiscal year 2011-12 and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year; provided, however, that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency).

At the time of dissolution, the County had a note receivable from the Agency in the amount of three million dollars. The California Department of Finance has allowed this note to remain an obligation of the former County of Kings, Redevelopment Agency. Repayment of the note will commence upon completion of the related project.

Note 12. 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 2010 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 9% for the Safety Plan of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 9.735% for non-safety employees (Miscellaneous Plan) and 15.435% for safety employees (Safety Plan) of annual covered payroll. For the Miscellaneous Plan, the County has reached an agreement whereby the County only funds 2% of the employee 7% share effective January 1, 2010. The remaining 2% payment will be

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 12. Employee Retirement Systems and Pension Plans (continued)

Funding Policy: (continued)

the responsibility of the employee beginning in January 2011. The Safety Plan has the County paying employee's required contributions for the Fire Department; the County pays 2% 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 and 4% of the County share.

Annual Pension Cost - Miscellaneous Plan:

For the fiscal year 2010-2011, the County's annual pension cost for the Miscellaneous Plan is \$2,829,941 (exclusive of the employees share) for CalPERS that was equal to the County's required and actual contributions. In addition, the County pays the employee's required contributions of \$1,844,203, amounting to a total County annual pension cost of \$5,733,325. The required contribution was determined as part of the June 30, 2010, 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 2010-2011, the County's annual pension cost for the Safety Plan is \$2,829,941 (exclusive of the employees share) for CalPERS that was equal to the County'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 \$370,370, which amounts to a total County pension cost of \$3,200,311. The required contribution was determined as part of the June 30, 2010, 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

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 12. Employee Retirement Systems and Pension Plans (continued)

Annual Pension Cost - Safety Plan: (continued)

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.

Note 13. 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 Statement No. 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 Statement No. 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 the Kings County General Membership of Service Employees International Union (S.E.I.U.), Kings County Prosecutors Association (K.C.P.A.), and Kings County Detention Deputy Association (K.C.D.D.A.) hired prior to January 1, 1999 (September

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 13. Other Postemployment Benefits (OPEB) (continued)

Plan Description: (continued)

1, 2000 for K.C.D.D.A.) 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 (P.O.R.A.C.) 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 Statement No. 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 Statement No. 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 No. 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	\$ 1,176,274
Interest on net OPEB obligation	81,709
Adjustment to annual required contribution	<u>(106,306)</u>
Annual OPEB cost (expense)	1,151,677
Contributions Made	<u>(430,209)</u>
Increase in net OPEB obligation	721,468
Net OPEB obligation - beginning of year	<u>1,634,183</u>
Net OPEB obligation - end of year	<u><u>\$ 2,355,651</u></u>

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 13. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation: (continued)

The County's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation for the fiscal year ended June 30, 2011 and the proceeding year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,502,192	\$ 628,742	41.85 %	\$ 873,450
June 30, 2010	\$ 1,516,750	\$ 756,017	49.84 %	\$ 1,634,183
June 30, 2011	\$ 1,151,677	\$ 430,209	37.36 %	\$ 2,355,651

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 most recent actuarial valuation was performed as of July 1, 2011. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5.0 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, 2011, was 30 years.

Note 14. Prior Year Adjustments

Governmental Activities

A prior year adjustment was reported in four of the Governmental Funds to reverse an accrual adjustment reported in error in fiscal year 2010. The Capital Projects Fund reported the amount of

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 14. Prior Year Adjustments (continued)

Governmental Activities (continued)

\$170,912, Fire Fund reported \$2,079, Community Development Block Grants Fund reported \$369,600, and the Public Works Fund reported \$168,340. A government-wide prior year adjustment in the amount of \$304,626 was reported to reflect prior period adjustments from fund statements offset with a correction in Construction in Progress balances in the amount of (\$406,305).

Note 15. Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Major Funds	
General Fund	
Capital Outlay	\$ 769,153
Interest Payments	630,672
Debt Service Fund	
Interest Payments	393,324
Capital Projects Fund	
Public Ways and Facilities	1,043,341
Nonmajor Funds	
Library Fund	
Capital Outlay	42,132
Fire Fund	
Principal and Interest Payments	51,785
Capital Outlay	183,080
Job Training Office Fund	
Public Assistance Expenditures	2,418,585
Community Development Block Grants Fund	
Public Assistance Expenditures	2,241,212
Children and Families First Fund	
Public Assistance Expenditures	1,207,399
Internal Service Funds	
Workers' Compensation Self-Insurance Fund	
Administrative Expenditures	3,845
Service and Supplies	168,601
Information Services Fund	
Depreciation Expenses	172,551
Health Self-Insurance Fund	
Salaries and Employee Benefits	112,730
Administration Expense	60,365
Public Works Fund	
Administrative Expenditures	11,399
Interest Payments	\$ 28,334

County of Kings
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 16. 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>
	Workers' Compensation	
Internal Service Fund	Self-Insurance	\$ 103,831
Fiduciary Fund	Agency Collections Payable	2,237
Fiduciary Fund	Welfare Repayment Trust	251
Fiduciary Fund	City of Avenal	1,644
Fiduciary Fund	City of Corcoran	2,524
Fiduciary Fund	City of Hanford	5,272
Fiduciary Fund	City of Lemoore	5,885
Fiduciary Fund	Stratford Flood	1
Fiduciary Fund	Food Stamp Trust	6,666
Fiduciary Fund	Retiree Health Trust	4,658
Fiduciary Fund	School Developer Fees	277
Fiduciary Fund	Schools Trust	10,854
		<u>\$ 144,100</u>

A Fiduciary Fund called 'Department Trust' reported investment income of \$34,234 which includes all fund types that were directly assigned to the benefit of the General Fund.

Required Supplementary Information

County of Kings
Schedule of Funding Progress - California Public Employees' Retirement System (CalPERS)
For the Year Ended June 30, 2011
 Last 10 Fiscal Years

Miscellaneous Plan (Non-Safety)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (Entry Age)	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	Unfunded (Overfunded) AAL
						Percentage of Covered Payroll (3) / (5)
2001	\$ 147,139,738	\$ 116,306,273	\$ (30,833,465)	126.5 %	\$ 31,880,982	(96.7)%
2002	138,532,056	127,834,418	(10,697,638)	108.4 %	35,079,465	(30.5)%
2003	140,251,440	144,404,384	4,152,944	97.1 %	33,870,312	12.3 %
2004	147,285,370	154,954,922	7,669,552	95.1 %	35,101,173	21.8 %
2005	157,417,167	167,860,950	10,443,783	93.8 %	36,707,124	28.5 %
2006	169,450,555	181,127,876	11,677,321	93.6 %	37,988,203	30.7 %
2007	183,906,512	196,655,853	12,749,341	93.5 %	42,338,924	30.1 %
2008	197,990,793	212,155,872	14,165,079	93.3 %	46,813,581	30.3 %
2009	208,741,913	228,858,969	20,117,056	91.2 %	46,025,287	43.7 %
2010	\$ 219,802,384	\$ 240,233,601	\$ 20,431,217	91.5 %	\$ 45,250,618	45.2 %

