

**COUNTY OF SAN LUIS OBISPO**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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SINGLE AUDIT REPORT  
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BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

BROWN ARMSTRONG

*Certified Public Accountants*

**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**

Board of Supervisors  
County of San Luis Obispo  
San Luis Obispo, California

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**PASADENA OFFICE**

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542

**STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2016. Our report includes a reference to other auditors who audited the financial statements of the First 5 San Luis Obispo County, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

*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. *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.

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

## 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*.

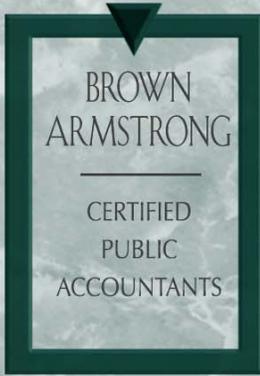
## Purpose of this Report

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
December 21, 2016



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Supervisors  
County of San Luis Obispo  
San Luis Obispo, California

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### **FRESNO OFFICE**

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

### **PASADENA OFFICE**

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542

### **STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

### **Report on Compliance for Each Major Federal Program**

We have audited the County of San Luis Obispo's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

### **Opinion on Each of the Major Federal Programs**

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, 2016.

## 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 21, 2016, 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 the Uniform Guidance 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.

Bakersfield, California  
March 22, 2017

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Direct Programs:					
Water and Waste Disposal Program	CA-WW-40-00-14	10.781	\$ 1,044,011	\$ 1,044,011	\$ -
Subtotal Water and Waste Disposal Program Cluster			<u>1,044,011</u>	<u>1,044,011</u>	<u>-</u>
Emergency Community Water Assistance	ECWAG-CSA23 Intertie	10.763	187,896	187,896	-
Emergency Community Water Assistance - Prior Year Adjustment	ECWAG-CSA23 Intertie	10.763	104,304	104,304	-
Subtotal Direct CFDA 10.763			<u>292,200</u>	<u>292,200</u>	<u>-</u>
Passed through State Department of Health Care Services:					
Women Infant Children Nutrition Program	15-10074	10.557	1,325,838	1,325,838	-
Women Infant Children Nutrition Program - Prior Year Adjustment	15-10074	10.557	832	832	-
Subtotal Pass-Through CFDA 10.557			<u>1,326,670</u>	<u>1,326,670</u>	<u>-</u>
Passed through State Department of Food and Agriculture:					
Glassy-Winged Sharpshooter	14-0360-SF	10.025	317,023	317,023	
Glassy-Winged Sharpshooter - Prior Year Adjustment	14-0360-SF	10.025	1,119	1,119	
Asian Citrus Psyllid Detection	14-0528-SF, 15-0557-SF	10.025	266,191	266,191	
Asian Citrus Psyllid Detection - Prior Year Adjustment	14-0528-SF, 15-0557-SF	10.025	32	32	
European Grape Vine Moth	14-0565-SF, 15-0582-SF	10.025	7,907	7,907	
Light Brown Apple Moth Detection	14-0471-SF, 15-0513-SF	10.025	8,011	8,011	
Light Brown Apple Moth Detection - Prior Year Adjustment	14-0471-SF, 15-0513-SF	10.025	1	1	
Light Brown Apple Moth Regulatory - Prior Year Adjustment	14-0500-SF, 15-0475-SF, 15-0565-SF	10.025	81	81	
Light Brown Apple Moth Regulatory	14-0500-SF, 15-0475-SF, 15-0565-SF	10.025	110,040	110,040	
Pest Detection Trapping	15-0234	10.025	175,456	175,456	
Subtotal Pass-Through CFDA 10.025			<u>885,862</u>	<u>885,861</u>	
Passed through State Department of Public Health:					
Supplemental Nutrition Assistance Program Education (SNAP-ED)	13-20492	10.561	546,497	546,497	85,560
CalFresh & CalFresh Employment Training - Prior Year Adjustment	Not Applicable	10.561	(18,294)	(18,294)	-
CalFresh & CalFresh Employment Training	Not Applicable	10.561	3,853,749	3,853,749	-
Subtotal Pass-Through CFDA 10.561			<u>4,381,952</u>	<u>4,381,952</u>	<u>85,560</u>
