

COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2013

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COUNTY OF SAN LUIS OBISPO

Single Audit Report
For the Year Ended June 30, 2013

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>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards.....	7-13
Notes to Schedule of Expenditures of Federal Awards	15-16
Schedule of Findings and Questioned Costs.....	17-18
Summary Schedule of Prior Audit Findings	19
Supplementary Schedule of Grant Expenditures.....	21
<u>Aviation Passenger Facilities Charges</u>	
Independent Auditor's Report on Schedule of Passenger Facility Charges, Revenues, and Expenses	23
Report on Compliance with Requirements Applicable to the Passenger Facility Charges Program on Internal Control Over Compliance.....	25-26
Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Passenger Facility Charges, Revenues, and Expenses Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Passenger Facility Charges (PFC), Revenues, and Expenses.....	29

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**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

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 (County), as of and for the year ended June 30, 2013, 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 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the San Luis Obispo County Pension Trust Fund and 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.

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

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 20, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the County of San Luis Obispo's (County) compliance with the types of compliance requirements described in the *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, 2013. 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, 2013.

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.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and have issued our report thereon dated December 20, 2013, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the San Luis Obispo County Pension Trust Fund and the First 5 San Luis Obispo County, a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included in the Pension Trust Fund and the discretely presented component unit is based on the reports of the other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Supplementary Schedule of Grant Expenditures have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Roseville, California
December 20, 2013

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COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
U. S. DEPARTMENT OF AGRICULTURE				
Direct programs:				
Federal Forest Reserve	10.665	--	\$ 5,978	\$ 5,978
Water and Waste Disposal Program-Grant	10.760	--	294,012	294,012
ARRA Water and Waste Disposal Program	10.781	--	29,754,794	35,336,254
ARRA Water and Waste Disposal Program - Prior Year Adjustment	10.781	--	921,884	921,884
Subtotal Direct			<u>30,976,668</u>	<u>36,558,128</u>
Passed through State Department of Social Services:				
Food Stamp Administration (SNAP)	10.561	--	3,532,459	3,535,642
Food Stamp Administration (SNAP) - Prior Year Adjustment	10.561	--	84,113	84,113
Subtotal Pass-through			<u>3,616,572</u>	<u>3,619,755</u>
Passed through State Department of Health Care Services:				
Women Infant Children Nutrition Program	10.557	11-10453	290,455	290,455
Women Infant Children Nutrition Program -Prior year adjustment	10.557	11-10453	2,342	2,342
Women Infant Children Nutrition Program	10.557	11-10453	962,862	962,862
Subtotal Pass-through			<u>1,255,659</u>	<u>1,255,659</u>
Passed through California Fire Safe Council:				
Cooperative Forestry Assistance	10.664	11USFS-ES0203	(8,424)	-
Subtotal Pass-through			<u>(8,424)</u>	<u>-</u>
Passed through State Department of Food and Agriculture:				
Pest Detection Trapping	10.025	12-0134	177,237	177,237
Sudden Oak Death	10.025	12-0338-SF	17,014	17,014
Glassy-Winged Sharpshooter	10.025	12-0100-SF	363,663	363,663
Glassy-Winged Sharpshooter - Prior year adjustment	10.025	10-0349	567	567
Asian Citrus Psyllid Detection	10.025	11-0537-SF, 12-0509-SF	247,262	247,262
European Grape Vine Moth	10.025	11-0553-SF	62,859	62,859
Light Brown Apple Moth Regulatory	10.025	11-0564-SF/12-0532-SF	54,592	54,592
Light Brown Apple Moth Regulatory - Prior Year Adjustment	10.025	11-0371-SF, 11-0427-SF, 11-0564	(5)	(5)
Light Brown Apple Moth Detection	10.025	11-0510-SF, 12-0430-SF	16,290	16,290
Subtotal Pass-through			<u>939,479</u>	<u>939,479</u>
Passed through State Department of Public Health:				
Supplemental Nutrition Assistance Program Education (SNAP-ED)	10.561	11-10762	59,113	59,113
Supplemental Nutrition Assistance Program Education (SNAP-ED) - Prior Year Adjustment	10.561	11-10762	199	199
Supplemental Nutrition Assistance Program Education(SNAP-ED)	10.561	12-10212	193,401	193,401
Subtotal Pass-through			<u>252,713</u>	<u>252,713</u>
Total Department of Agriculture			\$ 37,032,667	\$ 42,625,734
U.S. DEPARTMENT OF DEFENSE				
Direct program:				
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610	HQ00051110021	28,910	28,910
Total Department of Defense			\$ 28,910	\$ 28,910
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Direct programs:				
Community Devel. Block Grants	14.218	B-04-UC-06-0508	57,549	57,549
Community Devel. Block Grants	14.218	B-08-UC-06-0508	125,957	125,957
Community Devel. Block Grants	14.218	B-09-UC-06-0508	19,060	19,060
Community Devel. Block Grants	14.218	B-10-UC-06-0508	117,082	115,413
Community Devel. Block Grants	14.218	B-10-UC-06-0508	-	1,669
Community Devel. Block Grants	14.218	B-11-UC-06-0508	326,791	225,080
Community Devel. Block Grants	14.218	B-11-UC-06-0508	-	101,711
Community Devel. Block Grants	14.218	B-12-UC-06-0508	655,861	630,952
Community Devel. Block Grants	14.218	B-12-UC-06-0508	-	24,908
Community Devel. Block Grants - 3rd Party Loans	14.218			2,469,117
Emergency Solutions Grant Program	14.231	E-12-UC-06-0508	93,062	93,062
Supportive HousingProgram	14.235	Various	199,073	199,073
Supportive HousingProgram	14.235	Various	769,057	769,057
Home Partnership Investment Program	14.239	M-09-UC-06-0545	411,923	411,923

