

# Richardson & Company

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January 15, 2014

To the Board of Directors  
Butte County Association of Governments  
Chico, California

We have audited the financial statements of the Butte County Association of Governments (BCAG) for the years ended June 30, 2013, and have issued our report thereon dated January 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 22, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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 opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Association's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Unitrans' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Association's compliance with those requirements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 22, 2013.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no internal control weaknesses as a result of our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note A to the financial statements. In 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the term “net assets” being changed to “net position” and the term “deferred revenue” being changed to “unearned revenue.” The application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Accounting estimates are used in the following areas: the depreciable lives and methods used for capital assets, accrual of postemployment benefits, and the contribution rate for the retirement plan with PERS. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. The postemployment benefits liability and contribution rate to the retirement plan with PERS were determined by an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the other postemployment benefits plan disclosed in Note M to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audits.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no misstatements requiring adjustments as a result of audit procedures. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2014.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

*Richardson & Company*

January 15, 2014

BUTTE COUNTY ASSOCIATION OF GOVERNMENTS  
SUMMARY OF UNADJUSTED DIFFERENCES  
YEAR ENDED JUNE 30, 2013

Description (Nature) of Audit Difference	Financial Statements Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance/ Net Position	Total Change in FB / Net Pos
<b>Governmental Activities</b>				
To accrue payroll for half of the last pay period in FY 12/13. Entire amount was recorded in FY 13/14 when only half was related to FY 13/14.		\$ (15,654)	\$ 15,654	\$ 15,654
Potential accrual of sick leave for hours over 240		(9,000)	9,000	9,000
To record fair market value of pooled cash balances	\$ 32,213		32,213	46,593
Net Unadjusted Audit Differences- This Year	32,213	(24,654)	56,867	71,247
Financial Statement Caption Totals - Planning and Administration Fund	14,883,233	8,979,866	5,903,367	1,395,652
Net Audit Differences as % of F/S Captions	0.22%	(0.27%)	0.96%	5.10%
<b>Planning and Administration Fund</b>				
To accrue payroll for half of the last pay period in FY 12/13. Entire amount was recorded in FY 13/14 when only half was related to FY 13/14.		\$ (15,654)	\$ 15,654	\$ 15,654
To record fair market value of pooled cash balances	\$ 28,644		28,644	38,898
Net Unadjusted Audit Differences- This Year	28,644	(15,654)	44,298	54,552
Financial Statement Caption Totals - Planning and Administration Fund	6,381,470	5,980,602	400,868	(127,417)
Net Audit Differences as % of F/S Captions	0.45%	(0.26%)	11.05%	(42.81%)
<b>Local Transportation Fund</b>				
To record fair market value of pooled cash balances	3,569		3,569	7,695
Net Unadjusted Audit Differences- This Year	3,569	(0)	3,569	7,695
Financial Statement Caption Totals - LTF Fund	1,799,122	245,233	1,553,889	582,139
Net Audit Differences as % of F/S Captions	0.20%	(0.00%)	0.23%	1.32%
<b>Butte Regional Transit</b>				
To record fair market value of pooled cash balances	18,351		18,351	37,609
Net Unadjusted Audit Differences- This Year	18,351	(0)	18,351	37,609
Financial Statement Caption Totals - Transit Fund	13,854,626	5,728,365	8,126,261	(1,397,981)
Net Audit Differences as % of F/S Captions	0.13%	(0.00%)	0.23%	(2.69%)

We determined, along with management, that these uncorrected misstatements individually and in the aggregate are not material to the fair presentation of the financial statements taken as a whole.