

COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2014

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COUNTY OF SAN LUIS OBISPO

Single Audit Report
For the Year Ended June 30, 2014

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.....	7-12
Notes to Schedule of Expenditures of Federal Awards	13-15
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, 2014, 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 16, 2014. 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.

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

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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2014-001)

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*.

County's Response to Finding

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

Purpose of this Report

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



Roseville, California
December 16, 2014



**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, 2014. 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, 2014.

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, 2014, and have issued our report thereon dated December 16, 2014, 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.

Other Matters

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



Roseville, California
December 16, 2014

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COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Water and Waste Disposal Program - Outstanding Loan Balance	10.760	Contract # 300279,300383	\$ 674,242	\$ 674,242
Water and Waste Disposal Program - Loan - Prior Yr Adj - Outstanding Loan Balance	10.760	Contract # 300279,300383	387,929	387,929
Water and Waste Disposal Program - Outstanding Loan Balance	10.781	--	198,541	198,541
Water and Waste Disposal Program - Outstanding Loan Balance	10.781	--	38,118,881	38,118,881
Subtotal Direct Programs			39,379,593	39,379,593
Passed through State Department of Health Care Services:				
Women Infant Children Nutrition Program	10.557	11-10453	1,225,058	1,225,058
Women Infant Children Nutrition Program - Pr Yr Adj	10.557	11-10453	2,841	2,841
Subtotal Pass-through			1,227,899	1,227,899
Passed through California Fire Safe Council:				
Volunteer Fire Assistance Program	10.664	7FG13194	20,000	20,000
Subtotal Pass-through			20,000	20,000
Passed through State Department of Food and Agriculture:				
Pest Detection Trapping	10.025	13-0126-SF	175,456	175,456
Sudden Oak Death	10.025	13-0301-SF	12,038	12,038
Glassy-Winged Sharpshooter	10.025	12-0100-SF	321,058	321,058
Glassy-Winged Sharpshooter - Prior year adj	10.025	12-0100-SF	(1,508)	(1,508)
Asian Citrus Psyllid Detection	10.025	12-0509-SF, 13-0457-SF	316,614	316,614
Asian Citrus Psyllid Detection - Prior Year Adj	10.025	12-0509-SF, 13-0457-SF	27	27
European Grape Vine Moth	10.025	13-0530-SF	8,057	8,057
Light Brown Apple Moth Detection	10.025	12-0430-SF, 13-0435-SF	19,916	19,916
Light Brown Apple Moth Regulatory	10.025	12-0532-SF, 13-0357-SF, 13-0490-SF	97,738	97,738
Light Brown Apple Moth Regulatory - Prior Year Adj	10.025	12-0532-SF, 13-0357-SF, 13-0490-SF	5	5
Light Brown Apple Moth TASC	10.025	13-0548-SF	6,858	6,858
Subtotal CFDA Number 10.025			956,259	956,259
Passed through State Department of Public Health:				
Supplemental Nutrition Assistance	10.561	13-20492	422,427	422,427
Supplemental Nutrition Assistance	10.561	13-20492	(52)	(52)
Supplemental Nutrition Assistance	10.561	--	3,205,766	3,205,766
Supplemental Nutrition Assistance	10.561	--	(802)	(802)
Subtotal Pass-through			3,627,339	3,627,339
Total Department of Agriculture			\$ 45,211,090	\$ 45,211,090
U.S. DEPARTMENT OF DEFENSE				
Direct Program:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	HQ00051110021	28,674	28,674
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use - Prior Yr Adj	12.610	HQ00051110021	5,134	5,134
Total Department of Defense			\$ 33,808	\$ 33,808
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Direct Programs:				
Low Income Housing Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	B-06-UC-06-0508	122,001	122,001
Community Development Block Grants/Entitlement Grants	14.218	B-08-UC-06-0508	152,155	152,155
Community Development Block Grants/Entitlement Grants	14.218	B-09-UC-06-0508	164,688	164,688
Community Development Block Grants/Entitlement Grants	14.218	B-10-UC-06-0508	568,007	568,007
Community Development Block Grants/Entitlement Grants	14.218	B-11-UC-06-0508	286,568	189,447
Community Development Block Grants/Entitlement Grants	14.218	B-11-UC-06-0508	-	97,122
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-06-0508	285,483	239,315
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-06-0508	-	46,168
Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-06-0508	856,993	856,993
Community Development Block Grants/Entitlement Grants - 3rd Party Loans	14.218	--	-	2,469,117
Emergency Solutions Grant Program	14.231	E-12-UC-06-0508	79,582	79,582
Emergency Solutions Grant Program	14.231	E-11-UC-06-0508	38,556	38,556
Emergency Solutions Grant Program	14.231	E-13-UC-06-0508	76,056	76,056
Supportive Housing Program	14.235	Various	145,654	145,654
Supportive Housing Program	14.235	E-13-UC-06-0508	31,157	31,157
Home Investment Partnerships Program	14.239	M-09-UC-06-0545	29,718	29,718
Home Investment Partnerships Program	14.239	M-10-UC-06-0545	1,273,200	1,273,200
Home Investment Partnerships Program	14.239	M-11-UC-06-0545	46,062	46,062
Home Investment Partnerships Program	14.239	M-12-UC-06-0545	42,767	42,767
Home Investment Partnerships Program	14.239	E-13-UC-06-0545	79,641	79,641

