

COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
JUNE 30, 2010

COUNTY OF HUMBOLDT

Single Audit Report
For the Year Ended June 30, 2010

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

Board of Supervisors
County of Humboldt
Eureka, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt (County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 29, 2011. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-FS-1, 10-FS-2, 10-FS-3, 10-FS-4, 10-FS-5, and 10-FS-6 to be material weaknesses.

Board of Supervisors
County of Humboldt

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated December 29, 2011.

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

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

Gallina LLP

Roseville, California
December 29, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Supervisors
County of Humboldt
Eureka, California

Compliance

We have audited the compliance of the County of Humboldt (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Humboldt complied, in all material respects, with the requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, and business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Supervisors
County of Humboldt

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.

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

Gallina LLP

Roseville, California
December 29, 2011

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Cooperative Forestry Assistance	10.664	--	\$ 25,357
Subtotal Direct			<u>25,357</u>
Passed through State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care			
Pierce's Disease Control Program	10.025	--	12,379
Sudden Oak Death	10.025	--	18,818
Light Brown Apple Moth	10.025	--	1,025
Asian Gypsy Moth	10.025	--	6,316
Subtotal CFDA #10.025			<u>38,538</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	73,022
Subtotal Pass-Through			<u>73,022</u>
Passed through State Department of Health Care Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children			
Subtotal Pass-Through	10.557	--	<u>1,089,368</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Subtotal Pass-Through	10.561	--	<u>2,405,564</u>
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	--	1,076,410
Subtotal Pass-Through			<u>1,076,410</u>
Total U.S. Department of Agriculture			<u>\$ 4,708,259</u>
<u>U.S. Department of Commerce</u>			
Passed through EDA:			
Regional Economic Development Network	11.307	--	132,782
Total U.S. Department of Commerce			<u>\$ 132,782</u>

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	--	\$ 199,972
Community Development Block Grant/State's Program	14.228	--	205,476
Community Development Block Grant/State's Program	14.228	--	31,242
Community Development Block Grant/State's Program	14.228	--	20,060
Community Development Block Grant/State's Program	14.228	--	45,289
Community Development Block Grant/State's Program			
Outstanding Loan Balance	14.228	--	2,503,164
Subtotal CFDA #14.228			3,005,203
Supportive Housing Program	14.235	--	47,534
HOME Investment Partnerships Program	14.239	--	381,715
HOME Investment Partnerships Program			
Outstanding Loan Balance	14.239	--	9,813,475
Subtotal CFDA #14.239			10,195,190
Community Development Block Grant			
ARRA - Entitlement Grants (CDBG-R)	14.253	--	29,883
Total U.S. Department of Housing and Urban Development			\$ 13,277,810
<u>U.S. Department of Interior</u>			
Direct Program:			
Payment in Lieu of Taxes	15.226	--	327,344
Total U.S. Department of Interior			\$ 327,344
<u>U.S. Department of Justice</u>			
Direct Programs:			
Office of Juvenile Justice & Delinquency	16.543	--	8,060
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2008-DJBX-0152	127,653
Edward Byrne Memorial Formula Grant Program			
Domestic Cannabis Eradication/Suppression	16.579	--	170,000
ARRA-Edward Byrne Memorial Assistance Grant Program	16.804	ZA09010120	180,361
Subtotal Direct			486,074

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u> (continued)			
Passed through California Emergency Management Agency:			
Child Abuse Vertical Prosecution	16.575	VB08060120	\$ 132,283
Victim Witness Assistance Program	16.575	VW09270120	184,793
Subtotal CFDA #16.575			<u>317,076</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC09020120	199,845
Subtotal Pass-Through			<u>516,921</u>
Total U.S. Department of Justice			<u>\$ 1,002,995</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
Disability Program	17.207	--	8,877
WIA Title I Adult Formula	17.258	--	388,652
ARRA - WIA Title I Adult Formula	17.258	--	475,275
WIA Title I Youth Formula	17.259	--	443,103
ARRA - WIA Title I Youth Formula	17.259	--	412,356
WIA Title I Dislocated Worker	17.260	--	361,186
ARRA - WIA Title I Dislocated Worker	17.260	--	373,593
WIA Rapid Response	17.260	--	412,004
ARRA - WIA Rapid Response	17.260	--	63,889
Redwood Coast Targets of Opportunity	17.260	--	32,916
Subtotal WIA Cluster			<u>2,962,974</u>
WIA Pilots, Demonstrations, and Research Projects	17.261	--	96,884
Redwood Coast Training for Opportunities	17.269	--	318,017
Total U.S. Department of Labor			<u>\$ 3,386,752</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	--	4,818,891
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	--	5,339,893
ARRA - Highway Planning and Construction	20.205	--	691,689
Subtotal CFDA #20.205			<u>6,031,582</u>

