

COUNTY OF HUMBOLDT
SINGLE AUDIT
AND PASSENGER FACILITY
CHARGE REPORT
YEAR ENDED JUNE 30, 2018



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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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 6, 2019. Our report included an adverse opinion for the omission of the discretely presented component unit, and unmodified opinions on all other opinion units.

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 as items 2018-001 through 2018-006, that we consider to be material weaknesses.

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
June 6, 2019



**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 *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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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, 2018.

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, 2018, and have issued our report thereon dated June 6, 2019, which contained an adverse opinion for the omission of the discretely presented component unit and unmodified opinions on all other opinion units. 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
June 6, 2019

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**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

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	16-8506-0572-CA	\$ 17,711	\$ -
Asian Defoliating Moth Trapping	10.025	AP17PPQF0000C108	9,993	-
Enhanced Exotic Pest Survey	10.025	16-0058	15,065	-
Pierce's Disease Control Program	10.025	AP17PPQF0000C108	9,590	-
Subtotal CFDA Number 10.025			52,359	-
Passed through State Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.578	15-10069 A03	1,117,735	-
Passed through State Department of Public Works:				
FLASH USDA Clearinghouse Grant				
	10.664	12USFS-SFA0074	53,494	-
Schools and Roads - Grants to States	10.665	-	66,329	-
Schools and Roads - Grants to States	10.665	-	356,232	-
Subtotal CFDA Number 10.665			422,561	-
Passed through State Department of Education:				
National School Lunch Program				
	10.555	-	44,626	-
Nutrition, Education, Obesity Program	10.551	16-10150	289,949	-
Passed through State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	-	6,663,119	-
Subtotal SNAP Cluster			6,953,068	-
Total U.S. Department of Agriculture			8,643,843	-
<u>U.S. Department of Commerce</u>				
Direct Programs:				
EDA Economic Adjustment Assistance	11.307	07-79-07177	29,868	24,745
Total U.S. Department of Agriculture			29,868	24,745
<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	-	2,572,822	-
Community Development Block Grants	14.228	14-CDBG-4890	155,418	-
Subtotal CDBG - Entitlement Grants Cluster CFDA Number 14.228			2,728,240	-

**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
HOME Investment Partnerships Program - Outstanding Loan Balance	14.239	-	\$ 15,299,028	\$ -
HOME Investment Partnerships Program	14.239	15-HOME-10612	451,856	-
Subtotal CFDA Number 14.239			15,750,884	-
Supportive Housing Program	14.235	-	91,173	-
HOPWA	14.241	16-10297 A01	56,896	-
Continuum of Care Program	14.267	-	105,477	-
HART	14.267	CA1585L9T221600	38,210	-
Subtotal CFDA Number 14.267			143,687	-
Total U.S. Department of Housing and Urban Development			18,770,880	-
<u>U.S. Department of Justice</u>				
Direct Programs:				
Equitable Sharing Program - Sheriff	16.922	-	134,988	-
Equitable Sharing Program - Drug Task Force	16.922	-	408,523	-
Subtotal CFDA Number 16.922			543,511	-
Crime Victim Assistance	16.575	-	129,871	-
Crime Victim Assistance	16.575	-	152,489	-
Passed through Governor's Office of Emergency Services:				
Crime Victim Assistance	16.575	VW17350120	286,683	-
Crime Victim Assistance	16.575	UV16020120	262,500	-
Subtotal CFDA Number 16.575			831,543	-
Promoting Evidence Integration in Sex Offender Management	16.203	-	88,240	-
Domestic Cannabis Eradication/Suppression	16.579	2017-20	70,338	-
Domestic Cannabis Eradication/Suppression	16.579	2018-18	68,513	-
Subtotal CFDA Number 16.579			138,851	-
Passed through the Board of State and Community Corrections:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-16	45,000	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 672-17	79,213	40,315
Subtotal CFDA Number 16.738			124,213	40,315
Total U.S. Department of Justice			1,726,358	40,315
<u>U.S. Department of Labor</u>				
Passed through State Employment Development Department:				
WIOA Adult Formula	17.258	K7102030-202	15,229	498
WIOA SlingShot Implementation	17.258	K7102030-1075	128,579	98,055
WIOA Hi Performing Boards	17.258	K7102030-1080	39,138	-
WIOA Regional Training Coordinator	17.258	K7102030-1087	46,617	42,782
WIOA Regional Training Coordinator	17.258	K7102030-1087	28,543	19,598

