

**COUNTY OF TEHAMA,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2014**

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COUNTY OF TEHAMA
Single Audit Act
For the Year Ended June 30, 2014

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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 Tehama
Red Bluff, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Tehama, California, (County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2014-001 and 2014-002)

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2014-003 and 2014-004)

Compliance and Other Matters

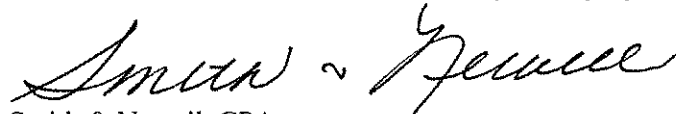
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell, CPAs
Yuba City, California
March 5, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited the County of Tehama, 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, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

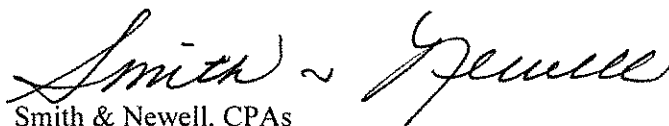
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

To the Board of Supervisors and Grand Jury
County of Tehama
Red Bluff, California

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Tehama, California, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 5, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Supplemental Schedules of Revenue and Expenditures have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell, CPAs
Yuba City, California
March 5, 2015

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COUNTY OF TEHAMA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| <u>Federal Program/Pass Through Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal Expenditures</u> |
|--|--------------------------------|--|---------------------------------|
| U.S. Department of Agriculture | | | |
| Passed through State Department of Food and Agriculture: | | | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 12-8506-0572-CA | \$ 802 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 13-8506-0484-CA | 22,107 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 13-8506-1164-CA | 6,988 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 13-8506-1399-CA | 2,018 |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 14-8506-0484-CA | <u>5,634</u> |
| Subtotal 10.025 | | | <u>37,549</u> |
| Technical Assistance for Specialty Crops Program | 10.604 | 2013-37 | 1,409 |
| Passed through State Department of Education: | | | |
| School Breakfast Program | 10.553 | 02951-SN-52-R | 9,887 |
| National School Lunch Program | 10.555 | 02951-SN-52-R | 18,936 |
| Passed through State Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CEC-52-2014 | 1,223,915 |
| Passed through State Department of Health Services: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 11-10501 | 640,239 |
| Passed through State Controller's Office: | | | |
| Cooperative Forestry Assistance | 10.664 | 7FG13121 | 19,800 |
| Cooperative Forestry Assistance | 10.664 | 11-LE-11051360-203 | 10,000 |
| Cooperative Forestry Assistance | 10.664 | 11-LE-11051360-211 | <u>40,000</u> |
| Subtotal 10.664 | | | <u>69,800</u> |
| Schools and Roads - Grants to Counties | 10.666 | None | <u>552,482</u> |
| Total U.S. Department of Agriculture | | | <u>2,552,808</u> |
| U.S. Department of the Interior | | | |
| Direct Program: | | | |
| Payments in Lieu of Taxes | 15.226 | - | <u>530,466</u> |
| Total U.S. Department of the Interior | | | <u>530,466</u> |
| U.S. Department of Justice | | | |
| Direct Program: | | | |
| Drug Court Discretionary Grant Program | 16.585 | - | 61,277 |
| Drug Court Discretionary Grant Program | 16.585 | - | <u>52,328</u> |
| Subtotal 16.585 | | | <u>113,605</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TEHAMA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| <u>Federal Program/Pass Through Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal Expenditures</u> |
|--|--------------------------------|--|---------------------------------|
| U.S. Department of Justice (Continued) | | | |
| Passed through Board of State and Community Corrections: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | BSCC 671-12 | \$ 13,592 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | BSCC 671-13 | 79,003 |
| Subtotal 16.738 | | | <u>92,595</u> |
| Passed through State Emergency Management Agency: | | | |
| Crime Victim Assistance | 16.575 | VW 1318 0520 | 49,232 |
| Crime Victim Assistance | 16.575 | UV 1203 0520 | 48,274 |
| Crime Victim Assistance | 16.575 | UV 1304 0520 | 87,662 |
| Subtotal 16.575 | | | <u>185,168</u> |
| Total U.S. Department of Justice | | | <u>391,368</u> |
| U.S. Department of Transportation | | | |
| Passed through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BRLKS-5908(029) | 53,240 |
| Highway Planning and Construction | 20.205 | BRLO-5908(055) | 170,126 |
| Highway Planning and Construction | 20.205 | BRLO-5908(056) | 51,775 |
| Highway Planning and Construction | 20.205 | BRLO-5908(057) | 45,936 |
| Highway Planning and Construction | 20.205 | BRLOZB-5908(025) | 262,173 |
| Highway Planning and Construction | 20.205 | BRLS-5908(070) | 553,922 |
| Highway Planning and Construction | 20.205 | BRLS-5908(081) | 5,022 |
| Highway Planning and Construction | 20.205 | BRLSZD-5908(031) | 334,200 |
| Highway Planning and Construction | 20.205 | HRRRL-5908(074) | 29,255 |
| Highway Planning and Construction | 20.205 | HRRRL-5908(075) | 334,181 |
| Highway Planning and Construction | 20.205 | HSIPL-5908(073) | 11,956 |
