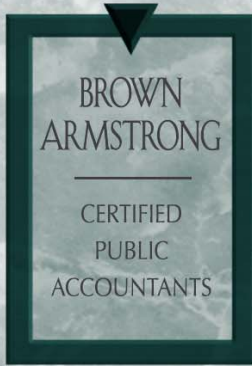


COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

**COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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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, 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 29, 2014.

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.

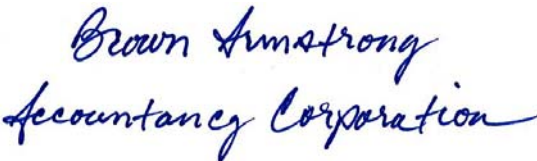
Compliance and Other Matters

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*.

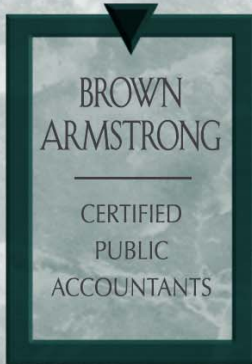
Purpose of this Report

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

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

Bakersfield, California
December 29, 2014



BROWN ARMSTRONG

Certified Public Accountants

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

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 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) 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.

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 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 29, 2014, 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 OMB Circular A-133 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 29, 2014

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Food and Agriculture			
Phytophthora Ramorum	10.025	13-0318-SF	\$ 33,643
Glassy-Winged Sharpshooter	10.025	12-0132-SF	52,231
Enhanced Exotic Pest Survey	10.025	13-0069	<u>56,816</u>
Subtotal			<u>142,690</u>
LBAM TASC	10.604	13-0549-SF	<u>8,270</u>
CalFRESH Employment and Training (CFET)	10.561	--	43,025
CalFRESH Enhanced	10.561	--	11,149
CalFRESH and Staff Development	10.561	--	<u>5,409,909</u>
Subtotal			<u>5,464,083</u>
Passed through California Department of Education			
National School Lunch Program	10.555	44-3447-90003419-01	<u>32,208</u>
Total U.S. Department of Agriculture			<u>5,647,251</u>
U.S. Department of Housing and Urban Development			
Direct Programs			
Supportive Housing Program - Match III	14.235	CA1074B9T081100	29,543
Supportive Housing Program - Match II (Housing for Hospital)	14.235	CA0960B9T081000	<u>32,623</u>
Subtotal			<u>62,166</u>
Supportive Housing Program - Match (Meaningful Answers)	14.267	CA0231L9T081205	<u>390,432</u>
Passed through California Department of Housing and Community Development			
Community Development Block Grant - Disaster Recovery Initiative	14.228	11-DRI-7557	30,095
Community Development Block Grant	14.228	10-STBG-6737	609,190
Community Development Block Grant	14.228	12-STBG-8411	<u>738,275</u>
Subtotal - Community Development Block Grant Cluster			<u>1,377,560</u>
Home Investment Partnerships Program	14.239	11-HOME-7891	<u>26,790</u>
Total U.S. Department of Housing and Urban Development			<u>1,856,948</u>
U.S. Department of Justice			
Direct Programs			
Criminal Alien Assistance Program	16.066	--	<u>161,609</u>
Federal Asset Forfeiture	16.111	--	<u>4,441</u>
Recovery Act Edward Byrne Memorial Competitive Grant Program	16.808	2009-IJ-CX-0208	<u>1,059</u>
Passed through California Emergency Management Agency			
Victim Witness Assistance Program	16.575	VW13320440	81,302
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV12030440	15,646
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV13040440	<u>115,833</u>
Subtotal			<u>212,781</u>
Aftercare Treatment Services Program	16.593	AF11010440	<u>61,080</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. Department of Justice (Continued)			