Total U.S. Department of Agriculture			<u><b>7,930,695</b></u>	<u><b>7,930,694</b></u>	<u><b>85,560</b></u>
<b>U.S. DEPARTMENT OF DEFENSE</b>					
Direct Program:					
Comm. Econ. Adj. Plan. Asst Joint Land Use -- Prior Year Adjustment	EN1003-15-02	12.610	765	765	-
Comm. Econ. Adj. Plan. Asst Joint Land Use Studies	EN1003-15-02	12.610	37,421	37,421	-
Total U.S. Department of Defense			<u><b>38,186</b></u>	<u><b>38,186</b></u>	<u><b>-</b></u>
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>					
Direct Programs:					
Low Income Housing Assistance Community Development Block Grants					
Community Development Block Grants	B-06-UC-06-0508	14.218	1,522	1,522	-
Community Development Block Grants	B-09-UC-06-0508	14.218	2,759	2,759	-
Community Development Block Grants	B-11-UC-06-0508	14.218	-	174,695	174,695
Community Development Block Grants	B-11-UC-06-0508	14.218	198,825	24,130	24,130
Community Development Block Grants	B-12-UC-06-0508	14.218	54,624	54,624	-
Community Development Block Grants	B-13-UC-06-0508	14.218	77,575	77,575	-
Community Development Block Grants	B-14_UC-06-0508	14.218	525,683	525,683	525,683
Community Development Block Grants	B-15_UC-06-0508	14.218	1,190,132	1,190,132	1,067,109
Subtotal CFDA 14.218			<u>2,051,120</u>	<u>2,051,120</u>	<u>1,791,617</u>
Emergency Solutions Grant Program	E-14-UC-06-0508	14.231	15,775	15,775	15,775
Emergency Solutions Grant Program	E-15-UC-06-0508	14.231	107,465	107,465	105,260
Subtotal CFDA 14.231			<u>123,240</u>	<u>123,240</u>	<u>121,035</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (Continued)					
Home Partnership Investment Program	M-09-UC-05-0545	14.239	65,049	65,049	10,000
Home Partnership Investment Program	M-11-UC-05-0545	14.239	500	500	-
Home Partnership Investment Program	M-13-UC-06-0545	14.239	119,960	119,960	119,960
Home Partnership Investment Program	M-14-UC-05-0545	14.239	877	877	-
Home Partnership Investment Program	M-15-UC-05-0545	14.239	280,413	280,413	273,062
Home Partnership Investment Program - 3rd Party Loans		14.239	-	4,927,060	-
Subtotal CFDA 14.239			466,799	5,393,859	403,022
Continuum of Care Program	2014 Various	14.267	762,643	762,643	762,643
Continuum of Care Program	2013 Various	14.267	308,700	308,700	261,127
Subtotal CFDA 14.267			1,071,343	1,071,343	1,023,770
Total U.S. Department of Housing & Urban Development			<b>3,712,502</b>	<b>8,639,562</b>	<b>3,339,444</b>
U.S. DEPARTMENT OF THE INTERIOR					
Direct Programs:					
Coastal Impact Assistance Program	F12AF70233-001,F12AF70176	15.668	32,827	32,827	-
Subtotal Direct CFDA 15.668			32,827	32,827	-
Passed through California Bureau of Land Management: Taylor Grazing Act	Not Applicable	15.227	1,889	1,889	-
Subtotal Pass-Through CFDA 15.227			1,889	1,889	-
Total U.S. Department of Interior			<b>34,716</b>	<b>34,716</b>	-
U.S. DEPARTMENT OF JUSTICE					
Direct Programs:					
Bureau of Immigration & Customs Enforcement	Not Applicable	16.710	51,000	51,000	-
State Criminal Alien Assistance Program	Not Applicable	16.606	128,078	128,078	-
Federal Asset Forfeiture	Not Applicable	16.000	55,446	55,446	-
DEA Domestic Cannabis Eradication & Suppression	2015-10	16.111	54,996	54,996	-
DEA Domestic Cannabis Eradication & Suppression	2016-45	16.111	10,985	10,985	-
Subtotal Direct CFDA 16.111			65,981	65,981	-
Justice Assistance Grant	2015-DJ-BX-0671	16.738	16,114	16,114	-
Passed through California Emergency Management Agency: Victim Witness Assistance	VW14330400	16.575	165,142	165,142	-
Unserviced/Underserved Victim Advocacy and Outreach	XV15A10400	16.575	11,837	11,837	-
Unserviced/Underserved Victim Advocacy and Outreach	XV15A10400	16.575	15,097	15,097	-
Subtotal Pass-Through CFDA 16.575			192,076	192,076	-
Unserviced/Underserved Victim Advocacy and Outreach	UV14050400	16.582	98,027	98,027	-
Total U.S. Department of Justice			<b>606,722</b>	<b>606,722</b>	-
U.S. DEPARTMENT OF LABOR					
Passed through California Employment Development Department:					
Workforce Investment Act - Adult	K594794 & K698395	17.258	613,766	613,766	386,437
Workforce Investment Act - Youth	K594794 & K698395	17.259	852,084	852,084	706,610
Workforce Investment Act - Dislocated Worker & Rapid Response	K594794 & K698395	17.278	650,793	650,793	414,081
Subtotal Pass-Through Workforce Investment Act Cluster			2,116,643	2,116,643	1,507,128
Total U.S. Department of Labor			<b>2,116,643</b>	<b>2,116,643</b>	<b>1,507,128</b>

(Continued)