Safety Plan

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (Entry Age)	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	Unfunded (Overfunded) AAL
						Percentage of Covered Payroll (3) / (5)
2002	\$ 82,835,185	\$ 74,718,598	\$ (8,116,587)	110.9 %	\$ 12,573,091	(64.6)%
2002	76,538,512	85,432,196	8,893,684	89.6 %	13,965,256	63.7 %
2003	78,156,781	90,794,141	12,637,360	86.1 %	13,787,105	91.7 %
2004	97,831,081	100,136,652	2,305,571	97.7 %	14,614,667	15.8 %
2005	105,933,868	107,950,259	2,016,391	98.1 %	15,219,303	13.2 %
2006	114,158,296	116,899,376	2,741,080	97.7 %	16,061,956	17.1 %
2007	124,199,564	128,359,684	4,160,120	96.8 %	17,429,831	23.9 %
2008	133,358,580	138,613,602	5,255,022	96.2 %	18,253,435	28.8 %
2009	140,267,899	146,892,194	6,624,295	95.5 %	18,311,261	36.2 %
2010	\$ 147,464,928	\$ 153,953,560	\$ 6,488,632	95.8 %	\$ 18,464,314	35.1 %

County of Kings
Schedule of Funding Progress - Other Postemployment Benefits (OPEB) - Health Insurance
For the Year Ended June 30, 2011
 Last 10 Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Overfunded (Underfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	\$ -	\$ 10,182,975	\$ (10,182,975)	- %	\$ 64,336,548	15.8 %
2010	\$ 7,274,090	\$ 15,403,823	\$ (8,129,733)	47.2 %	\$ -	- %

Note: GASB Statement No. 45 requires an actuarial valuation for the County's retiree health insurance program at least once every two fiscal years with ten fiscal years of comparison data. However GASB Statement No. 45 was implemented in 2008, and no data was available prior. As more information becomes available, the County will continue to expand the comparison of data until the requirement of ten years has been met.

**County of Kings
Required Supplementary Information
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 33,040,170	\$ 33,040,170	\$ 16,080,300	\$(16,959,870)
Sales tax	1,400,000	1,400,000	1,650,270	250,270
Franchise taxes	900,000	900,000	967,790	67,790
Hotel taxes	180,000	180,000	233,281	53,281
Licenses and Permits	319,732	319,732	360,131	40,399
Fines and Forfeits	457,243	457,243	1,019,336	562,093
Intergovernmental revenues	104,292,225	103,723,918	108,428,397	4,704,479
Charges for services	8,373,904	8,380,873	8,394,774	13,901
Rents and concessions	465,564	465,564	686,169	220,605
Investment earnings	755,000	755,000	714,736	(40,264)
Contributions and donations	-	-	69,034	69,034
Miscellaneous revenues	6,455,848	4,168,902	3,065,350	(1,103,552)
Total Revenues	156,639,686	153,791,402	141,669,568	(12,121,834)
Expenditures				
Current:				
General government	\$ 17,021,278	\$ 16,052,451	\$ 16,002,933	\$ 49,518
Public safety	47,438,530	48,048,017	44,310,759	3,737,258
Health	28,511,681	28,460,594	25,800,712	2,659,882
Public assistance	62,416,021	60,675,649	54,158,061	6,517,588
Education	215,160	215,160	185,580	29,580
Recreation	1,757,896	1,865,726	1,865,725	1
Debt service:				
Debt Service	4,642,586	2,201,966	1,089,401	1,112,565
Interest expense	-	-	630,672	(630,672)
Capital Outlay	698,158	2,746,299	3,515,452	(769,153)
Total Expenditures	162,701,310	160,265,862	147,559,295	12,706,567
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,061,624)	(6,474,460)	(5,889,727)	584,733
Other Financing Sources (Uses)				
Transfers In	968,779	1,009,895	-	(1,009,895)
Transfers out	(2,650,000)	(2,538,889)	(970,046)	1,568,843
Appropriation for contingencies	(3,803,539)	(3,503,539)	-	3,503,539
Total Other Financing Sources (Uses)	(5,484,760)	(5,032,533)	(970,046)	4,062,487
Net Change in Fund Balance	(11,546,384)	(11,506,993)	(6,859,773)	4,647,220
Fund Balance, Beginning of Year	21,094,386	21,094,386	21,094,386	-
Fund Balance, End of Year	\$ 9,548,002	\$ 9,587,393	\$ 14,234,613	\$ 4,647,220

Note:

The basis of budgeting for the County is essentially a Non-GAAP accounting basis less contingencies that differs from cash basis. Removing Contingencies from \$3,803,539, the final budgeted fund balance result is \$13,090,932. The fund balance ending variance would then be \$13,090,932 final budget vs. \$17,255,123 actual = \$4,164,191 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
Road Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011**

	Original	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Taxes:				
Sales tax	\$ 10,000	\$ 10,000	\$ 18,889	\$ 8,889
Fines and Forfeits	410,000	410,000	587,192	177,192
Intergovernmental revenues	6,163,155	8,864,263	7,861,455	(1,002,808)
Investment earnings	40,000	40,000	176,119	136,119
Miscellaneous revenues	2,200,000	2,200,000	2,522,177	322,177
Total Revenues	<u>8,823,155</u>	<u>11,524,263</u>	<u>11,165,832</u>	<u>(358,431)</u>
Expenditures				
Current:				
Highways and streets	8,093,553	8,093,553	6,044,871	2,048,682
Total Expenditures	<u>8,093,553</u>	<u>8,093,553</u>	<u>6,044,871</u>	<u>2,048,682</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>729,602</u>	<u>3,430,710</u>	<u>5,120,961</u>	<u>1,690,251</u>
Fund Balance, Beginning of Year	-	6,849,869	6,849,869	-
Fund Balance, End of Year	<u>\$ 729,602</u>	<u>\$ 10,280,579</u>	<u>\$ 11,970,830</u>	<u>\$ 1,690,251</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
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ -	\$ 32,062	\$ 32,062
Total Revenues	<u>-</u>	<u>32,062</u>	<u>32,062</u>
Expenditures			
Current:			
Public ways and facilities	2,500	2,000	500
Debt service:			
Debt Service	778,327	385,000	393,327
Interest expense	-	393,324	(393,324)
Total Expenditures	<u>780,827</u>	<u>780,324</u>	<u>503</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(780,827)</u>	<u>(748,262)</u>	<u>32,565</u>
Other Financing Sources (Uses)			
Transfers In	-	814,139	814,139
Total Other Financing Sources (Uses)	<u>-</u>	<u>814,139</u>	<u>814,139</u>
Net Change in Fund Balance	(780,827)	65,877	846,704
Fund Balance, Beginning of Year	1,360,078	1,360,078	2,720,156
Fund Balance, End of Year	<u>\$ 579,251</u>	<u>\$ 1,425,955</u>	<u>\$ 3,566,860</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Franchise taxes	\$ 300,000	\$ 248,009	\$ (51,991)
Intergovernmental revenues	-	351,483	351,483
Investment earnings	10,000	193,611	183,611
Miscellaneous revenues	225,000	1,182,325	957,325
Total Revenues	<u>535,000</u>	<u>1,975,428</u>	<u>1,440,428</u>
Expenditures			
Current:			
Public ways and facilities	-	1,043,341	(1,043,341)
Capital Outlay	4,179,431	612,430	3,567,001
Total Expenditures	<u>4,179,431</u>	<u>1,655,771</u>	<u>2,523,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,644,431)</u>	<u>319,657</u>	<u>3,964,088</u>
Other Financing Sources (Uses)			
Appropriation for contingencies	(2,640,097)	-	2,640,097
Total Other Financing Sources (Uses)	<u>(2,640,097)</u>	<u>-</u>	<u>2,640,097</u>
Net Change in Fund Balance	(6,284,528)	319,657	6,604,185
Fund Balance, Beginning of Year	9,575,137	9,404,226	(170,911)
Prior Period Adjustment	-	170,912	170,912
Fund Balance, End of Year	<u>\$ 3,290,609</u>	<u>\$ 9,894,795</u>	<u>\$ 6,604,184</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.

