

COUNTY OF TUOLUMNE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2012



Certified Public Accountants.

**COUNTY OF TUOLUMNE, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2012**

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COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	\$ 2,957	11-LE-11051360-340
Law Enforcement - USFS	10.unknown	55,000	12-LE-11051360-018
Community Facilities Loans and Grants	10.766	37,500	04-055-946000547
Passed through California Department of Food and Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	22,423	11-0034
Plant and Animal Disease, Pest Control, and Animal Care	10.025	28,330	10-0363
Plant and Animal Disease, Pest Control, and Animal Care	10.025	820	10-0642
Plant and Animal Disease, Pest Control, and Animal Care	10.025	5,132	10-0141-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	5,366	11-0259-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,778	10-0591
Plant and Animal Disease, Pest Control, and Animal Care	10.025	2,309	11-0283-SF
Total Plant and Animal Disease, Pest Control, and Animal Care		66,158	
Forest Health Protection	10.680	352	09-0271
Forest Health Protection	10.680	1,488	07-PA-110516651-049
Total Forest Health Protection		1,840	
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688	4,781	09-0565-C9-00
Passed through California Department of Forestry			
Cooperative Forestry Assistance	10.664	12,238	7FG10132
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	144,008	08-85483
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	343,956	11-10506
Total Special Supplemental Nutrition Program for Women and Children		487,964	
Passed through California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	819,356	141-16-75
Passed through California Controller's Office:			
Schools and Roads - Grants to States	10.665	107,445	US Forest Reserve Title III
Schools and Roads - Grants to States	10.665	652,344	US Forest Reserve Title I
Total Schools and Roads - Grants to States		759,789	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		2,247,583	
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Passed through California Emergency Management Agency:			
Public Safety Interoperable Communications Grant	11.555	56,340	067-64000
TOTAL U.S. DEPARTMENT OF COMMERCE		56,340	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct:			
Supportive Housing Program	14.235	43,011	CA0319B9T260800

(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, 2012

Federal Grantor

Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>(Continued)</u>			
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	\$ 19,450	09-PTAG-6521
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	310,817	09-STBG-6418
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	229,130	10-STBG-6742
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	9,773	10-EDEF-7270
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	498,542	Loans w/continuing compliance requirements
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		1,067,712	
Home Investment Partnerships Program	14.239	32,425	08-HOME-4714
Home Investment Partnerships Program	14.239	371,060	09-HOME-6209
Home Investment Partnerships Program	14.239	524,022	10-HOME-6854
Home Investment Partnerships Program	14.239	45,795	11-HOME-7672
Home Investment Partnerships Program	14.239	3,152,664	Loans w/continuing compliance requirements
Total Home Investment Partnerships Program		4,125,966	
Passed through Amador-Tuolumne Community Action Agency:			
ARRA - Homeless Prevention and Rapid Re-Housing Program Technical Assistance	14.262	8,302	09-HPRP-6121
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		5,244,991	
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct:			
Law Enforcement - New Melones	15.unknown	127,420	R10PX20133
Payment in Lieu of Taxes	15.226	1,770,465	N/A
Distribution of Receipts to State and Local Governments	15.227	789	US Grazing Fees
TOTAL U.S. DEPARTMENT OF INTERIOR		1,898,674	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
DEA-marijuana eradication	16.unknown	35,000	2011-61
State Criminal Alien Assistance Program	16.606	8,618	N/A
Bulletproof Vest Partnership Program	16.607	6,948	N/A
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,804	2010-DJ-BX-1328
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,064	2009-DJ-BX-0629

