

**COUNTY OF HUMBOLDT  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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**COUNTY OF HUMBOLDT**

Single Audit Report  
For the Year Ended June 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 22, 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2016-001 & 2016-002)

**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

### **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  
December 22, 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 THE UNIFORM GUIDANCE**

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 *U.S. Office of Management and Budget (OMB) 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Supervisors  
County of Humboldt

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016, and have issued our report thereon dated December 22, 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 the Uniform Guidance 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.

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

Roseville, California  
December 22, 2016

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**COUNTY OF HUMBOLDT**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<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	15-8506-0572-CA	\$ 21,007	\$ -
Asian Defoliating Moth Trapping	10.025	15-8506-0689-CA	6,744	-
Enhanced Exotic Pest Survey	10.025	15-0290	18,743	-
Pierce's Disease Control Program	10.025	100032/10033	8,119	-
Subtotal CFDA Number 10.025			<u>54,613</u>	<u>-</u>
Passed through State Department of Education:				
Nutrition, Education, Obesity Program				
National School Lunch Program	10.551	13-20493	518,368	-
	10.555	--	47,123	-
Passed through State Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.578	14-10236	1,069,048	-
Passed through State Department of Public Works				
FLASH USDA Clearinghouse Grant				
	10.664	12USFS-SFA0074	113,330	-
Schools and Roads - Grants to States	10.665	--	68,871	-
Schools and Roads - Grants to States	10.665	--	413,494	-
Subtotal CFDA Number 10.665			<u>482,365</u>	<u>-</u>
Passed through State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
Total U.S. Department of Agriculture	10.561	--	6,263,648	-
			<u>\$ 8,548,495</u>	<u>\$ -</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	--	2,080,626	-
Community Development Block Grants - New Loans	14.228	14-CDBG-9890	435,501	-
Community Development Block Grants - New Loans Admin	14.228	14-CDBG-9890	7,922	-
Community Development Block Grants	14.228	12-CDBG-8392	3,848	-
Community Development Block Grants	14.228	14-CDBG-9890	93,219	93,219
Community Development Block Grants	14.228	14-CDBG-9890	56,318	-
Community Development Block Grants	14.228	14-CDBG-9890	79,165	-
Subtotal CDBG - Entitlement Grants Cluster CFDA Number 14.228			<u>2,756,599</u>	<u>93,219</u>
HOME Investment Partnerships Program -				
Outstanding Loan Balance	14.239	--	14,862,543	-
HOME Investment Partnerships Program	14.239	12-HOME-8577	73,803	-
HOME Investment Partnerships Program	14.239	HOME PI	46,788	-
Subtotal CFDA Number 14.239			<u>14,983,134</u>	<u>-</u>
Supportive Housing Program	14.235	--	98,918	-
HOPWA	14.241	13-20418	47,595	-
HART	14.267	CA0852L9T221201	50,045	-
Total U.S. Department of Housing and Urban Development			<u>\$ 17,936,291</u>	<u>\$ 93,219</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, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Justice</u>				
Direct Programs:				
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA15	\$ 4,500	\$ -
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA16	4,015	-
Subtotal CFDA Number 16.758			<u>8,515</u>	<u>-</u>
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2013-WR-AX-0024	232,049	-
Passed through Governor's Office of Emergency Services:				
Promoting Evidence Integration in Sex Offender Management	16.203	--	75,838	-
Victim Witness Assistance Program	16.575	VW15330120	129,720	-
Victim Witness Assistance Program	16.575	UV15010120	175,000	-
Victim Witness Assistance Program	16.575	UV14050120	78,125	-
Subtotal CFDA Number 16.575			<u>382,845</u>	<u>-</u>
Domestic Cannabis Eradication/Suppression	16.579	2015-28	116,892	
Domestic Cannabis Eradication/Suppression	16.579	2016-21	69,741	
DEA Task Force	16.579	--	13,489	
Subtotal CFDA Number 16.579			<u>200,122</u>	<u>-</u>
Passed through the Board of State and Community Corrections:				
Juvenile Accountability Block Grant Program	16.523	220-15	64,033	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-14	74,226	26,684
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-15	124,840	99,458
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-15	66,349	-
Subtotal CFDA Number 16.738			<u>265,415</u>	<u>126,142</u>
Total U.S. Department of Justice			<u>\$ 1,228,817</u>	<u>\$ 126,142</u>
<u>U.S. Department of Labor</u>				
Passed through State Employment Development Department:				
WIA/WIOA Adult Formula	17.258	K594760-202	5,950	-
WIA/WIOA SlingShot Planning	17.258	K698361-1053	10,197	2,959
WIA/WIOA Adult Formula	17.258	K698361-201	30,086	27,077
WIA/WIOA Adult Formula	17.258	K698361-202	320,063	296,918
WIA/WIOA Youth Formula	17.259	K594760-301	96,275	74,779
WIA/WIOA Youth Formula	17.259	K698361-301	266,612	218,822
WIA/WIOA CA Redwood Company/Korbell Mill Closure	17.278	K594760-1024	316,220	277,144
WIA/WIOA Rapid Response Layoff Aversion	17.278	K594760-292	3,276	-
WIA/WIOA Rapid Response Layoff Aversion	17.278	K594760-293	19,708	3,991
WIA/WIOA Rapid Response	17.278	K594760-541	1,267	94
WIA/WIOA Transfer Dislocated Worker to Adult	17.278	K594760-500	85,582	81,174
WIA/WIOA Dislocated Worker	17.278	K594760-502	32,524	30,131
WIA/WIOA Rapid Response Layoff Aversion	17.278	K698361-292	6,982	3,000
WIA/WIOA Rapid Response Layoff Aversion	17.278	K698361-293	10,512	4,575
WIA/WIOA Rapid Reponse	17.278	K698361-540	25,264	20,000
WIA/WIOA Rapid Response	17.278	K698361-541	84,632	54,997
WIA/WIOA Transfer Dislocated Worker to Adult	17.278	K698361-500	35,634	33,772
WIA/WIOA Dislocated Worker	17.278	K698361-501	49,960	44,964
WIA/WIOA Dislocated Worker	17.278	K698361-502	145,144	129,327
Subtotal WIA Cluster			<u>1,545,888</u>	<u>1,303,724</u>
Total U.S. Department of Labor			<u>\$ 1,545,888</u>	<u>\$ 1,303,724</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, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106	--	\$ 297,457	\$ -
Passed through State Department of Transportation:				
Highway Bridge Replacement and Rehabilitation	20.205	--	1,352,312	-
Emergency Relief	20.205	--	935,665	-
Safe Routes to School	20.205	--	143,146	140,595
Healthy Rural Roads	20.205	--	17,933	-
Ferry Boat Discretionary	20.205	--	995	-
Highway Safety Improvement Program	20.205	--	219,779	-
Subtotal CFDA Number 20.205			<u>2,669,830</u>	<u>140,595</u>
Total U.S. Department of Transportation			<u>\$ 2,967,287</u>	<u>\$ 140,595</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	273,620	-
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-1	32,658	-
Subtotal CFDA Number 66.818			<u>306,278</u>	<u>--</u>
Passed through Air Pollution Control Officers Association:				
Public Beach Safety Grant Program	66.472	D15-14-102	989,572	-
Local Oversight Program	66.805	D15-08-002	281,269	-
Total U.S. Environmental Protection Agency			<u>\$ 1,577,119</u>	<u>\$ -</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	--	1,036,677	-
Passed through the State Department of Mental Health:				
Projects for Assistance in Transition from Homelessness	93.150	--	40,620	-
Block Grants for Community Mental Health Services				
Substance Abuse and Mental Health Services Administration	93.958	--	566,369	-
Passed through the State Department of Health Care Services:				
Medical Assistance Program - Administration	93.778	--	8,885,849	-
Maternal and Child Health Services Block Grant to States	93.994	--	814,344	-
Maternal and Child Health Services Block Grant to States	93.994	--	258,397	-
Maternal and Child Health Services Block Grant to States	93.994	--	220,476	-
Maternal and Child Health Services Block Grant to States	93.994	--	465,517	-
Maternal and Child Health Services Block Grant to States	93.994	--	102,589	-
Maternal and Child Health Services Block Grant to States	93.994	--	23,180	-
Subtotal CFDA Number 93.994			<u>1,884,503</u>	<u>-</u>
Passed through State Department of Public Health:				
Public Health Emergency Response	93.069	14-10503	462,352	-
Pandemic Flu	93.069	14-10503	66,805	-
Emergency Preparedness - Ebola	93.069	15-10356	67,761	-
Subtotal CFDA Number 93.069			<u>596,918</u>	<u>-</u>
System of Care Expansion Planning Team	93.104	--	916,021	-
Tuberculosis Control Programs	93.116	--	312,464	-
Drug Free Communities	93.276	5H79SP017142-05	43,520	-

