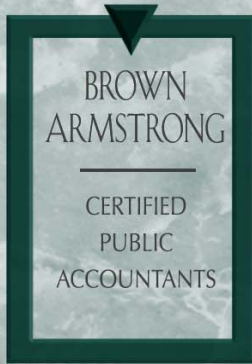


COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

**COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3
Independent Auditor's Report on Supplementary Information – Schedule of Expenditures of Federal Awards.....	5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs.....	17
<u>Supplementary Schedule of Grant Expenditures</u>	
Schedule of the Governor's Office of Emergency Services and the Board of State and Community Corrections Grant Expenditures	21
<u>Aviation Passenger Facility Charges</u>	
Independent Auditor's Report on Schedule of Passenger Facility Charge Revenues and Expenses	22
Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	24
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 <i>Government Auditing Standards</i>	26
Schedule of Passenger Facility Charge Revenues and Expenses	28
Schedule of Current Year Findings and Questioned Costs – Airport Passenger Facility Charge Program	29
Status of Prior Year Findings and Questioned Costs – Airport Passenger Facility Charge Program	30



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

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
FAX 626.204.6547

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 aggregate discretely presented component units, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 26, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2015-01.

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. There were no significant deficiencies 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*.

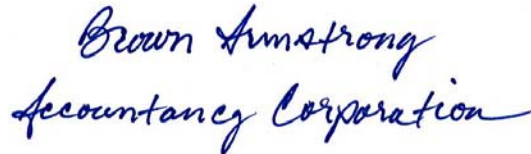
County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and schedule of current year findings and questioned costs – Airport Passenger Facility Charge Program. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

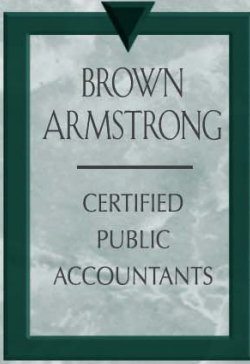
Purpose of this Report

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
February 26, 2016



BROWN ARMSTRONG
Certified Public Accountants

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

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
FAX 626.204.6547

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) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

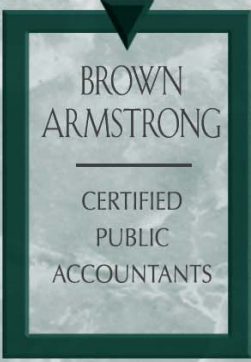
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 26, 2016



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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
FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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 the County of San Luis Obispo (the County) as of and for the year ended June 30, 2015, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 26, 2016, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the County Board of Supervisors and management of the County as well as the County's 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation (handwritten signature)