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (continued)				
Direct Programs (continued):				
Home Investment Partnerships Program	14.239	--	\$ 210,817	\$ 210,817
Home Investment Partnerships Program - 3rd Party Loans	14.239	--	-	14,221,119
Continuum of Care Program	14.267	Various	741,242	741,242
Subtotal Direct Programs			<u>5,230,347</u>	<u>21,920,584</u>
Total Department of Housing & Urban Development			\$ 5,230,347	\$ 21,920,584
U. S. DEPARTMENT OF THE INTERIOR				
Direct Program:				
Coastal Impact Assistance Program	15.668	F12AF70233-001,F12AF70176	38,128	38,128
Subtotal Direct Program			<u>38,128</u>	<u>38,128</u>
Passed through State Department of Fish & Game:				
Cooperative Endangered Species Conservation Fund - Prior Yr Adj	15.615	P1182017, P1182018	2,382	2,382
Subtotal Pass-through			<u>2,382</u>	<u>2,382</u>
Passed through State Department of Bureau of Land Management:				
Taylor Grazing Act	15.227	--	-	1,750
Taylor Grazing Act	15.227	--	2,291	-
Subtotal Pass-through			<u>2,291</u>	<u>1,750</u>
Passed through State Department of Parks & Recreation:				
Outdoor Recreation - Acquisition, Development and Planning - Los Osos Playground - Prior Yr Adj	15.916	06-01704	14	14
Subtotal Pass-through			<u>14</u>	<u>14</u>
Total Department of Interior			\$ 42,815	\$ 42,274
U. S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Public Safety Partnership and Community Policing Grants:				
SS Awards	16.710	--	82,400	82,400
State Criminal Alien Assistance Program	16.606	--	158,109	158,109
Bulletproof Vest Partnership Program - Prior Yr Adj	16.607	--	(13,489)	(13,489)
COPS Technology Program	16.710	2008CKWX0267	17,060	17,060
Federal Asset Forfeiture	16.000	--	239,512	239,512
Law Enforcement Assistance - Narcotics and Dangerous Drugs - Laboratory Analysis	16.001	2013-46	51,299	51,299
Justice Assistance Grant	16.738	2012-DJ-BX-0990	1,508	1,508
Subtotal Direct Programs			<u>536,399</u>	<u>536,399</u>
Passed through Governor's Office of Emergency Services:				
Victim Witness Assistance	16.575	VW13320400	76,404	76,404
Unserved/Underserved Victim Advocacy and Outreach	16.582	UV13040400	118,477	118,477
Aftercare Treatment Services	16.593	AF11 01 0400	109,414	109,414
Subtotal Pass-through			<u>304,295</u>	<u>304,295</u>
Passed through the Board of State and Community Corrections:				
Justice Assistance Grant - Anti-Drug Abuse Enforcement Team Program	16.738	BSCC 626-13	121,946	121,946
Subtotal Pass-through			<u>121,946</u>	<u>121,946</u>
Total Department of Justice			\$ 962,640	\$ 962,640
U. S. DEPARTMENT OF LABOR				
Passed through State Department of Employment Development:				
Workforce Investment Act - Adult	17.258	K386330 & K491051	509,149	509,149
Workforce Investment Act - Youth	17.259	K386330,K491051	970,500	970,500
Workforce Investment Act - Dislocated Worker & Rapid Response	17.278	K386330 & K491051	634,590	634,590
Workforce Investment Act - Dislocated Workers & Rapid Response - Pr Yr Adj	17.278	K386330 & K491051	1,152	1,152
Subtotal Pass-through			<u>2,115,391</u>	<u>2,115,391</u>
Total Department of Labor			\$ 2,115,391	\$ 2,115,391

