

**HUMBOLDT / DEL NORTE HAZARDOUS
MATERIALS RESPONSE AUTHORITY
EUREKA, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
June 30, 2011**

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
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For the fiscal year ended June 30, 2011

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HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
Eureka, California

June 30, 2011

BOARD OF DIRECTORS

ARCATA

Susan Ornelas

Alternate: Mark Wheatley

BLUE LAKE

John Berchtold

Alternate: Glenn Bernald

CRESCENT CITY

Steve Wakefield

Alternate: Vacant

DEL NORTE COUNTY

Dale Watson

Alternate: Leon Perrault

EUREKA

Melinda Ciarabellini

Alternate: Linda Atkins

FERNDALE

Jay Parrish

Alternate: John Maxwell

HUMBOLDT COUNTY

Virginia Bass

Alternate: Cliff Clendendon

RIO DELL

R. L. "Bud" Leonard

Alternate: Frank Wilson

TRINIDAD

Vacant

Alternate: Vacant

YUOK

Ray Martel

Alternate: Emery Mattz

531 K Street
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Humboldt/Del Norte Hazardous Materials Response Authority
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), as of and for the fiscal year ended June 30, 2011, which collectively comprises 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 Authority as of June 30, 2011, and the respective changes in financial position 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 these basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 26, 2012

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities
ASSETS:	
Cash and investments	\$ 99,007
Interest receivable	258
	99,265
Total assets	99,265
NET ASSETS:	
Unrestricted	99,265
Total net assets	\$ 99,265

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

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

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	\$ 59,908	\$ -	\$ 59,908	\$ -	\$ -
Total governmental activities	<u>\$ 59,908</u>	<u>\$ -</u>	<u>\$ 59,908</u>	<u>\$ -</u>	
General Revenues					
Investment income					<u>717</u>
Total general revenues					<u>717</u>
Change in net assets					717
Net assets - beginning of fiscal year					<u>98,548</u>
Net assets - end of fiscal year					<u>\$ 99,265</u>

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

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	General Fund
ASSETS:	
Cash and investments	\$ 99,007
Interest receivable	258
	99,265
Total Assets	\$ 99,265
 Fund Balance:	
Assigned	\$ 84,242
Unassigned	15,023
	99,265
Total Fund Balance	\$ 99,265

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

**HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Fund balance for governmental fund	\$ <u>99,265</u>
Net assets of governmental activities	\$ <u>99,265</u>

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

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, 2011

REVENUES:

Intergovernmental	\$	59,908
Investment income		<u>717</u>
Total Revenues		<u>60,625</u>

EXPENDITURES:

Current:		
Public safety		<u>59,908</u>
Total Expenditures		<u>59,908</u>

NET CHANGE IN FUND BALANCE		717
FUND BALANCE, BEGINNING OF FISCAL YEAR		<u>98,548</u>
FUND BALANCE, END OF FISCAL YEAR	\$	<u><u>99,265</u></u>

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

**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, 2011**

Net Change In Fund Balance	\$ <u>717</u>
Change in Net Assets of Governmental Activities	\$ <u>717</u>

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

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 Yurok Tribe was added in fiscal year 2009-10. 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 Hazardous Materials (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.

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, and Fund Balances

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 Annual Financial Report for more information about cash and investment risk.

Net Assets

The government-wide statement of net assets consists of unrestricted net assets, representing the Authority's equity interest, and reflects net assets that are not subject to restrictions beyond the Authority's control (externally imposed or imposed by law) or invested in other assets.

Fund Financial Statements – Fund Balances

As of June 30, 2011, fund balances of the governmental fund are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board which is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the governing board of directors may assign amounts for specific purposes.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Assets, and Fund Balances (Continued)

Fund Financial Statements – Fund Balances (continued)

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of expenditure committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

E. New Accounting Pronouncements

The Authority implemented the requirements of GASB Statements No. 54 and No. 59, during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

For the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Note 1D.

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 59, “*Financial Instruments Omnibus*”. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

F. 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, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

On or before April 1 of each year, the head of the Hazardous Materials (Haz Mat) 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

NOTE 3 - SCHEDULE OF INTERGOVERNMENTAL CONTRIBUTIONS

The following is a schedule of actual intergovernmental contributions by participant for the fiscal years ended June 30, 2011 and 2010.

Participants	2011 Percent	2011 Contributions	2010 Contributions
Humboldt County	47.43%	\$ 28,413	\$ 34,732
City of Arcata	11.67%	6,989	8,524
City of Blue Lake	0.77%	464	566
City of Eureka	17.22%	10,319	12,699
City of Rio Dell	2.17%	1,301	1,594
City of Trinidad	0.21%	123	152
Del Norte County	14.27%	8,549	10,394
City of Crescent City	5.09%	3,048	3,730
City of Ferndale	0.95%	572	693
Yurok Tribe	0.22%	130	158
Total	100.00%	\$ 59,908	\$ 73,242

NOTE 4 - CASH AND INVESTMENTS

The Authority's funds are pooled with the City of Eureka's (City) cash and investments in order to generate optimum investment income:

Cash and investments at June 30, 2011 consisted of the following:

Cash and investments pooled with the City	\$ 99,007
Total cash and investments	\$ 99,007

The California Government Code requires a bank and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Eureka (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
Corporate Medium Term Notes	5 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage Pass-through and Asset-backed Securities	5 years	20%	None

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trusts are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate, credit risk, and concentration of credit risk.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Certificates of Deposits with Banks and Savings & Loans	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Government-Sponsored Enterprise Securities	None	None	None
Municipal Obligations	None	None	None
Bankers' acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	None	None	None

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units. The City's investments are carried at fair market value as required by accounting principles generally accepted in the United States of America. The City values investments at fair market value.

C. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investments due to changes in interest rates. The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to a downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or a single financial institution to reduce the City's exposure to credit risks.

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to receive the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

HUMBOLDT/DEL NORTE HAZARDOUS MATERIALS RESPONSE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - CASH AND INVESTMENTS (Continued)

D. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City's investments with LAIF at June 30, 2011, include a portion of the pool funds invested in Structured Notes and Asset-backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

NOTE 5 - CONTINGENT LIABILITIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's Attorney, there is no pending litigation that is like to have a material adverse effect on the financial position of the Authority.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2012, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 59,908	\$ 59,908	\$ 59,908	\$ -
Investment income	3,000	3,000	717	(2,283)
Total Revenues	<u>62,908</u>	<u>62,908</u>	<u>60,625</u>	<u>(2,283)</u>
EXPENDITURES:				
Current:				
Public safety	59,908	59,908	59,908	
Total Expenditures	<u>59,908</u>	<u>59,908</u>	<u>59,908</u>	
Net change in Fund Balance	3,000	3,000	717	(2,283)
Fund Balance, beginning of fiscal year	98,548	98,548	98,548	
Fund Balance, end of fiscal year	<u>\$ 101,548</u>	<u>\$ 101,548</u>	<u>\$ 99,265</u>	<u>\$ (2,283)</u>



MOSS, LEVY & HARTZHEIM LLP

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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***

To the Board of Directors
of the Humboldt/Del Norte Hazardous Materials Response Authority
Eureka, California

We have audited the financial statements of the governmental activities and the major fund of the Humboldt/Del Norte Hazardous Materials Response Authority (Authority) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon, dated March 26, 2012. 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 Authority's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of the Authority's Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 26, 2012