

COUNTY OF TUOLUMNE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2013



Certified Public Accountants.

**COUNTY OF TUOLUMNE, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2013**

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COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor

Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct:			
U.S. Forest Service Communications	10.unknown	\$ 3,851	11-LE-11051360-340
U.S. Forest Service Emergency Airport Use	10.unknown	3,750	N/A
Law Enforcement - USFS	10.unknown	7,714	12-LE-11051360-018
Passed through California Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	9,572	11-0517-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,132	12-0437-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	938	11-0343-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	7,782	10-0363
Plant and Animal Disease, Pest Control, and Animal Care	10.025	14,412	12-0115-SF
Total Plant and Animal Disease, Pest Control, and Animal Care		33,836	
Forest Health Protection	10.680	669	07-PA-11051651-049
Passed through California Department of Forestry:			
Cooperative Forestry Assistance	10.664	6,379	7FG12123
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	511,904	12-10506
Passed through California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	890,533	141-16-75
Passed through California Controller's Office:			
Schools and Roads - Grants to States	10.665	80,561	US Forest Reserve Title III
Schools and Roads - Grants to States	10.665	584,212	US Forest Reserve Title I
Total Schools and Roads - Grants to States		664,773	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		2,123,409	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct:			
Supportive Housing Program	14.235	14,686	CA0319B9T260800
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	246,273	08-EDEF-5790
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	9,673	10-EDEF-7270
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	110,730	10-STBG-6742
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	221,900	12-CDBG-8421
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	481,577	Loans w/continuing compliance requirements
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		1,070,153	

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor

Pass Through Grantor (if not direct)

Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>(Continued)</u>			
Passed through California Department of Housing and Community: Development (Continued):			
Home Investment Partnerships Program	14.239	\$ 187,893	10-HOME-6854
Home Investment Partnerships Program	14.239	422,409	11-HOME-7672
Home Investment Partnerships Program	14.239	306,281	12-HOME-8565
			Loans w/continuing
Home Investment Partnerships Program	14.239	3,675,669	compliance requirements
Total Home Investment Partnerships Program		<u>4,592,252</u>	
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>5,677,091</u>	
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct:			
Law Enforcement - New Melones	15.unknown	107,808	R10PX20133
Payment in Lieu of Taxes	15.226	1,908,579	N/A
Distribution of Receipts to State and Local Governments	15.227	594	US Grazing Fees
TOTAL U.S. DEPARTMENT OF INTERIOR		<u>2,016,981</u>	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
DEA-marijuana eradication	16.unknown	44,380	2013-60
State Criminal Alien Assistance Program	16.606	10,035	N/A
Bulletproof Vest Partnership Program	16.607	4,921	N/A
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,722	2010-DJ-BX-1328
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,805	2009-DJ-BX-0629
Passed through California Emergency Management Agency:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,421	DC11210550
Edward Byrne Memorial Justice Assistance Grant Program	16.738	120,754	MS10010550
Passed through Board of State & Community Corrections:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	94,248	BSCC 642-12
Edward Byrne Memorial Justice Assistance Grant Program	16.738	64,396	BSCC 664-12
Total Edward Byrne Memorial Justice Assistance Grant Program		<u>293,346</u>	
Direct:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	11,970	2009-SB-B9-2612
Passed through California Emergency Management Agency (Continued):			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	<u>76,189</u>	ZP09010550
Total ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government		<u>88,159</u>	
Total JAG Program Cluster		<u>381,505</u>	
Crime Victim Assistance	16.575	<u>50,173</u>	VW12 26 0550
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>491,014</u>	

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor

Pass Through Grantor (if not direct)

Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	\$ 307,574	X13-5932 (072)
Highway Planning and Construction	20.205	148,124	BRLO-5932 (007)
Highway Planning and Construction	20.205	64,388	BRLO-5932 (038)
Highway Planning and Construction	20.205	72,028	BRLO-5932 (064)
Highway Planning and Construction	20.205	9,816	BHLO-5932 (041)
Highway Planning and Construction	20.205	48,823	BRLS-5932 (039)
Highway Planning and Construction	20.205	1,796	HSIPL-5932 (062)
Highway Planning and Construction	20.205	27,263	HSIPL-5932 (066)
Total Highway Planning and Construction (non-ARRA)		679,812	
ARRA - Highway Planning and Construction	20.205	186,714	HPESPL-5932 (055)
ARRA - Highway Planning and Construction	20.205	43,594	ESPLTE-5932 (058)
Total Highway Planning and Construction (ARRA)		230,308	
Total Highway Planning and Construction		910,120	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		910,120	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through California Department of Public Health:			
Public Health Emergency Preparedness	93.069	4,538	EPO 11-55
Public Health Emergency Preparedness	93.069	142,105	EPO 12-55
Total Public Health Emergency Preparedness		146,643	
Immunization Cooperative Agreements	93.268	27,281	11-10580
National Bioterrorism Hospital Preparedness Program	93.889	11,027	EPO 11-55
National Bioterrorism Hospital Preparedness Program	93.889	104,127	EPO 12-55
Total National Bioterrorism Hospital Preparedness Program		115,154	
Maternal and Child Health Services Block Grant to the States	93.994	86,680	201255
Passed through California Family Health Council, Inc.			
Family Planning - Services	93.217	68,738	1420-5320-71209-12
Family Planning - Services	93.217	28,452	1420-5320-71209-13
Total Family Planning - Services		97,190	
Passed through YES Partnership/Amador-Tuolumne Community Action Agency:			
Drug-Free Communities Support Program Grants	93.276	2,000	not available
ARRA - Early Head Start	93.709	687	not available
Passed through California Secretary of State:			
Voting Access for Individuals with Disabilities-Grants to States	93.617	20,000	not available
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	31,807	151-25-30
Temporary Assistance for Needy Families	93.558	2,420,536	151-25-30
Stephanie Tubbs Jones Child Welfare Services Program	93.645	24,173	151-25-30
Foster Care - Title IV-E	93.658	1,229,981	141-16-75
ARRA - Foster Care - Title IV-E	93.658	(14)	141-16-75
Total Foster Care - Title IV-E		1,229,967	

(Continued)

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor

Pass Through Grantor (if not direct)

Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
Passed through California Department of Social Services (Continued):			
Adoption Assistance	93.659	\$ 912,323	151-25-30
Social Services Block Grant	93.667	203,390	151-25-30
Child Abuse and Neglect State Grants	93.669	9,266	CBCAP
Chafee Foster Care Independence Program	93.674	21,239	151-25-30
Passed through Public Health Institute:			
Public Prevention Health Fund 2012: Community Transformation Grants - Small Communities Program Financed Solely by 2012 Public Prevention and Health Funds	93.737	264,500	1017793
Passed through California Department of Health Care Services:			
Medical Assistance Program	93.778	34,925	08-85139
Medical Assistance Program	93.778	75,656	CHDP
Medical Assistance Program	93.778	21,586	HCPC
Medical Assistance Program	93.778	78,651	CCS-Admin
Medical Assistance Program	93.778	2,467	TCM 55-0712
Medical Assistance Program	93.778	140,255	TCM 55-0713A2
Passed through California Department of Public Health (Continued):			
Medical Assistance Program	93.778	16,479	11-10557
Passed through California Department of Social Services (Continued):			
Medical Assistance Program	93.778	465,462	111-25-15
Medical Assistance Program	93.778	790,487	not available
Medical Assistance Program	93.778	166,644	151-25-30
Total Medical Assistance Program		1,792,612	
Passed through California Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	464,871	10-NNA55
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		7,870,319	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	69,759	2010-0044
Emergency Management Performance Grants	97.042	136,190	2012-0027
Total Emergency Management Performance Grants		205,949	
Pre-Disaster Mitigation	97.047	93,791	2011-0002
Homeland Security Grant Program (HSGP)	97.067	17,907	2012-SS-00123
Buffer Zone Protection Program	97.078	199,820	2009-BF-T9-0026
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		517,467	
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 19,606,401	

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the County of Tuolumne (the County). The County 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 is included in the Schedule.

NOTE B – BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except for programs recorded in the County's enterprise funds. The enterprise funds are presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

NOTE C – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures/expenses materially agree to or can be reconciled with the amounts reported in the County's basic financial statements.