Passed through California Board of State and Community Corrections Juvenile Accountability Block Grants Evidenced-Based Probation Programs	16.523	CSA 210-11	56,391
Edward Byrne Memorial Justice Assistance Grant 2012-2013	16.738	BSCC 613-12	73,980
Edward Byrne Memorial Justice Assistance Grant 2013-2014	16.738	BSCC 613-13	146,943
Subtotal - Edward Byrne Memorial Justice Assistance Grant Cluster			220,923
Total U.S. Department of Justice			718,284
U.S. Department of Labor			
Passed through California Department of Employment Development WIA Adult Programs - Title I - A Adult Formula	17.258	--	585,475
WIA Youth Activities Programs	17.259	--	982,353
WIA Title I-D Dislocated Worker Formula	17.278	--	825,850
WIA Title I Rapid Response for RA&PGM - Business Retention Survey	17.278	--	227,701
Subtotal - WIA Cluster			2,621,379
Total U.S. Department of Labor			2,621,379
U.S. Department of Transportation			
Passed through California Department of Transportation Highway Planning and Construction	20.205	ER-20EO(003)	24,485
Highway Planning and Construction	20.205	ER-20EO(010)	10,345
Highway Planning and Construction	20.205	ER-20EO(011)	13,275
Highway Planning and Construction	20.205	ER-20EO(012)	4,155
Highway Planning and Construction	20.205	ER-20EO(013)	26,559
Highway Planning and Construction	20.205	ER-20EO(014)	18,137
Highway Planning and Construction	20.205	ER-20EO(020)	63,838
Highway Planning and Construction	20.205	ER-4446-(002)	2,484
Highway Planning and Construction	20.205	ER-4446-(003)	2,008
Highway Planning and Construction	20.205	ER-4446-(005)	402,501
Highway Planning and Construction	20.205	BPMPPL-5936(103)	11,139
Highway Planning and Construction	20.205	BPMPPL-5936(104)	387,002
Highway Planning and Construction	20.205	BPMPPL-5936(105)	106,946
Highway Planning and Construction	20.205	BPMPPL-5936(106)	297,100
Highway Planning and Construction	20.205	BPMPPL-5936(107)	3,131
Highway Planning and Construction	20.205	BPMPPL-5936(113)	10,207
Highway Planning and Construction	20.205	BRLO-5936(061)	3,758
Highway Planning and Construction	20.205	BRLO-5936(086)	41,714
Highway Planning and Construction	20.205	BRLO-5936(089)	176,891
Highway Planning and Construction	20.205	BRLO-5936(091)	10,391
Highway Planning and Construction	20.205	BRLO-5936(092)	3,444
Highway Planning and Construction	20.205	BRLO-5936(093)	142,462
Highway Planning and Construction	20.205	BRLO-5936(094)	9,265
Highway Planning and Construction	20.205	BRLO-5936(095)	42,925
Highway Planning and Construction	20.205	BRLO-5936(096)	12,058
Highway Planning and Construction	20.205	BRLO-5936(097)	63,290
Highway Planning and Construction	20.205	BRLO-5936(111)	5,143
Highway Planning and Construction	20.205	BRLO-5936(112)	86,453
Highway Planning and Construction	20.205	HSIPL-5936(074)	2,978
Highway Planning and Construction	20.205	HSIPL-5936(080)	86,780
Highway Planning and Construction	20.205	HSIPL-5936(098)	27,293
Highway Planning and Construction	20.205	HSIPL-5936(099)	9,233
Highway Planning and Construction	20.205	HSIPL-5936(100)	4,996
Highway Planning and Construction	20.205	HSIPL-5936(111)	16,568
Highway Planning and Construction	20.205	RPSTPL-5936(033)	221,922
Highway Planning and Construction	20.205	RPSTPLE-5936(088)	109,426
Highway Planning and Construction	20.205	RPSTPLE-5936(088)	14,673
Highway Planning and Construction	20.205	SCCRTC CO51	155,725
Highway Planning and Construction	20.205	STPLZ-5936(083)	64,491
Subtotal - Highway Planning and Construction Cluster			2,695,191
Total U.S. Department of Transportation			2,695,191