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
WIOA Regional Organizers	17.258	K7102030-1089	\$ 39,155	\$ 32,347
WIOA CalJOBS VOS	17.258	K7102030-1090	2,340	2,128
WIOA Regional Plan Implementation	17.258	K81060176-1122	58,728	58,597
WIOA Adult Formula	17.258	K81060176-201	37,964	34,168
WIOA Adult Formula	17.258	K81060176-202	239,668	232,543
WIOA Youth Formula	17.259	K7102030-301	143,292	135,051
WIOA Youth Formula	17.259	K81060176-301	294,214	266,805
WIOA Assistance for Capacity Building	17.278	K698361-1055	235	-
WIOA Dislocated Worker	17.278	K698361-1056	12,670	-
WIOA Layoff Aversion	17.278	K7102030-293	5,908	5,894
WIOA Transfer Dislocated Worker to Adult	17.278	K7102030-500	121,781	110,091
WIOA Dislocated Worker	17.278	K7102030-502	26,480	26,406
WIOA Rapid Reponse	17.278	K7102030-541	9,674	6,439
WIOA Layoff Aversion	17.278	K81060176-292	5,553	4,998
WIOA Layoff Aversion	17.278	K81060176-293	11,815	11,815
WIOA Dislocated Worker	17.278	K81060176-501	42,816	39,433
WIOA Dislocated Worker	17.278	K81060176-502	2,235	1,235
WIOA Rapid Reponse	17.278	K81060176-540	18,091	17,722
WIOA Rapid Reponse	17.278	K81060176-541	76,415	75,015
WIOA Transfer Dislocated Worker to Adult	17.278	K81060176-500	184,485	180,000
Subtotal WIA Cluster			1,591,625	1,401,620
Total U.S. Department of Labor			1,591,625	1,401,620
 <u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106	-	2,885,456	-
Passed through State Department of Transportation:				
Highway Bridge Replacement and Rehabilitation	20.205	-	2,947,275	-
Emergency Relief	20.205	-	313,181	-
Safe Routes to School	20.205	-	203,523	-
Ferry Boat Discretionary	20.205	-	23	-
Highway Safety Improvement Program	20.205	-	107,670	-
Subtotal CFDA Number 20.205			3,571,672	-
Total U.S. Department of Transportation			6,457,128	-
 <u>U.S. Department of Justice</u>				
Passed through California Secretary of State:				
Equitable Sharing	21.016	-	29,548	-
Total U.S. Department of Justice			29,548	-
 <u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	209,296	-