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Transportation</u> (continued)			
Passed through State Department of Health Services:			
State and Community Highway Safety	20.600	--	\$ 129,895
Total U.S. Department of Transportation			\$ 10,980,368
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
EPA Brownfield Revolving Loan Fund	66.818	--	29,737
EPA Brownfield Assessement Grant	66.818	--	6,041
Subtotal CFDA #66.818			35,778
Passed through Air Pollution Control Officers Association:			
Local Oversight Program	66.805	--	308,123
Total U.S. Environmental Protection Agency			\$ 343,901
<u>U.S. Department of Energy</u>			
Direct Program:			
Green Building Training Program	81.041	--	133,724
Total U.S. Department of Energy			\$ 133,724
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Alcohol & Drug Prevention:			
Block Grants for Prevention & Treatment of Substance Abuse	93.959	--	808,198
Subtotal Pass-Through			808,198
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	43,787
Block Grants for Community Mental Health Services			
Substance Abuse and Mental Health Services Administration	93.958	--	490,509
Subtotal Pass-Through			534,296

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Health and Human Services (continued)			
Passed through the State Department of Health Care Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	\$ 9,118
Immunization Grants	93.268	--	100,000
Centers for Disease Control and Prevention Investigation and Technical Assistance Bioterrorism Preparedness	93.283	--	774,787
Preventive Health And Health Services Block Grant:	93.991	--	27,124
Maternal and Child Health Services Block Grant to the States	93.994	--	255,546
Maternal and Child Health Services Block Grant to the States - Childhood Disability Program	93.994	--	306,250
Maternal and Child Health Services Block Grant to the States - Healthy Families	93.994	--	54,890
Maternal and Child Health Services Block Grant to the States - California Children's Services (CCS)	93.994	--	308,729
Subtotal CFDA#93.994			<u>925,415</u>
Subtotal Pass-Through			<u>1,836,444</u>
Passed through State Department of Public Health:			
HIV Care Formula Grants	93.917	--	303,299
Subtotal Pass-Through			<u>303,299</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families - Admin	93.558	--	12,200,415
Temporary Assistance for Needy Families - Assistance	93.558	--	5,423,631
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families	93.714	--	3,012,824
Subtotal TANF Cluster			<u>20,636,870</u>
Foster Care - Title IV-E:			
Foster Care - Title IV-E	93.658	--	4,256,083
ARRA - Foster Care - Title IV-E	93.658	--	812,683
Subtotal CFDA #93.658			<u>5,068,766</u>
Adoption Assistance	93.659	--	2,859,408
ARRA - Adoption Assistance	93.659	--	347,739
Subtotal CFDA #93.659			<u>3,207,147</u>

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u> (continued)			
Passed through State Department of Social Services (continued):			
Promoting Safe and Stable Families	93.556	--	\$ 96,180
Community-Based Child Abuse Prevention Grants	93.590	--	19,648
Child Welfare Services - State Grants	93.645	--	131,587
Social Services Block Grant	93.667	--	393,441
Chafee Foster Care Independence Program	93.674	--	102,738
Medical Assistance Program			
APS Title XIX	93.778	--	693,154
CWS Title XIX	93.778	--	1,212,866
FPP Title XIX	93.778	--	1,141
IHSS Public Authority Title XIX	93.778	--	154,699
IHSS Title XIX	93.778	--	1,377,379
Medical Assistance Program Administration	93.778	--	2,527,603
Subtotal			5,966,842
Subtotal Pass-Through			35,623,219
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	2,724,389
ARRA - Child Support Enforcement	95.563	--	582,707
Subtotal Pass-Through			3,307,096
Total U.S. Department of Health and Human Services			\$ 42,412,552
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Transportation Security Administration	97.001	--	218,577
Passed through California Emergency Management Agency:			
Public Assistance Grants	97.036	--	1,543,217
Homeland Security Grant Program	97.067	--	233,560
Homeland Security Grant Program	97.067	--	11,266
Subtotal CFDA #97.067			244,826
Subtotal Pass-Through			1,788,043
Total U.S. Department of Homeland Security			\$ 2,006,620
Total Expenditures of Federal Awards			\$ 78,713,107

