

COUNTY OF HUMBOLDT
SINGLE AUDIT
AND PASSENGER FACILITY
CHARGE REPORT
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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**INDEPENDENT AUDITORS' 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses. (2017-001 & 2017-002)

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*.

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.



CliftonLarsonAllen LLP

Roseville, California
March 21, 2018



**INDEPENDENT AUDITORS' 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, 2017. The County's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2017.

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.

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, 2017, and have issued our report thereon dated March 21, 2018, 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.



CliftonLarsonAllen LLP

Roseville, California
March 21, 2018

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**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
U.S. Department of Agriculture				
Passed through State Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care				
Phytophthora Ramorum	10.025	16-8506-0572-CA	\$ 21,468	\$ -
Asian Defoliating Moth Trapping	10.025	16-8506-0689-CA	8,617	-
Enhanced Exotic Pest Survey	10.025	16-0058	17,969	-
Pierce's Disease Control Program	10.025	16-8506-0484-CA	9,590	-
Subtotal CFDA Number 10.025			<u>57,644</u>	<u>-</u>
Passed through State Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578	15-10069 A02	1,083,670	-
Passed through State Department of Public Works:				
FLASH USDA Clearinghouse Grant	10.664	12USFS-SFA0074	53,948	-
Schools and Roads - Grants to States	10.665	-	33,316	-
Schools and Roads - Grants to States	10.665	-	13,803	-
Subtotal CFDA Number 10.665			<u>47,119</u>	<u>-</u>
Passed through State Department of Education:				
National School Lunch Program	10.555	-	47,181	-
Nutrition, Education, Obesity Program	10.551	16-10150	582,391	-
Passed through State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	6,690,879	-
Subtotal SNAP Cluster			<u>7,273,270</u>	<u>-</u>
Total U.S. Department of Agriculture			8,562,832	-
U.S. Department of Commerce				
Direct Programs:				
EDA Economic Adjustment Assistance	11.307	-	105,528	-
Total U.S. Department of Agriculture			105,528	-
U.S. Department of Housing and Urban Development				
Passed through the State Department of Housing and Community Development:				
Community Development Block Grants/Entitlement Grants - Outstanding Loan Balance	14.228	-	2,508,128	-
Community Development Block Grants - New Loans	14.228	14-CDBG-9890	79,820	-
Community Development Block Grants - New Loans Admin	14.228	14-CDBG-9890	1,233	-
Community Development Block Grants	14.228	14-CDBG-9890	59,345	-
Community Development Block Grants	14.228	14-CDBG-9890	18,804	-
Community Development Block Grants	14.228	14-CDBG-9890	7,239	-
Subtotal CDBG - Entitlement Grants Cluster CFDA Number 14.228			<u>2,674,569</u>	<u>-</u>
HOME Investment Partnerships Program - Outstanding Loan Balance	14.239	-	14,694,500	-
HOME Investment Partnerships Program - New Loans	14.239	-	783,758	-
HOME Investment Partnerships Program	14.239	12-HOME-8577	204,519	-
Subtotal CFDA Number 14.239			<u>15,682,777</u>	<u>-</u>
Supportive Housing Program	14.235	-	105,261	-
HOPWA	14.241	16-10297	65,494	-
HART	14.267	CA1585L9T221600	90,252	-
Total U.S. Department of Housing and Urban Development			18,618,353	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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-SA16	\$ 4,985	\$ -
Improving the Investigation and Prosecution of Child Abuse	16.758	3-EURE-CA-SA17	3,465	-
Subtotal CFDA Number 16.758			8,450	-
Passed through Governor's Office of Emergency Services:				
Promoting Evidence Integration in Sex Offender Management	16.203	-	94,134	-
Victim Witness Assistance Program	16.575	VW16340120	185,084	-
Victim Witness Assistance Program	16.575	UV15010120	175,000	-
Subtotal CFDA Number 16.575			360,084	-
Domestic Cannabis Eradication/Suppression	16.579	2016-21	62,260	
Domestic Cannabis Eradication/Suppression	16.579	2017-20	39,662	
DEA Task Force	16.579	-	7,957	
Subtotal CFDA Number 16.579			109,879	-
Passed through the Board of State and Community Corrections:				
Juvenile Accountability Block Grant Program	16.523	220-16	75,000	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-15	124,840	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-16	171,605	102,593
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-16	45,000	-
Subtotal CFDA Number 16.738			341,445	102,593
Equitable Sharing Program	16.922	CA120000	350,000	-
Equitable Sharing Program	16.922	CA121200	41,507	-
Subtotal CFDA Number 16.922			391,507	-
Total U.S. Department of Justice			1,380,499	102,593
<u>U.S. Department of Labor</u>				
Passed through State Employment Development Department:				
WIA/WIOA Adult Formula	17.258	K7102030-201	42,335	38,101
WIA/WIOA SlingShot Planning	17.258	K698361-1053	9,803	6,375
WIA/WIOA Adult Formula	17.258	K7102030-202	274,897	260,616
WIA/WIOA Adult Formula	17.258	K698361-202	9,846	-
WIOA SlingShot Implementation	17.258	K7102030-1075	116,998	35,353
WIOA HiPerforming Boards	17.258	K7102030-1080	5,342	-
WIOA Regional Training Coordinator	17.258	K7102030-1087	3,911	-
WIA/WIOA Youth Formula	17.259	K7102030-301	231,334	209,371
WIA/WIOA Youth Formula	17.259	K698361-301	143,595	135,111
WIA/WIOA Rapid Response Layoff Aversion	17.278	K7102030-292	6,222	5,600
WIA/WIOA Rapid Response Layoff Aversion	17.278	K7102030-293	27,315	24,007
WIA/WIOA Rapid Response	17.278	K7102030-540	21,967	19,771
WIA/WIOA Transfer Dislocated Worker to Adult	17.278	K7102030-500	58,219	51,909
WIA/WIOA Dislocated Worker	17.278	K7102030-501	48,835	43,951
WIA/WIOA Rapid Response Layoff Aversion	17.278	K698361-293	4,234	1,710
WIA/WIOA Rapid Response	17.278	K7102030-541	107,505	89,117
WIA/WIOA Rapid Response	17.278	K698361-541	54,534	48,635
WIA/WIOA Transfer Dislocated Worker to Adult	17.278	K698361-500	64,545	56,228
WIA/WIOA Dislocated Worker	17.278	K7102030-502	53,966	45,995
WIA/WIOA Dislocated Worker	17.278	K698361-502	30,211	28,493
Subtotal WIA Cluster			1,315,614	1,100,343
Total U.S. Department of Labor			1,315,614	1,100,343

