

**COUNTY OF BUTTE
SINGLE AUDIT REPORT
JUNE 30, 2012**

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COUNTY OF BUTTE

Single Audit Report
For the Year Ended June 30, 2012

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

To the Board of Supervisors and Grand Jury
County of Butte
Oroville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Butte, California, 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 December 20, 2012. 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 of Butte's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 County'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 12-FS-1, 12-FS-2, and 12-FS-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Butte'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 reported to management of the County of Butte in a separate letter dated December 20, 2012.

Board of Supervisors and Grand Jury
County of Butte

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 the responses.

This report is intended solely for the information and use of management, the Board of Supervisors, 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 these specific parties.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 20, 2012



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

To the Board of Supervisors and Grand Jury
County of Butte
Oroville, California

Compliance

We have audited the compliance of the County of Butte (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 of Butte'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 of Butte's management. Our responsibility is to express an opinion on the County of Butte'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 of Butte'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 on the County of Butte's compliance with those requirements.

In our opinion, the County of Butte 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 programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 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.

Board of Supervisors and Grand Jury
County of Butte

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, and 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 December 20, 2012. Our audit was performed for the purpose of forming 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, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the County management, the Board of Supervisors, 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 these specified parties.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
March 5, 2013 except for the Schedule
of Expenditures of Federal Awards, which is
dated December 20, 2012

