

**COUNTY OF COLUSA,  
CALIFORNIA**



**SINGLE AUDIT ACT  
REPORTS AND SCHEDULES  
FOR THE YEAR ENDED  
JUNE 30, 2010**

**COUNTY OF COLUSA, CALIFORNIA**  
**SINGLE AUDIT ACT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**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 Colusa  
Colusa, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Colusa, California (County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2011. 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

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (10-FS-01, 10-FS-02, 10-FS-03 and 10-FS-04). 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 meet attention by those charged with governance.

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 other matters that we reported to management of the County in a separate report dated March 29, 2011.

The County's response 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 response and, accordingly, we express no opinion on it.

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

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

A handwritten signature in cursive script that reads "Smith & Newell". The signature is written in dark ink and is positioned above the printed name of the firm.

Smith & Newell CPA's  
Yuba City, California  
March 29, 2011

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

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

Compliance

We have audited County of Colusa, California's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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.

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

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 County of Colusa, California, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 29, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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



Smith & Newell, CPAs  
Yuba City, California  
March 29, 2011

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.551	-	\$ 2,468,540
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	226,571
Passed through State Controller's Office			
Schools and Roads - Grants to States	10.665	-	89,732
<b>Total U.S. Department of Agriculture</b>			<u>2,784,843</u>
<u>Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Technical Assistance Program	14.227	07 PTAE 3299	35,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08 STBG 5163	11,803
<b>Total Department of Housing and Urban Development</b>			<u>46,803</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes	15.226	-	151,152
Fish and Wildlife Management Assistance	15.608	-	39,207
<b>Total U.S. Department of the Interior</b>			<u>190,359</u>
<u>U.S. Department of Justice</u>			
Passed through State Office of Emergency Services:			
Crime Victim Assistance	16.575	VW 0914 0060	34,519
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC 0922 0060	157,092
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-1860	3,370
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ZA 0901 0060	11,798
<b>Subtotal 16.804</b>			<u>15,168</u>
<b>Total U.S. Department of Justice</b>			<u>206,779</u>
<u>U.S. Department of Labor</u>			
Direct Program:			
ARRA - Employee Benefits Security Administration (EBSA)	17.151	-	11,241
<b>Total U.S. Department of Labor</b>			<u>11,241</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
Airport Improvement Program	20.106	AIP 3-06-0048-11	\$ 1,973
Airport Improvement Program	20.106	AIP 3-06-0048-12	18,319
<b>Subtotal 20.106</b>			<b>20,292</b>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BPMP-5915 (050)	3,143
Highway Planning and Construction	20.205	BRLS-5915 (037)	365,341
Highway Planning and Construction	20.205	BRLO-5915 (044)	11,737
Highway Planning and Construction	20.205	BRLO-5915 (045)	163,661
Highway Planning and Construction	20.205	BRLO-5915 (048)	6,192
Highway Planning and Construction	20.205	BRLO-5915 (054)	19,366
Highway Planning and Construction	20.205	BRLO-5915 (055)	17,480
Highway Planning and Construction	20.205	BRLO-5915 (056)	16,312
Highway Planning and Construction	20.205	SPOA-5915 (049)	13,002
Highway Planning and Construction	20.205	SPOA-5915 (063)	1,263
<b>Subtotal 20.205</b>			<b>617,497</b>
<b>Total U.S. Department of Transportation</b>			<b>637,789</b>
<u>Institute of Museum and Library Services</u>			
Direct Program:			
Grants to States	45.310	40-7363	2,880
<b>Total Institute of Museum and Library Services</b>			<b>2,880</b>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	83,110
National Bioterrorism Hospital Preparedness Program	93.889	-	61,909
Passed through State Department of Aging and CSU, Chico			
Research Foundation/Area Agency on Aging:			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	IIIB-0212-10	12,462
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	IIIC-025-09	52,739
Nutrition Services Incentive Program	93.053	IIIC-025-09	8,222
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	IIIC-025-09	1,000
ARRA - Aging Congregate Nutrition Services for States	93.707	IIIC-025-09	5,955
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	18,900
Temporary Assistance for Needy Families	93.558	-	1,532,448
Child Welfare Services - State Grants	93.645	-	15,646
Social Services Block Grant	93.667	-	16,382
Chafee Foster Care Independence Program	93.674	-	22,324
ARRA Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	-	87,274