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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	-	\$ 408,983	\$ -
Passed through State Department of Transportation:				
Highway Bridge Replacement and Rehabilitation	20.205	-	1,560,466	-
Emergency Relief	20.205	-	16,070	-
Safe Routes to School	20.205	-	291,678	291,127
Ferry Boat Discretionary	20.205	-	24	-
Highway Safety Improvement Program	20.205	-	700,283	-
Subtotal CFDA Number 20.205			<u>2,568,521</u>	<u>291,127</u>
Total U.S. Department of Transportation			2,977,504	291,127
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	190,120	-
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-1	388	-
Subtotal CFDA Number 66.818			<u>190,508</u>	-
Passed through Air Pollution Control Officers Association:				
Public Beach Safety Grant Program	66.472	D16-14-102	37,926	-
Local Oversight Program	66.805	D16-08-002	278,661	-
Total U.S. Environmental Protection Agency			507,095	-
<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	-	1,020,332	-
Passed through the State Department of Mental Health:				
Projects for Assistance in Transition from Homelessness	93.150	-	46,746	-
Block Grants for Community Mental Health Services				
Substance Abuse and Mental Health Services Administration	93.958	-	619,013	-
Passed through the State Department of Health Care Services:				
Medical Assistance Program - Administration	93.778	-	10,030,976	-
Maternal and Child Health Services Block Grant to States	93.994	-	145,649	-
Maternal and Child Health Services Block Grant to States	93.994	-	24,440	-
Maternal and Child Health Services Block Grant to States	93.994	-	1,832	-
Passed through State Department of Public Health:				
California Home Visiting Program	93.994	15-10156	830,231	-
Maternal Child And Adolescent Health	93.994	-	291,522	-
Child Health and Disability Prevention	93.994	-	203,171	-
California Childrens Services	93.994	-	365,131	-
Subtotal CFDA Number 93.994			<u>1,861,976</u>	-
Passed through State Department of Public Health:				
Pandemic Flu	93.069	14-10503	63,821	-
Public Health Emergency Preparedness	93.069	14-10503	534,982	-
Subtotal CFDA Number 93.069			<u>598,803</u>	-
System of Care Expansion Planning Team	93.104	-	514,829	-
Tuberculosis Control Programs	93.116	-	110,275	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
Hospital Preparedness Program	93.899	14-10503	\$ 130,389	\$ -
HIV Care Formula Grants	93.917	15-11054	447,748	-
HIV Care Formula Grants	93.917	16-10847	115,655	-
Subtotal CFDA Number 93.917			<u>563,403</u>	<u>-</u>
Passed through State Department of Social Services:				
Temporary Assistance for Needy Families	93.558	-	2,779,570	-
Temporary Assistance for Needy Families	93.558	-	16,395,457	-
Subtotal CFDA Number 93.558			<u>19,175,027</u>	<u>-</u>
Foster Care - Title IV-E	93.658	-	1,762,997	-
Foster Care - Title IV-E	93.658	-	6,306,488	-
Subtotal CFDA Number 93.658			<u>8,069,485</u>	<u>-</u>
Adoption Assistance	93.659	-	3,313,213	-
Adoption Assistance	93.659	-	464,206	-
Subtotal CFDA Number 93.659			<u>3,777,419</u>	<u>-</u>
Guardianship Assistance	93.090	-	297,434	-
Promoting Safe and Stable Families	93.556	-	123,043	-
Refugee and Entrant Assistance State Administered Program	93.566	-	3,466	-
Child Welfare Services - State Grants	93.645	-	120,088	-
Social Services Block Grant	93.667	-	297,536	-
Chafee Foster Care Independence Program	93.674	-	148,875	-
Passed through State Department of Child Support Services:				
Child Support Enforcement	93.563	-	2,646,977	-
Total U.S. Department of Health and Human Services			50,156,092	-
<u>Executive Office of the President</u>				
Passed through Northern California HIDTA:				
High Intensity Drug Trafficking Area	95.001	G16SF0001A	14,634	-
Total Executive Office of the President			14,634	-
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Disaster Grants - Public Assistance	97.036	-	47,121	-
Passed through the Governor's Office of Emergency Services:				
Emergency Management Performance Grant	97.042	-	202,026	-
Pre-Disaster Mitigation	97.047	-	704	-
Homeland Security Grant Program	97.067	2015-0078	79,316	-
Homeland Security Grant Program	97.067	-	44,957	-
Subtotal CFDA Number 97.067			<u>124,273</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>374,124</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 84,012,275</u>	<u>\$ 1,494,063</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