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF TRANSPORTATION					
Direct programs:					
Airport Improvement Program	3-06-0228-041	20.106	1,361	1,361	-
Airport Improvement Program - Prior Year Adjustment	3-06-0228-041	20.106	(37,607)	(37,607)	-
Airport Improvement Program	3-06-0228-043-2015	20.106	5,432,521	5,432,521	-
Airport Improvement Program	3-06-0228-044-2015	20.106	9,350	9,350	-
Airport Improvement Program	3-06-0228-045-2015	20.106	1,626,145	1,626,145	-
Subtotal Direct CFDA 20.106			<u>7,031,770</u>	<u>7,031,770</u>	-
Passed through State Department of Transportation:					
Public Ways and Facilities	BPMP-5949(151)	20.205	16,489	16,489	-
Public Ways and Facilities	BHLS-5949(136)	20.205	184,610	184,610	-
Public Ways and Facilities	BHLS-5949(137)	20.205	213,684	213,684	-
Public Ways and Facilities	HSIPL-5949(148)	20.205	468,512	468,512	-
Public Ways and Facilities	HSIPL-5949(149)	20.205	792,912	792,912	-
Public Ways and Facilities - Prior year adjustment	HSIPL-5949(149)	20.205	(4,967)	(4,967)	-
Public Ways and Facilities	HSIPL-5949(154)	20.205	685,201	685,201	-
Public Ways and Facilities	BRLO-5949(019)	20.205	4,457	4,457	-
Public Ways and Facilities - Prior year adjustment	BRLO-5949(019)	20.205	(1,046)	(1,046)	-
Public Ways and Facilities	BRLO-5949(009)	20.205	8,190	8,190	-
Public Ways and Facilities	BRLO-5949(065)	20.205	144,394	144,394	-
Public Ways and Facilities - Prior year adjustment	BRLO-5949(065)	20.205	(114,728)	(114,728)	-
Public Ways and Facilities	BRLO-5949(116)	20.205	2,048,776	2,048,776	-
Public Ways and Facilities - Prior year adjustment	BRLO-5949(116)	20.205	(74,141)	(74,141)	-
Public Ways and Facilities	BRLO-5949(119)	20.205	167,367	167,367	-
Public Ways and Facilities	BRLO-5949(120)	20.205	82,033	82,033	-
Public Ways and Facilities	BRLO-5949(127)	20.205	130,295	130,295	-
Public Ways and Facilities	BRLO-5949(152)	20.205	11,406	11,406	-
Public Ways and Facilities	BRLO-5949(156)	20.205	8,895	8,895	-
Public Ways and Facilities	BRLO-5949(157)	20.205	12,397	12,397	-
Public Ways and Facilities	BRLS-5949(129)	20.205	131,014	131,014	-
Public Ways and Facilities	BRLS-5949(131)	20.205	209,938	209,938	-
Public Ways and Facilities	BRLS-5949(135)	20.205	49,524	49,524	-
Public Ways and Facilities - Prior year adjustment	BRLS-5949(135)	20.205	34,941	34,941	-
Safe Acctble, Flex, Effic Transp Eq Act (SAFETEA-LU)	HPLU-5949 (132)	20.205	11,760	11,760	-
Public Ways and Facilities	STPL-5949(139)	20.205	340,619	340,619	-
Federal Transportation Improvement Program	RPSTPLE-5949 (140)	20.205	107,258	107,258	-
Public Ways and Facilities	RPSTPLE 5949(144)	20.205	66	66	-
Public Ways and Facilities	RPLCML-5949(074)	20.205	79,404	79,404	-
Subtotal Pass-Through CFDA 20.205			<u>5,749,258</u>	<u>5,749,260</u>	-
Office Of Traffic Safety	PS1605	20.600	90,930	90,930	-
Office Of Traffic Safety	OP1502	20.600	18,707	18,707	-
Office Of Traffic Safety - Prior Year Adjustment	OP1502	20.600	276	276	-
Office Of Traffic Safety	PS 1605	20.616	70,580	70,580	-
Office Of Traffic Safety	OP1502	20.616	17,802	17,802	-
Office Of Traffic Safety - Prior Year Adjustment	OP1502	20.616	1,963	1,963	-
Subtotal Pass-Through Highway Safety Cluster			<u>200,258</u>	<u>200,258</u>	-
Safe States Alliance Ped Project	14-10769	20.614	3,779	3,779	-
Safe States Alliance Ped Project - Prior Year Adjustment	14-10769	20.614	63	63	-
Subtotal Pass-Through CFDA 20.614			<u>3,842</u>	<u>3,842</u>	-
Total U.S. Department of Transportation			<u>12,985,128</u>	<u>12,985,130</u>	-
ENVIRONMENTAL PROTECTION AGENCY					
Passed through State Water Resource Control Board:					
Public Beach Safety Grant - Prior Year Adjustment	12-046-250	66.472	(14,036)	(14,036)	-
Total Enviromental Protection Agency			<u>(14,036)</u>	<u>(14,036)</u>	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Direct Programs:					
Safe and Drug Free Communities - Sober Truth on Preventing Underage Drinking	h79sp020904-06	93.276	66,307	66,307	-
Behavioral Health Treatment Court Collaborative Family Drug Court	5H79SM061698-02 5H79T1024206-03	93.243 93.243	401,174 76,530	401,174 76,530	- -
Subtotal CFDA 93.243			477,704	477,704	-
Passed through State Department of Alcohol & Drug Programs:					