(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, 2012

Federal Grantor

Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF JUSTICE (Continued)</u>			
Passed through California Emergency Management Agency:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 112,023	DC11210550
Edward Byrne Memorial Justice Assistance Grant Program	16.738	209,996	MS10010550
Total Edward Byrne Memorial Justice Assistance Grant Program		337,887	
Direct (continued):			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	13,673	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	2,682	ZM09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	16,924	ZO09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	159,815	ZA09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	30,333	ZP09010550
Total ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government		223,427	
Total JAG Program Cluster		561,314	
Crime Victim Assistance	16.575	57,298	VW11250550
TOTAL U.S. DEPARTMENT OF JUSTICE		669,178	
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	307,574	X12-5932 (069)
Highway Planning and Construction	20.205	56,804	BRLO-5932 (007)
Highway Planning and Construction	20.205	29,170	BRLO-5932 (038)
Highway Planning and Construction	20.205	46,713	BRLS-5932 (039)
Highway Planning and Construction	20.205	884,406	BHLO-5932 (041)
Highway Planning and Construction	20.205	31,829	BRLO-5932 (64)
Highway Planning and Construction	20.205	2,898	BPMP-5932 (048)
Highway Planning and Construction	20.205	137	HSIPL-5932 (045)
Highway Planning and Construction	20.205	123,065	HSIPL-5932 (062)
Highway Planning and Construction	20.205	18,187	HSIPL-5932 (066)
Total Highway Planning and Construction (non-ARRA)		1,500,783	
ARRA - Highway Planning and Construction	20.205	863	HPESPL-5932 (055)
ARRA - Highway Planning and Construction	20.205	65,668	ESPLTE-5932(058)
Total Highway Planning and Construction (ARRA)		66,531	
Total Highway Planning and Construction		1,567,314	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		1,567,314	

(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, 2012

Federal Grantor

Pass Through Grantor (if not direct) Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
Direct:			
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	\$ 3,466	EP099000183
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		<u>3,466</u>	
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through California Energy Commission:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	<u>142,943</u>	CBG-09-106
TOTAL U.S. DEPARTMENT OF ENERGY		<u>142,943</u>	
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
Individual with Disabilities Education Act (IDEA)	84.unknown	<u>22,060</u>	N/A
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>22,060</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through California Department of Public Health:			
Public Health Emergency Preparedness	93.069	20,427	EPO 09-55
Public Health Emergency Preparedness	93.069	2,155	EPO 10-55
Public Health Emergency Preparedness	93.069	<u>143,097</u>	EPO 11-55
Total Public Health Emergency Preparedness		165,679	
Immunization Grants	93.268	24,770	11-10580
National Bioterrorism Hospital Preparedness Program	93.889	697	EPO 09-55
National Bioterrorism Hospital Preparedness Program	93.889	17,192	EPO 10-55
National Bioterrorism Hospital Preparedness Program	93.889	<u>115,163</u>	EPO 11-55
Total National Bioterrorism Hospital Preparedness Program		133,052	
Maternal and Child Health Services Block Grant to the States	93.994	2,833	201055
Maternal and Child Health Services Block Grant to the States	93.994	<u>85,898</u>	201155
Total Maternal and Child Health Services Block Grant to the States		88,731	
Passed through California Family Health Council, Inc.			
Family Planning - Services	93.217	60,412	1420-5320-71209-11
Family Planning - Services	93.217	<u>33,306</u>	1420-5320-71209-12
Total Family Planning - Services		93,718	
Passed through YES Partnership/Amador-Tuolumne Community Action Agency:			
Drug-Free Communities Support Program Grants	93.276	5,640	not available
ARRA - Early Head Start	93.709	2,438	not available
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	32,019	151-25-30
Temporary Assistance for Needy Families	93.558	2,740,503	151-25-30
Stephanie Tubbs Jones Child Welfare Services Program	93.645	29,139	151-25-30

