

**COUNTY OF LAKE,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2009**

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**COUNTY OF LAKE, CALIFORNIA
SINGLE AUDIT ACT
FOR THE YEAR ENDED JUNE 30, 2009**

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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

Board of Supervisors and the Grand Jury
County of Lake
Lakeport, 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 Lake, California (County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. (09-FS-01, 09-FS-02 and 09-FS-03)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the County in a separate report dated November 24, 2009.

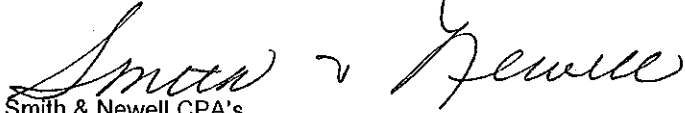
Compliance and Other Matters

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.

Board of Supervisors and the Grand Jury
County of Lake
Lakeport, California

The County's response to the findings identified in our audit is 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.

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

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

Smith & Newell CPA's
Yuba City, California
November 24, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 Lake
Lakeport, California

Compliance

We have audited the compliance of County of Lake, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinions on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

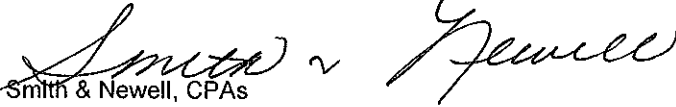
To the Board of Supervisors and Grand Jury
County of Lake
Lakeport, California

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lake, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. 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, others within the organization, the Board of Supervisors and Grand Jury, 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
November 24, 2009

COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through National Forest Service: Cooperative Forestry Assistance	10.664	06-LE-11051360-016	\$ 50,000
Passed through State Department of Social Services: Supplemental Nutrition Assistance Program	10.551	-	10,527,953
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	723,883
Passed through State Department of Education School Breakfast Program	10.553	-	15,900
National School Lunch Program	10.555	-	24,406
Passed through State Controller's Office Schools and Roads - Grants to Counties	10.666	-	529,473
Total U.S. Department of Agriculture			<u>11,871,615</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program: Section 8 Housing Choice Vouchers	14.871	-	1,590,578
Passed through State Department of Housing and Community Development: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	05 STBG 1421	331,163
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	06 EDBG 2604	70,000
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	-	1,352,037
Subtotal 14.228			<u>1,753,200</u>
Home Investment Partnerships Program	14.239	05 HOME 1703	585,787
Home Investment Partnerships Program	14.239	05 HOME 2161	691,439
Home Investment Partnerships Program	14.239	-	76,411
Subtotal 14.239			<u>1,353,637</u>
Total U.S. Department of Housing and Urban Development			<u>4,697,415</u>
<u>U.S. Department of the Interior</u>			
Direct Program: Payments in Lieu of Taxes	15.226	-	171,418
Total U.S. Department of the Interior			<u>171,418</u>
<u>U.S. Department of Justice</u>			
Direct Program: Crime Victim Assistance	16.575	VW 08 23 0170	45,475
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2005 WE AX 0034	267,310
State Criminal Alien Assistance Program	16.606	-	25,254

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice (Continued)</u>			
Passed through State Office of Criminal Justice Planning Juvenile Accountability Block Grants	16.523	CSA 717-08	\$ 165,235
Edward Byrne Memorial Formula Grant Program	16.579	DC 08 19 0170	127,278
Edward Byrne Memorial Formula Grant Program	16.579	2008-26	270,000
Subtotal 16.579			397,278
Total U.S. Department of Justice			900,552
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	RPSTPLE-5914(042)	29,000
Highway Planning and Construction	20.205	RPSTPLE-5914(043)	26,000
Highway Planning and Construction	20.205	RPSTPLE-5914(044)	181,073
Highway Planning and Construction	20.205	STPLHG-5914 (047)	8,579
Highway Planning and Construction	20.205	ER-4402(001)	14,164
Highway Planning and Construction	20.205	ER-4402(002)	31,550
Highway Planning and Construction	20.205	ER-4402(003)	25,253
Highway Planning and Construction	20.205	ER-4402(004)	2,655
Highway Planning and Construction	20.205	ER-4402(005)	7,877
Highway Planning and Construction	20.205	ER-4402(006)	28,521
Highway Planning and Construction	20.205	ER-4402(007)	32,203
Highway Planning and Construction	20.205	ER-4402(009)	11,167
Highway Planning and Construction	20.205	ER-4402(010)	2,719
Highway Planning and Construction	20.205	ER-4402(011)	3,098
Highway Planning and Construction	20.205	ER-4402(013)	41,991
Highway Planning and Construction	20.205	ER-4402(014)	27,665
Highway Planning and Construction	20.205	ER-4402(015)	122,309
Highway Planning and Construction	20.205	ER-4402(17)	8,306
Highway Planning and Construction	20.205	ER-4402(018)	26,368
Highway Planning and Construction	20.205	ER-4402(019)	24,689
Highway Planning and Construction	20.205	ER-4402(020)	28,859
Highway Planning and Construction	20.205	ER-4402(021)	25,483
Subtotal 20.205			709,529
Passed through Federal Aviation Administration: Airport Improvement Program	20.106	3-06-0117-10	153,859
Passed through State Office of Traffic Safety State and Community Highway Safety	20.600	AL 0746	65,148
Total U.S. Department of Transportation			928,536
<u>Environmental Protection Agency</u>			
Direct Program:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	-	13,955
Capitalization Grants for Clean Water State Revolving Funds	66.458	-	72,668
Total Environmental Protection Agency			86,623