| Highway Planning and Construction | 20.205 | HSIPL-5908(078) | 47,385 |
| Highway Planning and Construction | 20.205 | HSIPL-5908(079) | 38,304 |
| Highway Planning and Construction | 20.205 | HSIPL-5908(080) | 42,079 |
| Highway Planning and Construction | 20.205 | HSIPL-5908(089) | 23,946 |
| Highway Planning and Construction | 20.205 | RPSTPL-5908(090) | 40,231 |
| Highway Planning and Construction | 20.205 | RPSTPL-5908(067) | 4 |
| Highway Planning and Construction | 20.205 | SPOA-5908(086) | 2,204 |
| Highway Planning and Construction | 20.205 | SRTSL-5908(092) | 16,012 |
| Highway Planning and Construction | 20.205 | STPLZ-5908(024) | 1,179,226 |
| Subtotal 20.205 | | | <u>3,241,177</u> |
| Formula Grants for Rural Areas | 20.509 | FTA 5311 | 533,910 |
| State Planning and Research | 20.515 | None | 27,624 |
| Total U.S. Department of Transportation | | | <u>3,802,711</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TEHAMA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| <u>Federal Program/Pass Through Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal Expenditures</u> |
|---|--------------------------------|--|---------------------------------|
| U.S. Department of Health and Human Services | | | |
| Passed through State Department of Social Services: | | | |
| Guardianship Assistance | 93.090 | 800-52-2014 | \$ 19,467 |
| Promoting Safe and Stable Families | 93.556 | CEC-52-2014 | 77,641 |
| Stephanie Tubbs Jones Child Welfare Services State Grants | 93.645 | CEC-52-2014 | 47,996 |
| Social Services Block Grant | 93.667 | CEC-52-2014 | 159,149 |
| Chafee Foster Care Independence Program | 93.674 | CEC-52-2014 | 52,153 |
| Temporary Assistance for Needy Families | 93.558 | CEC-52-2014 | 4,110,578 |
| Temporary Assistance for Needy Families | 93.558 | 800-52-2014 | 2,025,414 |
| Subtotal 93.558 | | | <u>6,135,992</u> |
| Foster Care - Title IV-E | 93.658 | CEC-52-2014 | 949,558 |
| Foster Care - Title IV-E | 93.658 | 800-52-2014 | 1,104,444 |
| Subtotal 93.658 | | | <u>2,054,002</u> |
| Adoption Assistance | 93.659 | CEC-52-2014 | 186,076 |
| Adoption Assistance | 93.659 | 800-52-2014 | 1,804,936 |
| Subtotal 93.659 | | | <u>1,991,012</u> |
| Passed through State Child Support Department: | | | |
| Child Support Enforcement | 93.563 | Tehama | 1,070,567 |
| Passed through State Department of Aging: | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | IIIB-0712-14 | 5,867 |
| Special Programs for the Aging - Title III, Part C - Nutrition Service: | 93.045 | IIIC-080-14 | 130,038 |
| Nutrition Services Incentive Program | 93.053 | IIIC-080-14 | 24,558 |
| Passed through California Family Resource Association: | | | |
| State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges | 93.617 | None | 10,653 |
| Passed through State Department of Health Services: | | | |
| Public Health Emergency Preparedness | 93.069 | EPO 13-52 | 144,515 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | EPO 13-52 | 136,148 |
| Medical Assistance Program | 93.778 | HCPCFC | 45,398 |
| Medical Assistance Program | 93.778 | IHSS | 48,465 |
| Medical Assistance Program | 93.778 | CEC-52-2014 | 2,614,820 |
| Subtotal 93.778 | | | <u>2,708,683</u> |
| Maternal and Child Health Services Block Grant to the States | 93.994 | CHDP | 103,457 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | CCS | 145,712 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | MCH | 144,880 |
| Subtotal 93.994 | | | <u>394,049</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TEHAMA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| <u>Federal Program/Pass Through Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal Expenditures</u> |
|--|--------------------------------|--|---------------------------------|
| U.S. Department of Health and Human Services (Continued) | | | |
| Passed through State Department of Mental Health Services: | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | PATH | \$ 15,303 |
| Block Grants for Community Mental Health Services | 93.958 | MHBG | 194,986 |
| Passed through State Department of Alcohol and Drug Programs: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | SAPT | 793,792 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | RCDCP | 178,731 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | CSAT | 122,238 |
| Subtotal 93.243 | | | <u>300,969</u> |
| Passed through State Department of Community Services and Development: | | | |
| Community Services Block Grant | 93.569 | 13F-3049 | 202,959 |
| Community Services Block Grant | 93.569 | 14F-3049 | 85,071 |
| Subtotal 93.569 | | | <u>288,030</u> |
| Total U.S. Department of Health and Human Services | | | <u>16,755,570</u> |
| Department of Homeland Security | | | |
| Passed through State Office of Emergency Services: | | | |
| Emergency Management Performance Grants | 97.042 | 2012-0027 | 56,397 |
| Emergency Management Performance Grants | 97.042 | 2013-0047 | 122,012 |
| Subtotal 97.042 | | | <u>178,409</u> |
| Passed through State Office of Emergency Services (Continued): | | | |
| Homeland Security Grant Program | 97.067 | 2011-077 | 22,744 |
| Homeland Security Grant Program | 97.067 | 2012-0123 | 88,824 |
| Homeland Security Grant Program | 97.067 | 2013-0110 | 66,289 |
| Subtotal 97.067 | | | <u>177,857</u> |
| Total Department of Homeland Security | | | <u>356,266</u> |
| Total | | | <u>\$ 24,389,189</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TEHAMA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