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
Passed through Air Pollution Control Officers Association:				
Public Beach Safety Grant Program	66.472	D16-14-102	\$ 35,000	\$ -
Local Oversight Program	66.805	D17-08-002	178,776	-
Total U.S. Environmental Protection Agency			423,072	-
<u>U.S. Department of General Services</u>				
Direct Program:				
Help America Vote Act	90.401	-	6,622	-
Total U.S. Department of Justice			6,622	-
<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	-	1,036,935	-
Passed through the State Department of Mental Health:				
Projects for Assistance in Transition from Homelessness	93.150	-	46,709	-
Block Grants for Community Mental Health Services				
Substance Abuse and Mental Health Services Administration	93.958	-	566,061	-
Passed through the State Department of Health Care Services:				
Medical Assistance Program - Administration	93.778	-	8,198,889	-
Maternal and Child Health Services Block Grant to States	93.994	-	157,923	-
Maternal and Child Health Services Block Grant to States	93.994	-	19,558	-
Maternal and Child Health Services Block Grant to States	93.994	-	7,692	-
Passed through State Department of Public Health:				
California Home Visiting Program	93.994	15-10156	609,819	-
Maternal Child And Adolescent Health	93.994	-	231,836	-
Child Health and Disability Prevention	93.994	-	187,911	-
California Childrens Services	93.994	-	541,115	-
Subtotal CFDA Number 93.994			1,755,854	-
Passed through State Department of Public Health:				
Pandemic Flu	93.069	17-10155	56,813	-
Public Health Emergency Preparedness	93.069	17-10155	430,176	-
Subtotal CFDA Number 93.069			486,989	-
System of Care Expansion Planning Team	93.104	-	124,404	-
Tuberculosis Control Programs	93.116	-	3,937	-
Hospital Preparedness Program	93.899	17-10155	86,145	-
HIV Care Formula Grants	93.917	15-11054	116,872	-
HIV Care Formula Grants	93.917	16-10847	313,720	-
Subtotal CFDA Number 93.917			430,592	-

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
Passed through State Department of Social Services:				
Temporary Assistance for Needy Families	93.558	-	\$ 3,371,340	\$ -
Temporary Assistance for Needy Families	93.558	-	13,992,045	-
Subtotal CFDA Number 93.558			17,363,385	-
Foster Care - Title IV-E	93.658	-	2,361,325	-
Foster Care - Title IV-E	93.658	-	7,498,783	-
Subtotal CFDA Number 93.658			9,860,108	-
Adoption Assistance	93.659	-	3,946,531	-
Adoption Assistance	93.659	-	356,001	-
Subtotal CFDA Number 93.659			4,302,532	-
Guardianship Assistance	93.090	-	483,428	-
Promoting Safe and Stable Families	93.556	-	94,370	-
Adoptions Incentives	93.603	-	52,314	-
Child Welfare Services - State Grants	93.645	-	119,625	-
Social Services Block Grant	93.667	-	589,648	-
Chafee Foster Care Independence Program	93.674	-	81,407	-
Passed through State Department of Child Support Services:				
Child Support Enforcement	93.563	-	2,835,686	-
Total U.S. Department of Health and Human Services			48,519,018	-
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Disaster Grants - Public Assistance	97.036	-	687,823	-
Passed through the Governor's Office of Emergency Services:				
Emergency Management Performance Grant	97.042	-	132,021	-
Pre-Disaster Mitigation	97.047	-	599	-
Homeland Security Grant Program	97.067	2015-0078	156,565	-
Total U.S. Department of Homeland Security			977,008	-
Total Expenditures of Federal Awards			\$ 87,174,970	\$ 1,466,680

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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, 2018**

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2018 as follows:

Federal CFDA #	Program Title	SEFA June 30, 2018	FY 17/18 Paydowns	County Balance June 30, 2018
14.228	Community Development Block Grants/States Program	\$ 2,572,822	\$ 1,803	\$ 2,571,511
14.239	HOME Investment Partnerships Program	15,299,028	45,728	15,813,038

NOTE 7 OTHER LOANS

Outstanding federally-funded program loans, carried balances as of June 30, 2018 as follows:

Federal CFDA #	Program Title	Outstanding Loans June 30, 2018
66.818	Brownsfield Loans	\$ 1,320,902

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

Adverse for omission of discretely presented component unit, unmodified all other opinion unites

1. Type of Auditors' Report Issued:
2. Internal Control over Financial Reporting:
- Material Weakness(es) Identified? _____ X _____ Yes _____ No
 - Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)? _____ Yes _____ X _____ No
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? _____ Yes _____ X _____ No
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:

CFDA Number(s)

14.239
20.106
20.205
93.563
93.658
93.659

Name of Federal Program

HOME Investment Partnership Program
Airport Improvement Program
Highway Planning and Construction
Child Support Enforcement
Foster Care Title IV-E
Adoption Assistance

5. Dollar Threshold used to Distinguish Between Type A and Type B Programs? Type A \$2,615,249 / Type B \$653,812
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, 2018**

Section II – Financial Statement Findings

2018 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: At June 30, the County recorded a prior period adjustment of \$1.1 million to restate loans receivable balance at the beginning of the year to reflect the Brownsfields loan. The County was improperly recording the loan disbursements as expenditures.

