

**HUMBOLDT / DEL NORTE HAZARDOUS
MATERIALS RESPONSE AUTHORITY
OF THE CITY OF EUREKA**

**BASIC FINANCIAL STATEMENTS
June 30, 2009**

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY

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For the fiscal year ended June 30, 2009

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HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
Eureka, California

June 30, 2009

BOARD OF DIRECTORS

ARCATA

Susan Ornelas

Alternate: Paul Petino

BLUE LAKE

Mike Falor

Alternate: Vacant

CRESCENT CITY

Steve Wakefield

Alternate: Vacant

DEL NORTE COUNTY

Dale Watson

Alternate: Leon Perrault

EUREKA

Virginia Bass

Alternate: Linda Atkins

FERNDALE

Jay Parrish

Alternate: Jeff Farley

HUMBOLDT COUNTY

Jill Duffy

Alternate: Vacant

RIO DELL

Julie Woodall

Alternate: Vacant

TRINIDAD

Chi Li Lin

Alternate: Vacant

531 K Street
Eureka, CA 95501-1165
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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
Humboldt/Del Norte Hazardous Materials Response
Authority of the City of Eureka
Eureka, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Humboldt/Del Norte Hazardous Materials Response Authority (Authority), a component unit of the City of Eureka, California, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and the major fund of the Humboldt/Del Norte Hazardous Materials Response Authority, California, as of June 30, 2009, the respective changes in financial position, and the budgetary comparison for the General Fund thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2008, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions*, Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of General Accepted Accounting Principles for State and Local Government*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement of Auditing Standards*.

The Authority has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 28, 2009

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
ASSETS:	
Cash, cash equivalents and investments	\$ 94,882
Interest receivable	746
Accounts receivable	<u>1,375</u>
Total assets	<u>97,003</u>
NET ASSETS:	
Unrestricted	<u>97,003</u>
Total net assets	<u><u>\$ 97,003</u></u>

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public Safety	\$ (92,158)	\$ -	\$ 74,159	\$ -	\$ (17,999)
Total governmental activities	<u>\$ (92,158)</u>	<u>\$ -</u>	<u>\$ 74,159</u>	<u>\$ -</u>	<u>(17,999)</u>
General Revenues					
					6,314
					<u>6,314</u>
					(11,685)
					<u>108,688</u>
					<u>\$ 97,003</u>

**HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2009**

	General Fund
ASSETS:	
Cash and investments	\$ 94,882
Interest receivable	746
Accounts receivable	1,375
Total Assets	\$ 97,003
LIABILITIES AND FUND BALANCE:	
Liabilities	
Deferred interest receivable	\$ 687
Total Liabilities	687
Fund Balance	
Unreserved:	
Designated for equipment replacement	33,000
Designated for vehicle replacement	35,242
Undesignated	28,074
Total Fund Balance	96,316
Total Liabilities and Fund Balance	\$ 97,003

**HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Fund balance - governmental funds	\$	96,316
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are offset by deferred revenue.

687

Net assets of governmental activities

\$ 97,003

**HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2009**

	<u>General Fund</u>
REVENUES:	
Intergovernmental	\$ 74,159
Investment income	5,627
Total revenues	79,786
EXPENDITURES:	
Current:	
Public safety	92,158
Total expenditures	92,158
NET CHANGE IN FUND BALANCE	(12,372)
FUND BALANCE, BEGINNING OF FISCAL YEAR	108,688
FUND BALANCE, END OF FISCAL YEAR	\$ 96,316

**HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

NET CHANGE IN FUND BALANCE \$ (12,372)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

ACCRUAL OF NON-CURRENT ITEMS

Amounts included in the Statement of Activities that do not provide the use of current financial resources are not reported as revenue in governmental funds:

Interest receivable 687

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (11,685)