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

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.

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.

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 Grants 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 Supportive Services Program providing in-house care for indigents.

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.

Major Fund during 2011 Fiscal Year:

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.

**County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2011**

	Library	Kings County Redevelopment Agency	Fire	County Fish & Game	Child Support Services
Assets					
Cash and cash equivalents	\$ 148,957	\$ 159,959	\$ 71,283	\$ 2,356	\$ 3,444
Imprest cash	454	-	200	-	-
Treasurer's investments	2,526,463	2,779,903	1,370,293	32,713	75,861
Deposit with others	-	-	-	-	-
Receivables	127,081	9,241	671,938	134	890
Due from other funds	45	12,002	298	-	-
Due from other governments	-	30,131	-	-	-
Total Assets	<u>\$ 2,803,000</u>	<u>\$ 2,991,236</u>	<u>\$ 2,114,012</u>	<u>\$ 35,203</u>	<u>\$ 80,195</u>
Liabilities and Fund Balances					
Liabilities					
Accrued Expenses Payable	\$ 17,232	\$ -	\$ 197,970	\$ -	\$ 57,990
Deferred revenue	117,303	-	355,249	-	-
Due to other funds	11,305	38,898	54,292	-	33,980
Advances from other funds	-	3,000,000	-	-	-
Due to other governments	-	-	-	-	-
Total Liabilities	<u>145,840</u>	<u>3,038,898</u>	<u>607,511</u>	<u>-</u>	<u>91,970</u>
Fund Balances					
Restricted	2,656,706	-	1,506,501	35,203	-
Assigned	454	-	-	-	-
Unassigned	-	(47,662)	-	-	(11,775)
Total Fund Balances	<u>2,657,160</u>	<u>(47,662)</u>	<u>1,506,501</u>	<u>35,203</u>	<u>(11,775)</u>
Total Liabilities and Fund Balances	<u>\$ 2,803,000</u>	<u>\$ 2,991,236</u>	<u>\$ 2,114,012</u>	<u>\$ 35,203</u>	<u>\$ 80,195</u>

**County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2011**

	Off-Highway Motor Vehicle	Job Training Office	Community Development Block Grants	Criminal Justice Facility	In-Home Supportive Services Public Authority
Assets					
Cash and cash equivalents	\$ 5,376	\$ 11,385	\$ 71,242	\$ 107	\$ 2,363
Imprest cash	-	-	-	-	-
Treasurer's investments	95,513	81,595	1,252,248	171,920	13
Deposit with others	-	-	-	-	35,415
Receivables	-	33,137	3,806	317	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	<u>\$ 100,889</u>	<u>\$ 126,117</u>	<u>\$ 1,327,296</u>	<u>\$ 172,344</u>	<u>\$ 37,791</u>
Liabilities and Fund Balances					
Liabilities					
Accrued Expenses Payable	\$ -	\$ 705,203	\$ 160,645	\$ -	\$ 504
Deferred revenue	-	-	-	-	-
Due to other funds	-	49,736	-	1,636	-
Advances from other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>754,939</u>	<u>160,645</u>	<u>1,636</u>	<u>504</u>
Fund Balances					
Restricted	100,889	-	1,166,651	172,345	37,287
Assigned	-	-	-	-	-
Unassigned	-	(628,822)	-	(1,637)	-
Total Fund Balances	<u>100,889</u>	<u>(628,822)</u>	<u>1,166,651</u>	<u>170,708</u>	<u>37,287</u>
Total Liabilities and Fund Balances	<u>\$ 100,889</u>	<u>\$ 126,117</u>	<u>\$ 1,327,296</u>	<u>\$ 172,344</u>	<u>\$ 37,791</u>

**County of Kings
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2011**

	<u>Children & Families First</u>	<u>Total Nonmajor Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 157,890	\$ 634,362
Imprest cash	100	754
Treasurer's investments	2,730,719	11,117,241
Deposit with others	-	35,415
Receivables	332,710	1,179,254
Due from other funds	-	12,345
Due from other governments	-	30,131
Total Assets	<u>\$ 3,221,419</u>	<u>\$ 13,009,502</u>
Liabilities and Fund Balances		
Liabilities		
Accrued Expenses Payable	\$ 115,297	\$ 1,254,841
Deferred revenue	-	472,552
Due to other funds	10,085	199,932
Advances from other funds	-	3,000,000
Due to other governments	<u>1,237,537</u>	<u>1,237,537</u>
Total Liabilities	<u>1,362,919</u>	<u>6,164,862</u>
Fund Balances		
Restricted	2,024,157	7,699,739
Assigned	100	554
Unassigned	<u>(165,757)</u>	<u>(855,653)</u>
Total Fund Balances	<u>1,858,500</u>	<u>6,844,640</u>
Total Liabilities and Fund Balances	<u>\$ 3,221,419</u>	<u>\$ 13,009,502</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, 2011