Substance Abuse Prevention & Treatment Block Grant- Discret Funds	14-90098	93.959	992,379	992,379	-
Substance Abuse Prevention & Treatment Block Grant - PrevSet-aside	14-90098	93.959	313,072	313,072	-
Substance Abuse Prevention & Treatment Block Grant - Friday Night/Club	14-90098	93.959	30,000	30,000	-
Substance Abuse Prevention & Treatment Block Grant - HIV Set-aside	14-90098	93.959	7,854	7,854	-
Substance Abuse Prevention & Treatment Block Grant - Adolescent and Youth Treatment	14-90098	93.959	177,123	177,123	-
Substance Abuse Prevention & Treatment Block Grant - Perinatal	14-90098	93.959	72,569	72,569	-
Subtotal CFDA 93.959			1,592,997	1,592,997	-
Passed through State Department of Child Support Services:					
Child Support Enforcement:					
Child Support Administration	Not Applicable	93.563	2,656,617	2,656,617	-
Child Support EDP	Not Applicable	93.563	141,022	141,022	-
Subtotal CFDA 93.563			2,797,639	2,797,639	-
Passed Through National Association of County & City Health Officials:					
Medical Reserve Corps Small Grant Program	MRC 14-1633	93.008	110	110	-
Passed Through California Family Health Council:					
Title X - 2015	88000-5320-71209-15	93.217	66,901	66,901	-
Title X - 2015 - Prior Year Adjustment	88000-5320-71209-15	93.217	7,127	7,127	-
Title X - 2016	88000-5320-71209-16	93.217	70,608	70,608	-
Subtotal CFDA 93.217			144,636	144,636	-
Health Resources Services Administration HPP	Not Applicable	93.074	144,836	144,836	-
Health Resources Services Admin - Prior Year Adjustment	Not Applicable	93.074	2,262	2,262	-
Ebola	Not Applicable	93.074	51,867	51,867	-
CDC Base PH Emergency Preparedness	Not Applicable	93.074	457,931	457,931	-
CDC Base PH Emergency Preparedness - Prior Year Adjustment	Not Applicable	93.074	52,511	52,511	-
Subtotal CFDA 93.074			709,407	709,407	-
TB Control Branch/Real Time Allotment	5U52PS900515-31	93.116	13,736	13,736	-
CALBRACE	15-10703	93.070	9,990	9,990	-
Lead Program	14-10051	93.197	12,355	12,355	-
Immunization Action Plan	13-20343	93.268	107,283	107,283	-
Immunization Information Syst - Prior Year Adjustment	13-20343	93.268	(599)	(599)	-
Subtotal CFDA 93.268			106,684	106,684	-
Maternal Child Health (MCH)	2014-40	93.994	125,194	125,194	-
Passed through State Department of Health Care Services:					
Medical Assistance Program:					
Medi-Cal Administration	14-90041	93.778	285,638	285,638	-
Medi-Cal Administration - Prior Year Adjustment	14-90041	93.778	(6,152)	(6,152)	-
School Based Medi-Cal Administration	14-90007	93.778	302,418	302,418	-
Maternal Child Health	Not Applicable	93.778	340,742	340,742	-
Maternal Child Health - Prior Year Adjustment	Not Applicable	93.778	566	566	-
Medi-Cal Admin - Targeted Case Mgt - Prior Year Adjustment	40-1318A	93.778	2,825	2,825	-
Administration: Medi-Cal	14-90041	93.778	28,919	28,919	-
Medical Outreach and Enrollment	Not Applicable	93.778	8,127	8,127	-
Medi-Cal Renewal Assistance Grant	Not Applicable	93.778	26,847	26,847	-
Administration: Medi-Cal - Prior Year Adjustment	09-86011 A01	93.778	67,417	67,417	-
Foster Care	SLO 40	93.778	97,030	97,030	-
Child Hlth & Disability Prevention	Not Applicable	93.778	192,769	192,769	-
Children Services	SLOCO/MTP	93.778	816,787	816,787	-
Administration: Medi-Cal - IHSS	Not Applicable	93.778	7,543,609	7,543,609	-
Medi-Cal Administration	Not Applicable	93.778	196,668	196,668	-
Medi-Cal Administration - Prior Year Adjustment	Not Applicable	93.778	10	10	-
Subtotal CFDA 93.778			9,904,220	9,904,220	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)					
Mental Health-Substance Abuse (SAMHSA)	Not Applicable	93.958	351,444	351,444	-
Mental Health-Substance Abuse (SAMHSA)	Not Applicable	93.958	175,274	175,274	-
Subtotal CFDA 93.958			<u>526,718</u>	<u>526,718</u>	-
Passed through State Department of Mental Health:					
Mental Health-McKinney Assist in Transition from Homeless	Not Applicable	93.150	58,160	58,160	58,160
Passed through State Department of Social Services:					
KinGap - Kingship Guardian Assistance Program	Not Applicable	93.090	230,281	230,281	-
KinGap - Kingship Guardian Assistance Program - Prior Year Adjustment	Not Applicable	93.090	(9)	(9)	-
Subtotal CFDA 93.090			<u>230,272</u>	<u>230,272</u>	-
Promoting Safe and Stable Families	Not Applicable	93.556	147,587	147,587	-