Bakersfield, California
February 26, 2016

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Water and Waste Disposal Program - Loan	10.760	\$ 104,970	\$ 104,970
Water and Waste Disposal Program - Loan - Prior Year Adjustment	10.760	126,278	126,278
Water and Waste Disposal Program (Loan)	10.781	4,634,711	4,634,711
Water and Waste Disposal Program (Grant)	10.781	<u>3,016,989</u>	<u>3,016,989</u>
Subtotal Water and Waste Disposal Program Cluster		7,882,948	7,882,948
Emergency Community Water Assistance	10.763	207,800	-
Emergency Community Water Assistance	10.763	<u>-</u>	<u>207,800</u>
Subtotal Direct CFDA 10.763		<u>8,090,748</u>	<u>8,090,748</u>
Passed through State Department of Health Care Services:			
Women Infant Children Nutrition Program	10.557	1,195,204	1,195,204
Women Infant Children Nutrition Program - Prior Year Adjustment	10.557	<u>38,350</u>	<u>38,350</u>
Subtotal Pass-Through CFDA 10.557		<u>1,233,554</u>	<u>1,233,554</u>
Passed through California Fire Safe Council:			
Volunteer Fire Assistance Program - Prior Year Adjustment	10.664	<u>(236)</u>	<u>(236)</u>
Subtotal Pass-Through CFDA 10.664		<u>(236)</u>	<u>(236)</u>
Passed through State Department of Food and Agriculture:			
Sudden Oak Death - Prior Year Adjustment	10.025	(1)	(1)
Glassy-Winged Sharpshooter	10.025	345,618	345,618
Asian Citrus Psyllid Detection	10.025	298,634	298,634
Asian Citrus Psyllid Detection - Prior Year Adjustment	10.025	32,536	32,536
European Grape Vine Moth	10.025	8,086	8,086
European Grape Vine Moth - Prior Year Adjustment	10.025	1	1
Light Brown Apple Moth Detection	10.025	14,963	14,963
Light Brown Apple Moth Regulatory	10.025	113,538	113,538
Light Brown Apple Moth Regulatory - Prior Year Adjustment	10.025	(627)	(627)
Pest Detection Trapping	10.025	<u>175,456</u>	<u>175,456</u>
Subtotal Pass-Through CFDA 10.025		<u>988,204</u>	<u>988,204</u>
Passed through State Department of Public Health:			
Supplemental Nutrition Assistance Program Education (SNAP-ED)	10.561	518,423	518,423
Supplemental Nutrition Assistance Program Education (SNAP-ED) - Prior Year Adjustment	10.561	6,467	6,467
CalFresh and CalFresh Employment Training	10.561	3,672,839	3,672,839
CalFresh and CalFresh Employment Training - Prior Year Adjustment	10.561	<u>99,118</u>	<u>99,118</u>
Subtotal Pass-Through CFDA 10.561		<u>4,296,847</u>	<u>4,296,847</u>
Total U.S. Department of Agriculture		<u>14,609,117</u>	<u>14,609,117</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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Low Income Housing Assistance Community Development Block Grants			
Community Development Block Grants	14.218	85,130	85,130
Community Development Block Grants	14.218	9,862	9,862
Community Development Block Grants	14.218	(15,556)	(15,556)
Community Development Block Grants	14.218	-	62,965
Community Development Block Grants	14.218	314,701	251,736
Community Development Block Grants	14.218	17,680	17,680
Community Development Block Grants	14.218	199,105	199,105
Community Development Block Grants	14.218	-	80,000
Community Development Block Grants	14.218	609,760	529,760
Community Development Block Grants - 3rd Party Loans	14.218	-	2,466,617
Subtotal CFDA 14.218		1,220,682	3,687,299
Emergency Solutions Grant Program	14.231	3,698	3,698
Emergency Solutions Grant Program	14.231	94	94
Emergency Solutions Grant Program	14.231	44,627	44,627
Emergency Solutions Grant Program	14.231	119,721	119,721
Subtotal CFDA 14.231		168,140	168,140
Home Partnership Investment Program	14.239	11,486	11,486
Home Partnership Investment Program	14.239	751,800	751,800
Home Partnership Investment Program	14.239	566,676	566,676
Home Partnership Investment Program	14.239	28,449	28,449
Home Partnership Investment Program	14.239	184,505	184,505
Home Partnership Investment Program	14.239	71,738	71,738
Home Partnership Investment Program - 3rd Party Loans	14.239	-	14,144,983
Subtotal CFDA 14.239		1,614,654	15,759,637
Continuum of Care Program	14.267	260,253	260,253
Continuum of Care Program	14.267	694,408	694,408
Subtotal CFDA 14.267		954,661	954,661
Total U.S. Department of Housing and Urban Development		3,958,137	20,569,737
U.S. DEPARTMENT OF THE INTERIOR			
Direct Programs:			
Coastal Impact Assistance Program	15.668	107,215	107,215
Subtotal Direct CFDA 15.668		107,215	107,215
Passed through California Bureau of Land Management:			
Taylor Grazing Act	15.227	-	1,750
Taylor Grazing Act	15.227	3,673	-
Subtotal Pass-Through CFDA 15.227		3,673	1,750
Total U.S. Department of Interior		110,888	108,965