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Via U.S. Forestry Service:			
Lassen and Plumas Partnership	10.664	--	\$ 18,000
Marijuana Eradication	10.664	--	35,000
Subtotal Direct CFDA 10.664			<u>53,000</u>
Passed through CA Department of Food & Agriculture:			
Asian Citrus Psyllid	10.025	12-8506-1211-CA	31,998
European Grapevine Moth EGVM	10.025	12-8506-1317-CA	14,457
Expanded Pest Detection	10.025	12-8506-1399-CA	70,023
Pierce's Disease/Glassy-Winged Sharpshooter (GWSS)	10.025	12-8506-0484-CA	88,461
Japanese Dodder	10.025	09-8520-1081-CA	218
Sudden Oak Death (SOD)	10.025	11-8520-0572-CA	21,350
Subtotal CFDA 10.025			<u>226,507</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	--	3,981,261
ISAWS Migration - Fed	10.561	--	19,788
Subtotal CFDA 10.561			<u>4,001,049</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	87,745
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	1,388,038
Passed through State Controller's Office:			
Schools and Roads – Grants to States	10.665	--	251,972
Passed through USDA Rural Development:			
Community Facilities Loans and Grants	10.766	--	74,144
Total U.S. Department of Agriculture			<u>\$ 6,082,455</u>
<u>U.S. Department of Commerce</u>			
Passed through the California Emergency Management Agency			
Public Safety Interoperable Communications Grant Pgm (PSIC)	11.555	007-00000 # 2007-2008	91,659
Total U.S. Department of Commerce, National Telecommunications and Information Agency			<u>\$ 91,659</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
HUD Housing grants	14.235	Z009010040	\$ 72,726
Economic Development Initiative - Special Project	14.251	B-09-SP-CA-0049	142,500
Subtotal Direct			<u>215,226</u>
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.227	09-PTAE-6559	33,410
Community Development Block Grant/State's Program	14.227	11-PTAE-7614	2,132
Subtotal CFDA 14.227			<u>35,542</u>
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	08-EDEF-5887	48,334
Community Development Block Grant/State's Program	14.228	10-STBG-6700	296,424
Community Development Block Grant/State's Program	14.228	10-DRI-6785	1,195,659
Community Development Block Grant/State's Program	14.228	09-EDEF-6537	85,164
Community Development Block Grant/State's Program Program - Loans	14.228	--	1,787,555
Subtotal CFDA 14.228			<u>3,413,136</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 3,663,904</u>
<u>U.S. Department of the Interior</u>			
Passed through State Controller's Office:			
Payments in Lieu of Taxes - BLM Entitlement	15.226	--	58,630
Total U.S. Department of the Interior			<u>\$ 58,630</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
DOJ Single Jurisdiction Drug Court (BJA)	16.585	--	23,515
State Criminal Alien Assistance Program (SCAAP)	16.606	--	42,600
Methamphetamine Initiative Grant	16.710	--	89,559
Subtotal Direct			<u>155,674</u>
Passed through State Board of Corrections & Rehabilitation:			
Juvenile Accountability Incentive Block Grant	16.523	CSA 106-11	22,761
Passed through Department of Drug Enforcement Agency:			
DOJ - DEA Grant	16.527	D-11-SF-0044	75,000
Passed through California Emergency Management Agency			
Crime Victim Assistance - Victim Witness Protection	16.575	VW11300040	38,826
Crime Victim Assistance - Victim Witness Protection	16.575	VW11010040	48,471
Subtotal CFDA 16.575			<u>87,297</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Justice</u> (continued)			
Passed through California Emergency Management Agency			
Marijuana Suppression Unit Grant	16.579	MS10010040	\$ 225,264
Passed through City of Chico			
Edward Byrne Memorial Justice Assistance	16.738	--	4,983
Passed through California Emergency Management Agency			
Anti-Drug Abuse (ADA) Enforcement Program	16.738	DC11140040	167,425
Subtotal CFDA 16.738			<u>172,408</u>
Passed through California Emergency Management Agency			
ARRA - BH - ADS - CAL EMA (JAG)	16.804	--	93,082
ARRA - Evidence-Based Probation Supervision	16.804	ZP09010040	35,155
ARRA - Anti-Drug Abuse Enforcement Team Rec Act Program	16.804	ZA09010040	92,306
Subtotal CFDA 16.804			<u>220,543</u>
Passed through US Marshal's Office			
Equitable Sharing Program	16.922	--	4,638
Total U.S. Department of Justice			\$ <u>963,585</u>
<u>U.S. Department of Transportation</u>			
Passed through CA State Department of Transportation:			
Highway Bridge Program (HBP)	20.205	--	2,205,081
ARRA-Highway Bridge Program (HBP)	20.205	--	47,136
STIP Transportation Enhancement (TE)	20.205	--	33,990
Safe Routes to Schools (SRTS)	20.205	--	53,790
Congestion Mitigation Air Quality (CMAQ)	20.205	--	88,742
Highway Safety Improvement Program (HSIP)	20.205	--	787,240
Subtotal CFDA 20.205			<u>3,215,979</u>
Passed through CA Office of Traffic Safety:			
State and Community Highway Safety	20.600		93,520
High Intensity DUI Enforcement	20.608	GR#-20688 OTS PGM-164AL	163,768
Total U.S. Department of Transportation			\$ <u>3,473,267</u>
<u>U.S. Department of Museum & Library Services</u>			
Passed through California State Library			
Library Services and Technology Act	45.310	--	44,328
Total Dept of Museum & Library Services			\$ <u>44,328</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Fund for the Improvement of Education	84.215	--	\$ 24,860
Total U.S. Department of Education			\$ 24,860
<u>U.S. Election Assistance Commission</u>			
Passed through Secretary of State:			
Help America Vote Act	90.401	--	132,956
Total U.S. Election Assistance Commission			\$ 132,956
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Drug-Free Communities Support Programs Grants (B)	93.276	--	58,646
Passed through California Department of Public Health:			
CDC - Bioterrorism & Pandemic Flu	93.069	--	348,470
CDC - PHER H1N1	93.069	--	63,505
Subtotal CFDA 93.069			411,975
Passed through State Department of Social Services:			
Kin-GAP Title IV-E Admin	93.090	--	6,018
Passed through State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	89,969
Passed through CA Family Health Council:			
Family Planning Services	93.217	--	108,828
Passed through State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.243	--	328,694
Passed through California Department of Public Health:			
Immunization Grants (IAP)	93.268	--	65,154
Passed through California Department of Public Health:			
MCAH-CA Home Visiting Program	93.505	--	168,480
Passed through State Department of Social Services:			
Foster Care – Title IV-E:			
PSSF Grant	93.556	--	302,096
PSSF Admin (Includes PSSF Monthly Caseworker visits)	93.556	--	229,982
Subtotal CFDA 93.556			532,078