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Airport Improvement Program - Prior Yr Adj	20.106	3-06-0228-37	\$ 83,606	\$ 83,606
Airport Improvement Program	20.106	3-06-0228-38	1,332,887	1,332,887
Airport Improvement Program	20.106	3-06-0228-040	45,879	45,879
Airport Improvement Program	20.106	3-06-0228-042 -2014	133,258	133,258
Airport Improvement Program	20.106	3-06-0228-041	89,081	89,081
Airport Improvement Program	20.106	3-03-0172-007	85,546	85,546
Subtotal Direct Programs			<u>1,770,257</u>	<u>1,770,257</u>
Passed through State Department of Transportation:				
Public Ways and Facilities	20.205	BPMP-5949(124)	52,971	52,971
Public Ways and Facilities - Prior Yr Adj	20.205	ER-18DO(011)	621,652	621,652
Public Ways and Facilities	20.205	BHLS-5949(136)	50,884	50,884
Public Ways and Facilities	20.205	BHLS-5949(137)	100,998	100,998
Public Ways and Facilities	20.205	HSIPL-5949(133)	256,831	256,831
Public Ways and Facilities	20.205	HSIPL-5949(148)	95,307	95,307
Public Ways and Facilities	20.205	HSIPL-5949(149)	101,688	101,688
Public Ways and Facilities - Prior Yr Adj	20.205	BHLS-5949(062)	(409)	(409)
Public Ways and Facilities	20.205	BHLS-5949(063)	5,412	5,412
Public Ways and Facilities	20.205	BRLO-5949(019)	7,461	7,461
Public Ways and Facilities - Prior Yr Adj	20.205	BRLO-5949(019)	(979)	(979)
Public Ways and Facilities	20.205	BRLO-5949(009)	7,652	7,652
Public Ways and Facilities - Prior Yr Adj	20.205	BRLO-5949(009)	(1,061)	(1,061)
Public Ways and Facilities	20.205	BRLO-5949(065)	1,978,142	1,978,142
Public Ways and Facilities - Prior Yr Adj	20.205	BRLO-5949(065)	17,666	17,666
Public Ways and Facilities	20.205	BRLO-5949(116)	168,936	168,936
Public Ways and Facilities	20.205	BRLO-5949(119)	59,516	59,516
Public Ways and Facilities	20.205	BRLO-5949(120)	72,937	72,937
Public Ways and Facilities	20.205	BRLO-5949(127)	122,118	122,118
Public Ways and Facilities	20.205	BRLO-5949(129)	159,344	159,344
Public Ways and Facilities	20.205	BRLO-5949(131)	100,962	100,962
Public Ways and Facilities	20.205	BRLO-5949(135)	263,096	263,096
Safe Accountable, Flex, Efficiency Transportation Eq Act (SAFETEA-LU)	20.205	HPLU-5949 (132)	1,717	1,717
Public Ways and Facilities	20.205	HPLU-5949 (138)	112,931	112,931
Highway Planning and Construction	20.205	HRRRL-5949(111)	794,147	794,147
Highway Planning and Construction - Prior Year Adj	20.205	HRRRL-5949(111)	(40,000)	(40,000)
Public Ways and Facilities	20.205	STPL-5949(139)	74,811	74,811
Public Ways and Facilities	20.205	RPSTPLE-5949 (140)	472	472
Public Ways and Facilities	20.205	RPSTPLE 5949(144)	29,757	29,757
Subtotal CFDA Number 20.205			<u>5,214,959</u>	<u>5,214,959</u>
Office Of Traffic Safety	20.600	12-20012	7,528	7,528
Office Of Traffic Safety	20.600	OP 1417	69,606	69,606
Office Of Traffic Safety - Prior Year Revenue	20.600	OP 1417	(12)	(12)
Office Of Traffic Safety	20.613	OP 1417	1,695	1,695
Subtotal Highway Safety Cluster			<u>78,817</u>	<u>78,817</u>
Minimum Penalties for Repeat Offenders for Driving	20.608	AL4118	18,810	18,810
Office Of Traffic Safety	20.608	OP 1417	47,036	47,036
Office Of Traffic Safety	20.616	OP 1417	39,497	39,497
Subtotal			<u>105,343</u>	<u>105,343</u>
Total Department of Transportation			<u>\$ 7,169,376</u>	<u>\$ 7,169,376</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through State Library:				
Library Services & Technology Act	45.310	40-8180	17,500	17,500
Subtotal Pass-through			<u>17,500</u>	<u>17,500</u>
Total Institute of Museum and Library Services			<u>\$ 17,500</u>	<u>\$ 17,500</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed through State Water Resources Control Board:				