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (continued)				
Direct programs (continued):				
Home Partnership Investment Program	14.239	M-10-UC-06-0545	\$ 784,840	\$ 784,840
Home Partnership Investment Program	14.239	M-11-UC-06-0545	510,825	510,825
Home Partnership Investment Program	14.239	M-12-UC-06-0545	96,160	96,160
Home Partnership Investment Program-3rd Party Loans	14.239	--		14,221,119
ARRA Community Development Block Grants	14.253	B-09-UY-06-0508	18,359	18,359
ARRA Homelessness Prevention and Rapid Rehousing (2009)	14.257	S-09-UY-06-0545	40,242	40,242
Subtotal Direct			<u>4,225,841</u>	<u>20,916,076</u>
Total Department of Housing & Urban Development			\$ 4,225,841	\$ 20,916,076
U. S. DEPARTMENT OF THE INTERIOR				
Direct programs:				
Coastal Impact Assistance Program	15.668	--	110,735	109,274
Payments In-Lieu of Taxes	15.226	--	1,045,095	1,045,095
Coastal Impact Assistance Program	15.668	6,70278,70233	-	1,461
Subtotal Direct			<u>1,155,830</u>	<u>1,155,830</u>
Passed through Department of Fish & Game:				
Cooperative Endangered Species Conservation Fund	15.615	P1182017, P1182018	357,508	357,508
Cooperative Endangered Species Conservation Fund - Prior Year Adjustment	15.615	P1182017, P1182018	44,645	44,645
Subtotal Pass-through Fish & Game			<u>402,153</u>	<u>402,153</u>
Passed through California Bureau of Land Management:				
Taylor Grazing Act	15.227	--	-	1,750
Taylor Grazing Act	15.227	--	5,116	-
Subtotal Pass-through Bureau of Land Management			<u>5,116</u>	<u>1,750</u>
Passed through California State Department of Parks & Recs:				
Outdoor Recreation Acquisition - Los Osos Playground	15.916	06-01704	16,170	16,170
Subtotal Pass-through California State Department of Parks & Recs			<u>16,170</u>	<u>16,170</u>
Total Department of Interior			\$ 1,579,269	\$ 1,575,903
U. S. DEPARTMENT OF JUSTICE				
Direct programs:				
SS Awards	16.710	--	59,400	59,400
State Criminal Alien Assistance Program	16.606	--	225,001	225,001
Southwest Border Prosecution Initiative	16.607	--	21,540	21,540
Southwest Border Prosecution Initiative-Prior Year adjustment	16.607	--	(1,808)	(1,808)
COPS Technology Program	16.710	2008CKWX0267	170,000	170,000
Federal Asset Forfeiture	16.000	--	123,969	123,969
Justice Assistance Grant	16.738	2012-DJ-BX-0990	15,042	15,042
Coverdell Forensic Science Improvement Grant	16.742	2011-91301-CA-CD	34,376	35,681
Subtotal Direct			<u>647,520</u>	<u>648,825</u>
Passed through California Emergency Management Agency:				
Victim Witness Assistance	16.575	VW12310400	76,404	76,404
Unserved/Underserved Victim Advocacy and Outreach	16.582	UV12030400	117,779	117,779
ARRA Aftercare Treatment Services	16.593	AF11 01 0400	90,586	90,586
ARRA Department of Justice-Comprehensive Drug Court Initiative (JAG)	16.593	D1 10 01 0400	30,072	30,072
ARRA Evidence Based Practices Supervision	16.803	ZP09010400	14,736	14,736
ARRA Evidence Based Practices Supervision - Prior Year Adjustment	16.803	ZP09010400	(10,924)	(10,924)
Subtotal Pass-through			<u>318,653</u>	<u>318,653</u>
Passed through State Department of Corrections & Rehabilitation:				
Justice Assistance Grant - Anti-Drug Abuse Enforcement Team Program	16.738	BSCC 626-12	126,411	126,411
Subtotal Pass-through			<u>126,411</u>	<u>126,411</u>
Total Department of Justice			\$ 1,092,584	\$ 1,093,889