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Health and Human Services (continued)			
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families - CalWorks	93.558	--	\$ 8,526,875
Temporary Assistance for Needy Families - CEC Programs Admin			
CalWorks	93.558	--	10,786,376
ISAWS Migration - Fed	93.558	--	16,191
Child Welfare Services TANF Admin	93.558	--	478,857
Subtotal CFDA 93.558			<u>19,808,299</u>
Passed through the State Department of Child Support Services:			
Child Support Enforcement	93.563	--	4,783,087
Passed through State Department of Social Services:			
CSBG Welfare-OCAP/ CBFPR GR	93.569	--	16,402
Passed through State Department of Mental Health:			
Runaway and Homeless Youth (RHYA)	93.623	--	108,632
Passed through State Department of Social Services:			
Child Welfare Services	93.645	--	233,272
Passed through State Department of Social Services:			
ARRA - Foster Care – Title IV-E - Probation Case Management	93.658	--	440,176
ARRA - Foster Care – Title IV-E - Probation Preplacement	93.658	--	494,695
ARRA - Foster Care – Title IV-E - Probation - Eligibility Determination	93.658	--	44,720
ARRA - Foster Care – Title IV-E - Probation - Training	93.658	--	29,023
ARRA - Foster Care – Title IV-E - Probation Group Home/ Mo. Visits	93.658	--	28,261
Foster Care – Title IV-E - Foster Care	93.658	--	166,430
Foster Care – Title IV-E - Child Welfare Services	93.658	--	3,989,503
Foster Care – Title IV-E - Foster Care Licensing	93.658	--	32,440
Foster Care - AB 2129	93.658	--	15,741
SA/HIV Infant Admin	93.658	--	45,352
Foster Care - Monthly Visited Group Homes	93.658	--	17,795
Foster Care - Kinship/Emergency	93.658	--	4,270
Foster Care – Title IV-E - Foster Care SB 163	93.658	--	22,966
Foster Care – Title IV-E - Foster Care Assistance (42)	93.658	--	2,961,645
ARRA-Foster Care Assistance	93.658	--	(176)
Foster Care – Title IV-E - Foster Care EA (5K)	93.658	--	636,495
Subtotal CFDA 93.658			<u>8,929,336</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Health and Human Services (continued)			
Passed through State Department of Social Services:			
Adoption Assistance Program:			
Adoption Assistance Program - Adoptions	93.659	--	\$ 5,296,359
Adoption Assistance Program - Admin	93.659	--	57,599
Adoption Assistance Program - Adoptions - Co.	93.659	--	8,794
ARRA--Adoption Assistance Program - Assistance	93.659	--	(626)
Subtotal CFDA 93.659			<u>5,362,126</u>
Social Services Block Grants:			
In Home Supportive Services (IHSS) - PSCP - Contracts	93.667	--	187,640
Foster Care – Title IV-E - Child Welfare Services	93.667	--	687,540
CalWorks Stage 1 Admin Title XX	93.667	--	883,571
Subtotal CFDA 93.667			<u>1,758,751</u>
Passed through State Department of Social Services:			
Independent Living	93.674	--	183,094
Passed through CA Dept of Health Care Services:			
CCS Admin - Title XXI	93.767	--	41,823
Passed through California Department of Public Health:			
Medical Assistance Program (MCAH)-TITLE XIX	93.778	--	5,640
Medical Assistance Program (LEAD)-Title XIX	93.778	--	38,046
Subtotal CFDA 93.778			<u>43,686</u>
Passed through CA Dept of Health Care Services:			
Medical Assistance Program (MH-MEDI-CAL ADMIN)	93.778	--	265,848
Medical Assistance Program (CHDP) - TITLE XIX	93.778	--	255,694
Medical Assistance Program (HCPCFC)-TITLE XIX	93.778	--	126,623
Medical Assistance Program (CCS)-TITLE XIX	93.778	--	423,992
Medical Assistance Program (Social Services Admin)	93.778	--	4,258,135
Subtotal CFDA 93.778			<u>5,330,292</u>
Passed through State Department of Mental Health:			
MH - FED Share Medi-Cal (Short-Doyle Medi-Cal)	93.778	--	14,777,098
Passed through State Department of Alcohol and Drug Programs:			
AD - FED Share Drug Medi-Cal	93.778	--	353,655
Total CFDA 93.778			<u>20,504,731</u>
Passed through California Department of Public Health:			
HRSA National Bioterrorism Hospital Preparedness	93.889	--	197,971
Passed through California Department of Public Health:			
HRSA Aids Early Intervention Program	93.917	--	168,248