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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Public Safety Partnership and Community Policing Grants:			
Bureau of Immigration and Customs Enforcement	16.710	61,000	61,000
State Criminal Alien Assistance Program	16.606	126,830	126,830
Federal Asset Forfeiture	16.000	174,142	174,142
Drug Enforcement Agency Domestic Cannabis Eradication and Suppression Program	16.001	62,151	62,151
Organized Crime Drug Enforcement Task Forces	16.111	4,690	4,690
Justice Assistance Grant	16.738	16,443	16,443
Subtotal Direct Department of Justice Grants		<u>445,256</u>	<u>445,256</u>
Passed through California Emergency Management Agency:			
Victim Witness Assistance	16.575	97,728	97,728
Unserved/Underserved Victim Advocacy and Outreach	16.582	131,048	131,048
Subtotal Pass-Through California Emergency Management Agency		<u>228,776</u>	<u>228,776</u>
Total U.S. Department of Justice		<u>674,032</u>	<u>674,032</u>
U.S. DEPARTMENT OF LABOR			
Passed through California Employment Development Department:			
Workforce Investment Act - Adult	17.258	749,913	749,913
Workforce Investment Act - Youth	17.259	810,386	810,386
Workforce Investment Act - Dislocated Worker and Rapid Response	17.278	561,014	561,014
Workforce Investment Act - National Emergency Grants - Prior Year Adjustment	17.277	21	21
Subtotal Pass-Through WIA Cluster		<u>2,121,334</u>	<u>2,121,334</u>
Total U.S. Department of Labor		<u>2,121,334</u>	<u>2,121,334</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
Airport Improvement Program	20.106	93,255	93,255
Airport Improvement Program	20.106	220,071	220,071
Airport Improvement Program - Prior Year Adjustment	20.106	22,812	22,812
Airport Improvement Program	20.106	26,340	26,340
Airport Improvement Program - Prior Year Adjustment	20.106	2,538	2,538
Subtotal Direct CFDA 20.106		<u>365,016</u>	<u>365,016</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 OMB Circular A-133.

COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION (Continued)			
Passed through State Department of Transportation:			
Public Ways and Facilities	20.205	618,831	618,831
Public Ways and Facilities - Prior Year Adjustment	20.205	(7)	(7)
Public Ways and Facilities - Prior Year Adjustment	20.205	(2,866)	(2,866)
Public Ways and Facilities	20.205	54,602	54,602
Public Ways and Facilities	20.205	20,125	20,125
Public Ways and Facilities	20.205	620,226	620,226
Public Ways and Facilities - Prior Year Adjustment	20.205	22,943	22,943
Public Ways and Facilities	20.205	178,992	178,992
Public Ways and Facilities	20.205	77,548	77,548
Public Ways and Facilities - Prior Year Adjustment	20.205	(513)	(513)
Public Ways and Facilities	20.205	19,639	19,639
Public Ways and Facilities	20.205	8,743	8,743
Public Ways and Facilities	20.205	9,774	9,774
Public Ways and Facilities	20.205	2,340,299	2,340,299
Public Ways and Facilities - Prior Year Adjustment	20.205	(114,728)	(114,728)
Public Ways and Facilities	20.205	759,727	759,727
Public Ways and Facilities	20.205	36,334	36,334
Public Ways and Facilities	20.205	149,845	149,845
Public Ways and Facilities	20.205	134,680	134,680
Public Ways and Facilities	20.205	18,668	18,668
Public Ways and Facilities - Prior Year Adjustment	20.205	1,212	1,212
Public Ways and Facilities	20.205	137,891	137,891
Public Ways and Facilities	20.205	188,916	188,916
Public Ways and Facilities	20.205	67,374	67,374
Safe Accountable Flexible Efficient Transportation Act (SAFETEA-LU)	20.205	34,243	34,243
Public Ways and Facilities - Prior Year Adjustment	20.205	25,890	25,890
Highway Planning and Construction	20.205	8,746	8,746
Public Ways and Facilities	20.205	106,935	106,935
Federal Transportation Improvement Program	20.205	88,811	88,811
Public Ways and Facilities	20.205	231,816	231,816
Subtotal CFDA Number 20.205		5,844,696	5,844,696
Office of Traffic Safety	20.600	1,592	1,592
Office of Traffic Safety - Prior Year Revenue	20.600	(101)	(101)
Office of Traffic Safety	20.600	42,900	42,900
Office of Traffic Safety	20.616	8,573	8,573
Office of Traffic Safety - Prior Year Adjustment	20.616	(1,309)	(1,309)
Office of Traffic Safety	20.616	63,496	63,496
Subtotal Highway Safety Cluster		115,151	115,151
California Office of Safety	20.608	183,469	183,469
California Office of Safety - Prior Year Adjustment	20.608	15,534	15,534
Office of Traffic Safety	20.608	19,581	19,581
Office of Traffic Safety - Prior Year Adjustment	20.608	7	7
Subtotal CFDA 20.608		218,591	218,591
Safe States Alliance Pedestrian Project	20.614	575	575
Total U.S. Department of Transportation		6,544,029	6,544,029