See accompanying Notes to Schedule of Expenditures of Federal Awards



**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services (Continued)</u>			
Foster Care - Title IV-E	93.658	-	\$ 777,761
ARRA - Foster Care - Title IV-E	93.658	-	30,927
<b>Subtotal 93.658</b>			<b>808,688</b>
Adoption Assistance	93.659	-	156,938
ARRA - Adoption Assistance	93.659	-	18,059
<b>Subtotal 93.659</b>			<b>174,997</b>
Passed through State Department of Child Support Services			
Child Support Enforcement	93.563	-	346,541
ARRA - Child Support Enforcement	93.563	-	77,184
<b>Subtotal 93.563</b>			<b>423,725</b>
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Community Mental Health Services	93.958	SAMSHA	52,997
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	98,348
Passed through State Department of Health Services:			
Maternal and Child Health Services Block Grant to the States	93.994	MCH	28,905
Medical Assistance Program	93.778	Foster Care Health	4,363
Medical Assistance Program	93.778	CHDP	49,265
Medical Assistance Program	93.778	CCS Adm	64,997
ARRA - Medical Assistance Program	93.778	IHSS	35,661
<b>Subtotal 93.778</b>			<b>154,286</b>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	08F-4912	784
ARRA - Community Services Block Grant	93.569	09F-5112	4,539
Community Services Block Grant	93.569	10F-4012	988
<b>Subtotal 93.569</b>			<b>6,311</b>
<b>Total Department of Health and Human Services</b>			
			<b>3,666,628</b>
<u>Department of Homeland Security</u>			
Passed through State Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2008-9	12,389
Emergency Management Performance Grants	97.042	2009-015	51,218
<b>Subtotal 97.067</b>			<b>63,607</b>
Homeland Security Grant Program	97.067	2007-08	19,173
Homeland Security Grant Program	97.067	2008-0006	67,708
Homeland Security Grant Program	97.067	2009-0015	4,995
Homeland Security Grant Program	97.067	2009-0019	2,944
<b>Subtotal 97.067</b>			<b>94,820</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Department of Homeland Security (Continued)</u>			
State Homeland Security Program (SHSP)	97.073	2007-08	\$ 77,562
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2007-08	<u>25,323</u>
<b>Total Department of Homeland Security</b>			<u>261,312</u>
<b>Total</b>			<u>\$ 7,808,634</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF COLUSA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Colusa. The County of Colusa reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

In accordance with requirements under U.S. Office of Management and Budget (OMB) Circular A-133, expenditures for federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified in the Schedule by inclusion of the prefix "ARRA" in identifying the name of the federal program on the schedule of expenditures of federal awards.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements, federal award revenues are reported principally in the County's financial statements as intergovernmental revenue in the General and Special Revenue Funds.

**4. PROGRAM CLUSTERS**

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

Federal CFDA	Program Title	Federal Expenditures
<u>SNAP Cluster</u>		
10.551	Supplemental Nutrition Assistance Program	\$ 2,468,540
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	<u>226,571</u>
	Total	<u>\$ 2,695,111</u>
<u>Aging Cluster</u>		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	\$ 12,462
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	52,739
93.053	Nutrition Services Incentive Program	8,222
93.705	Aging Home-Delivered Nutrition Services for States	1,000
93.707	Aging Congregate Nutrition Services for States	<u>5,955</u>
	Total	<u>\$ 80,378</u>
<u>TANF Cluster</u>		
93.558	Temporary Assistance for Needy Families	\$ 1,532,448
93.714	ARRA Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	<u>87,274</u>
	Total	<u>\$ 1,619,722</u>

**5. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

**COUNTY OF COLUSA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**6. CALIFORNIA DEPARTMENT OF AGING**

The California Department of Aging (CDA) requires agencies who receive CDA funding to display a reconciliation of accrual basis expenditures as reported on the Financial Closeout Report to cash basis expenditures confirmed as of June 30, 2010. The following schedule summarizes the reconciliation for these programs.

<u>Program</u>		<u>Total Expenditures</u>	<u>Accrual Adjustments</u>	<u>Confirmed Amount</u>
IIIB	Transportation	\$ 9,302	\$ -	\$ 9,302
IIIB	Transportation One Time Only	3,160	-	3,160
IIIC-1	Congregate	13,044	1,419	14,463
IIIC-1	Congregate (ARRA)	5,955	-	5,955
IIIC-1	Congregate One Time Only	2,731	-	2,731
IIIC-1	Congregate Nutrition Services Incentive Program	1,526	-	1,526
IIIC-2	Home Delivered Meals	36,334	-	36,334
IIIC-2	Home Delivered Meals (ARRA)	1,000	-	1,000
IIIC-2	Home Delivered Meals One Time Only	630	-	630
IIIC-2	Home Delivered Meals, Nutrition Services Incentive	6,696	-	6,696
Total		<u>\$ 80,378</u>	<u>\$ 1,419</u>	<u>\$ 81,797</u>