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services</u> (continued)			
Passed through California Department of Public Health:			
CDC Aids Surveillance	93.944	--	\$ 38,654
Passed through State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	515,535
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	814,414
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	6,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	295,904
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	17,312
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	376,891
Occupational Health and Surveillance Fatality Assessment and Control Evaluation	93.959	--	20,657
Subtotal CFDA 93.959			<u>1,531,178</u>
Passed through California Department of Public Health:			
Maternal and Child Health Services (MCAH)- Title V	93.994	--	<u>88,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 66,038,981</u>
<u>Social Security Administration</u>			
Direct Program:			
Social Security Reporting Program	96.002	--	<u>46,000</u>
Total Social Security Administration			<u>\$ 46,000</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Emergency Management Agency:			
Emergency Management Performance Grants (2010)	97.042	2010-0044	69,405
Emergency Management Performance Grants (2011)	97.042	2011-0048	124,223
Subtotal CFDA 97.042			<u>193,628</u>
Passed through State Office of Homeland Security:			
Assistance to Firefighters Grant 2010	97.044	--	<u>40,922</u>
Subtotal CFDA 97.044			<u>40,922</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Homeland Security (continued)			
Passed through State Office of Homeland Security:			
Safer 2009 Grant	97.083	--	\$ 1,014,285
Safer 2010 Grant	97.083	--	227,688
Subtotal CFDA 97.083			<u>1,241,973</u>
Passed through State Emergency Management Agency:			
OES-FY10 IECGP	97.055	#2010-IP-TO-0016	158,791
State Homeland Security Program (SHSP) (2010)	97.067	2010-0085	45,580
State Homeland Security Program (SHSP) (2009)	97.067	007-00000 #2009-0019	120,503
State Homeland Security Program (SHSP) (2011)	97.067	2011-SS-0077	115,263
Subtotal CFDA 97.067			<u>281,346</u>
Total U.S. Department of Homeland Security			\$ 1,916,660
Total Expenditures of Federal Awards			\$ 82,537,285

See accompanying Notes to Schedule of Expenditure of Federal Awards

COUNTY OF BUTTE

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

NOTE 1: REPORTING ENTITY

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is prepared on a modified accrual basis. 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*.

NOTE 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 revenues in the General and Special Revenue funds.

NOTE 4: SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Butte provided federal awards to subrecipients as follows:

<u>Federal CFDA #</u>	<u>Program</u>	<u>Amount</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 20,476
14.228	Disaster Recovery Institute	210,202
14.228	Microenterprise Business Incubation Program	127,011
14.228	Housing Rehabilitation Loan Program	54,485
16.710	Methamphetamine Initiative Grant	19,864
43.310	Library Services and Technology Act	6,451
93.917	HIV Care Program	11,576
97.055	FY10 Interoperable Emergency Communication Grant Program	73,921
97.067	FY09 Homeland Security Grant Program	97,750
97.067	FY10 Homeland Security Grant Program	38,226
97.067	FY11 Homeland Security Grant Program	22,075
		<u>\$ 682,037</u>

COUNTY OF BUTTE

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

NOTE 5: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2011 as follows:

Federal CFDA #	Program Title	Amount Outstanding	
		July 1, 2011	June 30, 2012
10.766	Community Facilities Loans and Grants	\$ 859,235	\$ 1,032,333
14.228	Community Development Block Grant	1,787,555	2,731,732

NOTE 6: PROGRAM CLUSTERS

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

Federal CFDA #	Program	Amount
<u>JAG PROGRAM CLUSTER</u>		
16.738	Edward Byrne Memorial Justice Assistance	\$ 4,983
16.738	Anti-Drug Abuse (ADA) Enforcement Program	167,425
16.804	ARRA-BH-ADS-CAL EMA (JAG)	93,082
16.804	ARRA - Evidence-Based Probation Supervision	35,155
16.804	ARRA - Anti-Drug Abuse Enforcement Team Rec Act Program	92,306
		<u>\$ 392,951</u>

NOTE 7: 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 BUTTE

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

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.228
93.558
93.778
16.738, 16.804

Community Development Block Grants
Temporary Assistance for Needy Families
Medical Assistance Program
JAG Program Cluster

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 2,476,119 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Section 2

Financial Statement Findings

- | | |
|-------------------------|-----------------|
| Claims Liability | Finding 12-FS-1 |
| Landfill Receivables | Finding 12-FS-2 |
| Landfill Capital Assets | Finding 12-FS-3 |

COUNTY OF BUTTE

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

Section 3

Federal Award Findings and Questioned Costs

None reported.

