



**KAFOURY, ARMSTRONG & CO.**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

**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 Honorable Board of Commissioners  
of Humboldt County, Nevada

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Humboldt County, Nevada, (the County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2010. 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 our 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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 the internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting (2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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*.

The County'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's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of the Honorable Board of Commissioners of Humboldt County, management, 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.

*Kafoury, Armstrong & Co.*

Winnemucca, Nevada  
November 24, 2010



**KAFOURY, ARMSTRONG & CO.**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Board of County Commissioners  
of Humboldt County, Nevada

**Compliance**

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

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

In our opinion, the County 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, 2010.

**Internal Control Over Compliance**

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 to determine the 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.

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 a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Honorable Board of Commissioners of Humboldt County, management, 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.

*Kafoury, Armstrong + Co.*

Winnemucca, Nevada  
November 24, 2010

HUMBOLDT COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Page 1 of 2)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<u>US Department of Agriculture:</u>			
Passed through State of Nevada Department of Administration:			
<b>Emergency Food Assistance Program Cluster</b>			
Emergency Food Assistance Program, Food Commodities (non-cash)	10.569	N/A	\$ 79,907
ARRA - Emergency Food Assistance Program, Food Commodities (non-cash)	10.569A	N/A	4,450
Emergency Food Assistance Program, Administrative Costs	10.568	N/A	<u>1,662</u>
<b>Total Emergency Food Assistance Program Cluster</b>			<u>86,019</u>
Passed through State of Nevada:			
<b>Schools and Roads Cluster</b>			
Schools and Roads - Grants to States	10.665	N/A	<u>279,207</u>
Direct Programs:			
Soil and Water Conservation - Grazing Lands Conservation Initiative	10.902	68-9327-6-11	<u>17,670</u>
<b>Total US Department of Agriculture</b>			<u>382,896</u>
<u>US Department of Housing and Urban Development:</u>			
<b>CDBG - State-Administered Small Cities Program Cluster</b>			
Passed through State of Nevada Commission on Economic Development:			
ARRA - Community Development Block Grant	14.255	CDBG/08R/PF/123	<u>180,000</u>
<u>US Department of Justice:</u>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0111	<u>14,709</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government			
Critical Incident Negotiation Equipment Project	16.804	2009-SB-B9-2308	<u>27,331</u>
Passed through State of Nevada Department of Health and Human Services:			
Juvenile Justice and Delinquency Prevention:			
Basic	16.540	N/A	<u>14,759</u>
Juvenile Accountability Block Grant	16.523	2009-JB-FX-0018	<u>16,342</u>
Passed through State of Nevada Department of Public Safety, Office of Criminal Justice Assistance:			
ARRA - Public Safety Partnership and Community Policing Grants - Tactical Consequences/Safely Reducing Meth. Labs and Transportation	16.710	08-METH-06	<u>26,947</u>
Edward Byrne Memorial Justice Assistance Grant Program:			
Tri-County Drug Enforcement Team	16.738	08-JAG-03S	15,000
Tri-County Drug Enforcement Team	16.738	09-JAG-13	<u>109,427</u>
<b>Total Edward Byrne Memorial Justice Assistance Grant Program</b>			<u>124,427</u>

HUMBOLDT COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Page 2 of 2)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
Passed through State of Nevada Office of the Attorney General: Violence Against Women Grant	16.588	2008-STOP-07	20,068
Total US Department of Justice			244,583
<u>US Department of Transportation:</u>			
Passed through State of Nevada Department of Transportation: <b>Transit Services Programs Cluster</b> FTA for Elderly and Disabled Persons	20.513	PR281-08-802	120,723
<b>Highway Safety Cluster</b> Passed through State of Nevada Department of Public Safety: Joining Forces	20.600	29-JF-1.07	12,827
Joining Forces	20.600	210-JF-1.08	8,086
<b>Total Highway Safety Cluster</b>			20,913
Total US Department of Transportation			141,636
<u>National Foundation on the Arts and the Humanities:</u>			
Passed through Nevada State Library and Archives Institute of Museum and Library Services: General Operating Support - Bookmobile Grant	45.310	LSTA 2009-29	5,100
<u>US Department of Health and Human Services:</u>			
Passed through State of Nevada Department of Health and Human Services - Welfare Division: Sustance Abuse and Mental Health Services Grant - Summer School Program	93.243	N/A	2,575
Child Support Enforcement	93.563	N/A	215,903
Total US Department of Health and Human Services			218,478
<u>US Department of the Interior:</u>			
Direct Programs: Partners for Fish and Wildlife	15.631	N/A	8,471
Total Federal Grant Awards			\$ 1,181,164

