



CliftonLarsonAllen

CliftonLarsonAllen LLP
925 Highland Pointe Drive, Suite 450
Roseville, CA 95678-5423
916-784-7800 | fax 916-784-7850
CLAconnect.com

Management
County of Trinity
Weaverville, California

In planning and performing our audit of the financial statements of County of Trinity as of and for the year ended June 30, 2017, 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 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. We previously provided a written communication dated December 26, 2017, on the entity's internal control. A separate communication dated December 26, 2017, contains our written communication of significant deficiencies and material weaknesses in the County's internal control. This letter does not affect our report on the financial statements dated December 26, 2017.

NEGATIVE CASH BALANCES

Condition

We noted that various County Funds are carrying negative cash balances in the Treasurer's Investment Pool. Though the County recorded interfund liabilities as required by generally accepted accounting principles to eliminate the cash deficits for reporting purposes and has adopted a formal policy for addressing overdrawn accounts, it still had several grant funds with negative cash balances at the end of the fiscal year. Additionally, the County continues to report a large cash deficit in the former hospital fund without a formal plan for paying down the deficit.

Recommendation

On an ongoing basis, we recommend the County implement a process that would not allow a fund's share of the pooled cash to be deficit unless certain approvals from management are in place. Consideration should be given to implementing cash planning procedures at the department level where each department is held responsible for resolving existing cash deficits and then implementing steps that will prevent or at least minimize deficit cash balances.

For the former hospital fund which has a deficit balance of \$4,672,170, we recommend the County establish a formal plan for eliminating the deficit, as well as the time frame to doing so.

The following schedule summarizes County funds with negative cash balances, excluding fiduciary funds, tax resources fund (\$1,808,958) and the hospital fund (\$4,672,170) since these funds are not related to a program or grant:

| Fund | Fund Description | Balance June 30, 2017 |
|------|-------------------------------|--------------------------|
| 147 | EMERGENCY SERVICES | \$ 157,462 |
| 173 | NATURAL RESOURCES | 64,822 |
| 176 | WOMEN, INFANTS & CHILDREN | 62,373 |
| 182 | CDBG REHAB ACCOUNT | 188,300 |
| 184 | MISC GRANTS | 477,372 |
| 193 | GRANTS ADMINISTRATION | 27,099 |
| 543 | HOSPITAL PREPAREDNESS PROGRAM | 30,129 |

We will review the status of these comments during our next audit engagement. We have already discussed many of 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, the 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.



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Roseville, California
December 26, 2017