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
U. S. DEPARTMENT OF LABOR				
Passed through California EmploymentDevelopment Department:				
Workforce Investment Act-Adult	17.258	K282503,K386330	\$ 636,431	\$ 636,431
Workforce Investment Act-Youth	17.259	K282503,386330	799,923	799,923
Workforce Investment Act-National Emergency Grants	17.277	--	52,237	52,237
Workforce Investment Act-Dislocated Worker & Rapid Response	17.278	K178693, K282503	868,145	868,145
Subtotal Pass-through			<u>2,356,736</u>	<u>2,356,736</u>
Total Department of Labor			\$ 2,356,736	\$ 2,356,736
U. S. DEPARTMENT OF TRANSPORTATION				
Direct programs:				
Airport Improvement Program	20.106	HSTS02-12-R-SLR349	121,762	121,762
Airport Improvement Program	20.106	3-06-0228-39	569	569
Airport Improvement Program	20.106	3-06-0228-38	545,340	545,340
Airport Improvement Program	20.106	3-06-0172-006	25,384	25,384
Subtotal Direct			<u>693,055</u>	<u>693,055</u>
Passed through State Department of Transportation:				
Public Ways and Facilities	20.205	BHLS-5949(062)	1,210,568	1,210,568
Public Ways and Facilities	20.205	BHLS-5949(063)	1,293,331	1,293,331
Public Ways and Facilities	20.205	BHLS-5949(136)	112,352	112,352
Public Ways and Facilities	20.205	BHLS-5949(137)	128,412	128,412
Public Ways and Facilities	20.205	HSIPL-5949(149)	29,538	29,538
Public Ways and Facilities	20.205	HSIPL-5949(149)	38,914	38,914
Public Ways and Facilities	20.205	BRLO-5949(019)	5,140	5,140
Public Ways and Facilities	20.205	BRLO-5949(009)	8,358	8,358
Public Ways and Facilities	20.205	BRLO-5949(065)	121,434	121,434
Public Ways and Facilities -Prior year adjustment	20.205	BRLO-5949(065)	(38,279)	(38,279)
Public Ways and Facilities	20.205	BRLO-5949(116)	214,729	214,729
Public Ways and Facilities	20.205	BRLO-5949(119)	26,684	26,684
Public Ways and Facilities	20.205	BRLO-5949(120)	53,509	53,509
Public Ways and Facilities	20.205	BRLO-5949(127)	110,922	110,922
Public Ways and Facilities	20.205	BRLO-5949(129)	22,473	22,473
Public Ways and Facilities	20.205	BRLS-5949(131)	43,721	43,721
Public Ways and Facilities	20.205	BRLS-5949(135)	126,195	126,195
Public Ways and Facilities	20.205	HP21L-5949(126)	367,195	367,195
Public Ways and Facilities -Prior Year Adjustment	20.205	HP21L-5949(126)	(249)	(249)
Safe Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU)	20.205	HPLU-5949 (132)	3,837	3,837
Highway Planning and Construction	20.205	HRRRL-5949(111)	130,496	130,496
Public Ways and Facilities	20.205	STPL-5949(139)	46,134	46,134
Public Ways and Facilities- Prior Year Adjustment	20.205	STPL-5949(139)	14	14
Public Ways and Facilities	20.205	RPSTPL-5949(144)	3,360	3,360
Public Ways and Facilities	20.205	Q101(189)	2,275,831	2,275,831
Public Ways and Facilities	20.205	BPMP L 5949 (113)	32,859	32,859
Public Ways and Facilities	20.205	BPMP L 5949 (124)	23,951	23,951
Public Ways and Facilities	20.205	BPMP L 5949 (130)	1,054	1,054
Public Ways and Facilities-Prior year adjustment	20.205	BPMP L 5949 (130)	2,772	2,772
Office Of Traffic Safety	20.600	OP1307	93,542	93,973
Office Of Traffic Safety	20.613	OP1307	10,291	10,288
Subtotal Pass-through			<u>6,499,088</u>	<u>6,499,516</u>
Total Department of Transportation			\$ 7,192,143	\$ 7,192,571
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through California State Library:				
Library Services & Technology Act	45.310	40-8118	5,956	5,956
Library Services & Technology Act	45.310	40-7942	16,421	16,421
Subtotal Pass-through			<u>22,377</u>	<u>22,377</u>
Total Institute of Museum and Library Services			\$ 22,377	\$ 22,377