1. REPORTING ENTITY

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

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the County financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the related federal financial assistance reports.

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the County's basic financial statements.

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.

6. SUBRECIPIENTS

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

| Federal CFDA | Subrecipient | Amount |
|-----------------|-------------------------|-------------------|
| 93.044 | City of Red Bluff | \$ 5,867 |
| 93.045 | City of Red Bluff | 130,038 |
| 93.053 | City of Red Bluff | 24,558 |
| 93.569 | Catherine Marshall | 10,717 |
| 93.569 | Tehama Together | 2,500 |
| 93.569 | Poor and the Homeless | 2,988 |
| 93.569 | CSU Research Foundation | 716 |
| Total | | <u>\$ 177,384</u> |

COUNTY OF TEHAMA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

7. PROGRAM CLUSTERS

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

| <u>Federal CFDA</u> | <u>Program Title</u> | <u>Federal Expenditures</u> |
|--------------------------------|--|---------------------------------|
| <u>Child Nutrition Cluster</u> | | |
| 10.553 | School Breakfast Program | \$ 9,887 |
| 10.555 | National School Lunch Program | <u>18,936</u> |
| Total | | <u>\$ 28,823</u> |
| <u>Aging Cluster</u> | | |
| 93.044 | Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | \$ 5,867 |
| 93.045 | Special Programs for the Aging - Title III, Part C - Nutrition Services | 130,038 |
| 93.053 | Nutrition Services Incentive Program | <u>24,558</u> |
| Total | | <u>\$ 160,463</u> |

8. CALIFORNIA DEPARTMENT OF AGING (CDC) REPORTING REQUIREMENTS

A reconciliation of accrual basis expenditures as reported on the Financial Closeout Report to cash basis expenditures confirmed as of June 30, 2014 follows:

| <u>Program</u> | <u>Federal CFDA Number</u> | <u>Total Expenditures</u> | <u>Accrual Adjustments</u> | <u>Confirmed Amount</u> |
|---|------------------------------------|-------------------------------|--------------------------------|-----------------------------|
| IIIB Transportation | 93.044 | \$ 5,867 | (\$ 476) | \$ 5,391 |
| IIIC-1 Congregate | 93.045 | 47,483 | (202) | 47,281 |
| IIIC-1 Congregate One Time Only | 93.045 | 4,983 | - | 4,983 |
| IIIC-1 Congregate Nutrition Services Incentive Program | 93.053 | 9,332 | - | 9,332 |
| IIIC-2 Home Delivered Meals | 92.045 | 72,879 | 6,738 | 79,617 |
| IIIC-2 Home Delivered Meals One Time Only | 93.045 | 4,693 | - | 4,693 |
| IIIC-2 Home Delivered Meals, Nutrition Services Incentive | 93.053 | <u>15,226</u> | - | <u>15,226</u> |
| Total Expenditures of CDA Federal Awards | | <u>\$ 160,463</u> | <u>\$ 6,060</u> | <u>\$ 166,523</u> |