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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
ENVIRONMENTAL PROTECTION AGENCY			
Passed through State Water Resource Control Board:			
State Revolving Fund Loan - Assessment Backed	66.458	6,749,074	6,749,074
State Revolving Fund Loan - Rates and Charges	66.458	7,500,000	7,500,000
Subtotal CFDA 66.458		<u>14,249,074</u>	<u>14,249,074</u>
Public Beach Safety Grant	66.472	14,036	14,036
Subtotal Pass-Through		<u>14,263,110</u>	<u>14,263,110</u>
Total Environmental Protection Agency		<u>14,263,110</u>	<u>14,263,110</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Area Agency on Aging	93.043	6,517	6,517
Area Agency on Aging - Prior Year Adjustment	93.043	2,658	2,658
Subtotal CFDA 93.043		<u>9,175</u>	<u>9,175</u>
Health Resources Services Administration - University of Pacific Oral Health	93.236	5,587	5,587
Health Resources Services Administration - University of Pacific Oral Health - Prior Year Adjustment	93.236	471	471
Subtotal CFDA 93.236		<u>6,058</u>	<u>6,058</u>
Behavioral Health Treatment Court Collaborative	93.243	208,074	208,074
Adult Treatment Drug Court Collaborative	93.243	74,353	74,353
Adult Treatment Drug Court Collaborative - Prior Year Adjustment	93.243	51	51
Family Drug Court	93.243	309,029	309,029
Treatment for Children Affected by Methamphetamine	93.243	191,342	191,342
Treatment for Children Affected by Methamphetamine - Prior Year Adjustment	93.243	1	1
Subtotal CFDA 93.243		<u>782,850</u>	<u>782,850</u>
Drug Free Community Support Program - Drug Free Campus Cal Poly	93.276	28,052	28,052
Drug Free Community Support Program - Drug Free Campus Cal Poly - Prior Year Adjustment	93.276	1	1
Subtotal CFDA 93.276		<u>28,053</u>	<u>28,053</u>
Passed through State Department of Alcohol and Drug Programs:			
Substance Abuse Prevention and Treatment Block Grant - Discretionary Funds	93.959	988,463	988,463
Substance Abuse Prevention and Treatment Block Grant - Discretionary Funds - Prior Year Adjustment	93.959	1,237	1,237
Substance Abuse Prevention and Treatment Block Grant - HIV Set-Aside Funds	93.959	318,796	318,796
Substance Abuse Prevention and Treatment Block Grant - Adult and YouthTX Discretionary Treatment	93.959	177,123	177,123
Substance Abuse Prevention and Treatment Block Grant - Friday Night/Club	93.959	30,000	30,000
Substance Abuse Prevention and Treatment Block Grant - HIV Set-Aside	93.959	29,266	29,266
Substance Abuse Prevention and Treatment Block Grant - Perinatal Set-Aside	93.959	72,201	72,201
Subtotal Pass-Through CFDA 93.959		<u>1,617,086</u>	<u>1,617,086</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement:			
Child Support Administration	93.563	2,758,074	2,758,074
Child Support Electronic Data Processing	93.563	133,765	133,765
Subtotal Pass-Through CFDA 93.563		<u>2,891,839</u>	<u>2,891,839</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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Passed Through National Association of County and City Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	2,702	2,702
Subtotal Pass-Through CFDA 93.008		2,702	2,702
Passed Through California Family Health Council:			
Title X - 2015	93.217	55,673	55,673
Title X	93.217	61,115	61,115
Title X - Prior Year Adjustment	93.217	18,124	18,124
Subtotal Pass-Through CFDA 93.217		134,912	134,912
Health Resources Services Administration HPP	93.074	195,508	195,508
Health Resources Services Admin - Prior Year Adjustment	93.074	33,859	33,859
Center for Disease Control Base Public Health Emergency Preparedness	93.074	542,379	542,379
Center for Disease Control Base Public Health Emergency Preparedness - Prior Year Adjustment	93.074	397	397
Subtotal CFDA 93.074		772,143	772,143
Tuberculosis Control Branch/Real Time Allotment	93.116	8,739	8,739
Tuberculosis Control Branch/Real Time Allotment - Prior Year Adjustment	93.116	1,561	1,561
Subtotal CFDA 93.116		10,300	10,300
Lead Program	93.197	13,317	13,317
Lead Program - Prior Year Adjustment	93.197	4,016	4,016
Subtotal CFDA 93.197		17,333	17,333
Immunization Action Plan	93.268	92,650	92,650
Immunization Information System - Prior Year Adjustment	93.268	(267)	(267)
Subtotal CFDA 93.268		92,383	92,383
California 4 Health	93.531	8,259	8,259
California 4 Health - Prior Year Adjustment	93.531	32	32
Subtotal CFDA 93.531		8,291	8,291
HIV/AIDS Surveillance Program	93.917	36,088	36,088
HIV/AIDS Surveillance Program - Prior Period Adjustment	93.917	5,763	5,763
Subtotal CFDA 93.917		41,851	41,851

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 OMB Circular A-133.

COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Passed Through California Family Health Council (Continued):			
Sexually Transmitted Diseases Control Branch			
Sexually Transmitted Diseases Community Intervention Program	93.977	8,076	8,076
Sexually Transmitted Diseases Community Intervention Program - Prior Year Adjustment	93.977	284	284
Subtotal CFDA 93.977		8,360	8,360
Maternal Child Health (MCH)	93.994	398,863	398,863
Maternal Child Health (MCH) - Prior Year Adjustment	93.994	(28,637)	(28,637)
Subtotal CFDA 93.994		370,226	370,226
Subtotal Pass-Through		1,320,887	1,320,887
Passed Through Medical Assistance Program:			
Medi-Cal Administration	93.778	327,803	327,803
Medi-Cal Administration - Prior Year Adjustment	93.778	76,930	76,930
School Based Medi-Cal Administration	93.778	132,576	132,576
School Based Medi-Cal Administration - Prior Year Adjustment	93.778	389,656	389,656
Medi-Cal Administration - Targeted Case Management	93.778	449,435	449,435
Medi-Cal Administration - Targeted Case Management - Prior Year Adjustment	93.778	(61,655)	(61,655)
Administration: Medi-Cal	93.778	74,163	74,163
Medical Outreach and Enrollment	93.778	21,763	21,763
Administration: Medi-Cal - Prior Year Adjustment	93.778	71,809	71,809
Foster Care	93.778	100,940	100,940
Child Health and Disability Prevention	93.778	181,555	181,555
Child Health and Disability Prevention - Prior Year Adjustment	93.778	431	431
Children Services	93.778	656,129	656,129
Children Services - Prior Year Adjustment	93.778	2,450	2,450
Administration: Medi-Cal - Public Authority for In Home Support Services	93.778	7,353,588	7,353,588
Medi-Cal Administration	93.778	110,679	110,679
Medi-Cal Administration - Prior Year Adjustment	93.778	1	1
Subtotal CFDA 93.778		9,888,253	9,888,253
Maternal, Child, and Adolescent Oral Health	93.991	33,875	33,875
Maternal, Child, and Adolescent Oral Health - Prior Year Adjustment	93.991	16,125	16,125
Subtotal CFDA 93.991		50,000	50,000
Mental Health - Substance Abuse and Mental Health Services Administration	93.958	351,443	351,443
Mental Health - Substance Abuse and Mental Health Services Administration - Prior Year Adjustment	93.958	(25,595)	(25,595)
Mental Health - Substance Abuse and Mental Health Services Administration - Prior Year Adjustment	93.958	1	1
Mental Health - Substance Abuse and Mental Health Services Administration	93.958	139,581	139,320
Subtotal CFDA 93.958		465,430	465,169
Subtotal Pass-Through		10,403,683	10,403,422

