

**COUNTY OF COLUSA,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2012**

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COUNTY OF COLUSA
Single Audit Act
For the Year Ended June 30, 2012

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Supervisors and Grand Jury
County of Colusa
Colusa, California

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 of Colusa, California (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 26, 2013. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. (12-FS-01 and 12-FS-02) A significant deficiency is a deficiency, or 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.

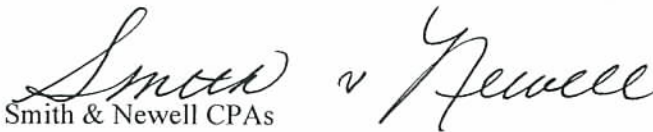
To the Board of Supervisors and Grand Jury
County of Colusa
Colusa, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors and Grand Jury, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", followed by a small "v" and another cursive signature.

Smith & Newell CPAs
Yuba City, California
March 26, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Supervisors and the Grand Jury
County of Colusa
Colusa, California

Compliance

We have audited County of Colusa, California's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. 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 financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-SA-01.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

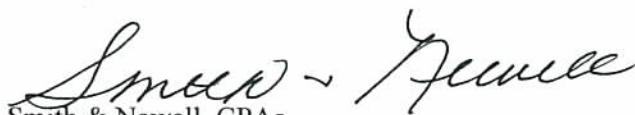
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 of Colusa, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 26, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The County's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.


Smith & Newell, CPAs
Yuba City, California
March 26, 2013

COUNTY OF COLUSA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Program/Pass Through Program Title	CFDA Number	Federal Identification/State Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CEC-06-2012	\$ 267,350
Passed through State Controller's Office: Schools and Roads - Grants to States	10.665	-	64,201
Total U.S. Department of Agriculture			331,551
Department of Housing and Urban Development			
Passed through State Department of Housing and Community Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Program Income	303,794
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Outstanding Loans	1,586,709
Subtotal 14.228			1,890,503
Home Investment Partnerships Program	14.239	10-HOME-6992	6,900
Home Investment Partnerships Program	14.239	Program Income	16
Home Investment Partnerships Program	14.239	Outstanding Loans	154,005
Subtotal 14.239			160,921
Total Department of Housing and Urban Development			2,051,424
U.S. Department of the Interior			
Direct Program: Payments in Lieu of Taxes	15.226	-	177,276
Total U.S. Department of the Interior			177,276
U.S. Department of Justice			
Direct Program: Drug Court Discretionary Grant Program	16.585	2011-19	13,756
Drug Court Discretionary Grant Program	16.585	2012-13	510
Subtotal 16.585			14,266
Public Safety Partnership and Community Policing Grants	16.710	2010-UM-WX-0026	132,422
Passed through State Emergency Management Agency: Crime Victim Assistance	16.575	VW 1116 0060	48,006
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC 1124 0060	110,688
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ZA 0901 0060	147,836
Total U.S. Department of Justice			453,218

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Program/Pass Through Program Title	CFDA Number	Federal Identification/State Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Transportation			
Passed through Federal Aviation Administration:			
Airport Improvement Program	20.106	AIP 3-06-0048-12	\$ 13,087
Airport Improvement Program	20.106	AIP 3-06-0048-13	394,968
Subtotal 20.106			408,055
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BR-NBIL (509)	97,397
Highway Planning and Construction	20.205	BRLO-5915 (044)	299,027
Highway Planning and Construction	20.205	BRLO-5915 (045)	5,332
Highway Planning and Construction	20.205	BRLO-5915 (048)	24,926
Highway Planning and Construction	20.205	BRLO-5915 (054)	28,587
Highway Planning and Construction	20.205	BRLO-5915 (055)	4,855
Highway Planning and Construction	20.205	BRLO-5915 (056)	8,208
Subtotal 20.205			468,332
Total U.S. Department of Transportation			876,387
Institute of Museum and Library Services			
Direct Program:			
Grants to States	45.310	40-7930	14,000
Total Institute of Museum and Library Services			14,000
U.S. Department of Health and Human Services			
Direct Program:			
Public Health Emergency Preparedness	93.069	EPO 11-07	93,382
Immunization grants	93.268	11-10528	24,603
National Bioterrorism Hospital Preparedness Program	93.889	EPO 11-07	119,042
Passed through State Department of Aging and CSU, Chico			
Research Foundation/Area Agency on Aging:			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	IIIB-0212-12	9,263
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	IIIC-025-25	40,691
Nutrition Services Incentive Program	93.053	IIIC-025-25	7,528
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	CEC-06-2012	9,563
Stephanie Tubbs Jones Child Welfare Services	93.645	CEC-06-2012	15,646
Social Services Block Grant	93.667	CEC-06-2012	60,261
Chafee Foster Care Independence Program	93.674	CEC-06-2012	21,352
Temporary Assistance for Needy Families	93.558	CEC-06-2012	771,514
Temporary Assistance for Needy Families	93.558	800-06-2012	507,851
Subtotal 93.558			1,279,365

