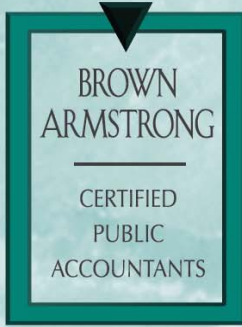


COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

**COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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 the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards.....	5
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs.....	13
<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	17
<u>Aviation Passenger Facility Charge Program</u>	
Independent Auditor’s Report on Schedule of Passenger Facility Charge Revenues and Expenses	18
Independent Auditor’s Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	20
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>	22
Schedule of Passenger Facility Charge Revenues and Expenses	24
Schedule of Current Year Findings and Questioned Costs – Airport Passenger Facility Charge Program	25
Status of Prior Year Findings and Questioned Costs – Airport Passenger Facility Charge Program	26



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
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San Luis Obispo, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo (the County), as of and for the year ended June 30, 2017, 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 19, 2017. Our report includes a reference to other auditors who audited the financial statements of the First 5 San Luis Obispo County, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

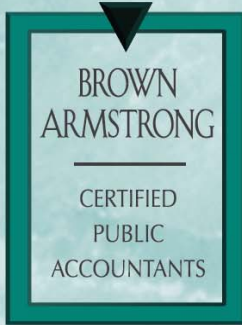
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 19, 2017



BROWN ARMSTRONG

Certified Public Accountants

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

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

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Report on Compliance for Each Major Federal Program

We have audited the County of San Luis Obispo's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each of the Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bakersfield, California
December 19, 2017

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF AGRICULTURE					
Direct Programs:					
Water and Waste Disposal Program-Loan	300279,300383	10.760	\$ 67,883	\$ 67,883	\$ -
Water and Waste Disp Prog-Loan Prior Year Adj	300279,300383	10.760	8,231	8,231	-
Subtotal Water and Waste Disposal Program			76,114	76,114	-
USDA Community Food Project	Not Applicable	10.225	2,349	2,349	-
Subtotal Direct CFDA 10.763			2,349	2,349	-
Passed through State Department of Health Care Services:					
Women Infant Children Nutrition Program	15-10074	10.557	1,279,604	1,279,604	-
Women Infant Children Nutrition Program - Prior Year Adjustment	15-10074	10.557	4	4	-
Subtotal Pass-Through CFDA 10.557			1,279,608	1,279,608	-
Passed through State Department of Food and Agriculture:					
ACP Bulk Citrus	16-0740-SA	10.025	648	648	-
Glassy-Winged Sharpshooter	16-0425-SF	10.025	311,558	311,558	-
Asian Citrus Psyllid Detection	15-0557-SF, 16-0594-SF, 16-0594-SF, Amd #1	10.025	277,631	277,631	-
European Grape Vine Moth	15-0582-SF, 16-0674-SF	10.025	76,105	76,105	-
Khapra Beetle Detection & Admin	KB-1617-40	10.025	7,557	7,557	-
Light Brown Apple Moth Detection	15-0513-SF, 16-0448-SF	10.025	7,429	7,429	-
Light Brown Apple Moth Regulatory	15-0475-SF, 16-0539-SF	10.025	77,435	77,435	-
Pest Detection Trapping	16-0099	10.025	175,456	175,456	-
Subtotal Pass-Through CFDA 10.025			933,819	933,819	-
Passed through State Department of Public Health:					
Supplemental Nutrition Assistance Program Education (SNAP-ED)	16-10157	10.561	436,882	436,882	62,238
Supplemental Nutrition Assistance Program Education (SNAP-ED) - Prior Year Adjustment	16-10157	10.561	(1,601)	(1,601)	-
CalFresh&CalFresh Employment Training	Not Applicable	10.561	4,514,846	4,514,846	-
CalFresh&CalFresh Employment Train - Prior year adjustment	Not Applicable	10.561	9,823	9,823	-
Subtotal Pass-Through CFDA 10.561			4,959,950	4,959,950	62,238
Total U.S. Department of Agriculture			7,251,840	7,251,840	62,238
U.S. DEPARTMENT OF DEFENSE					
Direct Program:					
Comm. Econ. Adj. Plan. Asst Joint Land Use Studies	FAIN#HQ00051510017; OEA AWARD #EN1003-15-02	12.610	1,535	1,535	-
Total U.S. Department of Defense			1,535	1,535	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Direct Programs:					
Low Income Housing Assistance Community Development Block Grants					
Community Development Block Grants	B-09-UC-06-0508	14.218	3,215	3,215	-
Community Development Block Grants	B-11-UC-06-0508	14.218	42,686	42,686	-
Community Development Block Grants	B-12-UC-06-0508	14.218	250	250	-
Community Development Block Grants	B-14_UC-06-0508	14.218	293,047	293,047	293,047
Community Development Block Grants	B-15_UC-06-0508	14.218	370,145	370,145	370,145
Community Development Block Grants	B-16_UC-06-0508	14.218	570,719	570,719	354,142
Subtotal CFDA 14.218			1,280,062	1,280,062	1,017,334
Emergency Solutions Grant Program	E-15-UC-06-0508	14.231	50,015	50,015	50,015
Emergency Solutions Grant Program	E-16-UC-06-0508	14.231	100,932	100,932	95,379
Subtotal CFDA 14.231			150,947	150,947	145,394