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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Passed through State Department of Mental Health:			
Mental Health - McKinney Assistance in Transition from Homelessness	93.150	22,784	22,784
Subtotal Pass-Through CFDA 93.150		22,784	22,784
Passed through State Department of Social Services:			
Kinship Guardian Assistance Program	93.090	220,696	220,696
Kinship Guardian Assistance Program	93.090	3,109	3,109
Subtotal CFDA 93.090		223,805	223,805
Promoting Safe and Stable Families	93.556	169,371	169,371
Subtotal CFDA 93.556		169,371	169,371
Refugee Cash Assistance	93.566	2,727	2,727
Subtotal CFDA 93.566		2,727	2,727
Temporary Assistance for Needy Families:			
Assistance : CALWORKS	93.558	4,156,764	4,156,764
Administration: CalWORKS, Statewide Automated Welfare System - CalWIN, TANF	93.558	11,366,378	11,366,378
Administration: CalWORKS, Statewide Automated Welfare System - CalWIN, TANF - Prior Year Adjustment	93.558	(238,348)	(238,348)
Subtotal CFDA 93.558		15,284,794	15,284,794
Foster Care - Title IV-E			
Administration: Probation - Title IV E	93.658	448,747	448,747
Child Welfare Services - Title IV E	93.658	3,728,192	3,728,192
Child Welfare Services - Title IV E - Prior Year Adjustment	93.658	4,147	4,147
Assistance: Foster Care	93.658	2,343,659	2,343,659
Subtotal CFDA 93.658		6,524,745	6,524,745
Child Welfare Services Title IV-B	93.645	188,415	188,415
Administration: Adoption	93.659	850,743	850,743
Administration: Adoption - Prior Year Adjustment	93.659	798	798
Assistance: Adoption	93.659	3,605,217	3,605,217
Subtotal CFDA 93.659		4,456,758	4,456,758
Foster Care Assistance - Title XX	93.667	162,387	162,387
Child Welfare Services - Title XX	93.667	566,144	566,144
Subtotal CFDA 93.667		728,531	728,531
Independent Living Program	93.674	116,006	116,006
Independent Living Program - Prior Year Adjustment	93.674	724	724
Subtotal CFDA 93.674		116,730	116,730
Subtotal Pass-Through		27,695,876	27,695,876
Subtotal Pass-Through Programs		44,089,769	44,089,508
Total U.S. Department of Health and Human Services		44,915,905	44,915,644

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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Granter/Program Title	FEDERAL CFDA NUMBER	2014-15 REVENUE RECOGNIZED	2014-15 EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY			
Passed through California Department of Boating and Waterways:			
Non Motorized Boating Access Development Grant	97.012	38,835	38,835
Non Motorized Boating Access Development Grant - Prior Year Adjustment	97.012	(10,261)	(10,261)
Non Motorized Boating Access Development Grant - Prior Year Adjustment	97.012	(31,369)	(31,369)
Subtotal Pass-Through CFDA 97.012		(2,795)	(2,795)
Hazard Mitigation Grants:			
FY 11 Pre-Disaster Mitigation Grant Program - Prior Year Adjustment	97.047	1,286	1,286
Subtotal CFDA 97.047		1,286	1,286
Emergency Management Performance Grants:			
Emergency Management Performance 2013 - Prior Year Adjustment	97.042	(2,503)	(2,503)
Emergency Management Performance 2014	97.042	78,571	78,571
Subtotal CFDA 97.042		76,068	76,068
Homeland Security - Prior Year Adjustment	97.067	6,057	6,057
Homeland Security - Prior Year Adjustment	97.067	343	343
Homeland Security	97.067	14,577	14,577
Homeland Security - Prior Year Adjustment	97.067	(389)	(389)
Homeland Security	97.067	149,975	149,975
Homeland Security	97.067	593,475	593,475
Homeland Security - Prior Year Adjustment	97.067	115,503	115,503
Homeland Security	97.067	33,500	33,500
Homeland Security - Prior Year Adjustment	97.067	(1,281)	(1,281)
Homeland Security	97.067	12,387	12,387
Homeland Security	97.067	13,451	13,451
Homeland Security - Prior Year Adjustment	97.067	1,684	1,684
Homeland Security	97.067	36,083	36,083
Homeland Security	97.067	135,000	135,000
Homeland Security	97.067	3,714	3,714
Homeland Security	97.067	28,887	28,887
Subtotal CFDA 97.067		1,142,966	1,142,966
Subtotal Pass-Through		1,220,320	1,220,320
Subtotal Pass-Throughs		1,217,525	1,217,525
Total Department of Homeland Security		1,217,525	1,217,525
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 88,414,077	\$ 105,023,493

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 OMB Circular A-133.

**COUNTY OF SAN LUIS OBISPO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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	\$ 150,885
93.150	Steward McKinny Projects (PATH Grant)	22,784
14.218	Community Development Block Grant/Entitlement Grants	935,051
14.231	Emergency Solutions Grant Program	163,059
14.235	Supportive Housing Program	-
14.239	Home Investment Partnerships Program	1,556,088
14.267	Continuum of Care	920,942
15.227	Taylor Grazing Act	1,750
17.258	Workforce Investment Act - Adult	500,895
17.259	Workforce Investment Act - Youth	612,899
17.278	Workforce Investment Act - Dislocated Worker/Rapid Response	405,345

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, 2014	New Loans	Loan Payments	June 30, 2015
14.218	Community Development Block Grant/Entitlement Grants	\$ 2,469,117	\$ -	\$ (2,500)	\$ 2,466,617
14.239	Home Investment Partnerships Program	13,646,436	750,000	(251,453)	14,144,983