See accompanying Note to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards For the Year Ended June 30, 2010

Note 1: **Reporting Entity**

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

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented based on Generally Accepted Accounting Principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 3: **Relationship to Financial Statements**

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

Note 4: **Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Humboldt provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipient
17.259	WIA Title I Youth Formula	\$ 313,507
14.228	Community Development Block Grant	<u>209,434</u>
		<u>\$ 522,941</u>

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2010

Note 5: **Program Clusters**

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA	Program Title	Federal Expenditures
<u>WIA Cluster</u>		
17.258	WIA Title I Adult Formula	\$ 388,652
17.258	ARRA – WIA Title I Adult Formula	475,275
17.259	WIA Title I Youth Formula	443,103
17.259	ARRA – WIA Title I Youth Formula	412,356
17.260	WIA Title I Dislocated Workers	361,186
17.260	ARRA – WIA Title I Dislocated Workers	373,593
17.260	WIA Rapid Response	412,004
17.260	ARRA – WIA Rapid Response	63,889
17.260	Redwood Coast Targets of Opportunity	32,916
	Total	\$ 2,962,974
<u>Temporary Assistance for Needy Families Cluster:</u>		
93.558	TANF – Admin	\$ 12,200,415
93.558	TANF – Assistance	5,423,631
93.714	ARRA – Emergency Contingency Fund for TANF	3,012,824
	Total	\$ 20,636,870

Note 6: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County either determined that no identifying number is assigned for the program or was simply unable to obtain an identifying number from the pass-through entity.

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2010

Note 7: **Loans with Continuing Compliance Requirement**

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2010 as follows:

<u>Federal CFDA#</u>	<u>Program Title</u>	<u>Amount Outstanding</u>	
		<u>July 1, 2009</u>	<u>June 30, 2010</u>
14.228	Community Development Block Grants/States Program	\$ 2,503,164	\$ 2,532,620
14.239	HOME Investment Partnerships Program	\$ 9,813,475	\$ 9,526,233

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section 1

Financial Statements

Summary of Auditor's Results

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

Federal Awards

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

CFDA Number

Name of Federal Program

- | | |
|--------|--|
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 14.228 | Community Development Block Grants/ State's Program |
| 14.239 | HOME Investment Partnerships Program |
| 20.205 | Highway Planning and Construction |
| 93.658 | Foster Care – Title IV-E |
| 93.659 | Adoption Assistance Program |

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section 1 (continued)

Federal Awards (continued)

4. Identification of major programs: (continued)

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<i>WIA Cluster</i>	
17.258	Work Investment Act Adult Program
17.259	Work Investment Act Youth Activities
17.260	Work Investment Act Dislocated Workers
<i>TANF Cluster</i>	
93.558	Temporary Assistance for Needy Families
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program

5. Dollar Threshold used to distinguish between Type A and Type B programs? \$ 2,361,393
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? No

Section 2

Financial Statement Findings

Receivables Cutoff	Finding 11-FS-1
Reconcile General Ledger Accounts	Finding 11-FS-2
Headwaters Accounting	Finding 11-FS-3
Other Postemployment Benefits (OPEB) Valuation	Finding 11-FS-4
Capital Lease Obligations	Finding 11-FS-5
Payroll Accrual	Finding 11-FS-6