(Continued)

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (Continued)					
Home Partnership Investment Program	M-11-UC-05-0545	14.239	9,500	9,500	-
Home Partnership Investment Program	M-14-UC-05-0545	14.239	708,913	708,913	708,913
Home Partnership Investment Program	M-15-UC-05-0545	14.239	478,334	478,334	478,334
Home Partnership Investment Program	M-16-UC-05-0545	14.239	68,226	68,226	12,500
Subtotal CFDA 14.239			<u>1,264,973</u>	<u>1,264,973</u>	<u>1,199,747</u>
Continuum of Care Program	2014 Various	14.267	298,877	298,877	298,877
Continuum of Care Program	2015 Various	14.267	587,403	587,403	544,901
Subtotal CFDA 14.267			<u>886,280</u>	<u>886,280</u>	<u>843,778</u>
Total U.S. Department of Housing & Urban Development			<u>3,582,262</u>	<u>3,582,262</u>	<u>3,206,253</u>
U.S. DEPARTMENT OF THE INTERIOR					
Direct Programs:					
Coastal Impact Assistance Program	F12AF70233-001, F12AF70176	15.668	113,567	113,567	-
Subtotal Direct CFDA 15.668			<u>113,567</u>	<u>113,567</u>	<u>-</u>
Passed through California Bureau of Land Management:					
Taylor Grazing Act	Not Applicable	15.227	4,678	4,678	-
Subtotal Pass-Through CFDA 15.227			<u>4,678</u>	<u>4,678</u>	<u>-</u>
Total U.S. Department of Interior			<u>118,245</u>	<u>118,245</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE					
Direct Programs:					
Bureau of Immigration & Customs Enforcement	Not Applicable	16.710	54,600	54,600	-
State Criminal Alien Assistance Program	Not Applicable	16.606	130,742	130,742	-
Federal Asset Forfeiture	Not Applicable	16.000	65,490	65,490	-
DEA Domestic Cannabis Eradication & Suppression	2016-45	16.111	41,015	41,015	-
Justice Assistance Grant	2016-DJ-BX-0365	16.738	20,862	20,862	-
Passed through California Emergency Management Agency:					
Victim Witness Assistance	VW16350400	16.575	227,675	227,675	-
County Victim Services (XC) Program	XC16010400	16.575	36,572	36,572	-
Unserved/Underserved Victim Advocacy and Outreach	XV15010400	16.575	134,641	134,641	-
Unserved/Underserved Victim Advocacy and Outreach	XV15A10400	16.575	127,089	127,089	17,733
Subtotal Pass-Through CFDA 16.575			<u>525,977</u>	<u>525,977</u>	<u>17,733</u>
Total U.S. Department of Justice			<u>838,686</u>	<u>838,686</u>	<u>17,733</u>
U.S. DEPARTMENT OF LABOR					
Passed through California Employment Development Department:					
Workforce Investment Act-Adult	K594794 & K698395	17.258	504,989	504,989	327,776
Workforce Investment Act-Adult - PY	K594794 & K698395	17.258	18,749	18,749	-
Workforce Investment Act-Youth	K594794 & K698395	17.259	575,622	575,622	550,204
Workforce Invest Act-Disloc Workr&Rapid Resp - PY	K594794 & K698395	17.278	(18,749)	(18,749)	-
Workforce Invest Act-Disloc Workr&Rapid Resp	K594794 & K698395	17.278	696,249	696,249	370,689
Subtotal Pass-Through Workforce Investment Act Cluster			<u>1,776,860</u>	<u>1,776,860</u>	<u>1,248,669</u>
Total U.S. Department of Labor			<u>1,776,860</u>	<u>1,776,860</u>	<u>1,248,669</u>