See accompanying notes to schedule of expenditures of federal awards.

**HUMBOLDT COUNTY  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2010**

**(1) Reporting Entity**

The accompanying schedule of expenditures of federal awards presents the expenditure activity of all federal awards programs of Humboldt County (the County) for the year ended June 30, 2010. The County's reporting entity is defined in Note 1 to its basic financial statements. All expenditures of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**(2) Basis of Accounting**

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. The amounts shown as expenditures of the Food Assistance Program represent the fair value of commodity food expended by the County.

**(3) Subrecipients**

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA - Community Development Block Grant	14.255	\$180,000
FTA for Elderly and Disabled Persons	20.513	<u>120,723</u>
Total		\$300,723

**HUMBOLDT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Summary of Audit Results:**

- Kafoury, Armstrong & Co. issued an unqualified opinion on the financial statements of Humboldt County for the year ended June 30, 2010.
- The audit disclosed no instances of noncompliance, which were material to the financial statements of Humboldt County.
- No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of Humboldt County.
- The audit disclosed no audit findings that the auditor is required to report under Section 510(a) of Circular A-133.
- Humboldt County had two major programs for the year ended June 30, 2010, as follows:
  - Community Development Block Grant Cluster - CFDA #14.225
  - Schools and Roads Cluster – CFDA #10.665
- The dollar threshold used for distinguishing between Type A and Type B programs for the year ended June 30, 2010, was \$300,000.
- Humboldt County qualified as a low risk auditee for the year ended June 30, 2010.

**Findings Relating to the Financial Statements Reported in Accordance with Generally Accepted Government Auditing Standards (GAGAS):**

**SIGNIFICANT DEFICIENCIES**

**2010-1 Cut-off Procedures**

*Condition and Criteria:* A material receipt for the quarter ended June 30, 2010 received subsequent to year-end was recorded in the 2010-2011 fiscal year instead of the 2009-2010 fiscal year.

*Effect:* Accounts receivable and revenue were understated by \$161,972.

*Auditor's Recommendation:* Control processes should be reviewed and enhanced to ensure that receipts near year-end are properly evaluated to determine the correct period in which they should be posted. All individuals involved in initiating, recording, and posting deposits should review their processes to ensure proper cut-off procedures are being followed.

*Management's Response:* Management has reviewed our processes over cut-off procedures and has established guidelines that will ensure receipts are recorded in the correct period.

**HUMBOLDT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

***Findings and Questioned Costs for Federal Awards:***

There were no findings or questioned costs.

**HUMBOLDT COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

No prior year findings relative to federal awards were reported at June 30, 2009.

**HUMBOLDT COUNTY**  
**SCHEDULE OF FEES IMPOSED SUBJECT TO THE PROVISIONS OF NRS 354.5989**  
**LIMITATION OF FEES FOR BUSINESS LICENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Flat Fixed Fees:**

Business license revenue for the year ended June 30, 1991 (base year) adjusted through June 30, 2009	\$ 67,036
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**Adjustment to Base:**

Base year adjusted		
Percentage increase in population of the local government	-0.21%	
Percentage increase in the Consumer Price Index for the year ending on December 31 next preceding the year for which the limit is being calculated	<u>3.36%</u>	<u>3.15%</u>

2,114

Adjusted base at June 30, 2010	69,150
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Actual revenue	<u>50,829</u>
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Amount under allowable amount	<u>\$ 18,321</u>
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