



Management  
County of Humboldt  
Eureka, California

In planning and performing our audit of the financial statements of County of Humboldt as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated July 22, 2024, contains our written communication of significant deficiencies and material weaknesses in the entity's internal control. This letter does not affect our report on the financial statements, nor our internal control communication contained in the single audit report dated July 22, 2024.

## **DISAGGREGATION OF RECEIVABLES**

### Condition

Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Disclosures*, requires components of significant receivables to be disclosed in the financial statements. Components of receivables include accounts receivable (due from citizens), taxes (property, sales taxes, transient occupancy) receivable, interest receivable, amounts due from other governments and notes receivable.

Currently, the County records accounts receivable, taxes receivable and due from other governments within the same receivable account within its general ledger. However, the County has recently updated its chart of accounts to include separate accounts for the various types of receivables.

### Recommendation

We recommend the County utilize its chart of accounts to account for the various receivable and payable types, including accounts receivable, loans receivable, interfund advances (and payables) and amounts due from other governments. Year-end closing procedures should be modified to capture receivable balances into each of these accounts according to their nature.

## **GOVERNMENTAL TRUST FUNDS**

### Condition

The County is currently maintaining more than 120 governmental trust funds to track activity benefitting the General Fund and other primary operating funds of the County.

While the County has significantly reduced the use of miscellaneous revenue and expenditure accounts in these funds, there is still 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. Finally, as the County does not budget for any activity in several of 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.

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."

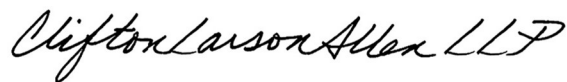
Recommendation

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.

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We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Supervisors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Roseville, California  
July 22, 2024