(Continued)

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF TRANSPORTATION					
Direct programs:					
Airport Improvement Program	3-06-0228-041	20.106	3,890	3,890	-
Airport Improvement Program-Pr Yr Adj	3-06-0228-041	20.106	13	13	-
Airport Improvement Program	3-06-0228-043-2015	20.106	15,205,200	15,205,200	-
Airport Improvement Program-Pr Yr Adj	3-06-0228-044-2015	20.106	1,165	1,165	-
Airport Improvement Program	3-06-0228-044-2015	20.106	85,225	85,225	-
Airport Improvement Program	3-03-0172-008-2017	20.106	83,278	83,278	-
Subtotal Direct CFDA 20.106			<u>15,378,771</u>	<u>15,378,771</u>	<u>-</u>
Passed through State Department of Transportation:					
Highway Planning and Construction	BPMP-5949(151)	20.205	19,007	19,007	-
Highway Planning and Construction	BHLS-5949(136)	20.205	144,457	144,457	-
Highway Planning and Construction	HSIPL-5949(148)	20.205	162,164	162,164	-
Highway Planning and Construction -Prior year adjustment	HSIPL-5949(148)	20.205	(15,483)	(15,483)	-
Highway Planning and Construction	HSIPL-5949(154)	20.205	127,539	127,539	-
Highway Planning and Construction	HSIPL-5949(159)	20.205	24,897	24,897	-
Highway Planning and Construction	BRLO-5949(065)	20.205	202,089	202,089	-
Highway Planning and Construction -Prior year adjustment	BRLO-5949(065)	20.205	(114,728)	(114,728)	-
Highway Planning and Construction	BRLO-5949(116)	20.205	84,888	84,888	-
Highway Planning and Construction -Prior year adjustment	BRLO-5949(116)	20.205	(74,141)	(74,141)	-
Highway Planning and Construction	BRLO-5949(119), BHLO-5949(164)	20.205	132,899	132,899	-
Highway Planning and Construction	BRLO-5949(120)	20.205	98,952	98,952	-
Highway Planning and Construction	BRLO-5949(127)	20.205	342,221	342,221	-
Highway Planning and Construction	BRLO-5949(152)	20.205	106,002	106,002	-
Highway Planning and Construction	BRLO-5949(156)	20.205	12,979	12,979	-
Highway Planning and Construction	BRLO-5949(157)	20.205	15,999	15,999	-
Highway Planning and Construction	BRLS-5949(129)	20.205	52,597	52,597	-
Highway Planning and Construction	BRLS-5949(131)	20.205	34,169	34,169	-
Highway Planning and Construction	BRLS-5949(135)	20.205	63,773	63,773	-
Highway Planning and Construction	HPLU-5949(132)	20.205	558	558	-
Highway Planning and Construction	RPSTPLE-5949(140)	20.205	56,756	56,756	-
Highway Planning and Construction	BRLS-5949(137)	20.205	116,720	116,720	-
Highway Planning and Construction	RPLCML-5949(074)	20.205	3,821,132	3,821,132	-
Subtotal Pass-Through CFDA 20.205			<u>5,415,446</u>	<u>5,415,446</u>	<u>-</u>
Office Of Traffic Safety	PS1605	20.600	20,309	20,309	9,758
Office Of Traffic Safety	PS1723	20.600	54,117	54,117	-
Office Of Traffic Safety	AL1728	20.608	59,899	59,899	-
Office Of Traffic Safety	PS 1605	20.616	14,393	14,393	-
Office Of Traffic Safety-Pr Year Adj	PS 1605	20.616	1	1	-
Office Of Traffic Safety	OP1711	20.616	33,989	33,989	-
Subtotal Pass-Through Highway Safety Cluster			<u>182,708</u>	<u>182,708</u>	<u>9,758</u>
Total U.S. Department of Transportation			<u>20,976,925</u>	<u>20,976,925</u>	<u>9,758</u>
ENVIRONMENTAL PROTECTION AGENCY					
Passed through State Water Resource Control Board:					
State Revolving Fund Loan- Rates and Charges	10-846-550	66.458	2,919,111	2,919,111	-
Total Environmental Protection Agency			<u>2,919,111</u>	<u>2,919,111</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION					
Passed through State Department of Education:					
State Vocational Rehabilitation Services	Not Applicable	84.126A	4,367	4,367	-
State Vocational Rehabilitation Services -PY	Not Applicable	84.126A	1,268	1,268	-
Subtotal Pass-Through			<u>5,635</u>	<u>5,635</u>	<u>-</u>
Total Department of Education			<u>5,635</u>	<u>5,635</u>	<u>-</u>