NOTE D – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

NOTE E – AMOUNT PROVIDED TO SUBRECIPIENTS

Of the expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 299,363
Public Prevention Health fund 2012: Community Transformation Grants- Small Communities Program Financed Solely by 2012 Public Prevention and Health Funds	93.737	98,174

NOTE F – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

The County has included in the Schedule under Grant #/Project ID the identifying numbers for pass-through grants when such information has been provided by the pass-through entities. For grants that the County was not provided with such information by the pass-through entities, the County has indicated the pass-through identifying numbers as "not available."

COUNTY OF TUOLUMNE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

NOTE G – LOAN PROGRAMS

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest and programs funded by these repayments are reported as expenditures in the Schedule. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the County has reported the value of total outstanding and new loans made during the current year.

The following is a summary of the loan program balances and activities that have continuing compliance requirements at June 30, 2013:

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2013 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2013 Loan Disbursements</u>
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 481,577	\$ 481,577	\$ --
Home Investment Partnerships Program	14.239	4,385,637	3,675,669	709,968
		<u>\$ 4,867,214</u>	<u>\$ 4,157,246</u>	<u>\$ 709,968</u>

**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**

To the Board of Supervisors
and Grand Jury
County of Tuolumne
Sonora, 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 Tuolumne, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 20, 2013.

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 were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

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*.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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.

Maclean Gini & O'Connell LLP

Sacramento, California
December 20, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Supervisors
and Grand Jury
County of Tuolumne
Sonora, California

Report on Compliance for Each Major Federal Program

We have audited the County of Tuolumne, California's (County) 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 the County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 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 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 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. *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-003 and 2013-004 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic 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 basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Maclean Mini & O'Connell LLP

Sacramento, California
March 19, 2014

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified No
- Significant deficiencies identified that are not considered to be material weaknesses Yes

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified No
- Significant deficiencies identified that are not considered to be material weaknesses Yes

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.665	Schools and Roads – Grants to States
14.239	Home Investment Partnerships Program
15.226	Payment in Lieu of Taxes
16.738 / 16.804	JAG Program Cluster [Edward Byrne Memorial Justice Assistance Grant Program (non-ARRA) and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government]
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$588,192

Auditee qualified as low-risk auditee No

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings

2013-001 – Deficit Internal Service Funds

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The County is not charging County funds their share of the County's costs accumulating in its Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds.

Context:

The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net position balances were deficits of \$2,445,953, \$7,811,784, and \$7,859,075, respectively, as of June 30, 2013.

Effect:

This condition resulted in the County accumulating large deficits in these internal services funds, and therefore over-reporting the equity position of other County funds that are using these services, but not being charged for them.

Cause:

The County is not charging County funds their share of the County's Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Recommendation:

Under generally accepted accounting principles, the County needs to begin charging County funds their share of the Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Management Response and Corrective Action:

Management is looking at increasing 2013-14 and all future years' charges to properly allocate the costs.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

2013-002 – Schedule of Expenditures of Federal Awards

Criteria:

Pursuant to Subpart C, Section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310.” Per Section 310(b)(3), “the schedule of expenditures of federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.”

Condition:

The expenditures for the Temporary Aid for Needy Families program were not properly reported on the County’s draft schedule of expenditures of federal award (SEFA) as the County did not adjust the fourth quarter expenditures for the year ended June 30, 2013 to reflect the appropriate federal reimbursement rate.

Context:

The drafted SEFA federal expenditures for the Temporary Aid for Needy Families program of \$2,577,708 were overstated by \$157,172.

Effect:

This condition required an audit adjustment to reduce the Temporary Aid for Needy Families SEFA federal expenditures by \$157,172. In addition, this condition exposed the County to the risk of an incorrect determination of major programs.

Cause:

It appears there was no formal review of federal expenditures reported on the SEFA.

Recommendation:

The County should develop written policies and procedures that document the process for measuring and reporting federal expenditures as it pertains to the SEFA pursuant to the requirement of OMB Circular A-133.