(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, 2012

Federal Grantor

Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
Passed through California Department of Social Services (continued):			
Foster Care - Title IV-E	93.658	\$ 1,444,604	141-16-75
ARRA - Foster Care - Title IV-E	93.658	170	141-16-75
Total Foster Care - Title IV-E		1,444,774	
Adoption Assistance	93.659	946,217	151-25-30
Social Services Block Grant	93.667	203,130	151-25-30
Child Abuse and Neglect State Grants	93.669	17,021	CBCAP
Chafee Foster Care Independence Program	93.674	21,445	151-25-30
Passed through California Department of Health Care Services:			
ARRA - Medical Assistance Program	93.778	2,432	TCM 55-0712
Medical Assistance Program	93.778	34,299	08-85139
Medical Assistance Program	93.778	73,640	CHDP
Medical Assistance Program	93.778	14,069	HCPC
Medical Assistance Program	93.778	73,734	CCS-Admin
Medical Assistance Program	93.778	169,276	TCM 55-0712
Passed through California Department of Public Health (continued):			
Medical Assistance Program	93.778	19,825	11-10557
Passed through California Department of Social Services (continued):			
Medical Assistance Program	93.778	435,441	111-25-15
Medical Assistance Program	93.778	796,285	not available
Medical Assistance Program	93.778	201,352	151-25-30
Total Medical Assistance Program (non-ARRA)		1,817,921	
Total Medical Assistance Program		1,820,353	
Passed through Public Health Institute:			
Public Prevention Health Fund 2012: Community Transformation Grants	93.737	44,867	1017793
Passed through California Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	600,160	10-NNA55
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		8,413,656	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	79,235	2010-0044
Pre-Disaster Mitigation	97.047	118,468	2011-0002
Homeland Security Grant Program	97.067	49,941	2009-0019
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		247,644	
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 20,513,849	

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, 2012

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	\$ 517,857
Temporary Assistance for Needy Families (TANF)	93.558	50,000

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, 2012

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, 2012:

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2012 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2012 Loan Disbursements</u>
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 498,542	\$ 498,542	\$ --
Home Investment Partnerships Program	14.239	3,897,886	3,152,664	745,222
		<u>\$ 4,396,428</u>	<u>\$ 3,651,206</u>	<u>\$ 745,222</u>



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

**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**

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 Tuolumne, 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 January 30, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. .

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-A, 2012-B, and 2012-C to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-D to be a significant deficiency.

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*.

We noted certain matters that we have reported to management of the County in a separate letter dated January 30, 2013.

The County's responses to the findings identified in our audit are 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 them.

This report is intended solely for the information and use of the Board of Supervisors, Grand Jury, management, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Macie Mini & O'Connell LLP

Sacramento, California
January 30, 2013



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

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

Compliance

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, 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 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.

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 as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

This report is intended solely for the information and use of the Board of Supervisors, Grand Jury, management, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Macinnis & O'Connell LLP

Sacramento, California

March 14, 2013

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified	Yes
• 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	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.228	Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii
14.239	Home Investment Partnerships Program
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]
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E (ARRA and non-ARRA)
93.659	Adoption Assistance
93.959	Block Grants for Prevention and Treatment of Substance Abuse

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$615,415
Auditee qualified as low-risk auditee	No

Section II – Financial Statement 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.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings (Continued)

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.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings (Continued)

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.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section II – Financial Statement Findings (Continued)

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.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

Section III – Federal Award Findings and Questioned Costs

None.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS FINDINGS

2011-A – Trust Fund Analysis – Deferred Revenues

Condition, Criteria and Effect

Several trust funds had significant debit deferred revenue balances at the end of the year inappropriately reducing deferred revenue that impacted several other financial statement areas. This condition resulted in an audit adjustment to correct the balances.

Recommendation

Management should develop procedures regarding the preparation and review of the trust fund activity schedule to determine that all trust fund activity is appropriately classified prior to incorporating the schedule into the financial statements.

Management Response

Management concurs and is working on eliminating trust funds not needed.

Current Year Status

Condition unchanged. See 2012-A.

2011-B – Intergovernmental Revenue

Condition, Criteria and Effect

The County improperly accrued encumbrances related to a cost-reimbursement grant as intergovernmental revenue for the 2010-11 year. Revenues should be recognized under cost-reimbursement grants when the related expenditures are incurred and not for expenditures encumbered at the end of the year. This error led to the County improperly recognizing revenue of \$817,655 in the 2010-11 year, and resulted in an audit adjustment to correct the balances.

Recommendation

The County should develop procedures related to the preparation and review of the financial statements to ensure intergovernmental revenue is recognized for cost-reimbursement grants only after the related expenditures have been incurred.