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
ENVIRONMENTAL PROTECTION AGENCY				
Passed through State Water Resource Control Board:				
Public Beach Safety Grant	66.472	12-046-250	\$ 24,000	\$ 24,000
Subtotal Pass-through			<u>24,000</u>	<u>24,000</u>
Total Environmental Protection Agency			\$ 24,000	\$ 24,000
U.S. DEPARTMENT OF ENERGY				
Direct programs:				
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000903	49,842	49,842
ARRA Energy Efficiency and Conservation Block Grant Program - Prior Year Adjustment	81.128	DE-EE0000903	25,519	25,519
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000903	80,656	80,656
Subtotal Direct			<u>156,017</u>	<u>156,017</u>
Total U.S. Department of Energy			\$ 156,017	\$ 156,017
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Direct programs:				
Health Resources Services Administration - University of the Pacific Oral Health	93.236	T12HP19362	24,203	24,203
Adult Treatment Drug Court	93.243	1H79TI021865-01	85,297	85,297
Adult Treatment Drug Court Collaborative	93.243	1H79TI023740-01	566,881	566,881
Family Drug Court	93.243	1H79T1024206-01	46,925	46,925
Treatment for Children Affected by Methamphetamine	93.243	1H79TI023367-01	388,650	388,650
SLO Sober Truth on Preventing Underage Drinking	93.243	5H79SP015477-04	18,215	18,215
Drug Free Communities Support Program - Drug Free Campus Cal Poly	93.276	H9SP15668A	142,600	142,600
Health Resources Services Administration	93.887	09-163	12,584	12,584
Subtotal Direct			<u>1,285,355</u>	<u>1,285,355</u>
Passed through State Department of Alcohol and Drug Programs:				
Substance Abuse Prevention & Treatment Block Grant-Discretionary Funds	93.959	--	1,087,614	1,087,614
Substance Abuse Prevention & Treatment Block Grant-HIV Set-aside Funds	93.959	--	25,584	25,584
Substance Abuse Prevention & Treatment Block Grant-Prevention Set-aside Funds	93.959	--	209,295	209,295
Substance Abuse Prevention & Treatment Block Grant-Adolescent and Youth TX Discretionary Treatment	93.959	--	117,959	117,959
Substance Abuse Prevention & Treatment Block Grant-Friday Night Live and Club Live	93.959	--	20,000	20,000
Substance Abuse Prevention & Treatment Block Grant-Perinatal Set-aside Funds	93.959	--	68,591	68,591
Subtotal Pass-through			<u>1,529,043</u>	<u>1,529,043</u>
Passed through State Department of Child Support Services:				
Child Support Enforcement:				
Child Support Administration	93.563	--	2,717,768	2,717,768
Child Support EDP	93.563	--	160,123	160,123
Incentive Program	93.563	--	62,546	62,546
Subtotal Pass-through			<u>2,940,437</u>	<u>2,940,437</u>
Passed Through National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	MRC 13-1633	4,000	4,000
Subtotal Pass-through			<u>4,000</u>	<u>4,000</u>
Passed through State Department of Public Health:				
CDC Base PH Emergency Preparedness - Prior Year Adjustment				
CDC Base PH Emergency Preparedness	93.069	EPO-11-40	5,624	5,624
CDC Base PH Emergency Preparedness	93.069	EPO-12-40	554,797	554,797
Subtotal CFDA 93.069			<u>560,421</u>	<u>560,421</u>
TB Control branch/Real Time Allotment				
Subtotal CFDA 93.116	93.116	5U52PS900515-30	6,586	6,586
Subtotal CFDA 93.116			<u>6,586</u>	<u>6,586</u>
Lead Program				
Lead Program	93.197	11-10624	34,466	34,466
Lead Program - Prior Year Adjustment	93.197	11-10624	2,400	2,400
Subtotal CFDA 93.197			<u>36,866</u>	<u>36,866</u>
Immunization Action Plan				
Subtotal CFDA 93.268	93.268	11-10599	93,430	93,430
Subtotal CFDA 93.268			<u>93,430</u>	<u>93,430</u>
Health Resources Services Administration-Prior year adjustment				
Health Resources Services Administration HPP	93.889	EPO 09-40	19,639	19,639
Health Resources Services Administration HPP	93.889	EPO 12-40	179,294	179,294
Subtotal CFDA 93.889			<u>198,933</u>	<u>198,933</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Public Health (continued):				