Management Response and Corrective Action:

Agree. Policy will be written and will be implemented by June 30, 2014.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2013-003
Federal Program Title:	Schools and Roads – Grants to States
Federal Catalog Number:	10.665
Pass-Through Agency:	California Controller’s Office
Award Numbers and Years:	US Forest Reserve Title III; 2011-12
Federal Agency:	U.S. Department of Agriculture
Category of Finding:	Reporting

Criteria:

Secure Rural Schools Act Title III, Public Law 112-141, Section 303. Certification

- (a) Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used of the uses authorized under section 7142(a) of this title, including description of the amounts expended and the uses for which the amounts were expended.

Condition:

The County did not submit its annual certification of Title III expenditures.

Questioned Costs:

There are no questioned costs associated with this condition.

Context:

The County received \$96,223 in Title III funding of which it expended \$80,561 during the year.

Effect:

The County is not in compliance with its annual certification of Title III funds and exposes itself to disciplinary action from the granting agency.

Cause:

The reporting requirement was established on July 16, 2012, and the County was not aware of this new reporting requirement.

Recommendation:

The County should develop policies and procedures to ensure all program requirements are identified and adhered to and that training is provided to County personnel who are responsible for administering federal programs, to communicate the importance of complying with program compliance requirements.

Management Response and Corrective Action:

Agree with recommendation. The County will provide staff with proper training.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Reference Number:	2013-004
Federal Program Title:	Highway Planning and Construction
Federal Catalog Number:	20.205
Pass-Through Agency:	California Department of Transportation
Award Numbers and Years:	HPESPL-5932 (055); 2008-09 ESPLTE-5932 (058); 2008-09 HSIPL-5932 (062); 2010-11 BRLO-5932 (064); 2010-11
Federal Agency:	U.S. Department of Transportation
Category of Finding:	Activities Allowed or Unallowed Allowable Costs/Cost Principles

Criteria:

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition:

Employee timecards did not have a supervisor's signature indicating they were properly reviewed. However, it was determined that these costs were subjected to secondary reviews and to be in compliance with the activities allowed or unallowed and allowable costs and cost principles compliance requirements.

Questioned Costs:

There are no questioned costs associated with this condition.

Context:

Six exceptions were noted out of the 40 employee timecards selected for testing.

Effect:

The County exposes itself to the risk of submitting/requesting reimbursement for non-federal expenditures. The impact of possibly submitting non-federal expenditure reimbursement requests may lead to delays in reimbursement of program expenditures or other disciplinary action from the granting agency.

Cause:

The County had departmental turnover, with the new department supervisor not aware of the County requirement that employee timecards need a supervisor's signature to indicate proper review/approval.

Recommendation:

The County should provide adequate training to new staff to ensure staff is aware of established County policies and procedures.

Management Response and Corrective Action:

Agree with recommendation. Staff will be provided adequate training.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS FINDINGS

2012-A – Trust Fund Analysis – Debit Liability Balances

Criteria:

Management of the County is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles.

Condition:

The Payroll Revolving and PERS trust funds, which for financial reporting purposes are reported as part of the General Fund, had debit liability balances at June 30, 2012 of \$1,063,739 and \$1,131,415, respectively.

Context:

The Payroll Revolving Trust Fund is used to pay County payroll expenditures and the PERS Trust Fund is used to pay the monthly retirement contributions to California Public Employees' Retirement System.

Effect:

This condition resulted in the General Fund's deferred revenue and salaries and benefits payable balances being materially understated at June 30, 2012, which therefore required an audit adjustment of \$2,195,154 to correct.

Cause:

The debit liability balances in the Payroll Revolving and PERS trust funds were caused by negative cash balances in these trust funds due to the Employee Leave Liability Internal Service Fund not replenishing these trust funds prior to year end.

Recommendation:

The County should implement policies and procedures regarding the preparation and review of their financial statements to determine that all trust fund activity is appropriately classified.

Management Response and Corrective Action:

Management will review the trust funds before the financial statements are prepared, so that everything is recorded timely.

Current Year Status:

The County properly reviewed the County's trust fund to ensure proper recording within the financial statements. Therefore, we consider this recommendation implemented.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013**

2012-B – Incorrect Solid Waste Landfill Multiplier

Criteria:

Under Title 27 of the California Code of Regulations, Division 2, Subdivision 1, Chapter 6, Subchapter 2, Article 2, Section 22211(b), “For each solid waste landfill with approved final closure and postclosure maintenance plans on or before July 1, 2010, the postclosure maintenance cost estimate multiplier must be equal to thirty (30), except that: (1) Upon request by the operator and verification by CalRecycle, the operator may reduce the multiplier to an amount corresponding to the number of years of postclosure maintenance completed since the approval of the certification of closure of the entire solid waste landfill pursuant to Section 21880, but shall not reduce the multiplier to less than fifteen (15).”