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. National Highway Traffic Safety Administration			
Passed through California Office of Traffic Safety State and Community Highway Safety	20.600	OP1406	<u>57,861</u>
National Priority Safety Programs	20.616	OP1406	<u>78,588</u>
Total U.S. National Highway Traffic Safety Administration			<u>136,449</u>
U.S. Election Assistance Commission			
Passed through California Secretary of State Help America Vote Act	90.401	07G30131	<u>43,926</u>
Total U.S. Election Assistance Commission			<u>43,926</u>
U.S. Department of Health and Human Services			
Direct Programs			
Consolidated Health Centers - Health Services for the Homeless	93.224	H80CS00048	<u>1,553,150</u>
Substance Abuse and Mental Health Services - Project Home Base	93.243	T1021248-02	350,000
Substance Abuse and Mental Health Services - Leaps and Bounds	93.243	--	380,343
Substance Abuse and Mental Health Services - STOP Act	93.243	5H79SP019090-02	<u>45,592</u>
Subtotal			<u>775,935</u>
Drug Free Communities	93.276	5H79SP018550-03	<u>118,211</u>
Affordable Care Act Grants for Capital Development in Health Centers	93.526	C8ACS23781	<u>532,084</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00153	<u>471,044</u>
Passed through California Department of Social Services			
Guardian Assistance	93.090		<u>40,249</u>
State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525		<u>237,761</u>
Temporary Assistance for Needy Families - CalWORKS - Assistance	93.558	--	3,265,232
Temporary Assistance for Needy Families - Fraud Incentive - Assistance	93.558	--	7,209
Temporary Assistance for Needy Families - CalWorks Program and Staff Development	93.558	--	13,249,800
Temporary Assistance for Needy Families - EA - ER, ESC, CR	93.558	--	1,773,518
Temporary Assistance for Needy Families - CALWIN	93.558	--	<u>787,567</u>
Subtotal - Temporary Assistance for Needy Families Cluster			<u>19,083,326</u>
Children's Health Insurance Program - CALHEERS Interface - Title XXI	93.767		<u>1,885</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>6,693</u>
Adoption Opportunities - Roots and Wings	93.652		<u>106,247</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through California Department of Social Services			
Foster Care - Assistance	93.658	--	1,827,609
Foster Care - Title IV-E - AB2129	93.658	--	69,262
Foster Care - Title IVE and Staff Development Child Welfare Services	93.658	--	537,484
Foster Care - Foster Family Licensing	93.658	--	74,914
Foster Care - Options for Recovery	93.658	--	81,051
Foster Care - Title IV-E - Foster Care - Administration	93.658	--	231,067
Foster Care - Kinship and Foster Care Emergency Fund	93.658	--	5,880
Foster Care - Child Welfare Services - Group Home Monthly Visits PROBATION Portion-Pass Through	93.658	--	29,851
Foster Care Title IV-E - Probation	93.658	--	682,212
Foster Care - Child Welfare Services Outcome Improvement Project	93.658	--	87,500
Foster Care - EA - FC Emergency Assistance	93.658	--	508,690
Foster Care - Public Agency IV-E Pass-Through (SCCOE)	93.658	--	89,268
Passed through California Department of Health Services			
Foster Care - Family Preservation - Title XIX	93.658	--	112,606
Foster Care - Child Welfare Services - CWS Title IV-E SACWIS-CWS	93.658	--	3,402,778
	93.658	--	12,582
Subtotal			<u>7,752,754</u>
Adoption Assistance - Assistance			
Adoption Assistance - Social Services	93.659	--	2,876,362
Adoption Assistance - Other Public Assistance	93.659	--	344,196
	93.659	--	144,036
Subtotal			<u>3,364,594</u>
Social Services Block Grant - Child Welfare Services - Title XX			
Social Services Block Grant - Title XX-FC	93.667	--	157,986
	93.667	--	145,986
Subtotal			<u>303,972</u>
Community-Based Child Abuse Prevention Grants			
	93.590	--	18,089
Promoting Safe and Stable Families - PSSF and Staff Development			
Promoting Safe and Stable Families - PSSF Case Worker Visits	93.556	--	148,255
	93.556	--	5,498
Subtotal			<u>153,753</u>
Stephanie Tubbs Jones Child Welfare Services - Title IV-B			
	93.645	--	142,825
Chafee Foster Care - Independent Living Program			
	93.674	--	67,503
Passed through California Department of Child Support Services			
Child Support Enforcement - Santa Cruz County	93.563	--	4,268,171
Child Support Enforcement - San Benito County	93.563	--	1,148,977
Subtotal			<u>5,417,148</u>
Passed through California Department of Alcohol and Drug Programs			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	10-NNA44	1,784,974
Passed through California Department of Health Services			
Adult Protective Services	93.569	--	623,113