Refugee Cash Assistance	Not Applicable	93.566	1,795	1,795	-
Temporary Assistance for Needy Families:					
Assistance: CALWORKS	Not Applicable	93.558	3,956,630	3,956,630	-
Administration: CalWORKS, SAWS-CalWIN, TANF	Not Applicable	93.558	13,052,741	13,052,741	-
Administration: CalWORKS, SAWS-CalWIN, TANF - Prior Year Adjustment	Not Applicable	93.558	(48,052)	(48,052)	-
Subtotal CFDA 93.558			<u>16,961,319</u>	<u>16,961,319</u>	-
Foster Care - Title IV-E:					
Administration: Probation - Title IV E	Not Applicable	93.658	336,843	336,843	-
Child Welfare Services - Title IV E	Not Applicable	93.658	3,960,534	3,960,534	-
Child Welfare Services - Title IV E - Prior Year Adjustment	Not Applicable	93.658	(14,247)	(14,247)	-
Assistance: Foster Care	Not Applicable	93.658	2,287,245	2,287,245	-
Subtotal CFDA 93.658			<u>6,570,375</u>	<u>6,570,375</u>	-
Child Welfare Services Title IV-B	Not Applicable	93.645	186,947	186,947	-
Child Welfare Services Title IV-B - Prior Year Adjustment	Not Applicable	93.645	46	46	-
Subtotal CFDA 93.645			<u>186,993</u>	<u>186,993</u>	-
Administration: Adoption	Not Applicable	93.659	679,413	679,413	-
Administration: Adoption - Prior Year Adjustment	Not Applicable	93.659	(2,940)	(2,940)	-
Assistance: Adoption	Not Applicable	93.659	3,792,834	3,792,834	-
Subtotal CFDA 93.659			<u>4,469,307</u>	<u>4,469,307</u>	-
Foster Care Assistance -Title XX	Not Applicable	93.667	144,175	144,175	-
Child Welfare Services - Title XX	Not Applicable	93.667	680,922	680,922	-
Subtotal CFDA 93.667			<u>825,097</u>	<u>825,097</u>	-
Independent Living Program	Not Applicable	93.674	119,191	119,191	-
Independent Living Program - Prior Year Adjustment	Not Applicable	93.674	528	528	-
Subtotal CFDA 93.674			<u>119,719</u>	<u>119,719</u>	-
Total U.S. Department of Health & Human Services			<u><b>46,058,321</b></u>	<u><b>46,058,321</b></u>	<u><b>58,160</b></u>
DEPARTMENT OF HOMELAND SECURITY					
Passed through-Ca Department of Boating & Waterways:					
Non Motorized Boating Access Development Grant	11-204-780	97.012	114,430	114,430	-
Passed through California Emergency Management Agency:					
Disaster Grants - Public Assistance - Prior Year Adjustment	FEMA DSR 1952-2010/11	97.036	60,711	60,711	-
Disaster Grants - Public Assistance - Prior Year Adjustment	FEMA-1628-DR-CA	97.036	9,553	9,553	-
Subtotal CFDA 97.036			<u>70,264</u>	<u>70,264</u>	-
Emergency Management Performance Grants:					
Emergency Management Performance 2015	079-00000	97.042	-	10,500	-
Emergency Management Performance 2015	2015-0049	97.042	11,400	900	-
Emergency Management Performance 2014 - Prior Year Adjustment	2014-0070	97.042	(3)	(3)	-
Emergency Management Performance 2015	2015-0049	97.042	123,472	123,472	-
Subtotal CFDA 97.042			<u>134,869</u>	<u>134,869</u>	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2015-16 REVENUE RECOGNIZED	2015-16 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
DEPARTMENT OF HOMELAND SECURITY (Continued)					
Homeland Security - Prior Year Adjustment	2011-0002	97.047	1,687	1,687	-
Homeland Security	Stonegarden Grant 2014-0093	97.067	270,648	270,648	-
Homeland Security	2014-0093	97.067	52,050	52,050	-
Homeland Security - Prior Year Adjustment	2014-0093	97.067	(860)	(860)	-
Homeland Security - Prior Year Adjustment	2013-00110	97.067	(1)	(1)	-
Homeland Security	2014-0093	97.067	21,234	21,234	-
Homeland Security	2014-0093	97.067	8,989	8,989	-
Homeland Security	2015-0049	97.067	369	369	-
Homeland Security	2014-0093	97.067	60,169	60,169	-
Homeland Security	2015-0078	97.067	103,414	103,414	-
Subtotal CFDA 97.067			516,012	516,012	-
Total Department of Homeland Security			<u>837,262</u>	<u>837,262</u>	-
TOTAL FEDERAL FINANCIAL AWARDS EXCLUDING LOANS CARRIED FORWARD FROM PRIOR YEAR			<u>\$ 74,306,139</u>	<u>\$ 79,233,200</u>	<u>\$ 4,990,292</u>
<u>Federal Loan Balances With a Continuing Compliance Requirement</u>					
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Direct Programs:					
Community Development Block Grants - 3rd Party Loans		14.218		2,466,617	
Home Partnership Investment Program - 3rd Party Loans		14.239		14,064,983	
FEDERAL LOAN BALANCES CARRIED FORWARD FROM PRIOR YEAR				<u>16,531,600</u>	
TOTAL FEDERAL FINANCIAL AWARDS INCLUDING LOANS				<u>\$ 95,764,800</u>	

