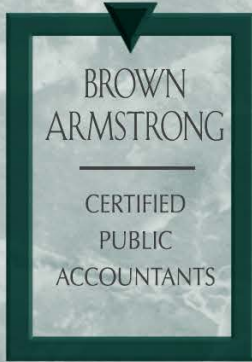


COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2016

**COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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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

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2016.

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*.

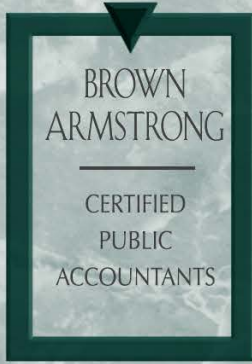
Purpose of this Report

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 16, 2016



BROWN ARMSTRONG

Certified Public Accountants

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

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

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Report on Compliance for Each Major Federal Program

We have audited the County of Santa Cruz's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 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 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 identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 16, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, County Board of Supervisors, others within the County, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 16, 2016

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through California Department of Food and Agriculture				
Phytophthora Ramorum	10.025	15-0373-SF	\$ -	\$ 23,351
Glassy-Winged Sharpshooter	10.025	14-0361-SF	-	59,755
Enhanced Exotic Pest Survey	10.025	15-0235	-	132,346
Subtotal			-	215,452
CalFRESH Employment and Training (CFET)	10.561	--	-	23,067
CalFRESH Enhanced	10.561	--	-	61,696
CalFRESH and Staff Development	10.561	--	-	8,692,823
Subtotal			-	8,777,586
Passed through California Department of Education				
National School Lunch Program	10.555	44-3447-90003419-01	-	32,800
Total U.S. Department of Agriculture			-	9,025,838
U.S. Department of Housing and Urban Development				
Direct Programs				
Supportive Housing Program - Match III	14.235	1074L9T081402	-	36,086
Supportive Housing Program - Match II (Housing for Hospital)	14.235	CA0960L9T081401	-	27,457
Subtotal			-	63,543
Supportive Housing Program - Match (Meaningful Answers)	14.267	0231L9T081508	-	302,550
Passed through California Department of Housing and Community Development				
Community Development Block Grant	14.228	12-STBG-8411	-	114,542
Community Development Block Grant	14.228	15-CDBG-10561	-	13,379
Subtotal			-	127,921
Home Investment Partnerships Program	14.239	12-HOME-8559	-	262,838
Home Investment Partnerships Program	14.239	15-HOME-10632	-	6,000
Subtotal			-	268,838
Homeless Action Partnership	14.267	CA1287L9T081300	-	18,492
Homeless Action Partnership	14.267	CA1311L9T081400	-	18,894
Total U.S. Department of Housing and Urban Development			-	800,238
U.S. Department of Justice				
Direct Programs				
Edward Byrne Memorial Justice Grant - Recovery Grant	16.738	--	-	760,135
Byrne Memorial Justice Grant - JAG Technology Project	16.738		-	23,233
Subtotal			-	783,368
Criminal Alien Assistance Program	16.066	--	-	90,223
Supporting Male Survivors of Violence	16.582	2015-VF-GX-K042	-	119,752
Justice Reinvestment Initiative	16.812	--	-	96,925
Justice Reinvestment Initiative: Assessment Technical Assistance and Maximizing Local Reforms	16.827	2015-ZB-BX-0006	-	78,660
Subtotal			-	1,168,928
Passed through California Emergency Management Agency				
Victim Witness Assistance Program	16.575	VW15340440	-	129,352
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV15010440	-	32,735
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV14050440	-	87,575
Subtotal			-	249,662
Total U.S. Department of Justice			-	1,418,590