HIV Care-Single Allocation Model / Ryan White Care	93.917	10-95288	\$ 94,169	\$ 94,169
HIV/AIDS Surveillance Program	93.917	10-95288	31,720	31,720
Subtotal CFDA 93.917			<u>125,889</u>	<u>125,889</u>
Sexually Transmitted Diseases Control Branch				
Sexually Transmitted Diseases Community Intervention Program	93.977	11-10058	100	100
Sexually Transmitted Diseases Community Intervention Program - Prior Year Adjustment	93.977	11-10058	15	15
Subtotal CFDA 93.977			<u>115</u>	<u>115</u>
Maternal Child Health (MCH)				
Maternal Child Health (MCH) - Prior year adjustment	93.994	2012-40	373,555	373,555
Subtotal CFDA 93.994			<u>4,030</u>	<u>4,030</u>
Subtotal Pass-through State Department of Public Health			<u>1,399,825</u>	<u>1,399,825</u>
Medical Assistance Program:				
Medi-Cal Administration	93.778	09-86011-A01	445,462	445,462
Medi-Cal Administration - Targeted Case Management	93.778	40-173A2	528,099	528,099
Medi-Cal Administration - Targeted Case Management - Prior Year Adjustment	93.778	40-173A2	116,710	116,710
Administration: Medi-Cal	93.778	09-86011 A01	51,378	51,378
Administration: Medi-Cal	93.778	09-86011 A01	120,774	-
Administration: Medi-Cal-Prior year adjustment	93.778	09-86011 A01	160,593	160,593
Administration: Medi-Cal School Based	93.778	08-85113-A01	322,422	322,422
Foster Care	93.778	SLO 40	133,751	133,751
Foster Care - Prior Year Adjustment	93.778	SLO 40	1,376	1,376
Child Hlth & Disability Prevention	93.778	SLO 40	312,877	312,877
Child Hlth & Disability Prevention-Prior year adjustment	93.778	SLO 40	12,677	12,677
Children Services	93.778	SLOCO/MTP	1,444,147	1,444,147
Children Services-Prior year adjustment	93.778	SLOCO/MTP	84,855	84,855
Administration: Medi-Cal-Public Authority for IHSS	93.778	--	5,740,800	5,740,800
ARRA Administration: Medi-Cal-Public Authority for IHSS - Prior Year Adjustment	93.778	--	66	66
Medi-Cal Administration - Prior Year Adjustment	93.778	--	194,580	194,580
Subtotal CFDA 93.778			<u>9,670,567</u>	<u>9,549,793</u>
Mental Health-Substance Abuse (SAMHSA)				
Mental Health-Substance Abuse (SAMHSA)	93.958	--	351,443	351,443
Subtotal CFDA 93.958			<u>111,945</u>	<u>111,945</u>
Subtotal Pass-through State Department of Health Care Services			<u>10,133,955</u>	<u>10,013,181</u>
Passed through State Department of Mental Health:				
Mental Health-McKinney Projects for Assistance in Transition from Homelessness	93.150	--	49,922	49,922
Subtotal Pass-through State Department of Mental Health			<u>49,922</u>	<u>49,922</u>
Passed through State Department of Social Services:				
KinGap IV-E Admin	93.090	--	2,253	2,253
Subtotal CFDA 93.090			<u>2,253</u>	<u>2,253</u>
Promoting Safe and Stable Families				
Promoting Safe and Stable Families -Prior Year Adjustment	93.556	--	141,572	141,572
Refugee Cash Assistance	93.556	--	(17,104)	(17,104)
Refugee Cash Assistance-Prior Year Adjustment	93.566	--	1,073	1,073
Subtotal CFDA 93.556			<u>(732)</u>	<u>(732)</u>
Subtotal CFDA 93.556			<u>124,809</u>	<u>124,809</u>
Temporary Assistance for Needy Families:				
Assistance : CALWORKS	93.558	--	3,688,835	3,688,835
Assistance : CALWORKS - Prior Year Adjustment	93.558	--	(287)	(287)
Administration: CalWORKS, SAWS-CalWIN, TANF	93.558	--	9,241,769	9,241,769
Administration: CalWORKS, SAWS-CalWIN, TANF - Prior Year Adjustment	93.558	--	246,817	246,817
Subtotal CFDA 93.558			<u>13,177,134</u>	<u>13,177,134</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Social Services (continued):				
Foster Care - Title IV-E				
Administration: Probation - Title IV E	93.658	--	\$ 978,744	\$ 978,744
Administration: Probation - Title IVE-Prior year adjustment	93.658	--	16,190	16,190
Child Welfare Services - Title IV E	93.658	--	3,628,587	3,628,587
Child Welfare Services - Title IV E - Prior Year Adjustment	93.658	--	1,021	1,021
