

COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
JUNE 30, 2012

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COUNTY OF HUMBOLDT

Single Audit Report
For the Year Ended June 30, 2012

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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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 16, 2013. 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 12-FS-1, 12-FS-2, 12-FS-3, 12-FS-4, 12-FS-5, 12-FS-6, 12-FS-7, and 12-FS-8 to be material weaknesses.

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*.

Board of Supervisors
County of Humboldt

We noted certain matters that we reported to management of the County in a separate letter dated January 16, 2013.

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, 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 specific parties.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
January 16, 2013



**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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 12-SA-1.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Board of Supervisors
County of Humboldt

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-SA-1 to be a material weakness.

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

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, 2012, and have issued our report thereon dated January 16, 2013, 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.

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.



Roseville, California
February 11, 2013 except for the Schedule
of Expenditures of Federal Awards, which is
dated January 16, 2013

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care			
12207 Asian Gypsy Moth	10.025	11-523-0689-CA	\$ 11,833
11525/11526/11527 Sudden Loak Death - SOD	10.025	11-8523-0572-CA	8,558
10024 GWSS	10.025	11-8500-0484-CA	3,538
European Grapevine Moth - EGVM	10.025	20-1317-CA 12-8506-13	2,609
Subtotal CFDA Number 10.025			<u>26,538</u>
ARRA - Invasive Plants	10.688	09-DG-11059702-21	<u>12,274</u>
Subtotal Pass-Through			<u>38,812</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	<u>51,130</u>
Passed through State Department of Public Health:			
Special Supplemental Nutrition Program for Women,	10.557	08-85426	<u>1,119,792</u>
Subtotal CFDA Number 10.557			<u>1,119,792</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	--	<u>4,305,101</u>
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	--	<u>535,904</u>
Total U.S. Department of Agriculture			<u>\$ 6,050,739</u>
<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 -			
Loans with continuing compliance requirements	14.228	--	<u>2,532,620</u>
Supportive Housing Program	14.235	--	<u>11,669</u>
HOME Investment Partnerships Program	14.239	09-HOME-6203	190,373
HOME Investment Partnerships Program	14.239	08-HOME-5002	3,841,535
HOME Investment Partnerships Program -			
Loans with continuing compliance requirements	14.239	--	<u>10,053,200</u>
Subtotal CFDA Number 14.239			<u>14,085,108</u>
Community Development Block Grant ARRA			
Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	09-EDEF-6367	44,126
Community Development Block Grant ARRA			
Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	08-STBG-5282	252,394
Community Development Block Grant ARRA			
Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	09-STBG-6416	139,315

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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> (continued)			
Passed through the State Department of Housing and Community Development (continued):			
Community Development Block Grant ARRA			
Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	10-STBG-6716	\$ 7,447
Community Development Block Grant ARRA			
Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	10-EDEF-7265	118,560
Subtotal CFDA Number 14.253			<u>561,842</u>
Subtotal Pass-Through			<u>17,191,239</u>
Passed through the State Department of Public Health:			
Housing Opportunities for Persons with AIDS	14.241		<u>48,411</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 17,239,650</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
Payment in Lieu of Taxes	15.226	--	<u>439,218</u>
Total U.S. Department of Interior			<u>\$ 439,218</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA11	5,025
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA12	4,975
Subtotal Direct Programs			<u>10,000</u>
Passed through California Emergency Management Agency:			
Victim Witness Assistance Program	16.575	VW10280120	83,930
Victim Witness Assistance Program	16.575	UV10010120	83,669
Victim Witness Assistance Program	16.575	UV10010120	59,030
Subtotal CFDA Number 16.575			<u>226,629</u>
Edward Byrne Memorial Formula Grant Program			
Domestic Cannabis Eradication/Suppression	16.579	2012-20 & 2011-26	169,499
Edward Byrne Memorial Justice Assistance Grant Program - Marijuana Suppression Grant	16.738	MS10010120	232,070
Edward Byrne Memorial Justice Assistance Grant Program - Anti-Drug Abuse Grant	16.738	DC11010120	143,900
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - Anti-Drug	16.804	ZA0901020	126,271
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - Multi-jurisdictional			
Methamphetamine Team	16.804	MH08030120	79,598
Subtotal Pass-Through			<u>751,338</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 State Department of Corrections and Rehabilitation:			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	ZP09010120	\$ 88,035
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	CSA 358-11	118,438
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	CSA 205-11	82,666
Subtotal Pass-Through			289,139
Total U.S. Department of Justice			\$ 1,277,106
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Title I Adult Formula	17.258	K282427-202	343,690
WIA Title I Adult Formula	17.258	K178659-202	97,505
WIA Title I Adult Formula	17.258	K282427-201	29,830
Title 15% Adult Spec PR - Veterans Green	17.258	K074140-457	312,521
WIA Career Technical Education	17.259	K178659-480	64,376
WIA Title I Youth Formula	17.259	K282427-301	315,200
RCTOP - Align Resources for Emerging High Growth Industries	17.260	EM-19894-10-60-A-6	10,526
WIA Title I Dislocated Worker	17.260	K282427-502	202,173
WIA Title I Dislocated Worker	17.260	K178659-502	184,700
WIA Title I Dislocated Worker	17.260	K282427-501	74,132
WIA Title I Rapid Response	17.260	K282427-541	82,512
WIA Title I Rapid Response	17.260	K282427-540	30,434
WIA Title I Rapid Response	17.260	K178659-541	27,205
Subtotal WIA Cluster			1,774,804
Redwood Coast Training for Opportunities	17.269	CB-18203-09-60-A-6	485,823
Total U.S. Department of Labor			\$ 2,260,627
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	--	2,689,592
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	--	2,291,124
Highway Planning and Construction	20.205	--	2,932,402
ARRA - Highway Planning and Construction	20.205	--	527,688
Safe Routes to School	20.205	--	35,837
Transportation Enforcement	20.205	--	30,840
Healthy Rural Roads	20.205	--	23,141
Ferry Boat Discretionary	20.205	--	3,183
Subtotal CFDA Number 20.205			5,844,215

