

**COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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COUNTY OF HUMBOLDT

Single Audit Report
For the Year Ended June 30, 2015

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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 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements 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 to be a material weakness. (2015-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Supervisors
County of Humboldt
Eureka, California

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Roseville, California
January 6, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Supervisors
County of Humboldt
Eureka, California

Report on Compliance for Each Major Federal Program

We have audited the County of Humboldt's (County) compliance with the types of compliance requirements described in the *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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, as of and for the year ended June 30, 2015, and have issued our report thereon dated January 6, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 OMB Circular A-133 and is not a required part of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Roseville, California
January 6, 2016

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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			
Phytophthora Ramorum	10.025	13-8506-0572-CA	\$ 13,956
Asian Defoliating Moth Trapping	10.025	14-8506-0689-CA	20,771
Enhanced Exotic Pest Survey	10.025	13-8506-1399-CA	4,180
Pierce's Disease Control Program	10.025	15-8506-0484-CA	11,841
Subtotal CFDA Number 10.025			<u>50,748</u>
Passed through State Department of Education:			
Nutrition, Education, Obesity Program	10.551	13-20493	457,795
National School Lunch Program	10.555	--	52,344
Subtotal Pass-Through			<u>510,139</u>
Passed through State Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578	14-10236	<u>1,084,117</u>
Passed through State Department of Public Works			
FLASH USDA Clearinghouse Grant	10.664	12USFS-SFA0074	40,688
Title 3	10.664	--	151,981
Secure Rural Schools Title 3	10.664	--	403,266
Subtotal CFDA Number 10.664			<u>595,935</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	--	<u>6,515,586</u>
Total U.S. Department of Agriculture			<u>\$ 8,756,525</u>
<u>U.S. Department of Commerce - (NOAA)</u>			
Direct Program:			
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	11.483	P111034	<u>27,718</u>
U.S. Department of Commerce - NOAA			<u>\$ 27,718</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grants/Entitlement Grants -			
Outstanding Loan Balance	14.228	--	\$ 1,881,756
CDBG Micro Enterprise Program	14.228	10-EDEF-7625	95,983
CDBG Micro Enterprise Program	14.228	14-CDBG-9890	38,225
CDBG First Time Homebuyer/Study	14.228	12-CDBG-8392	175,238
CDBG Program Income Expenses	14.228	CDBG PI	163,051
Subtotal CDBG - Entitlement Grants Cluster CFDA Number 14.228			<u>2,354,253</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, 2015