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – REPORTING ENTITY**

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

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for expenditures accounted for in proprietary funds, as described in Note 1 of the County's basic financial statements.

**NOTE 3 – RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue Funds.

**NOTE 4 – SUBRECIPIENTS**

Of the federal expenditures presented in the SEFA, the County provided federal awards to subrecipients as follows:

CFDA Number	Program Title	Amount
10.561	Supplemental Nutrition Assistance	\$ 85,560
93.150	Steward McKinny Projects (PATH Grant)	58,160
14.218	Community Development Block Grant/Entitlement Grants	1,791,617
14.231	Emergency Solutions Grant Program	121,035
14.239	Home Investment Partnerships Program	403,022
14.267	Continuum of Care	1,023,770
17.258	Workforce Investment Act - Adult	386,437
17.259	Workforce Investment Act - Youth	706,610
17.278	Workforce Investment Act - Dislocated Worker/Rapid Response	414,081
	Total	<u>\$ 4,990,292</u>

**NOTE 5 – LOANS WITH CONTINUING COMPLIANCE REQUIREMENT**

Outstanding federally-funded program loans with a continuing compliance requirement had the following balances during the year:

CFDA Number	Program Title	Amount Outstanding			
		July 1, 2015	New Loans	Loan Payments	June 30, 2016
14.218	Community Development Block Grant/Entitlement Grants	\$ 2,466,617	\$ -	\$ -	\$ 2,466,617
14.239	Home Investment Partnerships Program	14,144,983	4,927,060	(80,000)	18,992,043

**NOTE 6 – OTHER LOANS**

Outstanding federally-funded program loans without continuing compliance requirements had the following balances during the year:

CFDA Number	Program Title	Amount Outstanding June 30, 2016
10.760, 10.781	Water and Waste Program Cluster	\$ 79,396,000
66.458	State Revolving Fund	65,166,492 *
10.760	Water and Waste Program Cluster	1,438,323

\* This amount includes federal and state funds.

**NOTE 7 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBERS**

When federal awards are received from a pass-through entity, the SEFA 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.

**NOTE 8 – TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER**

When there is more than one program under a single CFDA number, the SEFA totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the SEFA, but instead is provided below:

CFDA Number	Total Federal Expenditures
10.760	\$ 214,902
10.781	1,882,087
20.600	109,913
20.616	90,345

**NOTE 9 – INDIRECT COST RATE**

The County has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_ Yes  X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes  X  None Reported

Noncompliance material to financial statements noted? \_\_\_ Yes  X  No

***Federal Awards***

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

- Material weakness identified? \_\_\_ Yes  X  No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes  X  None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_ Yes  X  No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
20.106	Airport Improvement Program
14.267	Continuum of Care Program
14.218	Community Development Block Grants

The threshold for distinguishing type A and B programs was \$2,376,996.

Auditee qualified as low-risk auditee?  X  Yes \_\_\_ No

## SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings identified in fiscal year ending June 30, 2016, that require reporting in accordance with *Government Auditing Standards*.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

## SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

### **2015-01: Debt Accretion**

#### Criteria:

In accordance with *Government Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Condition:

During our audit procedures over long-term debt, it was noted the County of San Luis Obispo (the County) did not include the accreted value of the 2003 Capital Appreciation Bonds through June 30, 2015. The 2003 Series C Bonds will begin to mature on September 1, 2018, and each year thereafter until 2030. Each bond should accrete (increase) in value from the date of issuance until maturity. In accordance with the "Table of Accreted Values" in the official bond statement of the 2003 Capital Appreciation Bonds, we noted the County did not report \$35,486,164 in prior year accretion and \$4,528,978 in current year accretion.

#### Cause of Condition:

Per discussion with the client, the County had not previously issued debt instruments where interest is not paid until maturity and was therefore not familiar with unique accounting procedures necessary to record the accreted value component of these bonds. The County management has been aware of the accretion in value and has identified the full obligation of the bonds in debt presentations before the Board of Supervisors in a public setting. The County also has reported the full amount of debt service to maturity in the notes to the financial statements each year since inception of the bonds. However, due to the lack of familiarity with this unique type of bond, the County applied the same accounting procedures to them as used for conventional debt instruments with interest payable each year, which would have resulted in the accreted value being reporting in the Statement of Net Position in the year payable rather than as it accretes over time as required under U.S. GAAP.

#### Effect:

Failing to record the accreted value of long-term debt could misrepresent the financial state of the County in any given year and could result in the financial statements being materially misstated, thus not being in compliance with U.S. GAAP reporting requirements.