(Continued)

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Direct Programs:					
Drug Free Community 101 Friday Night Live	2H79SP020904-06	93.276	131,895	131,895	-
Drug Free Community 101 Friday Night Live - PY	2H79SP020904-06	93.276	519	519	-
Subtotal CFDA 66.458			132,414	132,414	-
SLO Health Integration Partnership (SAMHSA)	1H79SM062377-01	93.243	147,384	147,384	19,999
Behavioral Health Treatment Court Collaborative	5H79SM061698-02	93.243	348,142	348,142	-
Subtotal CFDA 93.243			495,526	495,526	19,999
Passed through State Department of Alcohol & Drug Programs:					
Substance Abuse Prev&Trtmt Block Grant-Discrete Funds	14-90098	93.959	1,087,382	1,087,382	-
Substance Abuse Prev&Trtmt Block-Discrete -Prior Year Adjustment	14-90098	93.959	57,598	57,598	-
Substance Abuse Prev&Trtmt Block-Friday Night/Club	14-90098	93.959	30,000	30,000	-
Substance Abuse Prev&Trtmt Block-Friday Night/Club-PY	14-90098	93.959	270	270	-
Substance Abuse Prev&Trtmt Block Grant-PrevSet-aside	14-90098	93.959	231,571	231,571	-
Substance Abuse Prev&Trtmt Block Grant-PrevSet-asidePY	14-90098	93.959	1,394	1,394	-
Substance Abuse Prevention & Treatment Block Grant-Adolescent and Youth Treatment	14-90098	93.959	177,123	177,123	-
Substance Abuse Prevention & Treatment Block Grant-Adolescent and Youth Treatment	14-90098	93.959	1,688	1,688	-
Substance Abuse Prev&Trtmt Block-Perinatal	14-90098	93.959	72,569	72,569	-
Substance Abuse Prev&Trtmt Block-Perinatal - PY	14-90098	93.959	668	668	-
Subtotal CFDA 93.959			1,660,263	1,660,263	-
Passed through State Department of Child Support Services:					
Child Support Enforcement:					
Child Support Admin & EDP	Not Applicable	93.563	2,717,977	2,717,977	-
Passed Through California Family Health Council:					
Title X 2016	88000-5320-71219-16-17	93.217	90,725	90,725	-
Title X 2017	88000-5320-71219-16-17	93.217	41,804	41,804	-
Subtotal CFDA 93.217			132,529	132,529	-
Health Resources Services Administration HPP	Not Applicable	93.074	194,661	194,661	18,572
Health Resources Services Admin-Prior year adj	Not Applicable	93.074	168	168	-
Ebola	15-10383	93.074	17,556	17,556	3,968
Ebola - PY Adj	15-10383	93.074	(89)	(89)	-
CDC Base PH Emergency Preparedness	Not Applicable	93.074	583,029	583,029	43,750
CDC Base PH Emergency Preparedness-Prior Year Adj	Not Applicable	93.074	(780)	(780)	-
Subtotal CFDA 93.074			794,545	794,545	66,290
TB Control Branch/Real Time Allotment	5U52PS900515-31	93.116	7,222	7,222	-
Immunization Action Plan	15-10449	93.268	107,283	107,283	-
Maternal Child Health (MCH)	201640	93.994	139,542	139,542	-
Passed through State Department of Health Care Services:					
Medical Assistance Program:					
Medi-Cal Admin (MAA)	14-90041	93.778	334,858	334,858	-
Medi-Cal Administration - Prior Year Adjustment	14-90041	93.778	26,532	26,532	-
First Five Medi-Cal	14-90041	93.778	15,219	15,219	-
School Based Medi-Cal Administration	14-90007	93.778	493,692	493,692	-
Maternal Child Health - Title XIX	201640	93.778	348,357	348,357	-
Maternal Child Health - Title XIX Prior Year Adj	201640	93.778	(245)	(245)	-
Medi-Cal Admin -Targeted Case Management	40-1318A	93.778	589,099	589,099	-
Medi-Cal Admin -Targeted Case Mgt-Prior Year Adj	40-1318A	93.778	180,974	180,974	-
Administration: Medi-Cal	14-90041	93.778	39,997	39,997	-
Medical Outreach and Enrollment	Not Applicable	93.778	8,631	8,631	-
Medi-Cal Renewal Assistance Grant	Not Applicable	93.778	5,059	5,059	-
Administration: Medi-Cal-Prior year adjustment	09-86011 A01	93.778	57,531	57,531	-
CA CHILDRENS SERVICES (CCS) Title XIX	Not Applicable	93.778	635,376	635,376	-
Foster Care (HPCFC)	Not Applicable	93.778	130,390	130,390	-
Foster Care (PNMO)	Not Applicable	93.778	19,357	19,357	-
Lead Program	14-10051	93.778	16,473	16,473	-
Lead Program - Prior Year Adj	14-10051	93.778	(68)	(68)	-
Child Hlth & Disability Prevention	Not Applicable	93.778	127,593	127,593	-
Administration: Medi-Cal - IHSS	Not Applicable	93.778	8,282,322	8,282,322	508,911
Administration: Medi-Cal - IHSS - Prior Year Adjustment	Not Applicable	93.778	(1)	(1)	-
Medi-Cal Administration	Not Applicable	93.778	239,775	239,775	-
Medi-Cal Administration - Prior Year Adjustment	Not Applicable	93.778	(743)	(743)	-
Subtotal CFDA 93.778			11,550,178	11,550,178	508,911