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 74,160	\$ 74,160	\$ 74,159	\$ (1)
Investment income	5,100	5,100	5,627	527
Total Revenues	<u>79,260</u>	<u>79,260</u>	<u>79,786</u>	<u>526</u>
EXPENDITURES:				
Current:				
Public Safety	66,158	92,158	92,158	-
Total Expenditures	<u>66,158</u>	<u>92,158</u>	<u>92,158</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	13,102	(12,898)	(12,372)	526
Fund Balances, beginning of fiscal year	<u>108,688</u>	<u>108,688</u>	<u>108,688</u>	<u>-</u>
Fund Balances, end of fiscal year	<u>\$ 121,790</u>	<u>\$ 95,790</u>	<u>\$ 96,316</u>	<u>\$ 526</u>

NOTES TO BASIC FINANCIAL STATEMENTS

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Humboldt/Del Norte Hazardous Materials Response Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Authority was created on June 14, 1994, as a separate legal entity by a joint powers agreement between the counties of Humboldt and Del Norte, and the cities of Eureka, Crescent City, Arcata, Blue Lake, Rio Dell and Trinidad. The City of Ferndale was added in fiscal year 2003-04. The purpose of the agreement was to provide unified, coordinated, and effective means to assist in formulating, administering, implementing, and maintaining an area-wide hazardous materials response team. The governing body is a Board of Directors (Board) consisting of one member and an alternate from each of the participants. The Fire Chief of the City of Eureka oversees the management and operational functions of the participants who report to and are responsible to the Board of Directors.

The primary source of revenue of the Authority is participant contributions. The contributions are determined based on the population of the individual participant in relation to the total population of the participants' jurisdictions combined.

The Authority provides funds for training, materials and services, and capital expenditures. Monies are expended to reimburse the City of Eureka for the costs of the operation and maintenance of the Hazardous Materials Response Team. The Authority also charges for individual hazardous material responses and special training sessions. These revenues are received by the City of Eureka to offset the costs of the Hazmat Response Team, the Eureka Fire Department, and the associated administrative costs.

B. Government-wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the primary government. These statements include the financial activities of the overall Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

D. Assets, Liabilities, Net Assets, Fund Balance

Cash – The authority participates in the City of Eureka’s cash and investment pool. In accordance with Government Accounting Standards Board Statement No. 31, investments in this pool are stated at fair value. See the City of Eureka’s Comprehensive Annual Financial Report for more information about cash and investment risk.

Net Assets and Fund Balance – In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. All net assets of the Authority are unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balance represents that portion of fund balance which is available for budgeting in future periods. The entire fund balance of the Authority is unreserved.

E. Estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions”. The Statement is effective for periods beginning after December 15, 2007. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”. The Statement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the Authority implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”. The Statement is effective for periods beginning after June 15, 2008. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the Authority implemented GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The Statement is effective for periods beginning after April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the Authority implemented GASB Statement No. 56, “Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards”. The Statement is effective for periods beginning after April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes *accounting* principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

On or before April 1 of each year, the head of the Hazmat Response Team (City of Eureka fire chief) submits a budget for review and hearing. By May 1, the Board adopts the budget and appropriates the expenditures. Expenditures may not exceed budgeted appropriations without Board approval. All annual appropriations lapse at year-end.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – SCHEDULE OF INTERGOVERNMENTAL CONTRIBUTIONS

The following is a schedule of actual intergovernmental contributions by participants for the fiscal year ended June 30, 2009 and 2008.

<u>Participants</u>	<u>2009 Percent</u>	<u>2009 Contributions</u>	<u>2008 Contributions</u>
Humboldt County	46.76%	\$ 34,678	\$ 31,676
City of Arcata	11.49%	8,520	7,720
City of Blue Lake	0.77%	569	585
City of Eureka	18.13%	13,443	12,984
City of Rio Dell	2.16%	1,601	1,385
City of Trinidad	.21%	154	168
Del Norte County	14.37%	10,662	9,311
Crescent City	5.17%	3,835	3,837
City of Ferndale	<u>.94%</u>	<u>697</u>	<u>650</u>
Total	<u>100%</u>	<u>\$ 74,159</u>	<u>\$ 68,316</u>