COUNTY OF BUTTE

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

Reference Number: 12-FS-1
Finding: Claims Liability

Criteria

Since the County is partially self-insured, in order to comply with GASB Statements No. 10 and 30 the County must record a claims liability based on actuarial estimates of the amounts needed to pay prior and current year claims including estimated claims that have been incurred but not yet reported as of the balance sheet date.

Condition

During the audit, we noted that the County recorded the incorrect amount for claims liability. Although the County did refer to the actuarial review of its self-insured liability program that had been prepared by Bickmore Risk Services, it recorded the funding guidelines for self-insured retention rather than the estimated liability for outstanding claims.

Cause

The error in the estimated claims liability was most likely caused by the County not having procedures in place to perform an analytical review of the balances at year-end.

Effect or Potential Effect

We recommended an adjustment to increase the claims liability at year-end by \$2,527,000.

Recommendation

We recommend that procedures be put in-place to ensure the balances for claims liability are adequately reviewed at year-end.

Management's Response

We agree with the recommendation and have a procedure in place to ensure balances for claims liability are adequately reviewed at year-end.

COUNTY OF BUTTE

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

Reference Number: 12-FS-2
Finding: Landfill Receivables

Criteria

As an enterprise fund accounted for on the full-accrual basis, the Landfill should record all receivable balances for financial reporting at year-end. Because financial reporting for the Landfill is handled by the Auditor-Controller's Office, there should be a process in-place to ensure the accounts receivable balance is obtained from the Landfill and recorded at year-end.

Condition

Currently, the staff responsible for the landfill accounts receivable billings track receivable balances throughout the year. However, the year-end accrual amounts are not always provided to the Auditor-Controller's Office to ensure they are properly included in the financial statements.

Cause

Procedures were not in place to identify the missing accrual.

Effect of Condition

An audit adjustment of nearly \$485,000 to accounts receivable and landfill service charges was required to ensure the financial statements were fairly stated.

Recommendation

We recommend that procedures be established to ensure that the year-end receivable balances are obtained from the Landfill and updated on the County's financial statements.

Managements Response

We agree that procedures should be in place to ensure that the year-end receivable balances are obtained from the Landfill. We have strengthened our internal communication with Public Works so that receipt of the Landfill report is prompted at year-end utilizing check lists as well as electronic tools.

COUNTY OF BUTTE

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

Reference Number: 12-FS-3
Finding: Landfill Capital Assets

Criteria

Expenditures including salaries and benefits incurred to construct a capital asset are accumulated as construction in progress until the project is completed. Upon completion of the project, the project expenditures are transferred from construction in progress to the appropriate asset category such as buildings or infrastructure and depreciation on the asset begins.

Condition

Currently, the financial statements project cost is based on what is recorded in the pentamation system. Additional costs tracked on the County's CAMS project system such as salaries and benefits may not be reflected on the County's financial system, thereby resulting in an understatement of the full cost of a project.

Cause

Procedures were not in place to reconcile project costs on the financial system with project costs maintained in the CAMS by the Department of Public Works.

Effect of Condition

An audit adjustment of nearly \$316,000 to capital assets was required to ensure the financial statements were fairly stated.

Recommendation

We recommend that procedures be established to reconcile project costs in the financial system with project costs maintained in CAMS by the Department of Public Works.

Managements Response

We agree that expenditures, including salaries and benefits incurred to construct a capital asset, be accumulated as construction in progress until the project is completed. Procedures have been established to reconcile project costs in the financial system with project costs maintained in CAMS by the Department of Public Works. These procedures will be in place for all future years.

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COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

Audit Reference Number	Status of Prior Year Audit Findings
	None