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, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Health and Human Services (continued)</u>				
Passed through State Department of Public Health (continued):				
Hospital Preparedness Program	93.899	14-10503	\$ 161,286	\$ -
HIV Care Formula Grants	93.917	13-20050A2	340,139	-
Rural Health Network Development Planning Program	93.912	--	16,172	-
Passed through State Department of Social Services:				
Temporary Assistance for Needy Families	93.558	--	14,426,078	-
Temporary Assistance for Needy Families	93.558	--	2,903,421	-
Subtotal CFDA Number 93.558			<u>17,329,499</u>	<u>-</u>
Foster Care - Title IV-E	93.658	--	5,177,937	-
ARRA - Foster Care - Title IV-E	93.658	--	1,977,772	-
Subtotal CFDA Number 93.658			<u>7,155,709</u>	<u>-</u>
Adoption Assistance	93.659	--	2,909,709	-
Adoption Assistance	93.659	--	360,955	-
Subtotal CFDA Number 93.659			<u>3,270,664</u>	<u>-</u>
Guardianship Assistance	93.090	--	168,571	-
Promoting Safe and Stable Families	93.556	--	93,621	-
Child Welfare Services - State Grants	93.645	--	122,276	-
Child Welfare Research Training or Demonstration	93.648	--	250,117	-
Social Services Block Grant	93.667	--	190,113	-
Child Abuse and Neglect Discretionary Activities	93.670	--	93,357	-
Chafee Foster Care Independence Program	93.674	--	89,897	-
Passed through State Department of Child Support Services:				
Child Support Enforcement	93.563	--	2,769,726	-
Total U.S. Department of Health and Human Services			<u>\$ 46,334,088</u>	<u>\$ -</u>
<u>Executive Office of the President</u>				
Passed through Northern California HIDTA:				
High Intensity Drug Trafficking Area	95.001	G16SF0001A	70,240	-
Total Executive Office of the President			<u>\$ 70,240</u>	<u>\$ -</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State Office of Homeland Security:				
Transportation Security Administration	97.001	HSTS0213HSLR077	112,705	-
Passed through the Governor's Office of Emergency Services:				
Emergency Management Performance Grant	97.042	2014-0070	202,026	-
Pre-Disaster Mitigation	97.047	--	58,470	-
Homeland Security Grant Program	97.067	2014-0093	26,793	-
Homeland Security Grant Program	97.067	2015-0078	53,296	-
Subtotal CFDA Number 97.067			<u>80,089</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>\$ 453,290</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 80,661,515</u>	<u>\$ 1,663,680</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