Section 3

Federal Award Findings and Questioned Costs

None Reported.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

Finding/Program	Findings/Noncompliance
Finding 11-FS-1	<p data-bbox="516 428 760 459"><i>Receivables Cutoff</i></p> <p data-bbox="516 499 613 531"><u>Criteria</u></p> <p data-bbox="516 569 1442 699">During its year-end closing process, the County should establish and enforce policies and procedures to ensure that year-end accruals are properly identified and recorded for all account balances, including revenues and receivables.</p> <p data-bbox="516 739 646 770"><u>Condition</u></p> <p data-bbox="516 808 1442 938">During the audit, we noted a significant receipt for services provided during the fiscal year ended June 30, 2010, that was not properly accrued at year-end. The total amount of the related audit adjustment was \$6,475,239.</p> <p data-bbox="516 978 597 1010"><u>Cause</u></p> <p data-bbox="516 1047 1442 1115">Subsequent to year-end, the County did not identify significant revenues that should have been accrued during the year-end closing process.</p> <p data-bbox="516 1155 768 1186"><u>Effect of Condition</u></p> <p data-bbox="516 1224 1442 1291">The revenue was understated as a result of untimely recognition of revenue.</p> <p data-bbox="516 1331 743 1362"><u>Recommendation</u></p> <p data-bbox="516 1400 1442 1493">To ensure proper revenue recognition, we recommend that the County review all subsequent period deposits to allow for timely revenue recognition.</p> <p data-bbox="516 1533 816 1564"><u>Management Response</u></p> <p data-bbox="516 1602 1442 1890">Fiscal year 2009-10 was a period during which there was a lot of turnover in accounting staff in the Auditor-Controller's office and also of fiscal staff in a number of reporting departments. Some newer departmental fiscal staff did not understand what was required for receivables reporting, and staff members in the Auditor-Controller's office who could have assisted them were overwhelmed by their new duties and the increased workload associated with staff reductions – thus significant errors occurred with regard to accrual of receivables.</p>

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

Finding/Program	Findings/Noncompliance
Finding 11-FS-1 (continued)	<i>Receivables Cutoff</i> (continued) While staffing levels have still not returned to earlier levels, responsible personnel in the departments and in the Auditor-Controller's office have gained experience in these tasks and the incidence of errors was greatly reduced in fiscal year 2010-11. It is expected that continued improvement will be made in subsequent years.
Finding 11-FS-2	<i>Reconcile General Ledger Accounts to Subsidiary Schedules</i> <u>Criteria</u> Frequent reconciliations and adjustments will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process. <u>Condition</u> During the audit, we noted several significant account balances such as capital assets, loans receivable, interfund transfers and long-term liabilities that were not reconciled in the general ledger. While the County was able to produce reliable schedules to support its account balances, these balances were not reflected in the general ledger. <u>Cause</u> The County currently does not have a process in place to update its general ledger to reflect its supporting schedules for certain account balances, including capital assets, interfund loans and transfers and compensated absences. <u>Effect of Condition</u> The lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 11-FS-2 (continued)	<p><i>Reconcile General Ledger Accounts to Subsidiary Schedules</i> (continued)</p> <p><u>Recommendation</u></p> <p>We recommend that reconciliations of significant accounts, including capital assets, loans receivable, interfund loans and transfers, and long-term liabilities be performed at least once a year prior to closing to ensure that the county's general ledger is accurate.</p> <p>Also, we recommend the County modify its chart of accounts to include identifiable accounts for significant account balances that should reconcile throughout the year such as interfund transfers and advances which are currently being recorded to various account numbers.</p> <p><u>Management Response</u></p> <p>Accountants are required in order for reconciliations to occur, and as long as the Auditor-Controller's office is operating with reduced staffing the level of reconciliation will be less than optimal. However, marginal improvements are being made as current staff grows in experience and ability. Also, a few critical staff vacancies have been recently filled so the staffing shortage is now less acute than it was during the period addressed by this audit. Modification to the chart of accounts is a measure we have been implementing during 2010-11 to improve clarity and that effort will be expanded to include other categories of accounts.</p>
Finding 11-FS-3	<p><i>Headwaters Accounting</i></p> <p><u>Criteria</u></p> <p>Frequent reconciliations and adjustments will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process.</p>