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

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor				
Passed through California Department of Employment Development				
Workforce Investment Act (WIA) Adult Programs -				
Title I - A Adult Formula	17.258	--	-	780,129
WIA Youth Activities Programs - Title 1 Youth Formula	17.259	--	829,463	829,463
WIA Title I-D Dislocated Worker Formula	17.278	--	-	760,897
WIA Title I Rapid Response for RA&PGM - Business Retention Survey	17.278	--	-	177,488
Subtotal - WIA Cluster			829,463	2,547,977
Total U.S. Department of Labor			829,463	2,547,977
U.S. Department of Transportation				
Passed through California Department of Transportation				
Highway Planning and Construction	20.205	ER-20EO(003)	-	234
Highway Planning and Construction	20.205	ER-20EO(010)	-	28,320
Highway Planning and Construction	20.205	ER-20EO(011)	-	16,227
Highway Planning and Construction	20.205	ER-20EO(012)	-	14,644
Highway Planning and Construction	20.205	ER-20EO(013)	-	127,563
Highway Planning and Construction	20.205	ER-20EO(014)	-	12,748
Highway Planning and Construction	20.205	ER-20EO(020)	-	2,502
Highway Planning and Construction	20.205	ER-4446-(005)	-	4,252
Highway Planning and Construction	20.205	BPMPPL-5936-(107)	-	7,277
Highway Planning and Construction	20.205	BPMPPL-5936(103)	-	16,457
Highway Planning and Construction	20.205	BPMPPL-5936(113)	-	446,626
Highway Planning and Construction	20.205	BPMPPL-5936(117)	-	20,248
Highway Planning and Construction	20.205	BPMPPL-5936(118)	-	144,543
Highway Planning and Construction	20.205	BPMPPL-5936(119)	-	28,758
Highway Planning and Construction	20.205	BRLO-5936(061)	-	9,975
Highway Planning and Construction	20.205	BRLO-5936(086)	-	17,028
Highway Planning and Construction	20.205	BRLO-5936(089)	-	1,922,205
Highway Planning and Construction	20.205	BRLO-5936(091)	-	33,781
Highway Planning and Construction	20.205	BRLO-5936(092)	-	6,881
Highway Planning and Construction	20.205	BRLO-5936(093)	-	67,961
Highway Planning and Construction	20.205	BRLO-5936(094)	-	13,572
Highway Planning and Construction	20.205	BRLO-5936(095)	-	2,130
Highway Planning and Construction	20.205	BRLO-5936(096)	-	5,887
Highway Planning and Construction	20.205	BRLO-5936(097)	-	48,324
Highway Planning and Construction	20.205	BRLO-5936(111)	-	69,382
Highway Planning and Construction	20.205	BRLO-5936(112)	-	18,464
Highway Planning and Construction	20.205	DR-1968-PJ0145	-	76,056
Highway Planning and Construction	20.205	HSIPL-5936(099)	-	99,371
Highway Planning and Construction	20.205	HSIPL-5936(111)	-	41,416
Highway Planning and Construction	20.205	HSIPL-5936(120)	-	25,277
Highway Planning and Construction	20.205	HSIPL-5936(122)	-	113,450
Highway Planning and Construction	20.205	HSIPL-5936(123)	-	122,000
Highway Planning and Construction	20.205	NHCBPL11-5936 (101)	-	228,750
Highway Planning and Construction	20.205	RPSTPLE-5936(088)	-	3,763
Highway Planning and Construction	20.205	STRSL-59306 (102)	-	67,931
Subtotal			-	3,864,003
Total U.S. Department of Transportation			-	3,864,003
U.S. National Highway Traffic Safety Administration				
Passed through California Office of Traffic Safety				
National Priority Safety Programs	20.616	OP1406/PS1603	14,065	271,086
Total U.S. National Highway Traffic Safety Administration			14,065	271,086
U.S. Election Assistance Commission				
Passed through California Secretary of State				
Help America Vote Act	90.401	13G30346	-	25,307
Total U.S. Election Assistance Commission			-	25,307