(Continued)

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTER/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)					
Mental Health-Substance Abuse (SAMHSA)	Not Applicable	93.958	351,443	351,443	-
Mental Health-Subst Abuse (SAMHSA)-Pr Yr Adj	Not Applicable	93.958	(1)	(1)	-
Mental Health-Subst Abuse (SAMHSA)-Pr Yr Adj.	Not Applicable	93.958	(647)	(647)	-
Mental Health-Substance Abuse (SAMHSA)	Not Applicable	93.958	240,265	240,265	-
Subtotal CFDA 93.958			591,060	591,060	-
Passed through State Department of Mental Health:					
Mental Health-McKinney Assist in Transition from Homeless	Not Applicable	93.150	48,129	48,129	-
Passed through State Department of Social Services:					
KinGap - Kingship Guardian Assistance Program	Not Applicable	93.090	297,172	297,172	-
KinGap IV-E Admin	Not Applicable	93.090	1,068	1,068	-
Subtotal CFDA 93.090			298,240	298,240	-
Promoting Safe and Stable Families	Not Applicable	93.556	151,195	151,195	-
Refugee Cash Assistance	Not Applicable	93.566	1,405	1,405	-
Temporary Assistance for Needy Families:					
Assistance: CALWORKS	Not Applicable	93.558	3,717,330	3,717,330	-
Administration: CalWORKS, SAWS-CalWIN, TANF	Not Applicable	93.558	12,428,932	12,428,932	-
Administration: CalWORKS, SAWS-CalWIN, TANF - Prior Yr Adj.	Not Applicable	93.558	(889,565)	(889,565)	-
Subtotal CFDA 93.558			15,256,697	15,256,697	-
Foster Care - Title IV-E:					
Administration: Probation - Title IV E	Not Applicable	93.658	180,505	180,505	-
Child Welfare Services - Title IV E	Not Applicable	93.658	3,827,258	3,827,258	-
Child Welfare Services - Title IV E - Prior Year Adjustment	Not Applicable	93.658	77,104	77,104	-
Assistance: Foster Care	Not Applicable	93.658	2,379,862	2,379,862	-
Subtotal CFDA 93.658			6,464,729	6,464,729	-
Child Welfare Services Title IV-B					
Child Welfare Services Title IV-B	Not Applicable	93.645	183,602	183,602	-
Child Welfare Services Title IV-B - Prior Year Adjustment	Not Applicable	93.645	78	78	-
Subtotal CFDA 93.645			183,680	183,680	-
Adoption Assistance - Prior Year Adjustment					
Adoption Assistance	Not Applicable	93.659	(1,051)	(1,051)	-
Adoption Assistance	Not Applicable	93.659	4,519,380	4,519,380	-
Subtotal CFDA 93.659			4,518,329	4,518,329	-
Child Welfare Services-Title XX					
Child Welfare Services-Title XX	Not Applicable	93.667	263,556	263,556	-