	Library	Kings County Redevelopment Agency	Fire	County Fish & Game	Child Support Services
Revenues					
Taxes:					
Property taxes	\$ 1,759,933	\$ 153,877	\$ 5,482,858	\$ -	\$ -
Franchise taxes	-	-	413,349	-	-
Fines and Forfeits	-	-	-	1,670	-
Intergovernmental revenues	76,497	-	2,439,911	-	4,038,694
Charges for services	32,576	-	11,719	1,125	-
Investment earnings	54,407	59,271	19,618	856	4,520
Contributions and donations	2,600	-	50	-	-
Miscellaneous revenues	23,152	-	85,270	-	11,803
Total Revenues	<u>1,949,165</u>	<u>213,148</u>	<u>8,452,775</u>	<u>3,651</u>	<u>4,055,017</u>
Expenditures					
Current:					
Public safety	-	-	8,815,377	9,939	4,076,971
Public ways and facilities	-	141,125	-	-	-
Public assistance	-	-	-	-	-
Education	1,859,185	-	-	-	-
Debt Service:					
Debt Service	-	-	46,874	-	-
Interest expense	-	-	4,911	-	-
Capital Outlay	42,132	-	183,080	-	-
Total Expenditures	<u>1,901,317</u>	<u>141,125</u>	<u>9,050,242</u>	<u>9,939</u>	<u>4,076,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>47,848</u>	<u>72,023</u>	<u>(597,467)</u>	<u>(6,288)</u>	<u>(21,954)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	700,000	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	47,848	72,023	102,533	(6,288)	(21,954)
Fund Balances, Beginning of Year	2,609,312	(119,685)	1,401,889	41,491	10,179
Prior Period Adjustment	-	-	2,079	-	-
Fund Balances, End of Year	<u>\$ 2,657,160</u>	<u>\$ (47,662)</u>	<u>\$ 1,506,501</u>	<u>\$ 35,203</u>	<u>\$ (11,775)</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, 2011

	Off-Highway Motor Vehicle	Job Training Office	Community Development Block Grants	Criminal Justice Facility	In-Home Supportive Services Public Authority
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	-	-	-	-
Fines and Forfeits	-	-	-	800,095	-
Intergovernmental revenues	-	3,497,927	2,850,746	-	1,392,401
Charges for services	-	-	-	-	-
Investment earnings	2,001	903	18,774	4,066	13
Contributions and donations	-	-	-	-	-
Miscellaneous revenues	-	2,229,465	74,264	-	123,597
Total Revenues	<u>2,001</u>	<u>5,728,295</u>	<u>2,943,784</u>	<u>804,161</u>	<u>1,516,011</u>
Expenditures					
Current:					
Public safety	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Public assistance	-	5,770,676	2,241,212	-	1,398,627
Education	-	-	-	-	-
Debt Service:					
Debt Service	-	-	-	-	-
Interest expense	-	-	-	-	-
Capital Outlay					
Total Expenditures	<u>-</u>	<u>5,770,676</u>	<u>2,241,212</u>	<u>-</u>	<u>1,398,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,001</u>	<u>(42,381)</u>	<u>702,572</u>	<u>804,161</u>	<u>117,384</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	228,547
Transfers out	-	-	-	(814,139)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(814,139)</u>	<u>228,547</u>
Net Change in Fund Balances	2,001	(42,381)	702,572	(9,978)	345,931
Fund Balances, Beginning of Year	98,888	(586,441)	94,479	180,686	(308,644)
Prior Period Adjustment	-	-	369,600	-	-
Fund Balances, End of Year	<u>\$ 100,889</u>	<u>\$ (628,822)</u>	<u>\$ 1,166,651</u>	<u>\$ 170,708</u>	<u>\$ 37,287</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, 2011