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

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs				
Drug Free Communities	93.276	5H79SP018550-04	-	106,708
Affordable Care Act Grants for Capital Development in Health Centers	93.526	C8ACS23781	-	562,010
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00153	-	432,009
Consolidated Health Centers - Health Services for the Homeless	93.224	H80CS00048	71,723	1,662,841
Substance Abuse and Mental Health Services	93.243	T1021248-04	-	200,843
Substance Abuse and Mental Health Services - STOP Act	93.243	5H79SP019090-03	-	50,611
Subtotal			-	251,454
Passed through California Department of Social Services				
KinGap IV-E - Administration	93.090		-	19,652
Temporary Assistance for Needy Families - CalWORKS - Assistance	93.558	--	-	3,359,947
Temporary Assistance for Needy Families - Fraud Incentive - Assistance	93.558	--	-	8,245
Temporary Assistance for Needy Families - CalWORKS Program and Staff Development	93.558	--	-	14,608,691
Temporary Assistance for Needy Families - Commercially Exploited Children - CSEC	93.558	--	-	41,869
Temporary Assistance for Needy Families - EA - ER, ESC, CR	93.558	--	-	1,819,215
Temporary Assistance for Needy Families - CalWIN	93.558	--	-	503,336
Subtotal			-	20,341,303
Passed through California Department of Social Services				
Foster Care - Assistance	93.658	--	-	1,449,327
Foster Care - Title IV-E - AB2129	93.658	--	-	65,681
Foster Care - Case Record Review	93.658	--	-	76,108
Foster Care - Title IVE and Staff Development Child Welfare Services	93.658	--	-	948,200
Foster Care - Foster Family Licensing	93.658	--	-	73,950
Foster Care - SA/HIV Infant Program	93.658	--	-	53,333
Foster Care - Title IV-E - Foster Care - Administration	93.658	--	-	84,425
Foster Care - Kinship and Foster Care Emergency Fund	93.658	--	-	5,722
Foster Care - Title IV-E Probation portion passed through	93.658	--	-	441,886
Foster Care - Group Home Monthly Visits	93.658	--	-	22,046
Foster Parent Recruitment Retention and Support	93.658	--	-	7
Foster Care Title IV-E - Probation	93.658	--	-	480,294
Foster Care Title IV-E - Substance Abuse Disorder	93.658	--	-	4,408
Foster Care - EA - FC Emergency Assistance	93.658	--	-	708,915
Foster Care - Public Agency IV-E Pass-Through (SCCOE)	93.658	--	-	222,839
Subtotal			-	4,637,141
Adoption Assistance - Assistance	93.659	--	-	3,341,813
Adoption Assistance - Social Services	93.659	--	-	334,809
Adoption Assistance - Other Public Assistance	93.659	--	-	101,672
Subtotal			-	3,778,294

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

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Social Services Block Grant - Child Welfare Services - Title XX	93.667	--	-	157,986
Social Services Block Grant - Title XX-FC	93.667	--	-	77,418
Social Services Block Grant - CalWORKS Single (XX)			-	823,441
Subtotal			-	1,058,845
Medical Outreach	93.658	--	-	53,959
Promoting Safe and Stable Families - PSSF and Staff Development	93.556	--	-	152,470
Promoting Safe and Stable Families - PSSF Case Worker Visits	93.556	--	-	15,325
Subtotal			-	167,795
Stephanie Tubbs Jones Child Welfare Services - Title IV-B	93.645	--	-	150,489
Chafee Foster Care - Independent Living Program	93.674	--	-	66,675
Passed through California Department of Child Support Services				
Child Support Enforcement - Santa Cruz County	93.563	--	-	4,431,974
Child Support Enforcement - San Benito County	93.563	--	1,159,517	1,159,517
Subtotal			1,159,517	5,591,491
Passed through California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	10-NNA44 V1/12- 89221 A01	-	1,819,280
Passed through California Department of Health Services				
Child Welfare Services - CWS Title IV-E	93.658		-	3,842,676
Family Preservation - DHS Title XIX	93.658		-	89,427
Subtotal			-	3,932,103
Adult Protective Services	93.569	--	-	826,705
Passed through California Department of Health Services				
In Home Support Services - Title XIX and Staff Development	93.778	--	-	2,417,247
MediCal 50% and Staff Development	93.778	--	-	17,690,865
Medical Assistance - Public Authority	93.778	--	-	633,211
Passed through the California Department of Mental Health				
Medicaid/Medical Administrative Costs	93.778	--	-	181,036
Medicaid Assistance Program	93.778	--	-	1,649,156
Medical Assistance Program - MediCal Administrative Activities	93.778	--	-	335,327
Subtotal			-	2,165,519
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1946001347j5	40,889	40,889
State Children's Insurance Program	93.767		-	27
Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958	1946001347j5	84,597	196,685
Subtotal - Medicaid Cluster			125,486	23,144,443
Passed through the California Department of Public Health				
Nutrition Education and Obesity Prevention	10.561	13-20510	183,766	697,450
Tuberculosis Control Local Assistance	20.616	1U52PS004656	-	34,061
Immunization Assistance	93.268	15-10146	-	105,288
Emergency Preparedness	93.283	EPO CDC 07-44	-	402,054
Federal Maternal & Child Health Basic Grant	93.994	2015-44	-	220,130