COUNTY OF TEHAMA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

9. CALIFORNIA EMERGENCY MANAGEMENT AGENCY GRANT EXPENDITURES

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California, Emergency Management Agency (CalEMA), as well as CalEMA funded grant expenditures for the year ended June 30, 2014. This information is included in the County's single audit report at the request of CalEMA.

| Program | Expenditures Claimed | | | Share of Expenditures Current Year | | |
|--|--|--|--------------------------------------|---------------------------------------|------------------|------------------|
| | For the Period Through June 30, 2013 | For the Year Through June 30, 2014 | Cumulative As of June 30, 2014 | Federal Share | State Share | County Share |
| <u>VW13180520 - Victim Witness Assistance</u> | | | | | | |
| Personal services | \$ - | \$ 98,708 | \$ 98,708 | \$ 49,232 | \$ 49,476 | \$ - |
| Operating expenses | - | 19,275 | 19,275 | - | 19,275 | - |
| Equipment | - | - | - | - | - | - |
| Totals | <u>\$ -</u> | <u>\$ 117,983</u> | <u>\$ 117,983</u> | <u>\$ 49,232</u> | <u>\$ 68,751</u> | <u>\$ -</u> |
| <u>UV12030520 - Underserved Victim Advocacy and Outreach Program</u> | | | | | | |
| Personal services | \$ 75,815 | \$ 23,008 | \$ 98,823 | \$ 18,406 | \$ - | \$ 4,602 |
| Operating expenses | 9,668 | 37,034 | 46,702 | 29,868 | - | 7,166 |
| Equipment | - | - | - | - | - | - |
| Totals | <u>\$ 85,483</u> | <u>\$ 60,042</u> | <u>\$ 145,525</u> | <u>\$ 48,274</u> | <u>\$ -</u> | <u>\$ 11,768</u> |
| <u>UV13040520 - Underserved Victim Advocacy and Outreach Program</u> | | | | | | |
| Personal services | \$ - | \$ 102,900 | \$ 102,900 | \$ 82,320 | \$ - | \$ 20,580 |
| Operating expenses | - | 6,848 | 6,848 | 5,342 | - | 1,506 |
| Equipment | - | - | - | - | - | - |
| Totals | <u>\$ -</u> | <u>\$ 109,748</u> | <u>\$ 109,748</u> | <u>\$ 87,662</u> | <u>\$ -</u> | <u>\$ 22,086</u> |

COUNTY OF TEHAMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

| Financial Statements | <u>Status</u> |
|--|---------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? | No |
| 4. Identification of major programs: | |
| 93.558 Temporary Assistance for Needy Families | |
| 93.563 Child Support Enforcement | |
| 93.959 Block Grants for Prevention and Treatment of Substance Abuse | |
| 5. Dollar threshold used to distinguish between Type A and Type B Programs? | \$ 731,676 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

SECTION II - FINANCIAL STATEMENT FINDINGS

| | |
|---------------------|----------|
| Capital Assets | 2014-001 |
| Fund Classification | 2014-002 |
| Revenue Recognition | 2014-003 |
| Fund Balance | 2014-004 |

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

COUNTY OF TEHAMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

2014-001 Capital Assets (Material Weakness)

Condition

During our audit we noted that the County had recorded total capital asset adjustments for structures, equipment and software, and accumulated depreciation of \$1,493,335. These adjustments were primarily due to correcting an error related to property that was sold in the 2012-2013 fiscal year and not removed from the County capital asset listing and conversion to a new capital asset software during the 2013-2014 fiscal year which recalculated the beginning accumulated depreciation resulting in a change in the beginning net assets. We further noted that the County's capital asset schedule at June 30, 2014 included equipment of \$34,904 net of accumulated depreciation for the Tehama County Transportation Commission which is not a part of the County.

Cause

The County did not remove assets disposed in the prior year and the County implemented a new capital asset accounting system during the year, and accumulated depreciation in the new system was higher than the old system. In addition, the County included assets purchased by agency funds on the County's capital asset schedule.