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	\$ 30,454
Temporary Assistance for Needy Families	93.558	-	9,208,556
Child Welfare Services - State Grants	93.645	-	105,420
Foster Care - Title IV-E	93.658	-	2,770,348
Adoption Assistance	93.659	-	1,131,864
Social Services Block Grant	93.667	-	88,561
Chafee Foster Care Independence Program	93.674	-	77,411
Passed through State Child Support Department			
Child Support Enforcement	93.563	-	1,411,668
ARRA - Child Support Enforcement	93.563	-	240,140
Subtotal 93.563			1,651,808
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	494,969
Passed through State Department of Mental Health:			
Block Grants for Community Mental Health Services	93.958	SAMSHA	250,501
Passed through State Department of Health Services:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	-	54,458
Public Health and Social Services Emergency Fund	93.003	-	153,491
National Bioterrorism Hospital Preparedness Program	93.889	-	93,621
Medical Assistance Program	93.778	MAA	160,441
Medical Assistance Program	93.778	TCM	36,314
Medical Assistance Program	93.778	-	228,937
Medical Assistance Program	93.778	IHSS	168,880
ARRA - Medical Assistance Program	93.778	IHSS	554,809
Subtotal 93.778			1,149,381
Maternal and Child Health Services Block Grant to the States	93.994	MCH	135,990
Maternal and Child Health Services Block Grant to the States	93.994	CHDP	153,350
Maternal and Child Health Services Block Grant to the States	93.994	CCS	154,817
Maternal and Child Health Services Block Grant to the States	93.994	HPCFC	24,117
Subtotal 93.994			468,274
Total U.S. Department of Health and Human Services			17,729,117
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	\$ 67,049
State Homeland Security Program (SHSP)	97.073	FY 07	62,664
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	FY 07	73,773
Total U.S. Department of Homeland Security			203,486
Total Expenditures of Federal Awards			\$ 36,588,762

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF LAKE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Lake. The County of Lake 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.

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 inter governmental revenue in the General and Special Revenue Funds.

4. 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.

5. LOANS OUTSTANDING

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2008:

<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	\$ 1,095,483
14.239	HOME Investment Partnership Program	<u>6,550,107</u>
	Total Loans Outstanding	<u>\$ 7,645,590</u>

6. 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>SNAP Cluster</u>		
10.551	Supplemental Nutrition Assistance Program	\$ 10,527,953
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	<u>723,883</u>
	Total	<u>\$ 11,251,836</u>
<u>Child Nutrition Cluster</u>		
10.553	School Breakfast Program	\$ 15,900
10.555	State Administrative Matching Grants for Food Stamp Program	<u>24,406</u>
	Total	<u>\$ 40,306</u>

**COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Status

- | | |
|--|-------------|
| 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 |

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: | |
| 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 | |
| 14.228 Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii | |
| 14.239 Home Investment Partnerships Program | |
| 93.558 Temporary Assistance for Needy Families | |
| 93.659 Adoption Assistance | |
| 93.778 Medical Assistance Program | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs? | \$1,097,663 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

II. FINANCIAL STATEMENT FINDINGS

- | | |
|---|----------|
| Financial Reporting: Significant deficiency | 09-FS-01 |
| Financial Reporting: Significant deficiency | 09-FS-02 |
| Financial Reporting: Significant deficiency | 09-FS-03 |

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

09-FS-01 GASB STATEMENT NO. 31 (Reporting Requirement: Significant Deficiency)

Condition

At the time of our fieldwork, we noted that the fair value of the investments in the investment pool as of June 30, 2009 was approximately \$1,100,000 less than the carrying value of the investment portfolio, however, the County general ledger had not been adjusted in accordance with GASB Statement No. 31. This is a repeat of a prior year finding.

Cause

The County does not have a policy to analyze and record potential GASB Statement No. 31 adjustments.

Criteria

GASB Statement No. 31, paragraph 13 states that all investment income, including changes in fair value of investments should be recognized as revenue in the operating statement. Adjusting the County's books to reflect significant changes in the fair value of investments reflects a more accurate financial position for the County.

Effect of Condition

The carrying value of cash and investments reported on the County's general ledger was not adjusted in accordance with GASB Statement No. 31 and the fair value of the investments was approximately \$1,100,000 less than the carrying value of the investments at June 30, 2009.

Recommendation

We recommend that the County adopt a policy requiring regular review and adjustment of investments in accordance with GASB Statement No. 31.