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

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through California Secretary of State HAVA Polling Place Accessibility Training	93.617	14G26140	-	12,504
Total U.S. Department of Health and Human Services			1,540,492	70,074,684
U.S. Department of Homeland Security				
Direct Programs				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	-	55,544
Passed through Governor's Office of Homeland Security				
Homeland Security Grant Program FY2013	97.073	2013-00110	-	147,017
Homeland Security Grant Program FY2014	97.073	2014-00093	-	341,178
Subtotal			-	488,195
Passed through California Office of Emergency Services (CalOES)				
CALEMA State Office of Emergency Services	97.039	087-00000	-	17,145
Emergency Management Performance Grant FY2015	97.042	2015-0049	-	124,074
Passed through San Diego County Sheriff's Office				
Stonegarden	97.067	--	-	89,363
Total U.S. Department of Homeland Security			-	684,958
Total Expenditures of Federal Awards Excluding Loans			<u>\$ 2,384,020</u>	<u>\$ 88,802,044</u>

Federal Loan Balances With a Continuing Compliance Requirement

U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228			\$ 258,549
Home Investment Partnerships Program	14.239			1,261,050
U.S. Environmental Protection Agency				
Passed through California Environmental Protection Agency				
State Water Resource Control Board	66.458			1,033,934
Federal Loan balances With a Continuing Compliance Requirement				2,553,533
Total Expenditures of Federal Awards Including Loans				<u>\$ 91,355,577</u>

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

**COUNTY OF SANTA CRUZ
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 1 – REPORTING ENTITY

The County of Santa Cruz (County) was established by an act of the State Legislature of California in 1850 and is governed by a five-member elected Board of Supervisors (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The financial reporting entity consists of: (1) the County; (2) organizations for which the County is financially accountable; and (3) organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The following entities are component units of the County:

Blended Component Units

*Santa Cruz Flood Control and Water Conservation District – Zone 7
Santa Cruz County Public Financing Authority*

Discretely Presented Component Unit

Santa Cruz County Sanitation District

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Consistent with the County's method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

A. Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the County. The County utilizes the modified accrual basis of accounting for the general fund and special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

B. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the County. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through from the State of California is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

C. Indirect Cost Rate

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

NOTE 3 – SUBRECIPIENTS

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

Name of Program	CFDA No.	Amount
Nutrition Education and Obesity Prevention	10.561	\$ 183,766
WIA Youth Activities - Santa Cruz County Office of Education	17.259	829,463
National Priority Safety Programs	20.616	14,065
Projects for Assistance in Transition from Homelessness (PATH)	93.150	40,889
Health Center Cluster	93.224	71,723
Child Support Enforcement - San Benito County	93.563	1,159,517
Block Grant for Community Mental Health Services (SAMHSA)	93.958	84,597
Total		<u>\$ 2,384,020</u>

NOTE 4 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBERS

When federal awards were received from a pass-through entity, the Schedule 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 5 – LOANS OUTSTANDING

The following programs had federally-funded loans outstanding at June 30, 2016:

CFDA No.	Federal Grantor	County Department Administering Loans	Outstanding Balance at June 30, 2016	Outstanding Balance at June 30, 2015
14.228	Community Development Block Grant (CDBG)	Planning	\$ 258,549	\$ 293,542
14.239	Home Investment Partnerships Program (HOME)	Planning	1,261,050	1,093,550
66.458	State Water Resource Control Board (SWRCB)	Public Works	1,033,934	2,759,633
			<u>\$ 2,553,533</u>	<u>\$ 4,146,725</u>

**COUNTY OF SANTA CRUZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	_x_ no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	_x_ no
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards:

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	_x_ no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	_x_ no
Type of auditor's report issued on compliance for major programs:	Unmodified	
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 Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.224	Consolidated Health Centers
93.563	Child Support Enforcement
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,740,667
Auditee qualified as low-risk auditee?	_x_ yes ___ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**COUNTY OF SANTA CRUZ
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None.