Beginning with the fiscal year ended June 30, 2004, the CDA requires agencies to display state funded expenditures discretely along with federal expenditures. The County expended the following state and federal amounts of these grants:

<u>Program</u>		<u>Grant Amount</u>	<u>CFDA</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
IIIB	Transportation	\$ 9,302	93.044	\$ 9,302	\$ -	\$ 9,302
IIIB	Transportation One Time Only	3,160	93.044	3160	-	3,160
IIIC-1	Congregate	13,044	93.045	13,044	-	13,044
IIIC-1	Congregate (ARRA)	5,955	93.707	5,955	-	5,955
IIIC-1	Congregate One Time Only	2,731	93.045	2,731	-	2,731
IIIC-1	Congregate Nutrition Services Incentive Program	1,526	93.053	1,526	-	1,526
IIIC-2	Home Delivered Meals	36,334	93.045	36,334	-	36,334
IIIC-2	Home Delivered Meals (ARRA)	1,000	93.705	1,000	-	1,000
IIIC-2	Home Delivered Meals One Time Only	630	93.045	630	-	630
IIIC-2	Home Delivered Meals Nutrition Services Incentive Program	6,696	93.053	6,696	-	6,696
Total		<u>\$ 80,378</u>		<u>\$ 80,378</u>	<u>\$ -</u>	<u>\$ 80,378</u>

**7. LOANS OUTSTANDING**

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2010:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.228	Community Development Block Grant/State's Program and Non Entitlement Grants in Hawaii	\$ 1,604,050
14.239	HOME Investment Partnerships Program	173,765
Total Loans Outstanding		<u>\$ 1,777,815</u>

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

<u>Financial Statements</u>	<u>Status</u>
1. Type of auditor's report issued	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No
 <u>Federal Awards</u>	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	
All major programs	Unqualified
3. Any audit findings disclosed including those that are required to be reported in accordance with OMB Circular A-133 Section 510(a)?	No
4. Identification of major programs:	
10.551 Supplemental Nutrition Assistance Program	
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	
20.205 Highway Planning and Construction	
93.558 Temporary Assistance for Needy Families	
93.563 Child Support Enforcement	
93.563 ARRA - Child Support Enforcement	
93.658 Foster Care - Title IV-E	
93.658 ARRA - Foster Care - Title IV-E	
93.714 ARRA Emergency contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

**II. FINANCIAL STATEMENT FINDINGS**

Financial Reporting: Significant Deficiency	10-FS-01
Financial Reporting: Significant Deficiency	10-FS-02
Financial Reporting: Significant Deficiency	10-FS-03
Financial Reporting: Significant Deficiency	10-FS-04

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**10-FS-01 STATEMENT ON AUDITING STANDARDS NO. 112 and 115 (Financial Reporting: Significant Deficiency)**

**Condition**

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP). This is a repeat of a prior year finding.

**Cause**

Prior to issuance of SAS 112 and SAS 115, the County was able to rely on the external auditors to assist with the financial statements and related notes without being subject to control deficiencies.

**Effect of Condition**

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

**Criteria**

In October 2008, a new auditing standard, Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit (SAS 115), was issued and applies to all financial statements after December 15, 2009. The core standards in SAS 112 are retained; however, the definitions have been revised. The standard provides guidance in that if any entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

**Effect of Condition**

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in preparing its financial statements, including the related notes. Also, by relying on the external auditors to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

**Recommendation**

We recommend that the County provide training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls over the preparation of the financial statements.

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**10-FS-01 STATEMENT ON AUDITING STANDARDS NO. 112 and 115 (Financial Reporting: Significant Deficiency) (CONTINUED)**

**Corrective Action Plan**

The requirements of Statement on Auditing Standards No. 112 and 115 are taken very seriously by the County Auditor staff. New legislation, requirements and standards have increased substantially in the past several years. The increased oversight, independence, and reporting requirements have dramatically impacted the functions and work load within the County Auditor's office. Consequently there is a recognized need for an additional, experienced accountant to assist with all the new requirements and provisions. With the limited available resources, the Auditor's office will do their best to maintain services to the County departments and the public, while attempting to comply with all new requirements placed on the accounting industry. The Auditor's office will concentrate on specialized training for key positions in order to comply with Auditing Standards No. 112 as the budget allows. Accountants within the Auditor's office are becoming more familiar with and using the recommended disclosure checklist.