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 accounting principles generally accepted in the United States of America. 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.

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2017 as follows:

<u>Federal CFDA #</u>	<u>Program Title</u>	<u>SEFA June 30, 2017</u>	<u>FY 16/17 Paydowns</u>	<u>County Balance June 30, 2017</u>
14.228	Community Development Block Grants/States Program	\$ 2,587,948	\$ 15,126	\$ 2,572,822
14.239	HOME Investment Partnerships Program	15,478,258	179,230	15,299,028

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of Auditors' Report Issued: Unmodified
2. Internal Control over Financial Reporting:
- Material Weakness(es) Identified? X Yes No
 - Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)? None Reported
3. Noncompliance Matters to Financial Statements Noted? Yes X No

Federal Awards

1. Internal Control over Major Programs:
- Material Weakness(es) Identified? Yes X No
 - Significant Deficiency(ies) Identified not Considered to be Material Weaknesses? None Reported
2. Type of Auditors' 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? Yes X No

4. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.561	Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

5. Dollar Threshold used to Distinguish Between Type A and Type B Programs? Type A \$2,520,368 / Type B \$630,092
6. Auditee Qualified as Low-Risk Auditee Under the Uniform Guidance, Section 520? Yes X No

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: At June 30, the County's detailed loan receivable records for both the Headwaters and CDBG/HOME loan programs did not agree to the County's general ledger accounts. We proposed an adjustment of approximately \$2.5 million to correct the loans receivable balances reported in the County's general ledger.