State Revolving Fund Loan - Outstanding Loan Balance	66.458	68-0281986	13,652,545	13,652,545
Small Water Systems Drinking Water Act	66.468	--	20,188	20,188
Public Beach Safety Grant	66.472	12-046-250	20,310	20,310
Subtotal Pass-through			<u>13,693,043</u>	<u>13,693,043</u>
Total Environmental Protection Agency			<u>\$ 13,693,043</u>	<u>\$ 13,693,043</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Direct Programs:				
Area Agency on Aging	93.043	49109A	\$ 3,800	\$ 3,800
Grants to States to Support Oral Health Workforce Activities	93.236	11-10206	34,589	34,589
Grants to States to Support Oral Health Workforce Activities - Prior Yr Adj	93.236	11-10206	1,141	1,141
Adult Treatment Drug Court Collaborative	93.243	1H79T1023740-01	406,153	406,153
Adult Treatment Drug Court Collaborative - Prior Yr Adj	93.243	1H79T1023740-01	51	51
Substance Abuse & Mental Health Services - Projects of Regional & National Significance	93.243	1H79T1024206-01	317,516	317,516
Substance Abuse & Mental Health Services - Projects of Regional & National Significance	93.243	1H79T1023367-01	385,693	385,693
Drug-Free Communities Support Program Grants	93.276	H9SP15668A	123,563	123,563
Drug-Free Communities Support Program Grants	93.276	H9SP15668A	1	1
ARRA - Health Information Technology Professionals in Health Care	93.721	None	106,250	106,250
Subtotal Direct			<u>1,378,757</u>	<u>1,378,757</u>
Passed through State Department of Alcohol & Drug Programs:				
Block Grants for Prevention and Treatment of Substance Abuse - Discretionary Funds	93.959	--	999,987	999,987
Block Grants for Prevention and Treatment of Substance Abuse - Discretionary Funds - Prior Yr Adj	93.959	--	(4,866)	(4,866)
Block Grants for Prevention and Treatment of Substance Abuse - Previous set-aside	93.959	--	313,072	313,072
Block Grants for Prevention and Treatment of Substance Abuse - Adult & Youth TX Discr Treatment	93.959	--	177,123	177,123
Block Grants for Prevention and Treatment of Substance Abuse - Friday Night/Club	93.959	--	30,000	30,000
Block Grants for Prevention and Treatment of Substance Abuse - HIV set-aside	93.959	--	39,453	39,453
Block Grants for Prevention and Treatment of Substance Abuse - Perinatal set-aside	93.959	--	72,569	72,569
Subtotal CFDA Number 93.959			<u>1,627,338</u>	<u>1,627,338</u>
Passed through State Department of Child Support Services:				
Child Support Enforcement - Administration	93.563	--	2,718,477	2,718,477
Child Support Enforcement - EDP	93.563	--	139,489	139,489
Subtotal Pass-through			<u>2,857,966</u>	<u>2,857,966</u>
Passed through National Association of County and City Health Officials:				
Medical Reserve Corps Small Grant Program	93.008	MRC 14-1633	688	688
Subtotal Pass-through			<u>688</u>	<u>688</u>
Passed through State Department of Public Health:				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	EPO 13-43	192,149	192,149
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness - Prior Yr Adj	93.074	EPO 13-43	27,550	27,550
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	EPO 13-43	472,851	472,851
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness - Prior Yr Adj	93.074	EPO 13-43	3,358	3,358
Subtotal CFDA Number 93.074			<u>695,908</u>	<u>695,908</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS900515-31	10,381	10,381
Project Grants and Cooperative Agreements for Tuberculosis Control Programs - Prior Yr Adj	93.116	5U52PS900515-31	2,108	2,108
Subtotal CFDA Number 93.116			<u>12,489</u>	<u>12,489</u>
Childhood Lead Poisoning Prevention Projects	93.197	11-10624	21,677	21,677
Subtotal CFDA Number 93.197			<u>21,677</u>	<u>21,677</u>