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 (continued)</u>			
Passed through the State Department of Housing and Community Development (continued):			
HOME Investment Partnerships Program - Outstanding Loan Balance	14.239	--	\$ 14,538,440
HOME Investment Partnerships Program	14.239	12-HOME-8577	227,202
HOME Investment Partnerships Program	14.239	HOME PI	13,399
Subtotal CFDA Number 14.239			<u>14,779,041</u>
Supportive Housing Program	14.235	--	45,484
HOPWA	14.241	13-20418	43,631
HART	14.267	CA0852L9T221201	45,972
Total U.S. Department of Housing and Urban Development			<u>\$ 17,268,381</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA14	\$ 4,496
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA15	4,500
Subtotal CFDA Number 16.758			<u>8,996</u>
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2013-WR-AX-0024	102,632
Passed through Governor's Office of Emergency Services:			
Promoting Evidence Integration in Sex Offender Management	16.203	--	81,501
Victim Witness Assistance Program	16.575	VW14320120	84,517
Victim Witness Assistance Program	16.575	UV13040120	32,924
Victim Witness Assistance Program	16.575	UV14050120	81,794
Subtotal CFDA Number 16.575			<u>199,235</u>
Edward Byrne Memorial Formula Grant Program			
Domestic Cannabis Eradication/Suppression	16.579	--	150,000
DEA Task Force	16.579	--	12,617
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-14	6,208
Subtotal Pass-Through			<u>449,561</u>
Passed through the Board of State and Community Corrections:			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	CSA 358-11	13,318
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	CSA-358-13	530
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	CSA 205-11	35,141
Subtotal CFDA Number 16.540			<u>48,989</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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice (continued)</u>			
Passed through the Board of State and Community Corrections (continued):			
Anti-Drug Abuse Enforcement Program	16.738	BSCC 649-13	\$ 112,323
Marijuana Suppression Grant	16.738	BSCC 672-13	179,873
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-14	52,482
Subtotal Pass-Through			<u>393,667</u>
 Total U.S. Department of Justice			 <u>\$ 954,856</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Title I Adult Formula	17.258	K491017-202	\$ 5,502
WIA Title I Youth Formula	17.259	K491017-301	147,233
WIA Transfer Dislocated Worker to Adult	17.278	K491017-500	49,538
Title I Dislocated Worker	17.278	K491017-502	23,426
WIA Title I Adult Formula	17.278	K386296-505	192,550
Title I Rapid Response	17.278	K491017-541	22,077
CA Redwood Company/Korbell Mill Closure	17.278	K594760-1024	248,787
WIA Title I Youth Formula	17.278	K594760-301	326,116
WIA Title I Adult Formula	17.278	K594760-201	26,319
WIA Title I Adult Formula	17.278	K594760-202	339,536
WIA Transfer Dislocated Worker to Adult	17.278	K594760-499	23,952
WIA Transfer Dislocated Worker to Adult	17.278	K594760-500	9,418
Title I Dislocated Worker	17.278	K594760-501	23,952
Title I Dislocated Worker	17.278	K594760-502	162,488
Title I Rapid Response	17.278	K594760-540	15,410
Title I Rapid Response	17.278	K594760-541	91,976
Subtotal WIA Cluster			<u>1,708,280</u>
 Total U.S. Department of Labor			 <u>\$ 1,708,280</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	--	\$ 313,723
Passed through State Department of Transportation:			
Highway Bridge Replacement and Rehabilitation	20.205	--	779,602
Emergency Relief	20.205	--	1,659,490
Safe Routes to School	20.205	--	518,579
Transportation Enhancement	20.205	--	500,312
Healthy Rural Roads	20.205	--	4,512
Ferry Boat Discretionary	20.205	--	6,319
Highway Safety Improvement Program	20.205	--	63,434
Subtotal CFDA Number 20.205			<u>3,532,248</u>
 Total U.S. Department of Transportation			 <u>\$ 3,845,971</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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
EPA Brownfield Revolving Loan Fund	66.818	BF-93986701-0	\$ 624,635
Passed through Air Pollution Control Officers Association:			
Public Beach Safety Grant Program	66.472	14-458-250	32,552
Local Oversight Program	66.805	14-401-550	280,838
Subtotal Pass-Through			<u>313,390</u>
Total U.S. Environmental Protection Agency			<u>\$ 938,025</u>
<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	--	\$ 974,501
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	46,338
Block Grants for Community Mental Health Services			
Substance Abuse and Mental Health Services Administration	93.958	--	521,106
Subtotal Pass-Through			<u>567,444</u>
Passed through the State Department of Health Care Services:			
Medical Assistance Program - Administration	93.778	--	8,039,681
CA 4 HEALTH	93.991	1017764	56,672
Maternal and Child Health Services Block Grant to States	93.994	201312	850,072
Maternal and Child Health Services Block Grant to States	93.994	--	124,886
Maternal and Child Health Services Block Grant to States	93.994	--	14,270
Maternal and Child Health Services Block Grant to States	93.994	Title XIX Funds	198,712
Maternal and Child Health Services Block Grant to States	93.994	--	374,180
Maternal and Child Health Services Block Grant to States	93.994	--	445,354
Subtotal Pass-Through			<u>10,103,827</u>
Passed through State Department of Public Health:			
Public Health Emergency Response	93.069	14-10503	416,846
Pandemic Flu	93.069	14-10503	65,257
Subtotal CFDA Number 93.069			<u>482,103</u>
System of Care Expansion Planning Team	93.104	--	1,350,171
Tuberculosis Control Programs	93.116	--	57,310
Drug Free Communities	93.276	5H79SP017142-05	101,777
Hospital Preparedness Program	93.899	14-10503	120,149
HIV Care Formula Grants	93.917	13-20050A2	91,100
Rural Health Network Development Planning Program	93.912	--	55,020
Subtotal			<u>1,775,527</u>
Subtotal Pass-Through			<u>2,257,630</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, 2015