Child Welfare Services-Title XX - PY	Not Applicable	93.667	9,730	9,730	-
Subtotal CFDA 93.667			273,286	273,286	-
Independent Living Program					
Independent Living Program	Not Applicable	93.674	114,971	114,971	-
Independent Living Program - Prior Year Adjustment	Not Applicable	93.674	910	910	-
Subtotal CFDA 93.674			115,881	115,881	-
CA Childrens Services and TLIP Title XXI	Not Applicable	93.767	233,973	233,973	47,560
Total U.S. Department of Health & Human Services			45,874,083	45,874,083	642,760
DEPARTMENT OF HOMELAND SECURITY					
Passed through California Emergency Management Agency:					
Emergency Management Performance Grants:					
Emergency Management Performance 2015-PrYrAd	2015-0049	97.042	(450)	(450)	-
Emergency Management Performance 2016	2016-0010	97.042	159,491	159,491	-
Subtotal CFDA 97.042			159,041	159,041	-

(Continued)

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTEE/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	FEDERAL CFDA NUMBER	2016-17 REVENUE RECOGNIZED	2016-17 EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
DEPARTMENT OF HOMELAND SECURITY (Continued)					
Homeland Security - Prior Year Adjustment	Stonegarden Grant 2015-1078	97.067	(16,504)	(16,504)	-
Homeland Security	Stonegarden Grant 2015-1078	97.067	131,292	131,292	-
Homeland Security - Prior Year Adjustment	079-00000 2014-0093	97.067	(58)	(58)	-
Homeland Security	2016-0102	97.067	87,268	87,268	-
Homeland Security	2016-0102	97.067	2,244	2,244	-
Homeland Security	2015-0078	97.067	5,542	5,542	-
Homeland Security	2016-0102	97.067	42,021	42,021	-
Homeland Security	079-00000 2015-0078	97.067	160,612	160,612	-
Subtotal CFDA 97.067			412,417	412,417	-
Total Department of Homeland Security			<u>571,458</u>	<u>571,458</u>	-
TOTAL FEDERAL FINANCIAL AWARDS EXCLUDING LOANS CARRIED FORWARD FROM PRIOR YEAR			<u>\$ 83,916,640</u>	<u>\$ 83,916,640</u>	<u>\$ 5,187,411</u>
<u>Federal Loan Balances With a Continuing Compliance Requirement</u>					
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Direct Programs:					
Community Development Block Grants - 3rd Party Loans		14.218		\$ 2,466,617	
Home Partnership Investment Program - 3rd Party Loans		14.239		18,992,043	
FEDERAL LOAN BALANCES CARRIED FORWARD FROM PRIOR YEAR				<u>21,458,660</u>	
TOTAL FEDERAL FINANCIAL AWARDS INCLUDING LOANS CARRIED FORWARD FROM PRIOR YEAR				<u>\$ 105,375,300</u>	