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation</u> (continued)			
Passed through State Office of Traffic Safety:			
State and Community Highway Safety	20.600	AL1136	\$ 118,261
Total U.S. Department of Transportation			\$ 8,652,068
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	216,506
EPA Brownfield Assessment Grant	66.818	BF-96931601-0	52,942
Subtotal CFDA Number 66.818			<u>269,448</u>
Passed through Air Pollution Control Officers Association:			
Local Oversight Program	66.805	--	342,843
Total U.S. Environmental Protection Agency			\$ 612,291
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Alcohol & Drug Programs:			
Block Grants for Prevention & Treatment of Substance Abuse	93.959	--	1,335,088
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	48,878
Block Grants for Community Mental Health Services Administration	93.958	--	485,680
Subtotal Pass-Through			<u>534,558</u>
Passed through the State Department of Health Care Services:			
Medical Assistance Program - Administration	93.778	--	6,338,293
Maternal and Child Health Services Block Grant to the States	93.994	--	229,278
Maternal and Child Health Services Block Grant to the States - Childhood Disability Program	93.994	--	375,467
Maternal and Child Health Services Block Grant to the States - California Children's Services (CCS)	93.994	--	448,586
Subtotal CFDA Number 93.994			<u>1,053,331</u>
Subtotal Pass-Through			<u>7,391,624</u>
Passed through State Department of Public Health:			
Public Health Emergency Preparedness	93.069	--	626,081
Pandemic Flu	93.069	--	63,457
Subtotal CFDA Number 93.069			<u>689,538</u>
System of Care Expansion Planning Team	93.104		99,897
Tuberculosis Control Programs	93.116	--	19,228
Drug Free Communities	93.276	10SP17142A	105,188
Hospital Preparedness Program	93.301	--	168,310