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 Social Services:			
Temporary Assistance for Needy Families	93.558	--	\$ 14,619,940
Temporary Assistance for Needy Families	93.558	--	3,157,908
Subtotal CFDA Number 93.558			<u>17,777,848</u>
Foster Care - Title IV-E	93.658	--	4,406,724
ARRA - Foster Care - Title IV-E	93.658	--	1,961,405
Subtotal CFDA Number 93.658			<u>6,368,129</u>
Adoption Assistance	93.659	--	2,699,797
Adoption Assistance	93.659	--	392,979
Subtotal CFDA Number 93.659			<u>3,092,776</u>
Guardianship Assistance	93.090	--	154,775
Promoting Safe and Stable Families	93.556	--	144,201
Child Welfare Services - State Grants	93.645	--	520,368
Child Welfare Research Training or Demonstration	93.648	--	221,534
Social Services Block Grant	93.667	--	276,522
Child Abuse and Neglect Discretionary Activities	93.670	--	230,559
Chafee Foster Care Independence Program	93.674	--	111,754
Subtotal			<u>1,659,713</u>
Subtotal Pass-Through			<u>28,898,466</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	4,103,620
Total U.S. Department of Health and Human Services			<u>\$ 46,905,488</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Public Assistance Grant	97.001	1628-CA	\$ 7,233
Transportation Security Administration	97.001	HSTS0213HSLR077	192,257
Subtotal CFDA Number 97.001			<u>199,490</u>
Passed through the Governor's Office of Emergency Services:			
Emergency Management Performance Grant	97.042	2014-0070	153,597
Pre-Disaster Mitigation	97.047	--	869
Homeland Security Grant Program	97.067	2013-00110	115,959
Homeland Security Grant Program	97.067	2014-0093	178,314
Subtotal Pass-Through			<u>448,739</u>
Total U.S. Department of Homeland Security			<u>\$ 648,229</u>
Total Expenditures of Federal Awards			<u>\$ 81,053,473</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, 2015

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
10.551	Nutrition, Education, Obesity Program	\$ 158,629
16.738	Edward Byrne JAG Program	100,000
17.258, 17,259, 17.275, and 17.278	Workforce Investment Act Cluster	1,449,465
93.994	Maternal and Child Health Services Block Grant to the States	<u>349,102</u>
		<u>\$ 2,057,196</u>

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2015

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
17.258	WIA Title I Adult Formula	\$ 5,502
17.259	WIA Title I Youth Formula	147,233
17.278	WIA Rapid Response Additional Assistance	49,538
17.278	WIA Transfer Dislocated Worker to Adult	23,426
17.278	Title I Dislocated Worker	192,550
17.278	Title I Rapid Response	22,077
17.278	CA Redwood Company/Korbel Mill Closure	248,787
17.278	WIA Title I Youth Formula	326,116
17.278	WIA Title I Adult Formula	26,319
17.278	WIA Title I Adult Formula	339,536
17.278	WIA Transfer Dislocated Worker to Adult	23,952
17.278	WIA Transfer Dislocated Worker to Adult	9,418
17.278	Title I Dislocated Worker	23,952
17.278	Title I Dislocated Worker	162,488
17.278	Title I Rapid Response	15,410
17.278	Title I Rapid Response	<u>91,976</u>
	Total	<u>\$ 1,708,280</u>

NOTE 6: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2015

NOTE 7: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2015 as follows:

Federal CFDA	Program Title	Amount Outstanding		
		July 1, 2014	New Loans	June 30, 2015
14.228	Community Development Block Grants/Entitlement Grants	\$ 1,881,756	\$ 208,951	\$ 2,090,707
14.239	HOME Investment Partnerships Program	14,538,440	230,903	14,769,343

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>
16.579	\$ 162,167
16.738	350,886
17.278	1,555,545
93.994	2,007,474
97.067	294,273

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COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section 1

Financial Statements

Summary of Auditor's Results

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

Federal Awards

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

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.659	Adoption Assistance Program

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 2,431,604 |
| 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, 2015

Section 2

Financial Statement Findings

Year-End Closing and Procedures

2015-001

Section 3

Federal Award Findings and Questioned Costs

None Reported.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Finding 2015-001 Year-End Closing and Procedures

Criteria

Year-end 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, 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 of our year-end audit adjustments.