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 County's Auditor-Controller's Office recently implemented a process for reconciling loans receivables accounts on a periodic basis, we concluded that that this is no longer a systemic problem, and the prior period adjustment was the result of the County analyzing and cleaning up the County's loan activity during closing for 2017-18 .

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 did not have any formal procedures in place for reconciling the loan schedules to the general ledger.

Repeat Finding: Finding is a repeat finding from the prior year (2017-001).

Recommendation: We recommend the County continue to 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 to prevent misstatements in future years.

Views of responsible officials and planned corrective actions: There is not disagreement with the audit findings. All County departments 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.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 – 002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted several significant account balances such as cash with fiscal agent (PARS), long-term receivables, unearned revenue and interfund transfers 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.

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.

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 (2017-002).

Recommendation: We recommend that reconciliations of significant accounts, including cash with fiscal agent (PARS), unearned revenue, interfund loans and transfers, and long-term receivables 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.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 – 003

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The County is currently maintaining more than 150 governmental trust funds to track activity benefitting the General Fund and other primary operating funds of the County.

Nearly all of the transactions in these funds for the fiscal year ended June 30, 2018 were recorded as "trust fund revenues" (account 808000) or trust fund expenditures (account 7000) netting to approximately \$8.2 million and \$8.3 million, respectively. There is the potential for double reporting of revenues and expenditures when resources are transferred from these trust funds into operating funds since the County must manually prepare reclassification journal entries to eliminate the double reporting of revenues and expenditures. There is also a risk that revenues will not be classified properly for financial reporting since the County must manually classify the revenues in each of these trust funds based on the revenue source. Finally, as the County does not budget for any activity in these governmental trust funds, any deviations from the adopted budget are not apparent until after the end of the fiscal year and thus cannot be addressed when they occur.

During our testing of trust fund activity, we noted 2 separate instances in which a wire transfer of \$3,252,920 was reported in fund 3444 and also in fund 3742 instead of within operating funds that have established budgets. These wire transfers to the Department of Health & Human Services (DHHS) were not budgeted in these trust funds nor were they approved by the auditor-controller's office to ensure the departments had established sufficient appropriations.

Criteria: According to the Accounting Standards and Procedures for Counties Guide published by the State Controller's office, "Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using too many funds causes inflexibility and undue complexity in financial management. It should be avoided in the interest of efficient and economical financial administration."

Context: The condition is a systemic problem since the County currently does not have a process for establishing new funds or closing funds that don't meet certain criteria established by the County.

Effect: By excluding transaction activity in these funds, balances for revenues and expenses in the County's own financial reports (including budgetary reports) are not complete. There is the potential to double-report revenues and expenditures when resources are transferred into operating funds. Using multiple funds within the accounting system to control the flow of revenues increases the potential for reporting revenues and expenditures twice.

As the County does not budget for any activity occurring in these governmental trust funds, any deviations from the adopted budget are not apparent until well after the end of the fiscal year and thus cannot be addressed when they occur.

Cause: The County currently does not have a formal process for establishing new funds requested by departments or closing funds that are not required or necessary for County operations and reporting.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Repeat Finding: Finding is a repeat finding from the prior year, though it was previously reported as a control deficiency and not a material weakness.

Recommendation: We recommend the Auditor-Controller's Office implement the following procedures:

1) Modify the chart of accounts of these trust funds to allow for the proper recording of inflows and outflows to the appropriate revenue and expense accounts to provide more accurate classification of these accounts and/or

2) Analyze each of its governmental trust funds to determine if there is a particular need to account for resources separately from the operating funds of the County. Close several of these trust funds to combine the balances and activities of these funds with existing County operating funds.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 – 004

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted a component unit, Fortuna Fire Protection District (District), that was being presented as a blended component unit when it should be classified as a discretely presented component unit. While the governing board of the County appoints all of the members of the District's governing board, the District should be discretely presented because its governing board is not substantively the same as the County's.