#### Recommendation:

We recommend the County adjust the outstanding balance for the 2003 Series C Capital Appreciation Bonds to include the accumulated accretion for all bonds as of June 30, 2015. In addition, we recommend the County implement the proper internal control procedures to record the full balance of outstanding debt, including accretion, for future years.

#### Management Response/Corrective Action Plan:

The County agrees with the finding and has recorded the correct accreted values through June 30, 2015, and has calculated the amounts to record for each fiscal year thereafter through maturity.

#### Current Year Status:

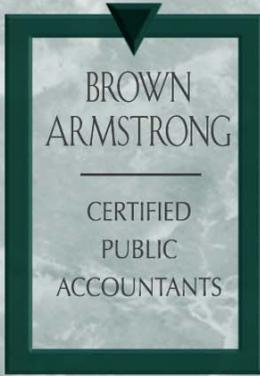
Implemented.

**SUPPLEMENTARY SCHEDULE  
OF GRANT EXPENDITURES**

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF THE GOVERNOR'S OFFICE OF EMERGENCY SERVICES  
AND THE BOARD OF STATE AND COMMUNITY CORRECTIONS GRANT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2015	For the Year Ended June 30, 2016	Cumulative As of June 30, 2016	Federal Share	State Share	County Share
Victim Witness Assistance - VW14330400						
Personnel Services	\$ 270,365	\$ 269,246	\$ 539,611	\$ 165,142	\$ 104,546	\$ (442)
Totals	\$ 270,365	\$ 269,246	\$ 539,611	\$ 165,142	\$ 104,546	\$ (442)
Unserviced/Underserved Victim Advocacy and Outreach - UV14050400						
Personnel Services	\$ 164,150	\$ 122,057	\$ 286,207	\$ 98,027	\$ -	\$ 24,030
Totals	\$ 164,150	\$ 122,057	\$ 286,207	\$ 98,027	\$ -	\$ 24,030
Unserviced/Underserved CVWD - XV15A10400						
Personnel Services	\$ -	\$ 21,183	\$ 21,183	\$ 11,837	\$ -	\$ 9,346
Totals	\$ -	\$ 21,183	\$ 21,183	\$ 11,837	\$ -	\$ 9,346
Unserviced/Underserved Elder - XV150100400						
Operating Expenses	\$ -	\$ 24,443	\$ 24,443	\$ 15,097	\$ -	\$ 9,346
Totals	\$ -	\$ 24,443	\$ 24,443	\$ 15,097	\$ -	\$ 9,346
2013 Stonegarden Grant - 2014-0093						
Personnel Services	\$ 18,083	\$ 185,244	\$ 203,327	\$ -	\$ -	\$ -
Operating Expenses	-	11,092	11,092	-	-	-
Equipment	-	58,953	58,953	-	-	-
Totals	\$ 18,083	\$ 255,289	\$ 273,372	\$ -	\$ -	\$ -

**AVIATION PASSENGER FACILITY CHARGE PROGRAM**



BROWN ARMSTRONG  
Certified Public Accountants

**INDEPENDENT AUDITOR’S REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENSES**

Board of Supervisors  
County of San Luis Obispo  
San Luis Obispo, California

**Report on Schedule for Each Quarterly Period**

We have audited the accompanying Schedule of Passenger Facility Charge Revenues and Expenses (Schedule) of the County of San Luis Obispo (County), for the annual period and each quarterly period from July 1, 2015 to June 30, 2016.

**Management’s Responsibility**

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial schedule that is free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express opinions on this financial schedule based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the Schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County’s preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the passenger facility charges received, held, and used by the County for the annual period and each quarterly period from July 1, 2015 to June 30, 2016, as defined by the Federal Aviation Administration of the United States of America Department of Transportation.

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

**FRESNO OFFICE**

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**PASADENA OFFICE**

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542

**STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

**Other Reporting Required by *Government Auditing Standards***

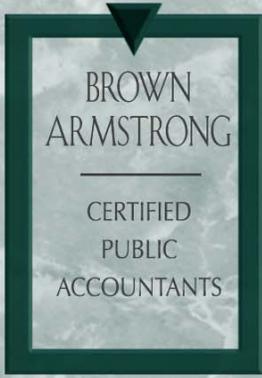
In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the County's internal control over financial reporting relating to the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance relating to the Schedule.

This report is intended solely for the information and use of the Board of Supervisors and the County of San Luis Obispo and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
March 22, 2017



BROWN ARMSTRONG  
*Certified Public Accountants*

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Supervisors  
County of San Luis Obispo  
San Luis Obispo, California

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324. 4997  
EMAIL info@bacpas.com

**FRESNO OFFICE**

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**PASADENA OFFICE**

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542

**STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

**Compliance**

We have audited the compliance of the County of San Luis Obispo (County) with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its Passenger Facility Charge Program for the annual period and each quarterly period from July 1, 2015 to June 30, 2016. Compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge Program 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge 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 of 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 its Passenger Facility Charge Program for the annual period and each quarterly period from July 1, 2015 to June 30, 2016.

**Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge Program. In planning and performing our audit, we considered the County’s internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion 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 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 the Passenger Facility Charge Program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of the Passenger Facility Charge Program will not be prevented, or detected and corrected on a timely basis.

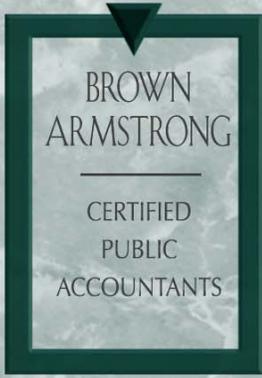
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

This report is intended solely for the information of management, the Board of Supervisors, the U.S. Federal Aviation Administration, and the airline parties operating at the Airport and it is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 22, 2017



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENSES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### **FRESNO OFFICE**

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

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260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542

### **STOCKTON OFFICE**

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SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

Board of Supervisors  
County of San Luis Obispo  
San Luis Obispo, 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 Schedule of Passenger Facility Charge Revenues and Expenses (Schedule) of the County of San Luis Obispo (County), for the annual period and each quarterly period from July 1, 2015 to June 30, 2016, and have issued our report thereon dated March 22, 2017.

### **Internal Control Over Financial Reporting**

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

*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 schedule will not be prevented, or detected and corrected on a timely basis. *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.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free from material misstatement, we performed tests of the County's 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 schedule 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*.

## 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 County's internal control or on compliance relating to the Schedule. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance relating to the Schedule. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
March 22, 2017

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF PASSENGER FACILITY CHARGE  
REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

Approved Federal Application Number/ Project Description	Approved Project Allocation	Prior Period Adjustment	Current Year			Project to Date			Unliquidated Balance PFC Trust
			Receipts or Revenues Recognized	Interest Earned	Expenditures	Receipts or Revenues Recognized	Interest Earned	Expenditures	
<u>1997-04-I and 2000-06-U</u>									
Revenues	\$ -	\$ 2,464,620	\$ -	\$ -	\$ -	\$ 6,370,839	\$ 449,991	\$ -	\$ 6,820,830
Expenditures:									
Approved Application #4/6: \$6,820,830									
Terminal development and construction	6,820,830	-	-	-	1,660,928	-	-	4,990,186	(4,990,186)
Total 4/6: 1997-04-I and 2000-06-U	6,820,830	2,464,620	-	-	1,660,928	6,370,839	449,991	4,990,186	1,830,644
<u>2002-07-C</u>									
Revenues	-	(970,533)	381,765	-	-	1,730,271	-	-	1,730,271
Expenditures:									
Approved Application #7: \$1,730,271	1,730,271	-	-	-	-	-	-	1,730,271	(1,730,271)
Total 7: 1997-04-I and 2000-06-U	1,730,271	(970,533)	381,765	-	-	1,730,271	-	1,730,271	-
<u>2007-08-C</u>									
Revenues	-	(1,494,087)	213,713	9,634	-	213,713	9,634	-	223,347
Expenditures:									
Approved Application #8: \$2,028,190	2,028,190	-	-	-	-	-	-	1,328,771	(1,328,771)
Total 8: 1997-04-I and 2000-06-U	2,028,190	(1,494,087)	213,713	9,634	-	213,713	9,634	1,328,771	(1,105,424)
Total Passenger Facility Charges	\$ 10,579,291	\$ -	\$ 595,478	\$ 9,634	\$ 1,660,928	\$ 8,314,823	\$ 459,625	\$ 8,049,228	\$ 725,220

**COUNTY OF SAN LUIS OBISPO  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS –  
AIRPORT PASSENGER FACILITY CHARGE PROGRAM**

There were no findings identified in the fiscal year ending June 30, 2016, that require reporting in accordance with *Government Auditing Standards* related to the Airport Passenger Facility Charge Program.

**COUNTY OF SAN LUIS OBISPO  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –  
PASSENGER FACILITY CHARGE PROGRAM**

2015-02:

Criteria:

Passenger Facility Charge Audit Guide For Public Agencies Section 158.63 requires that the public agency provide quarterly reports to carriers collecting Airport Passenger Facility Charge (PFC) revenues for the public agency, with a copy to the appropriate Federal Aviation Administration (FAA) Airports office.

Condition:

During our review of the County of San Luis Obispo (the County) June 30, 2015 PFC Quarterly Report to the FAA, we noted that the report was submitted on October 3, 2015, which is after the one month deadline. All PFC Quarterly Reports are to be submitted on or before the last day of the calendar month following the calendar quarter or other period agreed to by the public agency and collecting carrier.

Cause:

The report was not submitted timely.

Effect:

Failure to meet the Passenger Facility Charge Audit Guide requirements could lead the County to be out of compliance with the FAA and potentially receive fines or other penalties.

Recommendation:

We recommend the County submit all required PFC Quarterly Reports in a timely manner.

Management Response/Corrective Action Plan:

Management agrees with the recommendation and corrective action was taken to ensure this does not happen in the future.

Current Year Status:

Implemented.