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Program/Pass Through Program Title	CFDA Number	Federal Identification/State Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through State Department of Social Services (Continued):			
Foster Care - Title IV-E	93.658	CEC-06-2012	\$ 382,415
Foster Care - Title IV-E	93.658	800-06-2012	214,888
Subtotal 93.658			<u>597,303</u>
Adoption Assistance	93.659	CEC-06-2012	2,881
Adoption Assistance	93.659	800-06-2012	250,784
Subtotal 93.659			<u>253,665</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	Colusa	399,414
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Community Mental Health Services	93.958	SAMSHA	52,834
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	373,667
Passed through State Department of Health Services:			
Maternal and Child Health Services Block Grant to the States	93.994	MCH	56,823
Medical Assistance Program	93.778	HCPCFC	4,985
Medical Assistance Program	93.778	CHDP	67,860
Medical Assistance Program	93.778	CCS	83,477
ARRA - Medical Assistance Program	93.778	IHSS	28,456
Subtotal 93.778			<u>184,778</u>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	11F-4212	2,557
Community Services Block Grant	93.569	12F-4411	2,843
Subtotal 93.569			<u>5,400</u>
Total Department of Health and Human Services			<u>3,604,580</u>
Department of Homeland Security			
Passed through State Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2011-0048	48,908
Interoperable Emergency Communications	97.055	2010-16	50,100
Homeland Security Grant Program	97.067	2009-0019	40,486
State Homeland Security Program (SHSP)	97.073	2010-85	136,038
Total Department of Homeland Security			<u>275,532</u>
Total			<u><u>\$ 7,783,968</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Colusa. The County of Colusa 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 of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is generally presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the County financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in , or used in the preparation of the financial statements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements have been included in total federal expenditures.

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 inter governmental revenue in the General and Special Revenue Funds.

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 determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

5. AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

In accordance with requirements under OMB Circular A-133, expenditures for federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified by inclusion of the prefix "ARRA" on the Schedule of Expenditures of Federal Awards.

COUNTY OF COLUSA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

6. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs require servicing arrangements with the County. The funds are returned to the programs upon repayment of the principal and interest. In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2012, along with the value of total outstanding and new loans made during the current year.

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2012:

Federal CFDA	Program Title	Amount Outstanding	
		July 1, 2011	June 30, 2012
14.228	Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	\$ 1,586,709	\$ 1,577,589
14.239	Home Investment Partnerships Program	154,005	85,853
	Total	<u>\$ 1,740,714</u>	<u>\$ 1,663,442</u>

7. PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA	Program Title	Expenditures	Federal
<u>JAG Program Cluster</u>			
16.738	Edward Byrne Memorial Justice Assistance Grant Program		\$ 110,688
16.804	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (Direct Program)		147,836
	Total		<u>\$ 258,524</u>
<u>Aging Cluster</u>			
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		\$ 9,263
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services		40,691
93.053	Nutrition Services Incentive Program		7,528
	Total		<u>\$ 57,482</u>