Also, we noted that neither the County nor the District were maintaining capital asset records for the District.

Criteria: Generally Accepted Accounting Principles in the United States of America (GAAP) requires the County's financial statements to present the activities of the County and its component units.

Context: Of the 14 special districts reported as blended component units in the County's financial statements under "Special Districts Governed by the Board of Supervisors", the Fortuna Fire Protection District represented approximately 80 percent of the total assets of all of these special districts combined.

Effect: Blending a component unit that should be presented discretely could result in misleading financial statements.

Cause: The Fortuna Fire Protection District has historically been disclosed in the County's financial statements as having the same board as the County which would require blending.

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

Recommendation: We recommend the County perform periodic reviews of its related entities to determine whether an organization is a component unit and whether a component unit's financial data should be reported using the blended or the discrete method based on applicable GASB publications.

We further recommend the County work closely with the District to establish a system for tracking and reporting its capital assets, especially with the District's recent purchase of a new fire engine.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 – 005

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted three subsequent receipts that were not correctly recognized in the period under audit.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that revenues are recorded in which the period they are earned.

Context: While performing audit procedures for revenue recognition, it was noted that the County does not have a process to review all significant subsequent receipts to ensure correct revenue recognition in accordance with U.S. GAAP.

Effect: The County materially understated revenues and receivables by \$2,565,571.

Cause: The County did not have a process in place to review significant receipts subsequent to year end to determine if they were related to the current year.

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

Recommendation: We recommend the County establish procedures to ensure subsequent receipts are reviewed for the correct revenue recognition period.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2018 – 006

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted four subsequent disbursements that were not correctly recognized in the period under audit.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that expenses are recorded in the period in which they are received.

Context: While performing audit procedures to search for unrecorded liabilities, it was noted that the County did not have a process to review disbursements processed after their internal cutoff date of August 3, 2018 to ensure expenses and accounts payables are accurate and complete in accordance with U.S. GAAP.

Effect: The County materially understated the Roads Fund expenses and accounts payable by \$333,329.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Cause: The County did not review disbursements after the cutoff date of August 3, 2018 to determine which period to recognize the payable and expense. Invoices received by the Auditor-Controller's office subsequent to this cutoff date were reported as fiscal year 2018/19 expenses.

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

Recommendation: We recommend the County review accounts payable disbursement controls in place to ensure subsequent disbursements are reviewed, after the department cutoff period, to ensure expenses are reported in the correct period.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None Reported.

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, 2018, 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, 2017 to June 30, 2018, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
June 6, 2019



**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, 2017 to June 30, 2018.

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, 2018.

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
June 6, 2019



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, 2018, and the related notes to the financial Schedule, which collectively comprise the Passenger Facility Charges, financial schedules, and have issued our report thereon dated June 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedule, 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 schedule, 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 schedule 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
June 6, 2019

**COUNTY OF HUMBOLDT
PASSENGER FACILITY CHARGES SCHEDULE
OF REVENUES, EXPENSES AND FUND BALANCE
YEAR ENDED JUNE 30, 2018**

REVENUES

Passenger Facility Charges (3993, 3994, 3996)	\$ 151,398
Interest	<u>11,696</u>
Total Revenue	<u>163,094</u>

EXPENDITURES

Services and Supplies	<u>12,628</u>
Total Expenditures	<u>12,628</u>

EXCESS OF REVENUES OVER EXPENSES

150,466

Fund Balance - Beginning of Year

827,188

FUND BALANCE - END OF YEAR

\$ 977,654

See accompanying Notes to Schedule of Passenger Facility Charges.

COUNTY OF HUMBOLDT
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
JUNE 30, 2018

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.