Criteria: Reconciliations of receivables will ensure proper valuation of the outstanding loan balances and provide a means of preventing and detecting errors or fraud.

Context: The condition is a systemic problem since the County currently does not have a process for reconciling loans receivables accounts on a periodic basis.

Effect: The County will not detect errors or fraud in a timely manner. Also, the lack of a reconciliation process at year-end resulted in several significant audit adjustments to the loans receivable balances and related revenue and expenditure accounts at year-end.

Cause: The County currently does not have any formal procedures in place for reconciling the loan schedules to the general ledger.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: We recommend the County perform reconciliations of the loan receivables to the general ledger on a monthly basis while working with departments administering the loan programs to investigate any discrepancies.

Views of responsible officials and planned corrective actions: There is not disagreement with the audit findings. Economic Development staff will be asked to associate borrower's names in the memo spaces for disbursements and receipts. Also the loan worksheets they generate should indicate the fund or budget unit in which the activity occurs. While monthly reconciliations of the loans is desirable, that would be contingent upon adequate staffing the Auditor-Controller's office.

2017 – 002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

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.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Criteria or specific requirement: 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.

Context: The condition is a systemic problem since the County currently does not have a process for reconciling all of its significant account balances on a periodic basis.

Effect: The County will not detect errors or fraud in a timely manner. Also, the lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end.

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

Repeat Finding: Finding is a repeat finding from the prior year (2016-001).

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.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The Auditor-Controller is in the process of hiring and training staff who will be tasked with these closing procedures.

Section III – Federal Award Findings and Questioned Costs

None Reported.

**COUNTY OF HUMBOLDT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

The County of Humboldt respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017

Audit period: July 1, 2016 to June 30, 2017

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2016 – 001 Year-End Closing Procedures

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.

Status: See current year finding 2017-002.

Reason for finding's recurrence: The recurrence is due the County's lack of a year-end closing process to perform reconciliations of significant accounts and year-end audit adjustments. Staff turnover in the Auditor-Controllers office over the past year also contributed to this finding.

Corrective Action: The Auditor-Controller is hiring and training staff. We are also requesting additional funding to bring staffing levels up to a professional standard.

2016 – 001 Cash Reconciliation

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.

Status: Corrective action taken. No findings noted in current fiscal year.

AVIATION PASSENGER FACILITIES CHARGES

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INDEPENDENT AUDITORS' 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, 2017, 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.

Auditors' 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 auditors' 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, 2016 to June 30, 2017, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

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

CliftonLarsonAllen LLP

Roseville, California
March 21, 2018

**INDEPENDENT AUDITORS' 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, 2016 to June 30, 2017.

Management's Responsibility

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

Auditors' 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, 2017.

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.

Report on Internal Control Over Compliance (Continued)

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.



CliftonLarsonAllen LLP

Roseville, California
March 21, 2018



INDEPENDENT AUDITORS' 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, EXPENSES AND FUND BALANCE 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, Expenses and Fund Balance (Schedule) of the County of Humboldt (County), as of and for the year ended June 30, 2017, and the related notes to the financial Schedule, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2018.

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.

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 Schedule 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.



CliftonLarsonAllen LLP

Roseville, California
March 21, 2018

**COUNTY OF HUMBOLDT
PASSENGER FACILITY CHARGES SCHEDULE
OF REVENUES, EXPENSES AND FUND BALANCE
YEAR ENDED JUNE 30, 2017**

REVENUES

Passenger Facility Charges (3992, 3993, 3994, 3996)	\$ 264,239	
Interest	6,976	
Total Revenue		271,215

EXPENDITURES

Services and Supplies	32,343	
Principal on Loan Payments	25,243	
Interest Expense	275	
Total Expenditures		57,861

EXCESS OF REVENUES OVER EXPENSES

213,354

Fund Balance - Beginning of Year

613,834

FUND BALANCE - END OF YEAR

\$ 827,188

See accompanying Notes to Schedule of Passenger Facility Charges.

COUNTY OF HUMBOLDT
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
JUNE 30, 2017

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 Sections 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.