COUNTY OF COLUSA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

8. CALIFORNIA EMERGENCY MANAGEMENT AGENCY GRANT EXPENDITURES

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California, Emergency Management Agency (CalEMA), as well as CalEMA funded grant expenditures for the year ended June 30, 2012. This information is included in the County's single audit report at the request of CalEMA.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2011	For the Year Through June 30, 2012	Cumulative As of June 30, 2012	Federal Share	State Share	County Share
<u>VW11160060 - Colusa County Victim Witness</u>						
Personal services	\$ -	\$ 63,552	\$ 63,552	\$ 48,006	\$ 15,546	\$ -
Operating expenses	-	28,229	28,229	-	28,229	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 91,781</u>	<u>\$ 91,781</u>	<u>\$ 48,006</u>	<u>\$ 43,775</u>	<u>\$ -</u>
<u>DC11240060 - Anti-Drug Abuse Enforcement Program</u>						
Personal services	\$ -	\$ 105,154	\$ 105,154	\$ 105,154	\$ -	\$ -
Operating expenses	-	5,534	5,534	5,534	-	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 110,688</u>	<u>\$ 110,688</u>	<u>\$ 110,688</u>	<u>\$ -</u>	<u>\$ -</u>
<u>ZA09010060 - ADA - Enforcement Team</u>						
Personal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	149,229	147,836	297,065	147,836	-	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ 149,229</u>	<u>\$ 147,836</u>	<u>\$ 297,065</u>	<u>\$ 147,836</u>	<u>\$ -</u>	<u>\$ -</u>

9. CALIFORNIA DEPARTMENT OF AGING (CDA) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDA require agencies to display state-funded expenditures discretely along with the related federal expenditures. For the fiscal year ended June 30, 2012, the County did not receive any CDA state funded grants. The following schedule is presented to comply with these requirements.

Program	Federal CFDA Number	Total Expenditures	Accrual Adjustments	Confirmed Amount
IIIB Transportation	93.044	\$ 9,263	\$ -	\$ 9,263
IIIC-1 Congregate	93.045	12,674	-	12,674
IIIC-1 Congregate One Time Only	93.045	357	-	357
IIIC-1 Congregate Nutrition Services Incentive Program	93.053	1,405	-	1,405
IIIC-2 Home Delivered Meals	92.045	27,438	-	27,438
IIIC-2 Home Delivered Meals One Time Only	93.045	222	-	222
IIIC-2 Home Delivered Meals, Nutrition Services Incentive	93.053	6,123	-	6,123
Total Expenditures of CDA Federal Awards		<u>\$ 57,482</u>	<u>\$ -</u>	<u>\$ 57,482</u>

COUNTY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No
Federal Awards	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	
All major programs	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)?	Yes
4. Identification of major programs:	
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
20.106 Airport Improvement Program	
93.558 Temporary Assistance for Needy Families	
93.563 Child Support Enforcement	
93.658 Foster Care - Title IV-E	
93.659 Adoption Assistance	
93.959 Block Grants for Prevention and Treatment of Substance Abuse	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

COUNTY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

Capital Assets (Significant Deficiency)	12-FS-01
Solid Waste (Significant Deficiency)	12-FS-02

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	12-SA-01
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COUNTY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

12-FS-01 Capital Assets (Significant Deficiency)

Condition

During our audit we noted that the County's schedule of land contained unidentified costs incurred prior to fiscal year 1989/90 of \$311,830 and an unidentified adjustment of \$47,544 in fiscal year 1994/95. This is a repeat of a prior year finding.

Cause

The County has not completed a review of the historical cost or estimated historical cost of all land owned by the County.

Criteria

Good internal control over capital assets requires that all capital assets be properly identified and recorded.

Effect of Condition

Errors in the capital assets listing can result in material misstatements of the financial statements.

Recommendation

We recommend that the County verify that all properties owned are properly recorded at actual historical cost or estimated historical costs.

Corrective Action Plan

The County Auditor-Controller has developed a complete listing of all land owned by the County, which includes the Assessor parcel numbers. However, much of the land was purchased in the 1800's and in subsequent years. Detailed records regarding land purchases (date of purchase and cost of each item) were not maintained until the last twenty or thirty years. We will strive to develop a system to identify, date and value the land with the resources that we have available. If actual records are not available, we will work with County appraisers to develop estimated historical costs. We will work diligently to complete this project as time permits. This is a long-term project and requires assistance from the County Assessor and County Clerk-Recorder.

12-FS-02 Solid Waste (Significant Deficiency)

Condition

The Solid Waste enterprise fund had deficit net assets of \$2,393,810 after adjusting the closure/postclosure liability at June 30, 2012. We noted that the County had adopted a pledge of revenue as a mechanism to demonstrate financial responsibility to fund the Evans Road postclosure costs, however we noted no pledge of revenue for the Stonyford landfill. This is a repeat of a prior year finding.