Assistance: Foster Care	93.658	--	2,404,891	2,404,891
Assistance: Foster Care-Prior Year Adjustment	93.658	--	2,744	2,744
Subtotal CFDA 93.658			<u>7,032,177</u>	<u>7,032,177</u>
Child Welfare Services Title IV-B	93.645	--	186,307	186,307
Child Welfare Services Title IV-B - Prior Year Adjustment	93.645	--	(446,604)	(446,604)
Administration: Adoption	93.659	--	853,443	853,443
Administration: Adoption - Prior Year Adjustment	93.659	--	(59,533)	(59,533)
Assistance: Adoption	93.659	--	2,905,546	2,905,546
Assistance: Adoption - Prior Year Adjustment	93.659	--	3	3
Foster Care Assistance - Title XX	93.667	--	210,469	210,469
Child Welfare Services-Title XX	93.667	--	175,704	175,704
Child Welfare Services-Title XX-Prior Year Adjustment	93.667	--	286,018	286,018
Independent Living Program	93.674	--	125,452	125,452
Independent Living Program-Prior Year Adjustment	93.674	--	(39,030)	(39,030)
Subtotal			<u>4,197,775</u>	<u>4,197,775</u>
Subtotal Pass-through State Department of Social Services			<u>24,534,148</u>	<u>24,534,148</u>
Subtotal Pass-through programs			<u>40,591,330</u>	<u>40,470,556</u>
Total Department of Health & Human Services			\$ 41,876,685	\$ 41,755,911
DEPARTMENT OF HOMELAND SECURITY				
Passed through California Dept of Boating & Waterways:				
Non Motorized Boating Access Development Grant	97.012	11-204-780	72,056	72,056
Non Motorized Boating Access Development Grant	97.012	10-108-803	122,581	122,581
Subtotal Passed through California Department of Boating & Waterways			<u>194,637</u>	<u>194,637</u>
Passed through California Emergency Management Agency:				
Disaster Grants - Public Assistance - Prior Year Adjustment	97.036	FEMA-1628-DR-CA	379,458	379,458
Subtotal CFDA 97.036			<u>379,458</u>	<u>379,458</u>
Hazard Mitigation Grants:				
FY 11 Pre-Disaster Mitigation Grant Program	97.047	2011-0002	5,187	5,187
Subtotal CFDA 97.047			<u>5,187</u>	<u>5,187</u>
Emergency Management Performance Grants:				
Emergency Management Program Grant	97.042	2012-0027	88,082	88,082
Emergency Management Program Grant - Prior year adjustment	97.042	2012-0027	(50)	(50)
Emergency Management Performance 2011	97.042	2011-0048	50,000	50,000
Emergency Management Performance 2011 - Prior Year Adjustment	97.042	2011-0048	(2,244)	(2,244)
Subtotal CFDA 97.042			<u>135,788</u>	<u>135,788</u>
Homeland Security	97.067	2010-0085	8,497	8,497
Homeland Security - Prior Year Adjustment	97.067	2010-0085	1,888	1,888
Homeland Security	97.067	2010-0085	30,000	30,000
Homeland Security	97.067	2010-0085	24,597	24,597
Homeland Security	97.067	2010-0085	11,474	11,474
Homeland Security - Prior Year Adjustment	97.067	2010-0085	12,526	12,526
Homeland Security	97.067	2010-0085	154,103	154,103
Homeland Security	97.067	2010-0085	70,479	70,479
Homeland Security	97.067	2010-0085	191,840	191,453
Homeland Security	97.067	2011-0048	59,528	59,528
Homeland Security - Prior Year Adjustment	97.067	2011-0048	(4,154)	(4,154)
Homeland Security	97.067	2011-0077	65,991	66,975
Subtotal CFDA 97.067			<u>626,769</u>	<u>627,366</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	2012-2013 Revenue Recognized	2012-2013 Expenditures
DEPARTMENT OF HOMELAND SECURITY (continued)				
Passed through California Emergency Management Agency (continued):				
Bufferzone Protection Program	97.078	2009-0026	\$ 2,851	\$ 2,851
Subtotal CFDA 97.078			<u>2,851</u>	<u>2,851</u>
Subtotal Passed-through California Emergency Management Agency			<u>1,150,053</u>	<u>1,150,650</u>
Subtotal Pass-throughs			<u>1,344,690</u>	<u>1,345,287</u>
Total Department of Homeland Security			<u>\$ 1,344,690</u>	<u>\$ 1,345,287</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 96,931,919</u>	<u>\$ 119,093,411</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal program title.