Family Planning Services	93.217	88000-5320-71209-14	115,658	115,658
Family Planning Services - Prior Yr Adj	93.217	88000-5320-71209-14	27	27
Subtotal CFDA Number 93.217			<u>115,685</u>	<u>115,685</u>
Immunization Cooperative Agreements	93.268	13-20343	92,650	92,650
Immunization Cooperative Agreements - Prior Yr Adj	93.268	13-20343	1	1
Subtotal CFDA Number 93.268			<u>92,651</u>	<u>92,651</u>
PPHF - Community Transformation Grants and National Dissemination and Support	93.531	1019892	7,653	7,653
Subtotal CFDA Number 93.531			<u>7,653</u>	<u>7,653</u>
HIV Care Formula Grants - AIDS Surveillance Program	93.917	13-230156	30,325	30,325
HIV Care Formula Grants - AIDS Surveillance Program - Prior Yr Adj	93.917	13-230156	5,523	5,523
Subtotal CFDA Number 93.917			<u>35,848</u>	<u>35,848</u>
Preventive Health Services - Sexually Transmitted Diseases Research	93.977	11-10058-A01	200	200
Maternal and Child Health Services Block Grants to the States	93.994	2013-40	428,812	428,812
Maternal and Child Health Services Block Grants to the States - Prior Yr Adj	93.994	2013-40	396	396
Subtotal CFDA Number 93.994			<u>429,208</u>	<u>429,208</u>
Subtotal Pass-through			<u>1,411,319</u>	<u>1,411,319</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Health Care Services:				
Medical Assistance Program:				
Medical Assistance Program - Administration	93.778	09-86011-A02	\$ 221,851	\$ 221,851
Medical Assistance Program - Administration -Targeted Case Management	93.778	40-1318	14,881	14,881
Medical Assistance Program - Administration	93.778	09-86011 A02	41,162	41,162
Medical Assistance Program - Administration - Prior Yr Adj	93.778	09-86011 A01	241,657	241,657
Medical Assistance Program - Foster Care	93.778	SLO 40	120,398	120,398
Medical Assistance Program - Child Health and Disability Prevention	93.778	SLO 40	186,230	186,230
Medical Assistance Program - Children Services	93.778	SLOCO/MTP	699,383	699,383
Medical Assistance Program - Administration Public Authority for IHSS	93.778	--	7,075,914	7,075,914
Medical Assistance Program - Administration	93.778	--	213,732	213,732
Subtotal			<u>8,815,208</u>	<u>8,815,208</u>
Mental Health-Substance Abuse (SAMHSA)	93.958	--	377,037	351,443
Mental Health-Substance Abuse (SAMHSA)	93.958	--	96,163	96,163
Subtotal CFDA Number 93.958			<u>473,200</u>	<u>447,606</u>
Subtotal Pass-through			<u>9,288,408</u>	<u>9,262,814</u>
Passed through State Department of Mental Health:				
Mental Health-McKinney Projects for Assistance in Transition from Homelessness	93.150	--	46,280	46,280
Mental Health-McKinney Projects for Assistance in Transition from Homelessness - Prior Yr Adj	93.150	--	122	122
Subtotal CFDA Number 93.150			<u>46,402</u>	<u>46,402</u>
Passed through State Department of Social Services:				
ARRA - Guardian Assistance	93.090	--	157,958	157,958
ARRA - Guardian Assistance - Prior Yr Adj	93.090	--	2,108	2,108
Subtotal CFDA Number 93.090			<u>160,066</u>	<u>160,066</u>
Promoting Safe and Stable Families	93.556	--	136,468	136,468
Subtotal CFDA Number 93.556			<u>136,468</u>	<u>136,468</u>
Refugee Cash Assistance	93.566	--	6,339	6,339
Subtotal CFDA Number 93.566			<u>6,339</u>	<u>6,339</u>
Temporary Assistance for Needy Families:				
Assistance: CALWORKS	93.558	--	3,499,652	3,499,652
Administration: CalWORKS, SAWS - CalWIN, TANF	93.558	--	9,380,203	9,380,203
Administration: CalWORKS, SAWS - CalWIN, TANF - Pr Yr Adj	93.558	--	(34,574)	(34,574)
Subtotal CFDA Number 93.558			<u>12,845,281</u>	<u>12,845,281</u>
Foster Care - Title IV-E				
Administration: Probation - Title IV E	93.658	--	515,550	515,550