	<u>Children & Families First</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues		
Taxes:		
Property taxes	\$ -	\$ 7,396,668
Franchise taxes	-	413,349
Fines and Forfeits	-	801,765
Intergovernmental revenues	2,410,278	16,706,454
Charges for services	-	45,420
Investment earnings	59,427	223,856
Contributions and donations	25,500	28,150
Miscellaneous revenues	13,842	2,561,393
Total Revenues	<u>2,509,047</u>	<u>28,177,055</u>
Expenditures		
Current:		
Public safety	-	12,902,287
Public ways and facilities	-	141,125
Public assistance	3,771,808	13,182,323
Education	-	1,859,185
Debt Service:		
Debt Service	-	46,874
Interest expense	-	4,911
Capital Outlay	-	225,212
Total Expenditures	<u>3,771,808</u>	<u>28,361,917</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(1,262,761)</u>	<u>(184,862)</u>
Other Financing Sources (Uses)		
Transfers In	-	928,547
Transfers out	-	(814,139)
Total Other Financing Sources		
(Uses)	<u>-</u>	<u>114,408</u>
Net Change in Fund Balances	(1,262,761)	(70,454)
Fund Balances, Beginning of Year	3,121,261	6,543,415
Prior Period Adjustment	-	371,679
Fund Balances, End of Year	<u>\$ 1,858,500</u>	<u>\$ 6,844,640</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Library Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Property taxes	\$ 1,712,000	\$ 1,759,933	\$ 47,933
Intergovernmental revenues	73,000	76,497	3,497
Charges for services	30,000	32,576	2,576
Investment earnings	35,000	54,407	19,407
Contributions and donations	20,000	2,600	(17,400)
Miscellaneous revenues	3,000	23,152	20,152
Total Revenues	<u>1,873,000</u>	<u>1,949,165</u>	<u>76,165</u>
Expenditures			
Current:			
Education	2,413,441	1,859,185	554,256
Capital Outlay	-	42,132	(42,132)
Total Expenditures	<u>2,413,441</u>	<u>1,901,317</u>	<u>512,124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(540,441)</u>	<u>47,848</u>	<u>588,289</u>
Other Financing Sources (Uses)			
Appropriation for contingencies	<u>(1,845,328)</u>	-	1,845,328
Total Other Financing Sources (Uses)	<u>(1,845,328)</u>	-	1,845,328
Net Change in Fund Balance	(2,385,769)	47,848	2,433,617
Fund Balance, Beginning of Year	2,609,312	2,609,312	-
Fund Balance, End of Year	<u>\$ 223,543</u>	<u>\$ 2,657,160</u>	<u>\$ 2,433,617</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Kings County Redevelopment Agency Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Property taxes	\$ 100,000	\$ 153,877	\$ 53,877
Investment earnings	6,000	59,271	53,271
Total Revenues	<u>106,000</u>	<u>213,148</u>	<u>107,148</u>
Expenditures			
Current:			
Public ways and facilities	402,828	141,125	261,703
Total Expenditures	<u>402,828</u>	<u>141,125</u>	<u>261,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296,828)</u>	<u>72,023</u>	<u>368,851</u>
Net Change in Fund Balance	(296,828)	72,023	368,851
Fund Balance, Beginning of Year	<u>(119,685)</u>	<u>(119,685)</u>	-
Fund Balance, End of Year	<u>\$ (416,513)</u>	<u>\$ (47,662)</u>	<u>\$ 368,851</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Taxes:			
Property taxes	\$ 5,125,492	\$ 5,482,858	\$ 357,366
Franchise taxes	500,000	413,349	(86,651)
Intergovernmental revenues	3,401,582	2,439,911	(961,671)
Charges for services	5,700	11,719	6,019
Investment earnings	19,050	19,618	568
Contributions and donations	4,000	50	(3,950)
Miscellaneous revenues	500,000	85,270	(414,730)
Total Revenues	<u>9,555,824</u>	<u>8,452,775</u>	<u>(1,103,049)</u>
Expenditures			
Current:			
Public safety	9,659,790	8,815,377	844,413
Debt service:			
Debt Service	-	46,874	(46,874)
Interest expense	-	4,911	(4,911)
Capital Outlay	-	183,080	(183,080)
Total Expenditures	<u>9,659,790</u>	<u>9,050,242</u>	<u>609,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(103,966)</u>	<u>(597,467)</u>	<u>(493,501)</u>
Other Financing Sources (Uses)			
Transfers In	-	700,000	700,000
Appropriation for contingencies	(1,282,418)	-	1,282,418
Total Other Financing Sources (Uses)	<u>(1,282,418)</u>	<u>700,000</u>	<u>1,982,418</u>
Net Change in Fund Balance	(1,386,384)	102,533	1,488,917
Fund Balance, Beginning of Year	1,401,889	1,401,889	-
Prior Period Adjustment	-	2,079	(2,079)
Fund Balance, End of Year	<u>\$ 15,505</u>	<u>\$ 1,506,501</u>	<u>\$ 1,486,838</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
County Fish & Game Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Fines and Forfeits	\$ 400	\$ 1,670	\$ 1,270
Charges for services	1,100	1,125	25
Investment earnings	1,000	856	(144)
Total Revenues	<u>2,500</u>	<u>3,651</u>	<u>1,151</u>
Expenditures			
Current:			
Public safety	25,000	9,939	15,061
Total Expenditures	<u>25,000</u>	<u>9,939</u>	<u>15,061</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,500)</u>	<u>(6,288)</u>	<u>16,212</u>
Other Financing Sources (Uses)			
Appropriation for contingencies	<u>(23,721)</u>	-	<u>23,721</u>
Total Other Financing Sources (Uses)	<u>(23,721)</u>	-	<u>23,721</u>
Net Change in Fund Balance	(46,221)	(6,288)	39,933
Fund Balance, Beginning of Year	41,491	41,491	-
Fund Balance, End of Year	<u>\$ (4,730)</u>	<u>\$ 35,203</u>	<u>\$ 39,933</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Child Support Services Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	\$ 4,252,968	\$ 4,038,694	\$ (214,274)
Investment earnings	4,000	4,520	520
Miscellaneous revenues	13,032	11,803	(1,229)
Total Revenues	<u>4,270,000</u>	<u>4,055,017</u>	<u>(214,983)</u>
Expenditures			
Current:			
Public safety	4,270,000	4,076,971	193,029
Total Expenditures	<u>4,270,000</u>	<u>4,076,971</u>	<u>193,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(21,954)</u>	<u>(21,954)</u>
Other Financing Sources (Uses)			
Appropriation for contingencies	(9,681)	-	9,681
Total Other Financing Sources (Uses)	<u>(9,681)</u>	<u>-</u>	<u>9,681</u>
Net Change in Fund Balance	(9,681)	(21,954)	(12,273)
Fund Balance, Beginning of Year	10,179	10,179	-
Fund Balance, End of Year	<u>\$ 498</u>	<u>\$ (11,775)</u>	<u>\$ (12,273)</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Off-Highway Motor Vehicle Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ -	\$ 2,001	\$ 2,001
Total Revenues	<u>-</u>	<u>2,001</u>	<u>2,001</u>
Expenditures			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,001	2,001
Fund Balance, Beginning of Year	98,888	98,888	-
Fund Balance, End of Year	<u>\$ 98,888</u>	<u>\$ 100,889</u>	<u>\$ 2,001</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Job Training Office Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	\$ 3,284,561	\$ 3,497,927	\$ 213,366
Investment earnings	-	903	903
Miscellaneous revenues	66,461	2,229,465	2,163,004
Total Revenues	<u>3,351,022</u>	<u>5,728,295</u>	<u>2,377,273</u>
Expenditures			
Current:			
Public assistance	3,352,091	5,770,676	(2,418,585)
Total Expenditures	<u>3,352,091</u>	<u>5,770,676</u>	<u>(2,418,585)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,069)</u>	<u>(42,381)</u>	<u>(41,312)</u>
Fund Balance, Beginning of Year	<u>(586,441)</u>	<u>(586,441)</u>	-
Fund Balance, End of Year	<u>\$ (587,510)</u>	<u>\$ (628,822)</u>	<u>\$ (41,312)</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grants Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	\$ -	\$ 2,850,746	\$ 2,850,746
Investment earnings	-	18,774	18,774
Miscellaneous revenues	-	74,264	74,264
Total Revenues	<u>-</u>	<u>2,943,784</u>	<u>2,943,784</u>
Expenditures			
Current:			
Public assistance	-	2,241,212	(2,241,212)
Total Expenditures	<u>-</u>	<u>2,241,212</u>	<u>(2,241,212)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	702,572	702,572
Fund Balance, Beginning of Year	94,479	94,479	-
Prior Period Adjustment	-	369,600	(369,600)
Fund Balance, End of Year	<u>\$ 94,479</u>	<u>\$ 1,166,651</u>	<u>\$ 332,972</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Criminal Justice Facility Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Fines and Forfeits	\$ -	\$ 800,095	\$ 800,095
Investment earnings	-	4,066	4,066
Total Revenues	<u>-</u>	<u>804,161</u>	<u>804,161</u>
Expenditures			
Current:			
Public ways and facilities	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>804,161</u>	<u>804,161</u>
Other Financing Sources (Uses)			
Transfers out	-	(814,139)	(814,139)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(814,139)</u>	<u>(814,139)</u>
Net Change in Fund Balance	-	(9,978)	(9,978)
Fund Balance, Beginning of Year	180,686	180,686	-
Fund Balance, End of Year	<u>\$ 180,686</u>	<u>\$ 170,708</u>	<u>\$ (9,978)</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
In-Home Supportive Services Public Authority Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	\$ 1,348,563	\$ 1,392,401	\$ 43,838
Investment earnings	-	13	13
Miscellaneous revenues	-	123,597	123,597
Total Revenues	<u>1,348,563</u>	<u>1,516,011</u>	<u>167,448</u>
Expenditures			
Current:			
Public assistance	1,701,383	1,398,627	302,756
Total Expenditures	<u>1,701,383</u>	<u>1,398,627</u>	<u>302,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(352,820)</u>	<u>117,384</u>	<u>470,204</u>
Other Financing Sources (Uses)			
Transfers In	239,323	228,547	(10,776)
Total Other Financing Sources (Uses)	<u>239,323</u>	<u>228,547</u>	<u>(10,776)</u>
Net Change in Fund Balance	(113,497)	345,931	459,428
Fund Balance, Beginning of Year	<u>(308,644)</u>	<u>(308,644)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (422,141)</u>	<u>\$ 37,287</u>	<u>\$ 459,428</u>