NOTE 6 – OTHER LOANS

Outstanding federally-funded program loans had the following balances during the year:

CFDA Number	Program Title	Amount Outstanding	
		June 30, 2015	
10.760, 10.781	Water and Waste Program Cluster	\$	79,828,924
66.458	State Revolving Fund		49,944,994 *
10.760	Water and Waste Program Cluster		1,247,420

* 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	\$ 231,248
10.781	7,651,700
20.600	44,391
20.616	70,760

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? X Yes 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 OMB Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760 and 10.781	Water and Waste Disposal Program Cluster
14.218	Community Development Block Grants
14.239	Home Partnership Investment Program
93.563	Child Support Enforcement
93.658	Foster Care Program
93.778	Medical Assistance Program

The threshold for distinguishing type A and B programs was \$3,000,000.

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings identified in fiscal year ending June 30, 2015, that require reporting in accordance with *Government Auditing Standards*.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2014-001: Receivables Cutoff

Criteria:

County policies and procedures should ensure year-end accruals are properly identified and recorded for all account balances, including revenues and receivables, during the year-end closing process.

Condition:

During our audit, we noted two significant receipts in the capital projects fund for State aid that were recognized in Fiscal Year 2014-15, but should have been accrued to 2013-14 since they were reimbursements for Fiscal Year 2013-14 project expenditures. The amount of the audit adjustment was \$3.3 million.

Cause:

The County has procedures designed to review payments received early in the new fiscal year to determine if accrual to the prior fiscal year is appropriate. One of these procedures was overlooked resulting in failure to recognize a receivable and revenue for the two noted receipts in the correct fiscal year.

Effect of Condition:

Prior to the audit adjustment intergovernmental revenue and committed fund balance was understated by \$3.3 million in the capital projects fund at June 30, 2014. The amounts were corrected by audit adjustment.

Recommendation:

To ensure proper revenue recognition, we recommend that the County review all significant deposits received after the June 30 cutoff to ensure revenue is recorded in the proper accounting period.

Management Response:

Management agrees with the recommendation and will more closely monitor the performance of year-end review procedures.

Current Year Status:

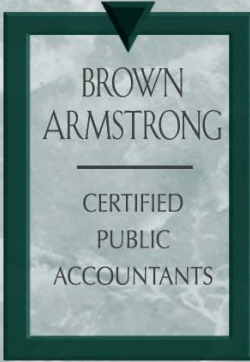
Implemented.

**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, 2015**

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2014	For the Year Ended June 30, 2015	Cumulative As of June 30, 2015	Federal Share	State Share	County Share
Victim Witness Assistance - VW13320400						
Personnel Services	\$ 909,154	\$ 270,365	\$ 1,179,519	\$ 97,728	\$ 104,546	\$ 68,091
Totals	\$ 909,154	\$ 270,365	\$ 1,179,519	\$ 97,728	\$ 104,546	\$ 68,091
Unserved/Underserved Victim Advocacy and Outreach - UV13040400						
Personnel Services	\$ 594,145	\$ 164,150	\$ 758,295	\$ 131,048	\$ -	\$ 33,102
Totals	\$ 594,145	\$ 164,150	\$ 758,295	\$ 131,048	\$ -	\$ 33,102
Organization Crime Drug TF - 245C-LA- 3442203						
Personnel Services	\$ -	\$ 5,194	\$ 5,194	\$ 4,690	\$ -	\$ 504
Totals	\$ -	\$ 5,194	\$ 5,194	\$ 4,690	\$ -	\$ 504
Aftercare Treatment Services - AF11 01 0400						
Operating Expenses	\$ 249,891	\$ 109,414	\$ 359,305	\$ 109,414	\$ -	\$ -
Totals	\$ 249,891	\$ 109,414	\$ 359,305	\$ 109,414	\$ -	\$ -
Justice Assistance Grant - Anti-Drug Abuse Enforcement Team Program - BSCC 626-13						
Personnel Services	\$ 209,874	\$ 57,863	\$ 267,737	\$ -	\$ 57,863	\$ -
Operating Expenses	88,463	64,083	152,546	-	64,083	-
Totals	\$ 298,337	\$ 121,946	\$ 420,283	\$ -	\$ 121,946	\$ -
2013 Stonegarden Grant - 2013-1110						
Personnel Services	\$ -	\$ 158,931	\$ 158,931	\$ 155,623	\$ -	\$ 3,308
Operating Expenses	-	14,229	14,229	4,400	-	9,829
Equipment	149,358	433,452	582,810	433,452	-	-
Totals	\$ 149,358	\$ 606,612	\$ 755,970	\$ 593,475	\$ -	\$ 13,137

AVIATION PASSENGER FACILITY CHARGE



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, 2014 to June 30, 2015.