Administration: Probation - Title IV E - Pr Yr Adj	93.658	--	(74,694)	(74,694)
Child Welfare Services - Title IV E	93.658	--	3,567,706	3,567,706
Child Welfare Services - Title IV E - Pr Yr Adj	93.658	--	1,271	1,271
Assistance: Foster Care	93.658	--	2,342,783	2,342,783
Assistance: Foster Care - Pr Yr Adj	93.658	--	5,599	5,599
Subtotal CFDA Number 93.658			<u>6,358,215</u>	<u>6,358,215</u>
Child Welfare Services Title IV-B	93.645	--	177,427	177,427
Child Welfare Services Title IV-B - Pr Yr Adj	93.645	--	(19,412)	(19,412)
Administration: Adoption	93.659	--	893,641	893,641
Administration: Adoption - Pr Yr Adj	93.659	--	12,168	12,168
Assistance: Adoption	93.659	--	3,097,072	3,097,072
Assistance: Adoption - Pr Yr Adj	93.659	--	(1,032)	(1,032)
Foster Care Assistance - Title XX	93.667	--	126,127	126,127
Child Welfare Services - Title XX	93.667	--	351,408	351,408
Independent Living Program	93.674	--	120,671	120,671
Independent Living Program - Pr Yr Adj	93.674	--	337	337
Subtotal			<u>4,758,407</u>	<u>4,758,407</u>
Subtotal Pass-through			<u>24,264,776</u>	<u>24,264,776</u>
Subtotal Pass-through programs			<u>39,496,897</u>	<u>39,471,303</u>
Total Department of Health & Human Services			<u>\$ 40,875,654</u>	<u>\$ 40,850,060</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue Recognized	Expenditures
DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Boating & Waterways:				
Non Motorized Boating Access Development Grant	97.012	10-108-803	\$ 41,955	\$ 41,955
Non Motorized Boating Access Development Grant	97.012	11-204-780	12,380	12,380
Subtotal CFDA Number 97.012			54,335	54,335
Passed through Governor's Office of Emergency Services:				
Hazard Mitigation Grants:				
FY 11 Pre-Disaster Mitigation	97.047	2011-0002	9,229	9,229
FY 11 Pre-Disaster Mitigation - Pr Yr Adj	97.047	2011-0002	(519)	(519)
Subtotal CFDA Number 97.047			8,710	8,710
Emergency Management Performance Grants:				
Emergency Management Performance Grants - Pr Yr Adj	97.042	2012-0027	(2,543)	(2,543)
Emergency Management Performance Grants - 2012	97.042	2013-0047	76,707	76,707
Subtotal CFDA Number 97.042			74,164	74,164
Homeland Security Grant Program - Prior Year Adjustment	97.067	2010-0085	157	-
Homeland Security Grant Program - Prior Year Adjustment	97.067	2010-0085	4,365	4,365
Homeland Security Grant Program	97.067	2011-0048	73,106	73,106
Homeland Security Grant Program - Prior Year Adjustment	97.067	2011-0048	5,759	5,759
Homeland Security Grant Program	97.067	--	19,000	19,000
Homeland Security Grant Program - Prior Year Adjustment	97.067	--	11,114	11,114
Homeland Security Grant Program	97.067	2011-0077	174,933	174,933
Homeland Security Grant Program	97.067	2011-SS-0077	11,651	11,651
Homeland Security Grant Program - Prior Year Adjustment	97.067	2011-0077	1,759	1,759
Homeland Security Grant Program	97.067	2012-SS-00123	9,672	9,672
Homeland Security Grant Program	97.067	2012-SS-0123 079-0000	146,227	146,227
Homeland Security Grant Program - Prior Year Adjustment	97.067	2012-SS-0123 079-0000	7,449	7,449
Homeland Security Grant Program	97.067	2012-00123	63,898	63,898
Homeland Security Grant Program	97.067	NA	5,000	5,000
Homeland Security Grant Program	97.067	Stonegarden Grant 2012-1123	79,203	79,203
Homeland Security Grant Program	97.067	Stonegarden Grant 2013-1110	149,358	149,358
Homeland Security Grant Program	97.067	--	38,000	38,000
Subtotal CFDA Number 97.067			800,651	800,494
Subtotal Passed-through			883,525	883,368
Subtotal Pass-throughs			937,860	937,703
Total Department of Homeland Security			\$ 937,860	\$ 937,703
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 116,289,524	\$ 132,953,469