Corrective Action Plan

Upon approval of the County Administrative Officer and the County Auditor-Controller, the County implemented a practice to annually calculate, analyze and review for materiality the fair value of investments as required per GASB Statement No. 31.

09-FS-02 MENTAL HEALTH ACCOUNTS PAYABLE (Financial Reporting: Significant Deficiency)

Condition

At the time of our fieldwork we noted that approximately \$1,700,000 of accounts payable bills had been held in the Mental Health department and not paid. Some of these had been held for up to one year.

Cause

The Mental Health department was holding bills for payment until there was cash in the fund to cover the expense.

Criteria

All bills of the County should be paid in a timely manner.

Effect of Condition

The Mental Health department did not submit bills in a timely manner for payment, the amount was not accrued as a payable, and the expense had not been recorded on the general ledger.

COUNTY OF LAKE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

09-FS-02 MENTAL HEALTH ACCOUNTS PAYABLE (Financial Reporting: Significant Deficiency)

Recommendation

We recommend that the Mental Health Department submit bills for payment in a timely manner and in the future insure that this situation does not occur again.

Corrective Action Plan

Both the County Administrative Office and the Auditor-Controller's Office have taken extraordinary steps to detect and prevent the "holding" of invoices by the Mental Health Department. Included in those steps has been increased monitoring of contracts, budgetary appropriations and cash flow analysis, well beyond the normal scope of our duties. In addition, the Mental Health department was also given an additional fiscal manager position responsible for oversight of the accounting function of the department.

It should be noted that the delay in revenue stream from the State, coupled with program unknowns, exacerbated this situation.

We agree with this finding and believe that significant steps within our control have been taken and will continue to be taken to address this finding.

09-FS-03 INTERFUND LOAN ACCOUNTING (Financial Reporting: Significant Deficiency)

Condition

We noted that the County financial records reflect interfund loan activity as debt proceeds and debt service expenditure. Loans between funds are properly reported as increases and decreases in assets and liabilities, with no effect on activities in either government-wide or fund financial statements. Thus, the lender fund replaces the asset cash with the asset "advance to other funds", while the borrower fund reports an equal increase in both cash and "advance from other funds".

Cause

The County historically budgets for and records interfund loans as debt proceeds and debt service expenditure rather than in accordance with GASB Statement No. 34 paragraph 112a.

Criteria

GASB Statement No. 34 requires that interfund loans be treated quite differently in some important ways from loans involving parties outside the primary government.

Effect of Condition

The County's financial records as presented for audit did not reflect interfund loans in accordance with GASB Statement No. 34 and required adjustment.

Recommendation

We recommend that the County adopt the procedures required in GASB Statement No. 34 to record interfund loans.

Corrective Action Plan

We recognize that our practice of budgeting and recording of interfund loan activity has not followed closely with the requirements of GASB Statement No. 34. We have made progress to move in that direction.

In the coming year, we plan to perform additional review and analysis. It is our intention to address this finding in a manner that will best serve both budgetary requirements and accounting compliance.

COUNTY OF LAKE, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30 2009

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>										
08-FS-01	<p>GASB STATEMENT NO. 31</p> <p>Recommendation</p> <p>We recommend that the County adopt a policy requiring regular review and adjustment of investments in accordance with GASB Statement No. 31.</p> <p>Status</p> <p>In Progress</p>										
08-FS-02	<p>CAPITAL ASSET AND DEBT ISSUANCE</p> <p>Recommendation</p> <p>We recommend that the capital outlay, capital asset additions and proceeds from the issuance of debt be properly recorded in the general ledger. We further recommend that capital asset additions be reconciled to supporting documentation to ensure that all components of the purchase are properly recorded.</p> <p>Status</p> <p>Implemented</p>										
08-FS-03	<p>SELF FUNDED DENTAL/VISION FUND</p> <p>Recommendation</p> <p>We recommend that the County record activity in the Self Funded Dental/Vision fund on a regular basis.</p> <p>Status</p> <p>Partially Implemented</p>										
08-SA-01	<p>ADOPTION ASSISTANCE</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">CFDA #:</td> <td>93.659</td> </tr> <tr> <td>Federal Grantor:</td> <td>U.S. Department of Health and Human Services</td> </tr> <tr> <td>Pass Through Entity:</td> <td>State Department of Social Services</td> </tr> <tr> <td>Award No.:</td> <td>N/A</td> </tr> <tr> <td>Year:</td> <td>2007/2008</td> </tr> </table> <p>Recommendation</p> <p>We recommend that the County require that the AAP-4's be signed by the "Authorized Official of County Welfare Department" (County eligibility staff) and that this person check the appropriate box showing determination of FFP eligibility on the bottom of this form. We also recommend that the County incorporate into their review process procedures to ensure that the AAP-4's are properly completed and executed.</p> <p>Status</p> <p>Implemented</p>	CFDA #:	93.659	Federal Grantor:	U.S. Department of Health and Human Services	Pass Through Entity:	State Department of Social Services	Award No.:	N/A	Year:	2007/2008
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