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 (continued)</u>			
Passed through State Department of Public Health (continued):			
HIV Care Formula Grants	93.917	10-95259	\$ 121,832
Subtotal			<u>514,455</u>
Subtotal Pass-Through			<u>1,203,993</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558	--	2,269,245
ARRA - Temporary Assistance for Needy Families	93.714	SSB000226	11,843,135
Subtotal CFDA Number 93.558			<u>14,112,380</u>
Foster Care - Title IV-E	93.658	--	3,383,661
ARRA - Foster Care - Title IV-E	93.658	--	904,341
Subtotal CFDA Number 93.658			<u>4,288,002</u>
Adoption Assistance	93.659	--	2,734,035
ARRA - Adoption Assistance	93.659	--	401,829
Subtotal CFDA Number 93.659			<u>3,135,864</u>
Promoting Safe and Stable Families	93.556	--	95,960
Child Welfare Services - State Grants	93.645	--	131,587
Child Welfare Research Training or Demonstration	93.648	--	325,473
Social Services Block Grant	93.667	--	606,446
Chafee Foster Care Independence Program	93.674	--	95,287
Subtotal			<u>1,254,753</u>
Subtotal Pass-Through			<u>22,790,999</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	4,326,556
Total U.S. Department of Health and Human Services			<u>\$ 37,582,818</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Transportation Security Administration	97.001	--	158,156
Passed through California Emergency Management Agency:			
Public Assistance Grants	97.036	FEMA-1628-CA	506,703
Emergency Management Performance Grant	97.042	--	150,121
Subtotal			<u>656,824</u>
Homeland Security Grant Program	97.067	--	417,572
Subtotal Pass-Through			<u>1,074,396</u>
Total U.S. Department of Homeland Security			<u>\$ 1,232,552</u>
Total Expenditures of Federal Awards			<u>\$ 75,347,069</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

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COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2012

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
14.241	Housing Opportunities for Persons with AIDS	\$ 48,411
14.253	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	561,842
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government – Multi-jurisdictional Methamphetamine Team	205,869
97.067	Homeland Security Grant Program	<u>417,572</u>
		<u>\$ 1,233,694</u>

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2012

NOTE 5: PROGRAM CLUSTERS

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

Federal CFDA	Program Title	Amount Provided to Subrecipient
<u>JAG Program Cluster:</u>		
16.738	Edward Byrne Memorial Justice Assistance Grant Program – Marijuana Suppression Grant	\$ 232,070
16.738	Edward Byrne Memorial Justice Assistance Grant Program – Anti-Drug Abuse Grant	143,900
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government – Multi-jurisdictional Methamphetamine Team	79,598
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	<u>126,271</u>
	Total	<u>\$ 581,839</u>
<u>WIA Program Cluster:</u>		
17.258	WIA Title I Adult Formula	\$ 343,690
17.258	WIA Title I Adult Formula	97,505
17.258	WIA Title I Adult Formula	29,830
17.258	Title 15% Adult Spec PR – Veterans Green	312,521
17.259	WIA Career Technical Education	64,376
17.259	WIA Title I Youth Formula	315,200
17.260	RCTOP – Align Resources for Emerging High Growth Industries	10,526
17.260	WIA Title I Dislocated Workers	202,173
17.260	WIA Title I Dislocated Workers	184,700
17.260	WIA Title I Dislocated Workers	74,132
17.260	WIA Title I Rapid Response	82,512
17.260	WIA Title I Rapid Response	30,434
17.260	WIA Title I Rapid Response	<u>27,205</u>
	Total	<u>\$ 1,774,804</u>
<u>Temporary Assistance for Needy Families Cluster:</u>		
93.558	Temporary Assistance for Needy Families	\$ 2,269,245
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	<u>11,843,135</u>
	Total	<u>\$ 14,112,380</u>

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2012

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.

NOTE 7: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2012 as follows:

<u>Federal CFDA #</u>	<u>Program Title</u>	<u>Outstanding Loans</u>	<u>Prior Year Loans with Continuing Compliance Requirements</u>	<u>New Loans</u>
14.228	Community Development Block Grants/States Program	\$ 2,145,170	\$ 2,329,927	\$ 36,000
14.239	HOME Investment Partnerships Program	14,205,209	10,162,166	4,124,565

NOTE 8: TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
16.738	\$ 375,970
16.804	205,869

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COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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? | Yes |
| 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)? | Yes |

4. Identification of major programs:

CFDA Number

Name of Federal Program

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
16.738, 16.803, 16.804	JAG Program Cluster
20.205	Highway Planning and Construction
93.563	Child Support Enforcement
93.558, 93.714	Temporary Assistance for Needy Families Cluster
93.659	Adoption Assistance Program
93.778	Medical Assistance Program

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 2,260,412 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 2

Financial Statement Findings

Financial Statement and SEFA Preparation	Finding 12-FS-1
American Recovery and Reinvestment Act Requirements	Finding 12-FS-2
Receivables Cutoff	Finding 12-FS-3
Reconcile General Ledger Accounts	Finding 12-FS-4
Headwaters Accounting	Finding 12-FS-5
Construction in Progress – Reclassification of Completed Projects	Finding 12-FS-6
Payable Cutoff	Finding 12-FS-7
Approval of Journal Entries	Finding 12-FS-8

Section 3

Federal Award Findings and Questioned Costs

JAG Program Cluster (CFDA Number 16.738, 16.803, 16.804)	Finding 12-SA-1
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COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2012

Finding 12-FS-1 Financial Statement and SEFA Preparation

Criteria

Statement on Auditing Standard No. 115, *Communicating Internal Control Related Matters Identified in a Audit* (SAS 115), applies to the County's current year fiscal audit. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. These same requirements apply to the Schedule of Expenditures of Federal Awards (SEFA).