County of Kings
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Children & Families First Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental revenues	\$ 2,295,225	\$ 2,410,278	\$ 115,053
Investment earnings	47,764	59,427	11,663
Contributions and donations	-	25,500	25,500
Miscellaneous revenues	221,420	13,842	(207,578)
Total Revenues	<u>2,564,409</u>	<u>2,509,047</u>	<u>(55,362)</u>
Expenditures			
Current:			
Public assistance	2,564,409	3,771,808	(1,207,399)
Total Expenditures	<u>2,564,409</u>	<u>3,771,808</u>	<u>(1,207,399)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,262,761)</u>	<u>(1,262,761)</u>
Other Financing Sources (Uses)			
Appropriation for contingencies	(2,943,984)	-	2,943,984
Total Other Financing Sources (Uses)	<u>(2,943,984)</u>	<u>-</u>	<u>2,943,984</u>
Net Change in Fund Balance	(2,943,984)	(1,262,761)	1,681,223
Fund Balance, Beginning of Year	3,121,261	3,121,261	-
Fund Balance, End of Year	<u>\$ 177,277</u>	<u>\$ 1,858,500</u>	<u>\$ 1,681,223</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.

Workers 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.

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

Health Self-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
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	<u>Workers Comp Self-Ins</u>	<u>Fleet Management</u>	<u>Information Services</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 394,863	\$ 197,960	\$ 84,805
Imprest cash	-	-	-
Treasurer's investments	7,007,429	3,491,701	818,023
Deposit with others	210,000	-	-
Receivables	-	25,497	99,414
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories and prepaids	-	154,546	29,098
Total current assets	<u>7,612,292</u>	<u>3,869,704</u>	<u>1,031,340</u>
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	-	-
Equipment	-	9,326,775	4,247,290
Accumulated depreciation - Equipment	-	(7,045,057)	(2,283,458)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>2,281,718</u>	<u>1,963,832</u>
Total noncurrent assets	<u>-</u>	<u>2,281,718</u>	<u>1,963,832</u>
Total Assets	<u>7,612,292</u>	<u>6,151,422</u>	<u>2,995,172</u>
Liabilities			
Current liabilities:			
Accrued Expenses Payable	129,484	86,680	160,159
Due to other funds	-	4,780	35,883
Deferred revenue	-	-	-
Interest payable	-	-	16,655
Leases payable - Current	-	-	96,688
I.B.N.R. Claims	7,473,000	-	-
Total Current liabilities	<u>7,602,484</u>	<u>91,460</u>	<u>309,385</u>
Noncurrent liabilities:			
Leases payable	-	-	314,221
Compensated absences payable	-	40,474	273,411
Total noncurrent liabilities	<u>-</u>	<u>40,474</u>	<u>587,632</u>
Total liabilities	<u>7,602,484</u>	<u>131,934</u>	<u>897,017</u>
Net Assets			
Invested in capital assets, net of related debt	-	2,281,718	1,552,923
Unrestricted	9,808	3,737,770	545,232
Total Net Assets	<u>\$ 9,808</u>	<u>\$ 6,019,488</u>	<u>\$ 2,098,155</u>

County of Kings
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Health Self- Insurance	Public Works	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 179,178	\$ 44,820	\$ 901,626
Imprest cash	-	330	330
Treasurer's investments	3,147,763	759,219	15,224,135
Deposit with others	150,000	-	360,000
Receivables	12,856	3,894	141,661
Due from other funds	795,614	-	795,614
Due from other governments	24,234	-	24,234
Inventories and prepaids	-	-	183,644
Total current assets	<u>4,309,645</u>	<u>808,263</u>	<u>17,631,244</u>
Noncurrent assets:			
Capital assets:			
Structures and improvements	-	12,104	12,104
Equipment	-	294,562	13,868,627
Accumulated depreciation - Equipment	-	(240,702)	(9,569,217)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>65,964</u>	<u>4,311,514</u>
Total noncurrent assets	<u>-</u>	<u>65,964</u>	<u>4,311,514</u>
Total Assets	<u>4,309,645</u>	<u>874,227</u>	<u>21,942,758</u>
Liabilities			
Current liabilities:			
Accrued Expenses Payable	89,896	173,336	639,555
Due to other funds	-	44,933	85,596
Deferred revenue	-	9,369	9,369
Interest payable	-	-	16,655
Leases payable - Current	-	-	96,688
I.B.N.R. Claims	-	-	7,473,000
Total Current liabilities	<u>89,896</u>	<u>227,638</u>	<u>8,320,863</u>
Noncurrent liabilities:			
Leases payable	-	-	314,221
Compensated absences payable	-	342,954	656,839
Total noncurrent liabilities	<u>-</u>	<u>342,954</u>	<u>971,060</u>
Total liabilities	<u>89,896</u>	<u>570,592</u>	<u>9,291,923</u>
Net Assets			
Invested in capital assets, net of related debt	-	65,964	3,900,605
Unrestricted	<u>4,219,749</u>	<u>237,671</u>	<u>8,750,230</u>
Total Net Assets	<u>\$ 4,219,749</u>	<u>\$ 303,635</u>	<u>\$ 12,650,835</u>

County of Kings
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	Workers Comp Self- Ins	Fleet Management	Information Services
Operating revenues			
Charges for services	\$ -	\$ 2,888,594	\$ 5,511,553
Miscellaneous revenues	301,396	193,747	634,469
Total Operating Revenues	<u>301,396</u>	<u>3,082,341</u>	<u>6,146,022</u>
Operating Expenses			
Salaries and employee benefits	(755,491)	440,082	3,379,171
Services and supplies	301,101	1,991,667	2,271,456
Administration	538,014	147,600	116,263
Depreciation	-	663,407	489,492
Total Operating Expenses	<u>83,624</u>	<u>3,242,756</u>	<u>6,256,382</u>
Operating Income (Loss)	<u>217,772</u>	<u>(160,415)</u>	<u>(110,360)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	-	3,079
Investment earnings	40,639	66,912	26,845
Interest expense	-	-	(16,655)
Sale of capital assets	-	34,136	1,989
Total Nonoperating Revenues (Expenses)	<u>40,639</u>	<u>101,048</u>	<u>15,258</u>
Income (Loss) before Operating Transfers	<u>258,411</u>	<u>(59,367)</u>	<u>(95,102)</u>
Transfers In	-	-	41,499
Change in Net Assets	258,411	(59,367)	(53,603)
Net Assets, Beginning of Year	(248,603)	6,078,855	2,151,758
Prior Period Adjustment	-	-	-
Net Assets, End of Year	<u>\$ 9,808</u>	<u>\$ 6,019,488</u>	<u>\$ 2,098,155</u>