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

**COUNTY OF SAN LUIS OBISPO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 62,238
14.218	Community Development Block Grant/Entitlement Grants	1,017,334
14.231	Emergency Solutions Grant Program	145,394
14.239	Home Investment Partnerships Program	1,199,747
14.267	Continuum of Care	843,778
16.575	County Victim Services	17,733
17.258	Workforce Investment Act-Adult	327,776
17.259	Workforce Investment Act-Youth	550,204
17.278	Workforce Investment Act-Dislocated Worker/Rapid Response	370,689
20.600	Office of Traffic Safety	9,758
93.243	SLO County Health Integration Partnership	19,999
93.767	California Children's Services (Title XXI and Title XIX)	47,560
93.778	Activities (CBOMAA and SMAA)	508,911
93.074	Ebola	3,968
93.074	HRSA HPP	18,572
93.074	PH Emergency preparedness	43,750
	Total	<u>\$ 5,187,411</u>

NOTE 5 – LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

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

CFDA Number	Program Title	Amount Outstanding			
		July 1, 2016	New Loans	Loan Payments	June 30, 2017
14.218	Community Development Block Grant/Entitlement Grants	\$ 2,466,617	\$ -	\$ (24,743)	\$ 2,441,874
14.239	Home Investment Partnerships Program	18,992,043	-	(75,000)	18,917,043

NOTE 6 – OTHER LOANS

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

CFDA Number	Program Title	Amount Outstanding June 30, 2017
10.760, 10.781	Water and Waste Program Cluster	\$ 78,089,000
66.458	State Revolving Fund	30,607,882 *
10.760	Water and Waste Program Cluster	1,489,436

* 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
10.225	\$ 2,349
17.258	523,738
17.259	575,622
17.278	677,500
20.600	74,426
20.616	48,383

NOTE 9 – INDIRECT COST RATE

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

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

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

Internal control over major federal programs:

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

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

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
93.659	Adoption Assistance
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

There were no findings identified in fiscal year ending June 30, 2017, that require reporting in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

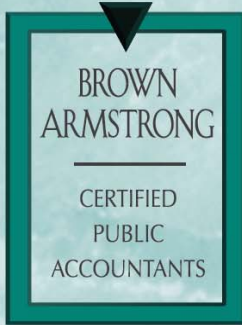
None noted.

**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, 2017**

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2016	For the Year Ended June 30, 2017	Cumulative As of June 30, 2017	Federal Share	State Share	County Share
Victim Witness Assistance - VW16350400						
Personnel Services	\$ -	\$ 273,982	\$ 273,982	\$ 172,894	\$ 101,088	\$ -
Operating Expenses	-	15,189	15,189	15,189	-	-
Equipment	-	39,592	39,592	39,592	-	-
Totals	\$ -	\$ 328,763	\$ 328,763	\$ 227,675	\$ 101,088	\$ -
Unserviced/Underserved Victim Advocacy and Outreach - XV15010400						
Personnel Services	\$ -	\$ 162,948	\$ 162,948	\$ 125,564	\$ -	\$ 37,384
Operating Expenses	425	9,077	9,502	9,077	-	-
Totals	\$ 425	\$ 172,025	\$ 172,450	\$ 134,641	\$ -	\$ 37,384
Unserviced/Underserved CVWD - XV15A10400						
Personnel Services	\$ -	\$ 156,579	\$ 156,579	\$ 119,195	\$ -	\$ 37,384
Operating Expenses	975	7,894	8,869	7,894	-	-
Totals	\$ 975	\$ 164,473	\$ 165,448	\$ 127,089	\$ -	\$ 37,384
County Victim Services (XC) - XC16010400						
Personnel Services	\$ -	\$ 25,969	\$ 25,969	\$ 16,061	\$ -	\$ 9,908
Operating Expenses	-	20,511	20,511	20,511	-	-
Totals	\$ -	\$ 46,480	\$ 46,480	\$ 36,572	\$ -	\$ 9,908
2015 Stonegarden Grant 2016-0102						
Personnel Services	\$ 84,274	\$ 66,283	\$ 150,557	\$ -	\$ -	\$ -
Operating Expenses	-	6,759	6,759	-	-	-
Equipment	-	73,490	73,490	-	-	-
Totals	\$ 84,274	\$ 146,532	\$ 230,806	\$ -	\$ -	\$ -
2016 Stonegarden Grant 2016-0102						
Personnel Services	\$ -	\$ 43,270	\$ 43,270	\$ -	\$ -	\$ -
Totals	\$ -	\$ 43,270	\$ 43,270	\$ -	\$ -	\$ -

AVIATION PASSENGER FACILITY CHARGE PROGRAM



BROWN ARMSTRONG
Certified Public Accountants

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

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

Report on Schedule for Each Quarterly Period

We have audited the accompanying Schedule of Passenger Facility Charge Revenues and Expenses (Schedule) of the County of San Luis Obispo (County), for the annual period and each quarterly period from July 1, 2016 to June 30, 2017.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express opinions on this financial schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free from material misstatement.