The Schedule of Expenditures of Federal Awards (SEFA), while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133. OMB Circular A-133 requires auditors to determine major programs and perform risk determinations based on a complete SEFA prior to performing fieldwork.

Condition

In the process of obtaining the County's federal expenditures and reconciliations to the general ledger by grant and by program we were unable to obtain the federal expenditures and reconciliations for many of the grants and programs in a timely manner. This delay resulted in significant changes to the required risk assessment process that determines which major programs must be audited.

Cause

The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information.

Effect of Condition

Not having an adequate system in place for compiling the SEFA can result in missing or inaccurate federal expenditures being reported. Since the external auditors must identify the County's major programs using its SEFA, inaccurate balances may result in additional work and audit fees if a new major program is identified upon completion of fieldwork.

Recommendation

We recommend that the County review all expenditures reported on the SEFA for accuracy and completeness and compare what is reported to the general ledger. We further recommend that the County ensure that all departments have provided their federal expenditures, including loans, in-kind and other federal awards. We also recommend that the County have more than one person review the SEFA prior to submitting it for the audit to help ensure that all grants and programs are reported in a timely manner.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

Finding 12-FS-1
Financial Statement and SEFA Preparation (continued)

Management Response

The County Auditor-Controller's office is engaging in an effort to improve the training of financial staff in the outlying departments who prepare the information that flows into the single audit schedules. This should improve the quality of the source information coming out of the departments. Bringing additional staffing resources to bear in the Auditor-Controller's office for review of the SEFA information coming out of the departments is unlikely in the near term.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2012

Finding 12-FS-2 American Recovery and Reinvestment Act Requirements

Criteria

The American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (ARRA) requires entities that receive ARRA funds to agree to (1) maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC.

Condition

During our audit we noted the County did not establish the requirements listed below as required for entities that received ARRA funds:

- 1) Establish a point person for ARRA funds.
- 2) Be able to segregate and track ARRA funds.
- 3) Establish a process for accepting ARRA funds.
- 4) Establish a subrecipient monitoring process.
- 5) Appoint someone to be responsible for quarterly reporting.

Cause

The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information.

Effect of Condition

The County could inadvertently omit ARRA fund expenditures on its SEFA as required by law.

Recommendation

We recommend the County establish and maintain internal controls that will allow for the proper identification and tracking of the County's ARRA fund expenditures. We also recommend the County assign someone to be the "Point Person" responsible for ARRA funds and identify someone to be responsible for quarterly reporting.

Management Response

The County will explore the feasibility of creating a new position of grant manager to maintain and coordinate recordkeeping for these ARRA and other federal grants.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

**Finding 12-FS-3
Receivables Cutoff**

Criteria

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.

Condition

During the audit, we noted significant receipts for services provided during the fiscal year ended June 30, 2012, that were not properly accrued at year-end. The total amount of the related audit adjustment was \$1,869,084.

Cause

Subsequent to year-end, the County did not identify significant revenues that should have been accrued during the year-end closing process.

Effect of Condition

The revenue was understated as a result of untimely recognition of revenue.

Recommendation

To ensure proper revenue recognition, we recommend that the County review all subsequent period deposits to allow for timely revenue recognition.

Management Response

After a period of high staff turnover and staffing cuts introduced new personnel to the duties of the annual close of financial records in the Auditor-Controller's office, staffing seems to be stabilizing, and it is anticipated that further improvements in recognizing receivables cutoffs and enforcing procedures will be realized as current staff become more experienced at their duties.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

Finding 12-FS-4
Reconcile General Ledger Accounts to Subsidiary Schedules

Criteria

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.

Condition

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. Additionally, the County does not currently record all year end audit adjustments.

Cause

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.

Effect of Condition

The lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end.