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

Finding/Program	Findings/Noncompliance
Finding 11-FS-3 (continued)	<p data-bbox="516 432 979 464"><i>Headwaters Accounting</i> (continued)</p> <p data-bbox="516 506 646 537"><u>Condition</u></p> <p data-bbox="516 579 1442 751">During the audit, we noted several account balances that were not properly reflected in the general ledger, including interfund advances with the Aviation fund, budgeted transfers to the General Fund, interest earnings, loan activity and intrafund loans among the various Headwaters funds.</p> <p data-bbox="516 800 597 831"><u>Cause</u></p> <p data-bbox="516 873 1442 940">The County does not currently have a process in place to review the Headwaters Funds for proper accounting.</p> <p data-bbox="516 982 768 1014"><u>Effect of Condition</u></p> <p data-bbox="516 1056 1442 1161">During the audit, we recommended several audit adjustments to report the account balances of the Headwaters Funds in accordance with generally accepted accounting principles.</p> <p data-bbox="516 1203 743 1234"><u>Recommendation</u></p> <p data-bbox="516 1276 1442 1413">We recommend the County reconcile the accounts within the Headwaters funds on a monthly basis, including reconciling the loans receivable and interfund loan balances and related activity to the schedules provided by Economic Development.</p> <p data-bbox="516 1455 816 1486"><u>Management Response</u></p> <p data-bbox="516 1528 1442 1667">Monthly reconciliation of Headwaters funds is not reasonably possible with current accounting staff levels, however we believe a better annual reconciliation can be achieved. Additional attention will be focused on Headwaters reconciliation for the year ended June 30, 2011.</p>

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

Finding/Program	Findings/Noncompliance
Finding 11-FS-4	<i>Other Postemployment Benefits (OPEB) Valuation</i>
	<u>Criteria</u>
	Governmental Accounting Standards Board Statement No. 45 <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i> (GASB 45) requires that OPEB plans with a total membership of 200 or more have an actuarial valuation performed at least biennially with the calculated OPEB costs and obligations being recognized in the financial statements.
	<u>Condition</u>
	While the County had an actuarial valuation performed for the year ended June 30, 2009, it did not report its calculated OPEB costs and obligation in its basic financial statements resulting in a prior period adjustment of \$2.5 million to the June 30, 2010 government-wide statements.
	<u>Cause</u>
	The County did not realize it had a significant OPEB liability to report since OPEB is a government-wide accounting entry not typically tracked in the general ledger.
	<u>Effect of Condition</u>
	By not reporting OPEB, the County's OPEB liability and related expenses are significantly understated in the Government-wide statements. This results in governmental financial statement users being denied a clear picture of the County's position with regard to its OPEB obligations.
	<u>Recommendation</u>
	For financial reporting purposes, we recommend the County continue to report the calculated OPEB obligation in its annual financial statements as it did in the June 30, 2010 financial statements.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 11-FS-4 (continued)	<p><i>Other Postemployment Benefits (OPEB) Valuation</i> (continued)</p> <p><u>Management Response</u></p> <p>The County concurs with the finding and will report its OPEB liability in subsequent years in accordance with generally accepted accounting principles.</p>
Finding 11-FS-5	<p><i>Capital Lease Obligations</i></p> <p><u>Criteria</u></p> <p>Generally accepted accounting principles require that all debt transactions of proprietary funds be reported on the accrual basis in the proprietary fund financial statements.</p> <p><u>Condition</u></p> <p>During the audit, we noted a capital lease for an AT&T phone system that was valued at \$685 thousand at June 30, 2009 that was not recorded in the County's general ledger or audit report.</p> <p><u>Cause</u></p> <p>The Auditor-Controller's Office was not aware of the capital lease transaction involving another department.</p> <p><u>Effect of Condition</u></p> <p>Liabilities were significantly understated in the Information Technology internal service fund.</p> <p><u>Recommendation</u></p> <p>To ensure that all long-term debt transactions are captured in the County's general ledger, we recommend that the County establish and enforce policies and procedures to ensure that all new long-term debt obligations are communicated with the Auditor-Controller's Office.</p>