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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>
10.561	Supplemental Nutrition Assistance	\$ 91,472
14.218	Community Development Block Grants/Entitlement Grants	2,289,163
14.231	Emergency Solutions Grant Program	187,669
14.235	Supportive Housing Program	176,811
14.239	Home Investment Partnerships Program	1,411,005
14.267	Continuum of Care Program	741,242
15.227	Taylor Grazing Act	1,750
17.258	Workforce Investment Act - Adult	331,603
17.259	Workforce Investment Act - Youth	853,016
17.278	Workforce Investment Act - Dislocated Worker/Rapid Response	455,036
		<u>\$ 6,538,767</u>

COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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, 2013	New Loans	Loan Pymnts	June 30, 2014
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,469,117	\$ -	\$ -	\$ 2,469,117
14.239	HOME Investment Partnerships Program	14,221,119	210,817	(785,500)	13,646,436

NOTE 6: OTHER LOANS

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

Federal CFDA	Program Title	Amount Outstanding June 30, 2014
10.760, 10.781	Water and Waste Program Cluster	\$ 75,194,212
66.458	State Revolving Fund	19,940,961 *

* This amount includes federal and state funds.

NOTE 7: 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.

COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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 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	\$ 1,062,171	17.278	\$ 635,742
10.781	38,317,422	20.600	77,122
14.218	4,905,013	20.608	65,846
14.231	194,194	93.236	35,730
14.235	176,811	93.243	1,109,413
14.239	15,903,324	93.276	123,564
16.710	99,460	93.645	158,015
		93.659	4,001,849
		93.667	477,535
		93.674	121,008

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COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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? | Yes |
| 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

20.205
66.458

Highway Planning and Construction
Capitalization Grants for Clean Water
State Revolving Funds

93.558
93.659

Temporary Assistance for Needy Families
Adoption Assistance Program

- | | |
|---|--------------|
| 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? | Yes |

Section 2

Financial Statement Findings

Receivables Cutoff	2014-001
--------------------	----------

Section 3

Federal Award Findings and Questioned Costs

None Reported

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

**Finding 2014-001
Receivables Cutoff**

Criteria

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

Condition

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

Cause

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

Effect of Condition

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

Recommendation

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

Management Response

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

COUNTY OF SAN LUIS OBISPO

Summary Schedule of Prior Audit Findings
Federal Awards
For the Year Ended June 30, 2014

There were no prior audit findings.