Recommendation

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.

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.

Management Response

As with the response to the previous finding, Controller's office staffing – while below ideal force levels for an organization of this size and complexity – are gaining in experience and we expect further incremental improvements in reconciliation practices.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

Finding 12-FS-5
Accounting for Headwaters and CDBG Loans and Related Activity

Criteria

Frequent reconciliations and adjustments to loans and related activity will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process.

Condition

During the audit, we identified \$3.2 million in Community Development Block Grant (CDBG) loans not properly reflected in the County's general ledger and the loan schedule maintained by Economic Development as loans receivable. While the \$3.2 million of loan disbursements were reflected in the General Fund as project expenditures, the County did not update the loan receivable balances in the general ledger and cumulative loans schedule to reflect that the project expenditures were loans to be repaid back to the County.

Cause

The County likely excluded the loans because the loan disbursements were not recorded in the same fund that reports the loans receivable balances.

Effect of Condition

Not including all loan receivable balances will cause the financial statements to not reflect all assets and the related disclosures.

Recommendation

We recommend the County continue to reconcile the accounts within the Headwaters and CDBG funds on a monthly basis, including reconciling the loans receivable and interfund loan balances and related activity to the schedules provided by Economic Development. We further recommend the County review significant project expenditures to ensure they are properly classified in the County's general ledger.

Management Response

There were gaps in staffing levels at the Economic Development Division for various reasons during 2011-12, the division generally in charge of the records for the CDBG and Headwaters loans. Hopefully the factors causing the short staffing have been remedied and more effective accounting will occur in 2012-13. Economic Development will work to develop procedures to insure that loan information is captured and reconciled.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

Finding 12-FS-6
Construction in Progress – Reclassification of Completed Projects

Criteria

Capital project expenditures are accumulated as construction in progress until the project is finished. Upon completion, the asset should be reclassified to a completed asset account to be depreciated over its estimated useful life.

Condition

During the audit, we identified \$8.5 million of completed airport, roads and building projects that were reclassified from construction in progress to depreciable assets at the end of the year.

Cause

Lack of timely communication and follow-up between the Auditor-Controller's Office and the Public Works Department.

Effect of Condition

By not reclassifying construction in progress for projects that have been placed in service, the County is overstating its capital asset balances and understating depreciation expense for the year.

Recommendation

We recommend that the County review the schedule of construction in progress at the end of the year to identify which projects were completed and placed in service and to begin depreciating those assets that are completed and ready to use.

Management Response

We will make additional efforts to gain a fuller understanding of the progress of construction projects as part of our closing process this year. It is a matter of effective communication between Public Works and the Auditor-Controller's office, and as staff grow in their capabilities that communication should improve.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2012

**Finding 12-FS-7
Payables Cutoff**

Criteria

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 accounts payables and expenditures.

Condition

During the audit, we noted vendor invoices for services provided during the fiscal year ended June 30, 2012 that were not properly accrued at year-end. The total amount of the related audit adjustment was \$654 thousand.

Cause

Subsequent to year-end, the County did not identify significant payments that should have been accrued during the year-end closing process since the payment was made after the County's cutoff date for accruing expenditures.

Effect of Condition

Total expenditures were understated as a result of the County not accruing expenditures for services performed prior to the end of the fiscal year.

Recommendation

We recommend that the County review all significant invoices received after the year-end cutoff date to allow for proper recognition of expenditures.

Management Response

As with most of the rest of these findings, we expect an understaffed Auditor's office to make incremental improvements in payable cutoff procedures as staff grows in experience and capabilities.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2012

Finding 12-FS-8 Approval of Journal Entries

Criteria

The County should establish and enforce policies and procedures to ensure that all adjustments made by departments are reviewed prior to posting to the general ledger, especially when journal entries are drafted by individuals with limited accounting knowledge.

Condition

During the audit, we noted that the County posted a negative \$4.8 million entry to a revenue account in the Road Fund and to a negative expenditure in a related trust fund to transfer Proposition 1B Local Streets and Roads funds to a governmental trust fund. The transaction had been recognized as revenue in the previous year. As a result, an audit adjustment of the same amount to reclassify the entry to an interfund transfer between funds was made.

Cause

The journal entry did not appear to be properly authorized prior to posting, and no one identified that the Proposition 1B Local Streets and Roads revenue account had a large negative balance.