**10-FS-02 CAPITAL ASSETS (Financial Reporting: Significant Deficiency)**

**Condition**

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

**Cause**

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

**Criteria**

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

**Effect of Condition**

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

**Recommendation**

We recommend that the County identify all properties owned, the date of purchase and cost of each item.

**Corrective Action Plan**

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

**10-FS-03 SOLID WASTE (Financial Reporting: Significant Deficiency)**

**Condition**

As of June 30, 2010, the Solid Waste enterprise fund had deficit net assets of \$1,898,848 after adjusting the closure/post-closure liability. This is a repeat of a prior year finding.

**COUNTY OF COLUSA, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**10-FS-03 SOLID WASTE (Financial Reporting: Significant Deficiency) (CONTINUED)**

**Cause**

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

**Criteria**

The County is required by State and Federal laws and regulations to adequately fund the closure/post-closure liability.

**Effect of Condition**

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

**Recommendation**

We recommend that the County review the funding provisions for this liability and determine what action is necessary to adequately fund the closure/post-closure liability and whether a pledge of revenue has been adopted to fund the post-closure liability for both landfill sites.

**Corrective Action Plan**

Separate closure/post-closure funds were established in 1989; Stoneyford Landfill (Fund #04003) and Evans Landfill (Fund #04004). These two funds are adequately funded on an annual basis. The Board of Supervisors is kept apprised of the large deficit fund balance in the Solid Waste Enterprise Fund (#04000), and has taken action to increase revenues and reduce the deficit. They acknowledge the need to reduce the deficit as it would ultimately be a liability of the General Fund. However, they realize the deficit reduction will take a number of years. If the fees are increased at too fast a rate, the current users would find a less expensive option for their landfill needs. For the last several years estimated revenues have been budgeted in excess of appropriations, thereby whittling away at the deficit cash balance. As a consequence the negative cash balance has decreased significantly. Net assets increased \$165,968 in the 2009-10 fiscal year. The Board is also analyzing possible rate increases.

**10-FS-04 RECORDING INTERNAL SERVICE FUND - INSURANCE (Financial Reporting: Significant Deficiency)**

**Condition**

We noted that the activity for the general liability and the workers comp in the Trindel JPA had not been recorded in the County general ledger and resulted in a prior period adjustment of \$516,783.

**Cause**

The County was not aware that the activity should be recorded on the County books.

**Criteria**

Generally accepted accounting practices require that all accounting information be recorded on the County's general ledger.

**Effect of Condition**

The activity in the JPA was not recorded on the County's general ledger.

**Recommendation**

We recommend that the activity in the Trindel JPA be recorded in the County general ledger.

**Corrective Action Plan**

Starting in the 2010-11 fiscal year, Colusa County's activity at Trindel JPA, as well as the County's equity, is recorded in the County general ledger.



**COUNTY OF COLUSA, CALIFORNIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
<b>09-FS-01</b>	<p><b>STATEMENT ON AUDITING STANDARDS NO. 112</b></p> <p><b>Recommendation</b></p> <p>The County may consider the following possible actions:</p> <ol style="list-style-type: none"><li>1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.</li><li>2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.</li><li>3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.</li></ol> <p><b>Status</b></p> <p>Not Implemented</p>
<b>09-FS-02</b>	<p><b>TIMELINESS OF FINANCIAL REPORTING</b></p> <p><b>Recommendation</b></p> <p>We recommend that procedures be reviewed to determine if delegation of account analysis and adjustment or other measures could improve the timeliness of the financial reporting process.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>09-MC-03</b>	<p><b>CAPITAL ASSETS</b></p> <p><b>Recommendation</b></p> <p>We recommend that the County identify all properties owned, the date of purchase and cost of each item.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>09-MC-04</b>	<p><b>SOLID WASTE</b></p> <p><b>Recommendation</b></p> <p>We recommend that the County review the funding provisions for this liability and determine what action is necessary to adequately fund the closure/post-closure liability and whether a pledge of revenue has been adopted to fund the post-closure liability for both landfill sites.</p> <p><b>Status</b></p> <p>Not Implemented</p>

**COUNTY OF COLUSA, CALIFORNIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
09-SA-01	<b>Name:</b> TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) <b>CFDA #:</b> 93.558 <b>Federal Grantor:</b> U.S. Department of Health and Human Services <b>Pass Through Entity:</b> California Department of Social Services <b>Award No.:</b> N/A <b>Year:</b> 2008/2009

**Recommendation**

We recommend that the County determine the reason for the deficiencies noted above and implement proper procedures to strengthen internal controls.

**Status**

Implemented