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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE**

Members of the Board of Directors
Sutter Butte Flood Control Agency
Post Office Box M
Yuba City, California 95991

Report on Compliance for Sutter County Proposition 13 Grant

We have audited Sutter Butte Flood Control Agency's (Agency) compliance with the types of compliance requirements described in *Grant Agreement No. 460004637* (Grant), between the County of Sutter and the State of California Department of Water Resources, that could have a direct and material effect on the Grant for the period of February 16, 2010 through February 16, 2015 .

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the Grant 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 *Grant Agreement No. 460004637*. Those standards 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 the Grant occurred. An audit includes examining, on a test basis, evidence about Agency'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 of the Grant. However our audit does not provide a legal determination of the Agency's compliance.

Opinion on Compliance for Grant Agreement No. 460004637

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Grant for the period of February 16, 2010 through June 30, 2015.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2015-01. Our opinion on the Sutter Butte Flood Control Agency's Grant is not modified with respect to this matter.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

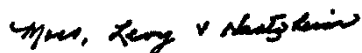
Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the Grant to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with the Grant and to test and report on internal control over compliance in accordance with *Grant Agreement No. 460004637*, 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 Agency'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 grant 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 grant 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 grant 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 *Grant Agreement No. 460004637*. Accordingly, this report is not suitable for any other purpose.

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

October 12, 2015

Schedule of Claimed Amounts

Grant Agreement 460004637	
Task	Claimed
Hydraulic Design	\$ 486,888.00
Environmental Studies: Recreational Opportunities	47,022.38
Environmental Studies: Ecosystem Restoration Opportunities	78,040.73
Environmental Studies: Environmental Without Project Conditions Report	390,782.21
Environmental Studies: Environmental Compliance Support	176,270.78
Historical/Cultural Resource Studies	220,995.90
Total Expenditures	\$ 1,400,000.00

SUTTER COUNTY PROPOSITION 13 GRANT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2015-01 Finding – Lack of progress reports submitted:

During our compliance testing, we noted that the Agency did not submit quarterly progress reports on the status of the work being performed under the Grant to the Department of Water Resources.

Effect:

The Agency is not compliant with Section 9 of the Grant.

Recommendation:

We recommend that all compliance requirements be reviewed and followed by the Grantee, to ensure that cost reimbursements are not disallowed.

Questioned Cost:

Up to \$1,400,000.

Management's Response:

SBFCA submitted consultant invoices for reimbursement that included descriptions of the work performed and the progress of work completed. These invoices provided similar information as the information required for the quarterly reports. Because reimbursement payments were made in timely manner, SBFCA assumed that the description of work performed included with each invoice was sufficient to meet the quarterly reporting requirements.