Effect of Condition

Lack of proper review of journal entries could result in erroneous entries being posted to the County's general ledger resulting in inaccurate reporting.

Recommendation

We recommend the adoption of a policy whereby all journal entries will be approved by an accounting supervisor or other designated member of management in the Auditor-Controller's Office.

Management Response

It would be preferable if Auditor-Controller staff with a level of expertise comparable to an accounting manager reviewed the dozens of journals that come in from outlying departments every day, many of which are prepared by persons who have little expertise in accounting. However staffing levels in the Auditor's office make that impossible. While many defective journals are caught by staff currently reviewing journals, others regrettably get by and aren't discovered until the annual audit. Until significant changes are made in the staffing of the Auditor's office, it is realistic to expect only incremental improvements in the quality control function.

Alternately, qualified accountants could be acquired by the departments generating these journals, which would improve the quality of the source material. However, the individuals at the departments responsible for hiring, training and supervising these hypothetical accountants are not accountants themselves, and thus would not have the knowledge base to evaluate the abilities or the work product of their accounting personnel.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2012

Reference Number	12-SA-1
Federal Program Title	JAG Program Cluster
CFDA Numbers	16.738, 16.803, 16.804
Federal Agency	U.S. Department of Justice
Pass Through Entity	California Emergency Management Agency
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the governmental unit's non-federally-sponsored activities. General government expenses, travel costs of officials covered by that section are allowable with the prior approval of an awarding agency when they are specifically related to Federal awards. Lodging and subsistence costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy. In the absence of an acceptable, written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).

Condition

During our testing of claimed expenditures, we noted the County did not have sufficient documentation supporting \$3,000 of travel expenses submitted to the grantor for reimbursement.

Questioned Costs

Questioned costs are \$3,000.

Cause

The Department inadvertently claimed an amount in excess of the supporting documentation.

Effect of the Condition

When the Department does not properly review documentation (invoices, contracts, etc.) for claimed expenditures for accuracy and appropriateness, it could be reimbursed for unallowable costs.

Recommendation

We recommend the District Attorney's Office develop and implement procedures to ensure that the claims filed for reimbursement with the grantor are prepared accurately based on the appropriate back-up.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Federal Award Findings and Questioned Costs
For the Year Ended June 30, 2012

Reference Number 12-SA-1 (continued)

Corrective Action Plan

We are aware that the expense per an invoice was less than the amount submitted to the grantor for reimbursement by \$3,000. We understand the need for and the reasoning behind a requirement that requests for reimbursement must be supported by documentation justifying the reimbursement.

The inability to provide appropriate documentation came about because of a turnover in business office staff. While we are still in a period of transition with business office staff, I believe that we have rectified the situation that existed and that there will not be further failures to properly document requests for reimbursement with invoices, contracts, etc.

The contact person for this Corrective Action Plan is Paul Gallegos, County of Humboldt District Attorney. His telephone number is (707) 445-7411.

COUNTY OF HUMBOLDT

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

Reference Number	11-SA-1
Federal Program Title	Child Support Enforcement
CFDA Number	93.563
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Child Support Services
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation

We recommend the Child Support Department develop and implement procedures to ensure that the semi-annual time certifications are prepared, collected and properly stored.

Status

Implemented

AVIATION PASSENGER FACILITIES CHARGES

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**INDEPENDENT AUDITORS REPORT 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 16, 2013. 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, 2012. 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.

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.

Board of Supervisors
County of Humboldt

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

A handwritten signature in cursive script that reads "Gallina LLP". The signature is written in black ink and is positioned above the typed name and date.

Roseville, California
January 16, 2013

**COUNTY OF HUMBOLDT
 SCHEDULE OF REVENUE AND EXPENDITURES
 AND CHANGES IN FUND BALANCE - PASSENGER FACILITY CHARGES
 FOR THE YEAR ENDED JUNE 30, 2012**

Revenues:	
Passenger Facility Charges (3989, 3991, 3992, 3993, 3994)	\$ 239,795
Interest	<u>4,644</u>
Total Revenue	<u>244,439</u>
Expenditures:	
Contributions to other funds for Aviation Capital Projects	<u>345,634</u>
Total Expenditures	<u>345,634</u>
Excess of Revenues Over (Under) Expenditures	(101,195)
Fund Balance at Beginning of Year	<u>407,692</u>
Fund Balance at End of Year	<u><u>\$ 306,497</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.