**COUNTY OF HUMBOLDT**

Notes to Schedule of Federal Awards  
For the Year Ended June 30, 2016

**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 the Uniform Guidance, *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: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER**

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

**NOTE 5: INDIRECT COST RATE**

The County did not elect to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance, §200.510(6), requires the County to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.

**NOTE 6: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT**

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2016 as follows:

Federal CFDA #	Program Title	SEFA June 30, 2016	FY 15/16 Paydowns	County Balance June 30, 2016
14.228	Community Development Block Grants/States Program	\$ 2,516,127	\$ 7,999	\$ 2,508,128
14.239	HOME Investment Partnerships Program	\$ 14,862,543	\$ 168,043	\$ 14,694,500

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**COUNTY OF HUMBOLDT**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

**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 the Uniform Guidance? | No            |

4. Identification of major programs:

CFDA Number

Name of Federal Program

10.561  
14.228  
93.558  
93.658

Supplemental Nutrition Assistance Program  
Community Development Block Grant  
Temporary Assistance for Needy Families  
Foster Care Assistance Program

- |   |              |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs?         | \$ 2,419,846 |
| 6. Auditee qualified as a low-risk auditee under the Uniform Guidance, Section 520? | No           |

**COUNTY OF HUMBOLDT**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

**Section 2**

Financial Statement Findings

Year-End Closing and Procedures  
Cash Reconciliation

2016-001  
2016-002

**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, 2016

#### **Finding 2016-001 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.

**COUNTY OF HUMBOLDT**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

**Finding 2016-001**  
**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.

## COUNTY OF HUMBOLDT

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

#### **Finding 2016-002 Cash Reconciliation**

##### Criteria

Cash is the most liquid of the County's assets and has the highest risk of theft, embezzlement and misappropriation. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the County's procedures, including daily reconciliations between the bank accounts and Treasurer's Daily Reports (TDRs) and timely reconciliations between the TDRs and general ledger.

##### Condition

While performing audit procedures over cash, we noted a \$2 million discrepancy between the general ledger, the bank statements and other supporting documentation. Through inquiries and further review, we noted that the bank balance reported on February 16, 2016 Treasurer's Daily Report was understated by \$2 million. The discrepancy was a result of failing to update the TDR for a transfer of \$2 million from an investment account to the cash account ledger. The error was not detected for several months due to the extended period of time before the TDR was reviewed.

##### Cause

The lack of thorough reviews of the daily TDR by the Treasurer's Office coupled with the lack of timely cash reconciliations by the Auditor-Controller's Office between the County's general ledger and the TDR's resulted in the \$2 million cash discrepancy going undetected for at least eight months.

##### Effect of Condition

The lack of timely reconciliations cash reconciliations resulted in the daily cash balance at the Treasurer being misstated by approximately \$2 million for several months.