Management Response

Management concurs and is working with the different departments to ensure only expenditures incurred are recognized as revenue.

Current Year Status

The County has developed procedures to ensure intergovernmental revenue is recognized for cost-reimbursement grants only after the related expenditures have been incurred, therefore we consider our recommendation implemented.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number:	2011-1
Federal Program Title:	Child Support Enforcement (ARRA and non-ARRA)
Federal Catalog Number:	93.563
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Agency:	California Department of Child Support Services
Pass-Through Agency Allocation	
Letter and Year:	LCSA Letter 10-17 (2010)
Category of Finding:	Special Tests and Provisions

Criteria:

In accordance with 45 CFR 303.7(c)(4), within 75 calendar days of receipt of an Interstate Child Support Enforcement Transmittal Form, and documentation from its interstate central registry, the IV-D agency must, (i) provide location services in accordance with section 303.3 if the request is for location services or the form or documentation does not include adequate location information on the noncustodial parent.

Condition:

The County did not respond within the 75-day time period for 2 of the 19 Interstate-Responding cases reviewed.

Questioned Costs:

There are no questioned costs.

Context:

The County has 136 Interstate-Responding cases.

Effect:

Failure to respond within the required time period in accordance with federal regulations could result in delays of collecting payments from noncustodial parents.

Cause:

An oversight by the County inadvertently led to the delay in responding to location services.

Recommendation:

The County should develop and implement procedures designed to assist staff in managing and meeting responding deadlines. The procedures should be supplemented with tools developed within the CSE system to alert staff when responding deadlines are approaching.

Management Response:

Management agrees with the finding and will work to respond within the required time period

Current Year Status:

Effective January 1, 2011 the Child Support Enforcement program operations were transferred to the Central Sierra Child Support Agency (CSCSA) who now administers the program. As the County no longer receives funding for this program, this finding is no longer applicable.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Reference Number:	2011-2
Federal Program Title:	Home Investment Partnerships Program
Federal Catalog Number:	14.239
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Agency:	California Department of Housing and Community Development
Pass-Through Agency Agreement Numbers and Years:	99-HOME-0404 (2000), 00-HOME-0493 (2001), 01-HOME-0557 (2002), 04-HOME-0763 (2005), 06-HOME-2343 (2007), 07-HOME-3087 (2008), 08-HOME-4714 (2009), 09-HOME-6209 (2010), and 10-HOME-6854 (2011)
Category of Finding:	Other – Loans With Continuing Compliance Requirements

Criteria:

In accordance with Subpart C section 300(c) of OMB Circular No. A-133, the County is required to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs. As a HOME Investment Partnerships Program subrecipient of the State of California Department of Housing and Community Development (HCD), the County has entered into a contractual relationship with HCD to administer HCD-funded homebuyer programs and HCD-funded housing rehabilitation programs. The contract with HCD establishes loan monitoring policies and procedures that the County must adhere to in order to preserve its financial interest in properties, whose borrowers have been assisted with public funds. Section 4 of the Loan Servicing Policies and Procedures – Annual Occupancy Restrictions and Certifications requires borrowers to submit utility bills and/or other documentation annually to prove occupancy during the term of the loan.

Condition:

The County did not obtain utility bills and/or other documentation to prove occupancy for 9 out of the 9 loans with continuing compliance requirements tested. However, the County subsequently verified borrower occupancy in 2012.

Questioned Costs:

There are no questioned costs.

Context:

The County has 50 outstanding loans subject to continuing compliance requirements.

Effect:

Failure to collect the required documentation could lead to ineligible participants not being detected in a timely manner.

Cause:

Budget constraints in fiscal year 2010-2011 did not allow staff to perform all loan monitoring requirements.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

The County should implement policies and procedures in order to ensure compliance with loan monitoring requirements.

Management Response:

Management agrees with the condition and sent out letters during January 2012 requesting borrowers to furnish the required documents.

Current Year Status:

The County obtained the required documentation in order to verify borrower occupancy during fiscal year 2011-2012, therefore we consider this matter to be resolved.