County of Kings
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	Health Self- Insurance	Public Works	Total
Operating revenues			
Charges for services	\$ -	\$ 10,129,566	\$ 18,529,713
Miscellaneous revenues	10,063,493	-	11,193,105
Total Operating Revenues	<u>10,063,493</u>	<u>10,129,566</u>	<u>29,722,818</u>
Operating Expenses			
Salaries and employee benefits	9,322,037	3,805,994	16,191,793
Services and supplies	-	6,133,847	10,698,071
Administration	1,368,980	237,488	2,408,345
Depreciation	-	12,593	1,165,492
Total Operating Expenses	<u>10,691,017</u>	<u>10,189,922</u>	<u>30,463,701</u>
Operating Income (Loss)	<u>(627,524)</u>	<u>(60,356)</u>	<u>(740,883)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	-	3,079
Investment earnings	80,007	4,169	218,572
Interest expense	-	(28,334)	(44,989)
Sale of capital assets	-	-	36,125
Total Nonoperating Revenues (Expenses)	<u>80,007</u>	<u>(24,165)</u>	<u>212,787</u>
Income (Loss) before Operating Transfers	<u>(547,517)</u>	<u>(84,521)</u>	<u>(528,096)</u>
Transfers In	<u>-</u>	<u>-</u>	<u>41,499</u>
Change in Net Assets	<u>(547,517)</u>	<u>(84,521)</u>	<u>(486,597)</u>
Net Assets, Beginning of Year	4,767,266	219,816	12,969,092
Prior Period Adjustment	-	168,340	168,340
Net Assets, End of Year	<u>\$ 4,219,749</u>	<u>\$ 303,635</u>	<u>\$ 12,650,835</u>

County of Kings
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Workers Comp Self-Ins	Fleet Management	Information Services
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 301,396	\$ 3,102,314	\$ 6,163,131
Payments to suppliers	(839,115)	(1,947,567)	(1,815,174)
Payments to and on behalf of employees	527,372	(394,504)	(3,259,135)
Payments for interfund services used	-	(147,600)	(116,263)
Total Cash Flows from Operating Activities	<u>(10,347)</u>	<u>612,643</u>	<u>972,559</u>
Cash Flows from Non-Capital Financing Activities			
Transfers In	-	-	41,499
Intergovernmental revenues	-	-	3,079
Total Cash Flows from Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>44,578</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	-	(452,026)	(1,257,462)
Interest expense	-	(16,655)	-
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(468,681)</u>	<u>(1,257,462)</u>
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	3,226,946	1,617,793	693,056
Purchase of investments	(3,149,444)	(1,754,325)	(445,573)
Investment earnings	40,639	66,912	26,845
Total Cash Flows from Investing Activities	<u>118,141</u>	<u>(69,620)</u>	<u>274,328</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>107,794</u>	<u>74,342</u>	<u>34,003</u>
Cash and Cash Equivalents, Beginning of Year	<u>287,069</u>	<u>123,618</u>	<u>50,802</u>
Cash and Cash Equivalents, End of Year	<u>\$ 394,863</u>	<u>\$ 197,960</u>	<u>\$ 84,805</u>

County of Kings
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Health Self- Insurance	Public Works	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 10,044,938	\$ 10,138,737	\$ 29,750,516
Payments to suppliers	(1,368,980)	(6,240,118)	(12,210,954)
Payments to and on behalf of employees	(9,394,251)	(3,900,088)	(16,420,606)
Payments for interfund services used	-	(237,488)	(501,351)
Total Cash Flows from Operating Activities	<u>(718,293)</u>	<u>(238,957)</u>	<u>617,605</u>
Cash Flows from Non-Capital Financing Activities			
Transfers In	-	-	41,499
Intergovernmental revenues	-	-	3,079
Total Cash Flows from Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>44,578</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	-	-	(1,709,488)
Interest expense	-	(28,334)	(44,989)
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(28,334)</u>	<u>(1,754,477)</u>
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	1,464,300	366,283	7,368,378
Purchase of investments	(802,811)	(94,967)	(6,247,120)
Investment earnings	80,007	4,169	218,572
Total Cash Flows from Investing Activities	<u>741,496</u>	<u>275,485</u>	<u>1,339,830</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>23,203</u>	<u>8,194</u>	<u>247,536</u>
Cash and Cash Equivalents, Beginning of Year	<u>155,975</u>	<u>36,956</u>	<u>654,420</u>
Cash and Cash Equivalents, End of Year	<u>\$ 179,178</u>	<u>\$ 45,150</u>	<u>\$ 901,956</u>

County of Kings
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Workers Comp Self-Ins	Fleet Management	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 217,772	\$ (160,415)	\$ (110,360)
Adjustment to Reconcile Operating Income (Loss)			
Depreciation	-	663,407	489,492
Sale of capital assets	-	34,136	1,989
(Increase) Decrease in receivables	-	(14,163)	15,120
(Increase) Decrease in due from other funds	-	-	-
(Increase) Decrease in due from other governments	-	-	-
(Increase) Decrease in inventories and prepaids	-	10,847	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in accrued expenses payable	(111,119)	75,325	88,385
Increase (Decrease) in due to other funds	-	577	5,039
Increase (Decrease) in capital leases payable	-	(707)	410,909
(Increase) Decrease in compensated absences payable	-	3,636	55,330
Increase (Decrease) in Interest payable	-	-	16,655
Increase (Decrease) in Claims Payable	(117,000)	-	-
Total adjustments	<u>(228,119)</u>	<u>773,058</u>	<u>1,082,919</u>
Net cash provided (used) by operating activities	<u>\$ (10,347)</u>	<u>\$ 612,643</u>	<u>\$ 972,559</u>

County of Kings
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Health Self- Insurance	Public Works	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (627,524)	\$ (60,356)	\$ (740,883)
Adjustment to Reconcile Operating Income (Loss)			
Depreciation	-	12,593	1,165,492
Sale of capital assets	-	-	36,125
(Increase) Decrease in receivables	4,086	5,984	11,027
(Increase) Decrease in due from other funds	(20,649)	-	(20,649)
(Increase) Decrease in due from other governments	(1,992)	-	(1,992)
(Increase) Decrease in inventories and prepaids	-	116,681	127,528
Increase (Decrease) in deferred revenue	-	3,187	3,187
Increase (Decrease) in accrued expenses payable	(72,214)	(236,759)	(256,382)
Increase (Decrease) in due to other funds	-	(2,343)	3,273
Increase (Decrease) in capital leases payable	-	-	410,202
(Increase) Decrease in compensated absences payable	-	(77,944)	(18,978)
Increase (Decrease) in Interest payable	-	-	16,655
Increase (Decrease) in Claims Payable	-	-	(117,000)
Total adjustments	(90,769)	(178,601)	1,358,488
Net cash provided (used) by operating activities	\$ (718,293)	\$ (238,957)	\$ 617,605