Condition:

The County improperly used a multiplier of 23 years instead of the required multiplier of 30 years in their calculation of the Big Oak Flat (Groveland) landfill closure and postclosure liability at June 30, 2012, as they did not have approval to use a reduced multiplier.

Context:

The County’s landfill closure and postclosure liability at June 30, 2012 was \$5,549,267.

Effect:

This condition resulted in the County’s Solid Waste Enterprise Fund landfill closure and postclosure liability balance being materially understated at June 30, 2012, which therefore required an audit adjustment of \$609,017 to correct.

Cause:

The County believed that they had prepared and submitted the request for a reduced multiplier that was verified by CalRecycle, but that request was not actually submitted.

Recommendation:

The County should submit the request for a reduced multiplier to CalRecycle for verification. In the meantime, the County should review control procedures to ensure that the correct multiplier is used in calculating the landfill closure and postclosure liability.

Management Response and Corrective Action:

Management has resubmitted a request to CalRecycle to review the rates. The County is hopeful, based upon prior activity, that the rates will be reduced. The new rates will be used in the future.

Current Year Status:

The County obtained approval from CalRecycle during FY 2013 to reduce the multiplier used in the estimate of the landfill closure/postclosure liability. Therefore, we deem this recommendation implemented.

COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

2012-C – Improper Deferral of Mental Health Services Act Revenues

Criteria:

Per Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, for government-mandated nonexchange transactions, resources received in advance are to be deferred until all eligibility requirements are met. Eligibility requirements are conditions established by enabling legislation or the provider that are required to be met before a transaction can occur. One eligibility requirement for government-mandated nonexchange transactions may be a time requirement. A time requirement specifies the period when the resources are required to be used or when use is first permitted. Recipients should recognize receivables (or a decrease in liabilities) and revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should be reported as deferred revenues by recipients.

Condition:

The County incorrectly deferred Mental Health Services Act (MHSA) funds received from the California Department of Mental Health.

Context:

The MHSA funds are to be used at the discretion of the County, as long as funds are expended for mental health services. Any unspent funds after three years are to be returned to the State.

Effect:

This condition resulted in the County's Health and Welfare Special Revenue Fund deferred revenue balance to be materially overstated at June 30, 2012, which therefore required an audit adjustment of \$911,479 to correct.

Cause:

The deferral of MHSA funds was caused by the County believing that the requirement to return any unused funds after three years constituted a time requirement. The requirement to return any unused funds after three years is not a time requirement as the requirement does not specify the period when the resources are required to be used or when use is first permitted. Therefore, the MHSA funds should be recorded as revenue when received, with the fund balance being restricted for mental health purposes. Any unspent funds remitted back to the State at the end of three years should be recorded as an expenditure.

Recommendation:

The County should implement policies and procedures to ensure the proper recognition of nonexchange transactions in accordance with GASB Statement No. 33.

Management Response and Corrective Action:

Management agrees.

Current Year Status:

The County properly reviewed the County's trust fund activity to ensure funding received is being properly recorded in accordance with GASB Statement No. 33. The County properly reported MHSA funding received as revenue during FY 2013. Therefore, we deem this recommendation implemented.

COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

2012-D – Deficit Internal Service Funds

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The County is not charging County funds their share of the County's costs accumulating in its Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds.

Context:

The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net deficit balances were \$2,720,350, \$8,045,977, and \$5,855,382, respectively, as of June 30, 2012.

Effect:

This condition resulted in the County accumulating large deficits in these internal services funds, and therefore over-reporting the equity position of other County funds that are using these services, but not being charged for them.

Cause:

The County is not charging County funds their share of the County's Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Recommendation:

Under generally accepted accounting principles, the County needs to begin charging County funds their share of the Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Management Response and Corrective Action:

Management is looking at increasing 2013-14, and all future years', charges to properly allocate the costs.

Current Year Status:

Recommendation continues. See current year finding 2013-001.