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:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount</u>
14.218	Community Development Block Grant	\$ 1,025,820
14.253	Community Development Block Grant ARRA	18,359
14.239	Home Investment Partnership	1,728,176
14.231	Hearth Emergency Solutions Grant	86,935
14.257	Homeless Prevention and Rapid Rehousing	40,242
14.235	Supportive Housing Program	895,995
15.668	Coastal Impact Assistance Program	110,735
17.258	Workforce Investment Act - Adult	416,188
17.259	Workforce Investment Act - Youth	730,558
17.277	Workforce Investment Act - National Emergency Grant	41,378
17.278	Workforce Investmetn Act - Dislocated Worker/Rapid Response	507,883
93.778	School Based MAA - Lucia Mar	131,831
93.778	School Based MAA - San Luis Obispo Coastal	163,790
93.778	MAA - Children and Families Commission	26,801
		<u>\$ 5,924,691</u>

COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 5: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

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

Federal CFDA	Program Title	Amount Outstanding	
		July 1, 2012	June 30, 2013
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,493,886	\$ 2,469,117
14.239	HOME Investment Partnerships Program	14,289,892	14,221,119

NOTE 6: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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 7: 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 Schedule, but instead is provided below:

<u>CFDA No</u>	<u>Total Federal Expenditures</u>	<u>CFDA No</u>	<u>Total Federal Expenditures</u>
10.760	\$ 294,012	17.259	\$ 799,923
10.781	36,258,138	20.106	571,293
14.218	3,771,416	20.205	6,395,255
14.235	968,130	93.116	6,586
14.239	16,024,867	93.243	1,105,968
14.257	40,242	93.276	142,600
15.668	1,461	93.566	341
16.582	117,779	93.645	(260,297)
16.593	120,658	93.659	3,699,459
16.607	19,732	93.667	672,191
16.710	229,400	93.674	86,422
16.803	3,812	93.887	12,584
17.258	636,431	97.090	121,762

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

- | | |
|----------------|--|
| 10.561 | State Administrative Matching Grants
For the Supplemental Nutrition
Assistance Program |
| 10.760, 10.781 | Water and Waste Program Cluster |
| 93.558 | Temporary Assistance for Needy Families |
| 93.778 | Medical Assistance Program |

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1 (continued)

Federal Awards (continued)

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 3,000,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

None Reported

COUNTY OF SAN LUIS OBISPO

Summary Schedule of Prior Audit Findings
Federal Awards
For the Year Ended June 30, 2013

There were no prior year audit findings.

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**SUPPLEMENTARY SCHEDULE
OF GRANT EXPENDITURES**

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COUNTY OF SAN LUIS OBISPO

Schedule of the California Emergency Management Agency Grant Expenditures
For the Year Ended June 30, 2013

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2012	For the Year Ended June 30, 2013	Cumulative As of June 30, 2013	Federal Share	State Share	County Share
Victim/Witness Assistance - VW11300400 - VW1310400						
Personal services	\$ 383,332	\$ 261,296	\$ 644,628	\$ 76,404	\$104,546	\$ 80,346
Totals	<u>\$ 383,332</u>	<u>\$ 261,296</u>	<u>\$ 644,628</u>	<u>\$ 76,404</u>	<u>\$104,546</u>	<u>\$ 80,346</u>
Unservd/Underservd Victim Advocacy and Outreach - UV100200400 - UV12030400						
Personal services	\$ 286,160	\$ 151,903	\$ 438,063	\$117,779	\$ --	\$ 34,124
Totals	<u>\$ 286,160</u>	<u>\$ 151,903</u>	<u>\$ 438,063</u>	<u>\$117,779</u>	<u>\$ --</u>	<u>\$ 34,124</u>
Aftercare Treatment Services - AF11010400						
Personal services	\$ --	\$ 249,891	\$ 249,891	\$ 90,586	\$ --	\$159,305
Totals	<u>\$ --</u>	<u>\$ 249,891</u>	<u>\$ 249,891</u>	<u>\$ 90,586</u>	<u>\$ --</u>	<u>\$159,305</u>
Department of Justice-Comprehensive Drug Court Initiative - DI10010400						
Personal services	\$ 133,408	\$ 18,513	\$ 151,921	\$ 18,513	\$ --	\$ --
Operating expenses	4,674	19,706	24,380	11,559	8,147	--
Totals	<u>\$ 138,082</u>	<u>\$ 38,219</u>	<u>\$ 176,301</u>	<u>\$ 30,072</u>	<u>\$ 8,147</u>	<u>\$ --</u>
ARRA - Justice Assistance Grant: Evidence Based Practices Supervision - ZP09010400						
Personal services	\$ 357,046	\$ 195,449	\$ 552,495	\$ 14,736	\$ --	\$180,713
Operating expenses	48,310	--	48,310	--	--	--
Totals	<u>\$ 405,356</u>	<u>\$ 195,449</u>	<u>\$ 600,805</u>	<u>\$ 14,736</u>	<u>\$ --</u>	<u>\$180,713</u>

NOTE: Grant UV12030400 calendar year is 10/1/12-9/30/13

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AVIATION PASSENGER FACILITIES CHARGES

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGES, 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 Charges (PFC), Revenues, and Expenses (Schedule) of the County of San Luis Obispo (County), for the annual period and each quarterly period from July 1, 2012 to June 30, 2013.