COUNTY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

12-FS-02 Solid Waste (Significant Deficiency) (Continued)

Cause

The County Solid Waste enterprise fund has not adequately funded the closure/postclosure liability.

Criteria

The County is required by State and Federal laws and regulations to adequately fund or demonstrate financial responsibility for the closure/postclosure liability.

Effect of Condition

The Solid Waste enterprise fund has an unfunded closure/postclosure liability.

Recommendation

We recommend that the County continue to monitor the funding provisions for this liability to ensure that appropriate steps are taken to ultimately fund this liability. We also recommend that the County ensure that an acceptable mechanism is in place to demonstrate financial responsibility for the closure/postclosure costs for the Stonyford landfill.

Corrective Action Plan

Separate closure/post-closure funds were established in 1989; Stonyford Landfill (Fund #04003) and Evans Landfill (Fund #04004). These two funds are adequately funded on an annual basis. The Board of Supervisors is kept apprised of the large deficit fund balance in the Solid Waste Enterprise Fund (#04000), and has taken action to increase revenues and reduce the deficit. The Board continues to analyze possible rate increases. They acknowledge the need to reduce the deficit as it would ultimately be a liability of the General Fund. However, they realize the deficit reduction will take a number of years. If the fees are increased at too fast a rate, the current users would find a less expensive option for their landfill needs. For the last several years estimated revenues have been budgeted in excess of appropriations. As a consequence the negative cash balance has decreased significantly over the last five years. The 2011-12 budget was developed to reduce the deficit as well. However, a new closure/post-closure plan was completed during the year which determined closures costs are increasing, so additional funds had to be set aside for the closure plans.

COUNTY OF COLUSA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

12-SA-01

Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA #: 14.228
Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Entity: State Department of Housing and Community Development
Award No.: Various
Year: 2010/2012

Condition

During our test of eight loan recipients, we noted in all eight cases the County had not maintained documentation that each loan recipient was still the owner of the home.

Perspective

The County has not maintained documentation of loan recipient compliance with loan provisions.

Criteria

The County has not maintained documentation of their monitoring of compliance with loan provisions.

Effect of Condition

The County is not maintaining documentation of its monitoring of CDBG loans for compliance with the loan provisions.

Questioned Costs

No costs are questioned.

Recommendation

We recommend that the County develop a program to monitor and document compliance with the loan provisions.

Corrective Action Plan

Beginning in Fiscal Year 2011-12, we implemented internal procedures with regards to monitoring the CDBG loans on file with the County. Part of those procedures had to do with checking on titles of outstanding loans with the Clerk/Recorder to verify any change in ownership. At that time, we were only verifying the title and not printing the actual document for our files. As of Fiscal Year 2012-13, we have implemented the last step into our procedures and are now keeping a hard copy of the title in our loan files.

COUNTY OF COLUSA
Summary Schedule of Prior Audit Recommendations
For the Year Ended June 30, 2012

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
11-FS-01	Capital Assets Recommendation We recommend that the County verify that all properties owned are properly recorded at actual historical cost or estimated historical cost. Status Not Implemented
11-FS-02	Solid Waste Recommendation We recommend that the County continue to monitor the funding provisions for this liability to ensure that appropriate steps are taken to ultimately fund this liability. We also recommend that the County ensure that an acceptable mechanism is in place to demonstrate financial responsibility for the closure/post-closure costs for the Stonyford landfill. Status Not Implemented
11-SA-01	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Recommendation We recommend that the County establish policies and procedures for monitoring compliance with loan provisions and develop a program to monitor compliance with loan provisions. Status In Progress

COUNTY OF COLUSA
Summary Schedule of Prior Audit Recommendations
For the Year Ended June 30, 2012

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
11-SA-02	Adoption Assistance Recommendation We recommend that the County require that the AAP-4s be signed by the “Authorized Official of County Welfare Department” (County eligibility staff) and that this person check the appropriate box showing determination of FFP eligibility on the bottom of this form. We also recommend that the County incorporate into their review process procedures to ensure that the AAP-4s are properly completed and executed. Status Implemented

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