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed through California Department of Social Services Medical Assistance - CALHEERS Interface - Title XIX	93.778		44,078
Passed through California Department of Health Services In Home Support Services - Title XIX and Staff Development	93.778	--	2,045,683
MEDI CAL 50% and Staff Development	93.778	--	15,051,736
Medical Assistance - Public Authority	93.778	--	731,767
Passed through the California Department of Mental Health Medicaid/Medical Administrative Costs	93.778	--	91,007
Medicaid Assistance Program	93.778	--	1,474,293
Medical Assistance Program - MediCal Administrative Activities	93.778	--	667,240
Subtotal - Medicaid Cluster			<u>20,105,804</u>
Passed through California Department of Health Services Maternal and Child Health Services Block Grant to the State	93.994	2010-44	199,603
Tuberculosis Control Local Assistance	93.116	5U52PS900515	27,285
Immunization Assistance	93.268	13-20451	99,317
Preparedness and Response to Bioterrorism	93.283	EPO CDC 07-44	432,020
Passed through the California Department of Mental Health Projects for Assistance in Transition from Homelessness (PATH)	93.150	1946001347j5	40,023
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1H79SM060152-01	327,182
Subtotal			<u>367,205</u>
State Children's Insurance Program	93.767	--	6,890
Block Grant for Community Mental Health Services (SAMHSA)	93.958	1946001347j5	121,953
Passed through California Secretary of State HAVA Polling Place Accessibility Training	93.617	13G26128	26,515
Total U.S. Department of Health and Human Services			<u>63,941,902</u>
U.S. Department of Homeland Security			
Direct Programs			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	67,074
Passed through Governor's Office of Homeland Security			
Homeland Security Grant Program FY2010	97.073	2010-0085	82,129
Homeland Security Grant Program FY2011	97.073	2011-0077	163,345
Homeland Security Grant Program FY2012	97.073	2012-SS-00123	111,442
Subtotal			<u>356,916</u>
Public Assistance Grants			
Disaster Grants - Public Assistance (2006 Spring Storms)	97.036	087-00000	37,537
Disaster Grants - Public Assistance (2005/2006 Winter Storms)	97.036	087-00000	15,144
Subtotal			<u>52,681</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Title	Federal CFDA No.	Contract or Program Number	Total Federal Expenditures
U.S. Department of Homeland Security (Continued)			
Passed through California Emergency Management Agency Emergency Mgmt Performance Grant FY2013	97.042	2013-0047	<u>109,181</u>
Passed through Bay Area UASI Approval Authority			
Interoperable Emergency Communications Grant 2011	97.055	--	130,684
Interoperable Emergency Communications Grant 2012	97.055	--	<u>289,942</u>
Subtotal			<u>420,626</u>
Total U.S. Department of Homeland Security			<u>1,006,478</u>
Total Expenditures of Federal Awards			<u>\$ 78,667,808</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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 method 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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.

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
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	\$ -
WIA Youth Activities - Santa Cruz County Office of Education	17.259	822,663
Projects for Assistance in Transition from Homelessness (PATH)	93.150	40,023
Child Support Enforcement - San Benito County	93.563	1,148,977
Block Grant for Community Mental Health Services (SAMHSA)	93.958	22,376
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	<u>1,216,882</u>
Total		<u>\$ 3,250,921</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, 2014:

CFDA No.	Federal Grantor	County Department Administering Loans	Outstanding Balance at June 30, 2014	Outstanding Balance at June 30, 2013
14.228	CDBG	Planning	\$ 295,189	\$ 308,016
14.239	HOME	Planning	<u>648,000</u>	<u>776,135</u>
			<u>\$ 943,189</u>	<u>\$ 1,084,151</u>

**COUNTY OF SANTA CRUZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 OMB Circular A-133, Section .510(a)?	___ yes	_x_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Program
10.561	Supplemental Nutrition Assistance Program
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,360,034
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, 2014**

None.