Criteria

Good internal control requires that capital asset acquisitions and disposals be properly documented, that assets acquired be added at the date of acquisition, assets be removed at the date of disposition, that depreciation be properly calculated, and that the County only add assets it owns.

Effect of Condition

Capital assets were misstated and a prior period adjustment was required to correct the balance.

Recommendation

We recommend that the County review the capital assets schedules to ensure that all acquisitions and dispositions are included, that accumulated depreciation is properly calculated, and that only assets owned by the County are included.

Corrective Action Plan

As noted, the transition from one asset program to another caused some variances to balances in asset values and depreciation. We also neglected to remove property sold in Fiscal Year 12/13 from the asset totals. These issues have been resolved and the system reflects correct balances. In addition, during the audit, it was brought to our attention that we were inappropriately recording three outside agency funds in our county asset program. We have created separate entities in the current asset program to remove Tehama County Transportation Commission, TIDE and Abandoned Vehicles and all activity associated with them. The schedules were updated and provided to the auditors prior to finalization of the 13-14 audit.

COUNTY OF TEHAMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

2014-002 Fund Classification (Material Weakness)

Condition

During our audit we noted that the County reclassified three agency funds to special revenue funds (funds 510, 415 and 614), two special revenue funds to an agency fund (funds 712 and 713), and one capital projects fund to an agency fund (fund 472). These reclassifications resulted in an adjustment to beginning net position of (\$1,178,141).

Cause

During the year the County analyzed several funds and determined that several funds were not properly classified.

Criteria

GASB Statement No. 34, paragraphs 64-73 require governments to report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using those funds.

Effect of Condition

The County may be inappropriately classifying various funds when classification to another fund type would more appropriately reflect the activity.

Recommendation

We recommend that the County analyze all funds to evaluate whether they are properly classified according to GASB Statement No. 34 and No. 54.

Corrective Action Plan

At the direction of Smith and Newell, and to comply with requirements of GASB No. 34, the County has been working to identify and correct the classification of funds. During the audit, a few additional funds were brought to our attention as being improperly classified. Prisoner's Welfare, Probation Officer's Trust, and Air Pollution's Development fund have been reclassified as special revenue, and TIDE and County Criminal Justice #2 funds have been reclassified as agency funds.

We will continue to monitor and make changes if we feel something is inappropriately classified.

2014-003 Revenue Recognition (Significant Deficiency)

Condition

During our audit we noted that a prior period adjustment was needed to correct highway user tax revenues which resulted in an adjustment to beginning net position of \$299,930.

Cause

The County did not record the highway user tax revenues in the period earned.

COUNTY OF TEHAMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

2014-003 Revenue Recognition (Significant Deficiency) (Continued)

Criteria

Under the modified accrual basis of accounting, governmental fund revenues should be recognized as soon as the government has a claim to the resources, but only to the extent that resources will be received soon enough to liquidate liabilities of the current period.

Effect of Condition

Beginning fund balance was misstated and required adjustment.

Recommendation

We recommend that the County analyze revenues received after year-end for proper recording of receivables, unavailable revenues, and revenues on the governmental fund financial statements.

Corrective Action Plan

The auditor's recommended that we recognize highway user tax revenues differently. In order to accomplish this we had to make a prior period adjustment. We had to apply the revenue received in 13/14 to the 12/13 fiscal year and recognize the revenue received in July 2014 in 2013/14 fiscal year. A journal entry was done during the audit field visit to accomplish this.

In future years, we will accrue the highway user's tax if it is received during the accrual period.

2014-004 Fund Balance (Significant Deficiency)

Condition

During our audit we noted that beginning fund balance in eleven funds was misstated due to posting of current year activity directly to fund balance. The total amount of activity posted directly to fund balance was \$418,227.

Cause

The County recorded current year revenues, transfers to other funds, and deposits from others as a direct adjustment to fund balance.

Criteria

According to Governmental Accounting, Auditing, and Financial Reporting (Blue Book), "It is presumed that all changes to equity should be reported as part of the results of operations for the current period rather than treated as a direct adjustment to equity - beginning of the fiscal year." There are four exceptions to this rule: 1) Prior-period adjustment, 2) Change in accounting principle, 3) Change in estimate, and 4) Change in entity.

COUNTY OF TEHAMA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

2014-004 Fund Balance (Significant Deficiency) (Continued)

Effect of Condition

Fund balance, revenues, transfers to other funds, and deposits from others were misstated and required adjustment.