Cause

The County currently does not have a process in place to update and reconcile year-end schedules that would ensure accurate reporting.

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, 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 for significant accounts that should reconcile throughout the year such as interfund transfers and advances which are currently being recorded to various account numbers.

We further recommend the County develop a formal year-end closing schedule that indicates specific personnel responsibilities and corresponding time requirements to ensure all significant account balances are reviewed and reconciled during year-end closing.

Management Response

These issues regarding inaccuracies in the closing process are persistent problems that arise from the decentralization of accounting controls in this organization. Checklists, schedules and procedures are all useful, and we are willing to issue those along with our standard closing memos, but unless there are an adequate number of qualified accountants to oversee these processes our results are unlikely to improve significantly. The Auditor-Controller does issue year-end closing memos describing the information to be gathered and reported, but the quality of information coming from outlying departments is contingent on the training and diligence of the departmental staff. If fiscal staff is not appropriately trained and motivated they won't be able to use the checklists and schedules correctly. If the Auditor-Controller had adequate staffing to oversee the closing processes at the departments the result would be better quality financial data and enhanced fiscal control. The likelihood of gaining additional accounting personnel to oversee the closing process is, at present, remote due to budgetary constraints. It may be possible to contract with outside expert accountants to assist with the annual close for short periods, and we will explore that possibility and associated costs.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding 2015-001
Year-End Closing and Procedures (continued)

Management Response (continued)

Reconciliation of accounts is a critical measure in providing a sound control environment. Reconciliation is a task performed by qualified accountants, and the few accountants we have in the Auditor-Controller's office are fully occupied by account reconciliation, among their other duties. However, given the size and complexity of this organization, not enough reconciliation is occurring. The standard remedy for this situation would be to hire more accounting staff, however, as noted earlier, that may not be practical given the budgetary constraints currently facing the County. An alternative would be to bring in an accounting contractor on a temporary basis at year-end to assist with closing reconciliations. There are reputable accountants with extensive governmental experience who take these sorts of temporary assignments and we shall explore the practicality of that option.

COUNTY OF HUMBOLDT

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

None Reported.

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AVIATION PASSENGER FACILITIES CHARGES

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**INDEPENDENT ACCOUNTANT'S 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 examined management's assertion, included in the accompanying Schedule of Revenues and Expenditures and Changes in Fund Balance (Schedule) – Passenger Facilities Charges (PFC), of the County of Humboldt (County), complied with the requirements below for the year ended June 30, 2015.

The Schedule is the responsibility of the County's management.

In connection with the examination 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, 2015. 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 of the County of Humboldt's Schedule of Revenues, Expenditures and Changes in Fund Balance – Passenger Facility Charges. Accordingly, we do not express such an opinion.

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

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

Roseville, California
January 6, 2016

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COUNTY OF HUMBOLDT

Schedule of Revenues and Expenditures
and Changes in Fund Balances - Passenger Facility Charges
For the Year Ended June 30, 2015

Revenues:		
Passenger Facility Charges (3992, 3993, 3994)	\$	202,630
Interest		<u>3,004</u>
Total Revenue		<u>205,634</u>
Expenditures:		
Principal on Loan Payments		47,303
Interest Expense		3,734
Contributions to other funds for Aviation Capital Projects		<u>200,555</u>
Total Expenditures		<u>251,592</u>
Excess of Revenues Over (Under) Expenditures		(45,958)
Fund Balance at Beginning of Year		<u>492,750</u>
Fund Balance at End of Year	\$	<u><u>446,792</u></u>