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

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

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the passenger facility charges received, held, and used by the County for the annual period and each quarterly period from July 1, 2016 to June 30, 2017, as defined by the Federal Aviation Administration of the United States of America Department of Transportation.

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Other Reporting Required by *Government Auditing Standards*

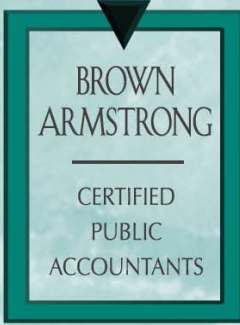
In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the County's internal control over financial reporting relating to the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance relating to the Schedule.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
December 19, 2017



BROWN ARMSTRONG

Certified Public Accountants

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

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

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Compliance

We have audited the compliance of the County of San Luis Obispo (County) with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its Passenger Facility Charge Program for the annual period and each quarterly period from July 1, 2016 to June 30, 2017. Compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge Program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its Passenger Facility Charge Program for the annual period and each quarterly period from July 1, 2016 to June 30, 2017.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge Program. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Passenger Facility Charge Program on a timely basis.

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

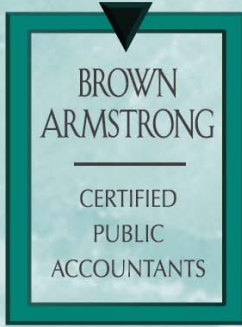
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 19, 2017



BROWN ARMSTRONG

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Passenger Facility Charge Revenues and Expenses (Schedule) of the County of San Luis Obispo (County), for the annual period and each quarterly period from July 1, 2016 to June 30, 2017, and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance relating to the Schedule. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance relating to the Schedule. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
December 19, 2017

**COUNTY OF SAN LUIS OBISPO
SCHEDULE OF PASSENGER FACILITY CHARGE
REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

Approved Federal Application Number/ Project Description	Approved Project Allocation	Prior Period Adjustment	Current Year			Project to Date			Unliquidated Balance PFC Trust
			Receipts or Revenues Recognized	Interest Earned	Expenditures	Receipts or Revenues Recognized	Interest Earned	Expenditures	
<u>1997-04-I and 2000-06-U</u>									
Revenues	\$ -	\$ 2,464,620	\$ -	\$ -	\$ -	\$ 6,370,839	\$ 449,991	\$ -	\$ 6,820,830
Expenditures:									
Approved Application #4/6: \$6,820,830									
Terminal Development and Construction	6,820,830	-	-	-	1,361,347	-	-	6,351,533	(6,351,533)
Total 4/6: 1997-04-I and 2000-06-U	6,820,830	2,464,620	-	-	1,361,347	6,370,839	449,991	6,351,533	469,297
<u>2002-07-C</u>									
Revenues	-	(970,533)	-	-	-	1,730,271	-	-	1,730,271
Expenditures:									
Approved Application #7: \$1,730,271	1,730,271	-	-	-	-	-	-	1,730,271	(1,730,271)
Total 7: 1997-04-I and 2000-06-U	1,730,271	(970,533)	-	-	-	1,730,271	-	1,730,271	-
<u>2007-08-C</u>									
Revenues	-	(1,494,087)	633,160	2,967	-	846,873	12,601	-	859,474
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)	633,160	2,967	-	846,873	12,601	1,328,771	(469,297)
Total Passenger Facility Charges	\$ 10,579,291	\$ -	\$ 633,160	\$ 2,967	\$ 1,361,347	\$ 8,947,983	\$ 462,592	\$ 9,410,575	\$ -

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

There were no findings identified in the fiscal year ending June 30, 2017, that require reporting in accordance with *Government Auditing Standards* related to the Airport Passenger Facility Charge Program.

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

None noted.