Recommendation

We recommend that the County properly record revenues, transfer to other funds, and deposits from others, and only report adjustments to fund balance for accounting changes and corrections of an error as described above.

Corrective Action Plan

At the direction of Smith and Newell, and to comply with requirements of GASB No. 34, the County has created multiple special revenue funds. The implementation process has affected numerous departments and caused major change at the County. Unfortunately, there are still a few straggler funds that have not been changed to comply with this request. Fire Mitigation Fund is one such fund, and will be reclassified as a special revenue fund prior to the next audit. The amount to recognize as revenue for fire mitigation was \$210,762. In addition, the Tembo funds, in the amount of \$200,000, were deposited to a fund balance account and should be recorded as a liability. The Tembo monies are only recognized by the County as expenses are incurred, and the remaining balance needs to be kept on deposit. The balance in the Tembo fund will be moved to Deposits from Others.

COUNTY OF TEHAMA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2014

| <u>Audit Reference</u> | <u>Status of Prior Year Audit Recommendations</u> |
|-------------------------------|--|
| 13-FS-01 | Reconciliation of Inmate Trust Funds and Civil Trust Funds Recommendation We recommend that the all monies held in trust be reconciled to a detail list of open civil case deposits and to a detail list of individual inmate cash balances. Status In Progress |
| 13-FS-02 | Deposits from Others Recommendation We recommend that a list of monies held as a refundable deposit be reviewed to determine if there are monies that should be forfeited or refunded. Status In Progress |

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**Supplemental Statements of Revenue and
Expenditures Passed Through State Department of
Community Services and Development**

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COUNTY OF TEHAMA
Supplemental Statement of Revenue and Expenditures
CSD Contract No. 13F-3049 (CSBG)
For the Period January 1, 2013 Through December 31, 2013

| | <u>January 1 through June 30, 2013</u> | <u>July 1 through December 31, 2013</u> | <u>Totals</u> |
|-----------------------------------|--|---|-------------------|
| Revenue | | | |
| Grant revenue | \$ 126,429 | \$ 135,644 | \$ 262,073 |
| Total Revenue | <u>\$ 126,429</u> | <u>\$ 135,644</u> | <u>\$ 262,073</u> |
| Expenditures | | | |
| Administrative Costs: | | | |
| Operating expenses | \$ 1,424 | \$ 1,124 | \$ 2,548 |
| Out-of-state travel | 31 | - | 31 |
| Contract/consultant services | <u>5,831</u> | <u>19,436</u> | <u>25,267</u> |
| Total Administrative Costs | <u>7,286</u> | <u>20,560</u> | <u>27,846</u> |
| Program Costs: | | | |
| Salaries and wages | 24,662 | 42,521 | 67,183 |
| Fringe benefits | 12,912 | 17,439 | 30,351 |
| Operating expenses | 7,094 | 66,218 | 73,312 |
| Subcontractor/consultant services | <u>7,160</u> | <u>56,221</u> | <u>63,381</u> |
| Total Program Costs | <u>51,828</u> | <u>182,399</u> | <u>234,227</u> |
| Total Expenditures | <u>\$ 59,114</u> | <u>\$ 202,959</u> | <u>\$ 262,073</u> |

COUNTY OF TEHAMA
Supplemental Statement of Revenue and Expenditures
CSD Contract No. 14F-3049 (CSBG)
For the Period of January 1, 2014 Through June 30, 2014

| | <u>January 1 through June 30, 2014</u> | <u>Totals</u> |
|-----------------------------------|--|------------------|
| Revenue | | |
| Grant revenue | \$ 84,842 | \$ 84,842 |
| Total Revenue | <u>\$ 84,842</u> | <u>\$ 84,842</u> |
| Expenditures | | |
| Administrative Costs: | | |
| Operating expenses | \$ 1,588 | \$ 1,588 |
| Contract/consultant services | <u>4,237</u> | <u>4,237</u> |
| Total Administrative Costs | <u>5,825</u> | <u>5,825</u> |
| Program Costs: | | |
| Salaries and wages | 38,804 | 38,804 |
| Fringe benefits | 19,338 | 19,338 |
| Operating expenses | 15,328 | 15,328 |
| Subcontractor/consultant services | <u>5,776</u> | <u>5,776</u> |
| Total Program Costs | <u>79,246</u> | <u>79,246</u> |
| Total Expenditures | <u>\$ 85,071</u> | <u>\$ 85,071</u> |