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**SUPPLEMENTARY SCHEDULE
OF GRANT EXPENDITURES**

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COUNTY OF SAN LUIS OBISPO

Schedule of the Governor's Office of Emergency Services
and the Board of State and Community Corrections
For the Year Ended June 30, 2014

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2013	For the Year Ended June 30, 2014	Cumulative As of June 30, 2014	Federal Share	State Share	County Share
Victim Witness Assistance - VW13320400						
Personal services	\$ 644,628	\$ 264,526	\$ 909,154	\$ 76,404	\$ 104,546	\$ 83,576
Totals	<u>\$ 644,628</u>	<u>\$ 264,526</u>	<u>\$ 909,154</u>	<u>\$ 76,404</u>	<u>\$ 104,546</u>	<u>\$ 83,576</u>
Unserviced/Underserved Victim Advocacy and Outreach - UV13040400						
Personal services	\$ 438,063	\$ 156,082	\$ 594,145	\$ 118,477	\$ --	\$ 37,605
Totals	<u>\$ 438,063</u>	<u>\$ 156,082</u>	<u>\$ 594,145</u>	<u>\$ 118,477</u>	<u>\$ --</u>	<u>\$ 37,605</u>
Aftercare Treatment Services - AF11 01 0400						
Operating expenses	\$ 249,891	\$ 109,414	\$ 359,305	\$ 109,414	\$ --	\$ --
Totals	<u>\$ 249,891</u>	<u>\$ 109,414</u>	<u>\$ 359,305</u>	<u>\$ 109,414</u>	<u>\$ --</u>	<u>\$ --</u>
Justice Assistance Grant - Anti-Drug Abuse Enforcement Team Program - BSCC 626-13						
Personal services	\$ 151,921	\$ 57,863	\$ 209,784	\$ 57,863	\$ --	\$ --
Operating expenses	24,380	64,083	88,463	64,083	--	--
Totals	<u>\$ 176,301</u>	<u>\$ 121,946</u>	<u>\$ 298,247</u>	<u>\$ 121,946</u>	<u>\$ --</u>	<u>\$ --</u>
2012 Stonegarden Grant - 2012-1123						
Personal services	\$ 22,236	\$ 56,967	\$ 79,203	\$ --	\$ 56,967	\$ --
Totals	<u>\$ 22,236</u>	<u>\$ 56,967</u>	<u>\$ 79,203</u>	<u>\$ --</u>	<u>\$ 56,967</u>	<u>\$ --</u>
2013 Stonegarden Grant - 2013-1110						
Equipment	\$ --	\$ 149,358	\$ 149,358	\$ --	\$ 149,358	\$ --
Totals	<u>\$ --</u>	<u>\$ 149,358</u>	<u>\$ 149,358</u>	<u>\$ --</u>	<u>\$ 149,358</u>	<u>\$ --</u>

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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, 2013 to June 30, 2014.

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, 2013 to June 30, 2014, 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 December 16, 2014 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.

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

Roseville, California
December 16, 2014

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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, 2013 to June 30, 2014. 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, 2013 to June 30, 2014.

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 16, 2014

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, 2014, 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 16, 2014. 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 16, 2014

COUNTY OF SAN LUIS OBISPO, CALIFORNIA

Schedule of Passenger Facility Charges
Collected and Expended
For the Year Ended June 30, 2014

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	\$ -	\$ 366,804	\$ 2,211	\$ -	\$ 4,198,159	\$ 158,051	\$ -	\$ -
Expenditures:	-	-	-	-	-	-	-	-
Terminal development and construction	6,820,830	-	-	43,689	-	-	3,168,263	-
Airport staff and administration	-	-	-	-	-	-	102,286	-
Transfers (to) from other PFCs	-	-	-	-	-	-	-	-
Total passenger facility charges - PFC 04 and 06	<u>6,820,830</u>	<u>366,804</u>	<u>2,211</u>	<u>43,689</u>	<u>4,198,159</u>	<u>158,051</u>	<u>3,270,549</u>	<u>1,085,661</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	-	-	2,875	-	-	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>2,875</u>	<u>1,427,539</u>	<u>66,548</u>	<u>1,328,771</u>	<u>165,316</u>
Total passenger facility charges	<u>\$ 8,849,020</u>	<u>\$ 366,804</u>	<u>\$ 2,211</u>	<u>\$ 46,564</u>	<u>\$ 5,625,698</u>	<u>\$ 224,599</u>	<u>\$ 4,599,320</u>	<u>\$ 1,250,977</u>