##### Recommendation

We recommend that the County's Treasurer perform thorough reviews of the TDR's each day before sending them to the Auditor-Controller's office. Additionally, recommend the Auditor-Controller's Office perform the reconciliation of the cash reported in the general ledger to the TDRs at a minimum on a monthly basis.

##### Management Response

The Treasurer's Daily Report (TDR) contained a \$2 million dollar error for eight months during a period which the bank we had used for decades had decided to withdraw from this area, requiring the County to establish a business relationship with a new bank, while keeping the old bank account open to clear transactions on the old account. This transition between banks created difficulties for several months. We have one accountant doing the cash reconciliation between the general ledger (GL), the TDR and the bank statements. As this task now required reconciling reports from two banks with very different reporting systems, the reconciliations became delayed beyond a normal closing period of about two months. It is worth noting that our GL and bank statements were correctly reconciled. Only the TDR was incorrect and that report is mainly used by treasury staff in determining appropriate balance levels among the Treasurer's various accounts. As of the end of the 2016 calendar year the old bank account will be closed and only one bank account will be reconciled between the GL and TDR. Resulting in reconciliations being performed more timely.

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## COUNTY OF HUMBOLDT

### Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2016

#### **Reference Number 2015-001 Year-End Closing Procedures**

##### 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.

##### Status

Not implemented. See finding 2016-001.

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## **AVIATION PASSENGER FACILITIES CHARGES**

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## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGES

Board of Supervisors  
County of Humboldt  
Eureka, California

### Report on the Schedule

We have audited the accompanying Schedule of Passenger Facility Charges (PFC), Revenues, and Expenses (Schedule) of the County of Humboldt (County), for the year ended June 30, 2016, and the related notes.

### Management's Responsibility

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit 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 the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration.. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Supervisors  
County of Humboldt

**Opinion on Schedule of Passenger Facility Charges**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the passenger facility charges received, held, and used by the County for the period and each quarter during the period from July 1, 2015 to June 30, 2016, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

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

Roseville, California  
December 22, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE PASSENGER FACILITY CHARGES PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Supervisors  
County of Humboldt  
Eureka, California

**Report on Compliance for Passenger Facility Charges**

We have audited the compliance of the County of Humboldt (County) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for its Passenger Facility Charge program for the period from July 1, 2015 to June 30, 2016.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

**Auditor's Responsibility**

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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge 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 of the County's compliance with those requirements.

**Opinion on Compliance**

In our opinion, the County of Humboldt complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge program. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 County's internal control over compliance.

Board of Supervisors  
County of Humboldt

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 the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of the passenger facility charge 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 the passenger facility charge 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

#### **Purpose of this Report**

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 the Guide. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Roseville, California  
December 22, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE SCHEDULE OF PASSENGER FACILITY CHARGES, REVENUES AND EXPENSES  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors  
County of Humboldt  
Eureka, California

We have audited, in accordance with the 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 Schedule of Passenger Facility Charges, Revenues and Expenses (Schedule) of the County of Humboldt (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 22, 2016. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

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. 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.

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

Board of Supervisors  
County of Humboldt

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Schedule is 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 results 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  
December 22, 2016

**COUNTY OF HUMBOLDT**

Schedule of Revenues and Expenditures  
and Changes in Fund Balances - Passenger Facility Charges  
For the Year Ended June 30, 2016

Revenues:	
Passenger Facility Charges (3992, 3993, 3994, 3996)	\$ 214,174
Interest	<u>3,905</u>
Total Revenue	<u>218,080</u>
Expenditures:	
Principal on Loan Payments	49,098
Interest Expense	<u>1,939</u>
Total Expenditures	<u>51,037</u>
Excess of Revenues Over (Under) Expenses	167,043
Fund Balance at Beginning of Year	<u>446,792</u>
Fund Balance at End of Year	<u><u>\$ 613,834</u></u>

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**COUNTY OF HUMBOLDT**

Notes to Schedule of Passenger Facility Charges  
Collected, Held and Used  
For the Year Ended June 30, 2016

NOTE 1: **BASIS OF ACCOUNTING**

The Schedule of Revenue and Expenditures and Changes in Fund Balance - Passenger Facility Charges has been prepared on a cash basis, as prescribed by Section 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration of the United States Department of Transportation. Revenues include amounts collected by the airport. Expenses are presented on a cash basis and include only the expenses on approved PFC projects. The total amount of interest reported this year consists of the actual interest for the fourth quarter of the prior year and the actual interest for the report year through June 30.

NOTE 2: **PROGRAM COSTS**

The amounts shown as current year revenues and expenses represent on the Passenger Facility Charges portion of the project costs. Entire project costs may be more than shown.