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 opinions.

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 period and each quarter during the period from July 1, 2014 to June 30, 2015, 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
FAX 626.204.6547

STOCKTON OFFICE

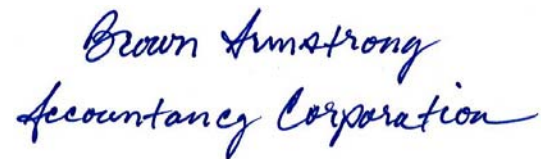
5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

Other Reporting Required by *Government Auditing Standards*

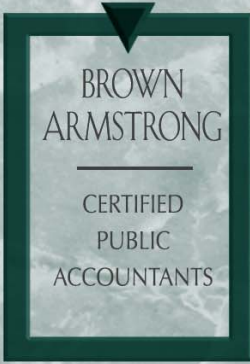
In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of the County's internal control over financial reporting relating to the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental 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
February 26, 2016



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
FAX 626.204.6547

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 period and each quarter during the period from July 1, 2014 to June 30, 2015. 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 period and each quarter during the period from July 1, 2014 to June 30, 2015. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is described in the accompanying schedule of current year findings and questioned costs – Airport Passenger Facility Charge program as item 2015-02.

Internal Control Over Compliance

The 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.

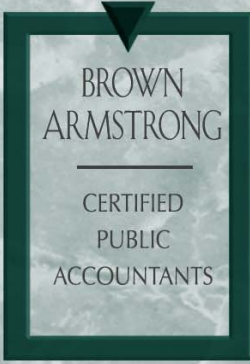
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified a deficiency in internal controls over compliance as described in the accompanying schedule of current year findings and questioned costs – Airport Passenger Facility Charge program: 2015-02.

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
February 26, 2016



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

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 FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE 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), as of and for the year ended June 30, 2015, and have issued our report thereon dated February 26, 2016.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. See 2015-02.

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
February 26, 2016

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF PASSENGER FACILITY CHARGE
REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

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	
1997-04-I and 2000-06-U									
Revenues	\$ -	\$ 2,464,620	\$ -	\$ 5,304	\$ -	\$ 6,370,839	\$ 449,991	\$ -	\$ 6,820,830
Expenditures:	-	-	-	-	-	-	-	-	-
Approved Application #4/6 : \$6,820,830	-	-	-	-	-	-	-	-	-
Terminal development and construction	6,820,830	-	-	-	58,710	-	-	3,329,258	(3,329,258)
Total 4/6: 1997-04-I and 2000-06-U	6,820,830	2,464,620	-	5,304	58,710	6,370,839	449,991	3,329,258	3,491,572
99-05-C-03-SBP									
Revenues	-	-	-	-	-	1,057,676	-	-	1,057,676
Expenditures:	-	-	-	-	-	-	-	-	-
Approved Application #5 : \$1,057,676	-	-	-	-	-	-	-	-	-
SLO Master Plan, EIR, Land Acquisition	1,057,676	-	-	-	-	-	-	1,057,676	(1,057,676)
Total 5: 99-05-C-03-SBP	1,057,676	-	-	-	-	1,057,676	-	1,057,676	-
2002-07-C									
Revenues	-	(970,533)	583,464	-	-	1,348,506	-	-	1,348,506
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)	583,464	-	-	1,348,506	-	1,730,271	(381,765)
2007-08-C									
Revenues	-	(1,494,087)	-	-	-	-	-	-	-
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)	-	-	-	-	-	1,328,771	(1,328,771)
Total Passenger Facility Charges	\$ 11,636,967	\$ -	\$ 583,464	\$ 5,304	\$ 58,710	\$ 8,777,021	\$ 449,991	\$ 7,445,976	\$ 1,781,036

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
AIRPORT 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 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.

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

There were no findings identified in fiscal year ending June 30, 2014, that require reporting in accordance with *Government Auditing Standards* related to the Airport PFC audit.