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

Finding/Program	Findings/Noncompliance
Finding 11-FS-5 (continued)	<p data-bbox="518 432 1008 464"><i>Capital Lease Obligations</i> (continued)</p> <p data-bbox="518 499 813 531"><u>Management Response</u></p> <p data-bbox="518 569 1443 856">We concur that this lease should have been properly identified in the 2008-09 financial statements. Auditor-Controller staff identified it as a capital lease during the approval process but that information somehow was not reflected in the financial statements at the time. Subsequent staff turnover delayed recognition of the lease until fieldwork on the current audit. The staffing situation has since stabilized somewhat and care will be taken to assure appropriate recognition of any future capital leases.</p>
Finding 11-FS-6	<p data-bbox="518 898 724 930"><i>Payroll Accrual</i></p> <p data-bbox="518 968 618 999"><u>Criteria</u></p> <p data-bbox="518 1037 1443 1104">The year-end accrued payroll liability calculation should be based on the number of days within the reporting period.</p> <p data-bbox="518 1142 646 1173"><u>Condition</u></p> <p data-bbox="518 1211 1443 1310">The County payroll accrual was understated by approximately \$1.05 million at June 30, 2010 as a result of the County using an alternate method to calculate the year-end accrual.</p> <p data-bbox="518 1348 597 1379"><u>Cause</u></p> <p data-bbox="518 1417 1443 1556">The County currently accrues payroll at June 30 of each year at 1/14 of one payroll period in anticipation of having 27 payroll periods every 14th year. This method for calculating the payroll accrual is used for budgeting purposes.</p> <p data-bbox="518 1593 768 1625"><u>Effect of Condition</u></p> <p data-bbox="518 1663 1443 1730">The payroll accrual is understated and not in accordance with generally accepted accounting principles.</p> <p data-bbox="518 1768 743 1799"><u>Recommendation</u></p> <p data-bbox="518 1837 1443 1904">We recommend the County report accrued salaries in accordance with generally accepted accounting principles.</p>

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2010

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 11-FS-6 (continued)	<i>Payroll Accrual</i> (continued) <u>Management Response</u> The 27 th payroll method of accounting for the payroll liability calculation is an antique practice that the County of Humboldt had employed since time immemorial. It appears to have been designed to assure that appropriate budgetary resources would be available in those years with an extra pay period, however it was never consistent with generally accepted accounting principles. 2011-12 is the end of the most recent cycle of fourteen years so this year will be closed using a more standard accounting method.

COUNTY OF HUMBOLDT

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
None reported.	

AVIATION PASSENGER FACILITIES CHARGES



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

Board of Supervisors
County of Humboldt
Eureka, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued my report thereon dated December 29, 2011. We have conducted the audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

The management of the County of Humboldt is responsible for the County's compliance with laws and regulations. In connection with the audit referred to above, we applied the procedures enumerated below to the Statement of Revenues, Expenditures and Changes in Fund Balance – Passenger Facility Charges of the County of Humboldt for the year ended June 30, 2010. These procedures, which were agreed to by the County of Humboldt were performed solely for the purpose of meeting your contractual obligation with the Department of Transportation, Federal Aviation Administration. We applied the procedures enumerated below in accordance with Federal Aviation Administration Regulations (Title 14, Code of Federal Regulation, Part 158).

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

Board of Supervisors
County of Humboldt

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

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

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

Gallina LLP

Roseville, California
December 29, 2011

**COUNTY OF HUMBOLDT
SCHEDULE OF REVENUE AND EXPENDITURES
AND CHANGES IN FUND BALANCE - PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2010**

Revenues:	
Passenger Facility Charges (3987, 3988, 3989, 3991, 3992, 3993)	\$ 381,472
Interest	<u>8,270</u>
Total Revenue	<u>389,742</u>
Expenditures:	
Contributions to other funds for Aviation Capital Projects	<u>64,972</u>
Total Expenditures	<u>64,972</u>
Excess of Revenues Over (Under) Expenditures	324,770
Fund Balance at Beginning of Year	<u>339,205</u>
Fund Balance at End of Year	<u><u>\$ 663,975</u></u>

(1) Basis of Accounting-

The Schedule of Revenue and Expenditures and Changes in Fund Balance - Passenger Facility Charges has been prepared on a cash basis, as prescribed by Section 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration of the United States Department of Transportation.

Revenues include amounts collected by the airport. Expenses are presented on a cash basis and include only the expenses on approved PFC projects.

The total amount of interest reported this year consists of the actual interest for the fourth quarter of the prior year and the actual interest for the report year through June 30.