Management's Responsibility

The Schedule is the responsibility of the County's management. Our responsibility is to express an opinion the Schedule based on our audit.

Auditor's Responsibility

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 Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

Opinion on Schedule of Passenger Facility Charges

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, 2012 to June 30, 2013, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

Report on Internal Control Over Compliance

In accordance with *Government Auditing Standards* we have also issued our report dated {DATE} on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Roseville, California
December 20, 2013

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

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

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, 2012 to June 30, 2013. 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, 2012 to June 30, 2013.

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.

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

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, as defined above.

The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.

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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 20, 2013



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

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 Charges, Revenues and Expenses (Schedule) of the County of San Luis Obispo (County), as of and for the year ended June 30, 2013, 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 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the San Luis Obispo County Pension Trust Fund and 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
December 20, 2013

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Passenger Facility Charges
Collected and Expended
For the Year Ended June 30, 2013

Approved Federal Application Number/ Project Description	Approved Project Allocation	Current Year			Project to Date			Unliquidated Balance in PFC Trust
		Receipts or Revenues Recognized	Interest Earned	Expenditures	Receipts or Revenues Recognized	Interest Earned	Expenditures	
<u>AWP-97-04-I-00-SBP, 99-06-C-00-SBP</u>								
Revenues	\$ -	\$ 361,758	\$ 2,239	\$ -	\$ 3,831,355	\$ 155,840	\$ -	\$ -
Expenditures:	-	-	-	-	-	-	-	-
Terminal development and construction	6,820,830	-	-	84,025	-	-	3,124,574	-
Airport staff and administration	-	-	-	3,000	-	-	102,286	-
Transfers (to) from other PFCs	-	-	-	-	-	-	-	-
Total passenger facility charges - PFC 04 and 06	<u>6,820,830</u>	<u>361,758</u>	<u>2,239</u>	<u>87,025</u>	<u>3,831,355</u>	<u>155,840</u>	<u>3,226,860</u>	<u>760,335</u>
<u>AWP-95-05-C-00-SBP</u>								
Revenues	-	-	-	-	1,032,729	24,947	-	-
Expenditures:	-	-	-	-	-	-	-	-
SLO Master Plan, Environ. Impact Report	278,422	-	-	-	-	-	278,422	-
Land Acquisition	779,254	-	-	-	-	-	768,107	-
Airport staff and administration	-	-	-	-	-	-	11,147	-
Transfers (to) from other PFCs	-	-	-	-	-	-	-	-
Total passenger facility charges - PFC 05	<u>1,057,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,032,729</u>	<u>24,947</u>	<u>1,057,676</u>	<u>-</u>
<u>AWP-02-07-C-00-SBP</u>								
Revenues	-	-	-	-	1,652,880	77,392	-	-
Expenditures:	-	-	-	-	-	-	-	-
Runway extension	814,222	-	-	-	-	-	722,723	-
Taxiway construction	376,499	-	-	-	-	-	468,864	-
Airfield improvements	214,940	-	-	-	-	-	27,190	-
Acquisition runway sweeping equipment	22,000	-	-	-	-	-	-	-
Airfield lighting improvements	27,500	-	-	-	-	-	-	-
Relocate threshold runway 25	82,500	-	-	-	-	-	168,772	-
Construction ARFF facilities	154,660	-	-	-	-	-	154,661	-
Airport master plan	37,950	-	-	-	-	-	79,247	-
Airport staff and administration	-	-	-	-	-	-	108,815	-
Transfers to other PFCs	-	-	-	-	-	-	-	-
Total passenger facility charges - PFC 07	<u>1,730,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,880</u>	<u>77,392</u>	<u>1,730,272</u>	<u>-</u>
<u>AWP-07-08-C-00-SBP</u>								
Revenues	-	-	-	-	1,427,539	45,537	-	-
Expenditures:	-	-	-	-	-	-	-	-
Environmental assessment	110,000	-	-	-	-	-	110,000	-
Runway extension	908,025	-	-	-	-	21,011	475,663	-
Property acquisition	287,028	-	-	-	-	-	30,387	-
EMAS	605,262	-	-	-	-	-	602,120	-
Update layout plan	2,875	-	-	-	-	-	-	-
ARFF mass casualty vehicle	115,000	-	-	-	-	-	107,726	-
Transfers to other PFCs	-	-	-	-	-	-	-	-
Total passenger facility charges - PFC 08	<u>2,028,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,427,539</u>	<u>66,548</u>	<u>1,325,896</u>	<u>168,191</u>
Total passenger facility charges	<u>\$ 11,636,967</u>	<u>\$ 361,758</u>	<u>\$ 2,239</u>	<u>\$ 87,025</u>	<u>\$ 7,944,503</u>	<u>\$ 324,727</u>	<u>\$ 7,340,704</u>	<u>\$ 928,526</u>