County of Kings
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
Workers Compensation Self-Insurance Internal Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating revenues:			
Miscellaneous revenues	\$ 120,000	\$ 301,396	\$ 181,396
Total Operating revenues	<u>120,000</u>	<u>301,396</u>	<u>181,396</u>
Operating expenses:			
Salaries and employee benefits	(546,669)	(755,491)	208,822
Services and supplies	132,500	301,101	(168,601)
Administration	534,169	538,014	(3,845)
Total Operating expenses	<u>120,000</u>	<u>83,624</u>	<u>36,376</u>
Operating income (loss)	<u>-</u>	<u>217,772</u>	<u>217,772</u>
Nonoperating revenues (expenses):			
Investment earnings	-	40,639	40,639
Total Nonoperating revenues (expenses)	<u>-</u>	<u>40,639</u>	<u>40,639</u>
Change in net assets	-	258,411	258,411
Total net assets, Beginning of Year	(248,603)	(248,603)	-
Total net assets, End of Year	<u>\$ (248,603)</u>	<u>\$ 9,808</u>	<u>\$ 258,411</u>

County of Kings
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
Fleet Management Internal Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating revenues:			
Charges for services	\$ 3,128,226	\$ 2,888,594	\$ (239,632)
Miscellaneous revenues	70,500	193,747	123,247
Total Operating revenues	<u>3,198,726</u>	<u>3,082,341</u>	<u>(116,385)</u>
Operating expenses:			
Salaries and employee benefits	444,015	440,082	3,933
Services and supplies	2,010,350	1,991,667	18,683
Administration	157,218	147,600	9,618
Depreciation	666,644	663,407	3,237
Total Operating expenses	<u>3,278,227</u>	<u>3,242,756</u>	<u>35,471</u>
Operating income (loss)	<u>(79,501)</u>	<u>(160,415)</u>	<u>(80,914)</u>
Nonoperating revenues (expenses):			
Investment earnings	30,000	66,912	36,912
Sale of capital assets	25,000	34,136	9,136
Total Nonoperating revenues (expenses)	<u>55,000</u>	<u>101,048</u>	<u>46,048</u>
Income (loss) before transfers	<u>(24,501)</u>	<u>(59,367)</u>	<u>(34,866)</u>
Transfers In	24,500	-	(24,500)
Change in net assets	(1)	(59,367)	(59,366)
Total net assets, Beginning of Year	6,078,855	6,078,855	-
Total net assets, End of Year	<u>\$ 6,078,854</u>	<u>\$ 6,019,488</u>	<u>\$ (59,366)</u>

County of Kings
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
Information Services Internal Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating revenues:			
Charges for services	\$ 6,236,954	\$ 5,511,553	\$ (725,401)
Miscellaneous revenues	1,224,626	634,469	(590,157)
Total Operating revenues	<u>7,461,580</u>	<u>6,146,022</u>	<u>(1,315,558)</u>
Operating expenses:			
Salaries and employee benefits	3,388,905	3,379,171	9,734
Services and supplies	4,028,301	2,271,456	1,756,845
Administration	122,206	116,263	5,943
Depreciation	316,941	489,492	(172,551)
Total Operating expenses	<u>7,856,353</u>	<u>6,256,382</u>	<u>1,599,971</u>
Operating income (loss)	<u>(394,773)</u>	<u>(110,360)</u>	<u>284,413</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	1,644	3,079	1,435
Investment earnings	14,000	26,845	12,845
Interest expense	-	(16,655)	16,655
Sale of capital assets	-	1,989	1,989
Total Nonoperating revenues (expenses)	<u>15,644</u>	<u>15,258</u>	<u>(386)</u>
Income (loss) before transfers	<u>(379,129)</u>	<u>(95,102)</u>	<u>284,027</u>
Transfers In	-	41,499	41,499
Changes in net assets	<u>(379,129)</u>	<u>(53,603)</u>	<u>325,526</u>
Total net assets, Beginning of Year	<u>2,151,758</u>	<u>2,151,758</u>	<u>-</u>
Total net assets, End of Year	<u>\$ 1,772,629</u>	<u>\$ 2,098,155</u>	<u>\$ 325,526</u>

County of Kings
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
Health Self-Insurance Internal Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating revenues:			
Miscellaneous revenues	\$ 10,454,422	\$ 10,063,493	\$ (390,929)
Total Operating revenues	<u>10,454,422</u>	<u>10,063,493</u>	<u>(390,929)</u>
Operating expenses:			
Salaries and employee benefits	9,209,307	9,322,037	(112,730)
Administration	1,308,615	1,368,980	(60,365)
Total Operating expenses	<u>10,517,922</u>	<u>10,691,017</u>	<u>(173,095)</u>
Operating income (loss)	<u>(63,500)</u>	<u>(627,524)</u>	<u>(564,024)</u>
Nonoperating revenues (expenses):			
Investment earnings	<u>63,500</u>	<u>80,007</u>	<u>16,507</u>
Total Nonoperating revenues (expenses)	<u>63,500</u>	<u>80,007</u>	<u>16,507</u>
Change in net assets	-	(547,517)	(547,517)
Total net assets, Beginning of Year	<u>4,767,266</u>	<u>4,767,266</u>	<u>-</u>
Total net assets, End of Year	<u>\$ 4,767,266</u>	<u>\$ 4,219,749</u>	<u>\$ (547,517)</u>

County of Kings
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual
Public Works Internal Service Fund
For the Year Ended June 30, 2011

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Operating revenues:			
Charges for services	\$ 12,532,036	\$ 10,129,566	\$ (2,402,470)
Miscellaneous revenues	102	-	(102)
Total Operating revenues	<u>12,532,138</u>	<u>10,129,566</u>	<u>(2,402,572)</u>
Operating expenses:			
Salaries and employee benefits	4,107,364	3,805,994	301,370
Services and supplies	10,969,949	6,133,847	4,836,102
Administration	226,089	237,488	(11,399)
Depreciation	14,865	12,593	2,272
Total Operating expenses	<u>15,318,267</u>	<u>10,189,922</u>	<u>5,128,345</u>
Operating income (loss)	<u>(2,786,129)</u>	<u>(60,356)</u>	<u>2,725,773</u>
Nonoperating revenues (expenses):			
Investment earnings	-	4,169	4,169
Interest expense	-	(28,334)	(28,334)
Total Nonoperating revenues (expenses)	<u>-</u>	<u>(24,165)</u>	<u>(24,165)</u>
Change in net assets	(2,786,129)	(84,521)	2,701,608
Total net assets, Beginning of Year	219,816	219,816	-
Prior Period Adjustment	-	168,340	(168,340)
Total net assets, End of Year	<u>\$ (2,566,313)</u>	<u>\$ 303,635</u>	<u>\$ 2,533,268</u>