

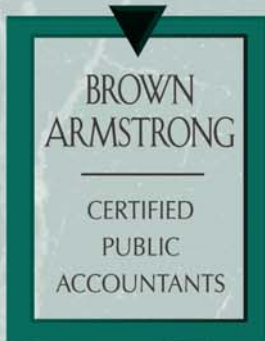
COUNTY OF MERCED
SINGLE AUDIT REPORTS
(UNIFORM GUIDANCE)
FOR THE FISCAL YEAR
ENDED JUNE 30, 2018

**COUNTY OF MERCED
SINGLE AUDIT REPORTS
(UNIFORM GUIDANCE)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
<u>Reports</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3
<u>Financial Statements</u>	
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	11
<u>Findings and Questioned Costs</u>	
Schedule of Findings and Questioned Costs	13
Status of Prior Year Findings and Questioned Costs	15

REPORTS



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

Honorable Board of Supervisors
of the County of Merced

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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, each major fund, and the aggregate remaining fund information of the County of Merced, California (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 1, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2018-FS01, which we consider to be a material weakness.

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 instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

The 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.

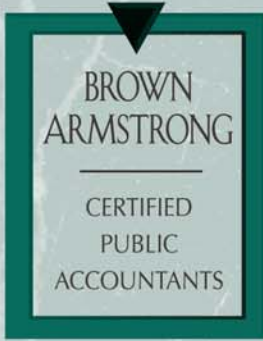
Purpose of this Report

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 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 style and is positioned below the printed name of the firm.

Bakersfield, California
February 1, 2019



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

Honorable Board of Supervisors
of the County of Merced

Report on Compliance for Each Major Federal Program

We have audited the County of Merced'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, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each 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, 2018.

BAKERSFIELD OFFICE

(MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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 on the previous page. 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.

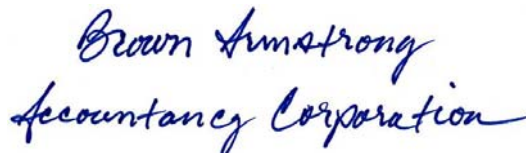
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 1, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bakersfield, California
February 27, 2019

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

FINANCIAL STATEMENTS

**COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through California CASA				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	KB-1617-24/2016159	\$ -	\$ 2,278
Passed Through California Department of Food and Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0582-SF/2010115	-	19,460
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0428-001-SF/2010115	-	13,978
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0618-SF/2010106	-	25,442
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0418-SF/2000138	-	103,740
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0444-SF/2008013	-	3,695
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0154-011-SF/2008013	-	9,588
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0213-006-SF/2006217	-	2,614
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0124/2004201	-	39,042
Subtotal			-	219,837
Passed Through California Department of Public Health				
Farmer's Market and Local Food Promotion Program	10.168	16FMPPCA0030 (HE 1736)-17	-	13,510
Farmer's Market and Local Food Promotion Program	10.168	16FMPPCA0030 (HE 1736)-18	-	60,035
Subtotal			-	73,545
Passed Through California Department of Education				
School Breakfast Program	10.553	01936-SN-24-R	-	35,710
National School Lunch Program	10.555	01936-SN-24-R	-	56,124
Subtotal - Child Nutrition Cluster			-	91,834
Passed Through California Department of Aging				
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	SP-1718-31/SP-1617-31	-	32,519
Passed Through California Department of Public Health				
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	16-10178 (HE 1692/HE 1815)	-	456,621
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	16-10178 (HE 1692)	-	459,139
Passed Through California Department of Social Services				
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	Merced (County 24)	-	8,461,470
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561	Merced (County 24)	-	61,926
Subtotal			-	9,471,675
Passed Through California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	AP-1718-31	-	10,000
Passed Through California Department of Forestry				
Cooperative Forestry Assistance	10.664	7FG17079	-	20,000
<i>Total U.S. Department of Agriculture</i>			-	9,886,891
U.S. DEPARTMENT OF COMMERCE				
Direct Programs				
Economic Adjustment Assistance - Administrative and Other	11.307	07-49-02639/07-39-02988	-	5,698
<i>Total U.S. Department of Commerce</i>			-	5,698
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Supportive Housing Program	14.235	CA0780L9T201608	-	73,146
Supportive Housing Program	14.235	CA0984L9T201604	-	77,452
Subtotal			-	150,598
<i>Total U.S. Department of Housing and Urban Development</i>			-	150,598
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Domestic Cannabis Eradication Suppression Program	16.XXX	LOA 2017-29	-	23,684
Domestic Cannabis Eradication Suppression Program	16.XXX	LOA 2018-27	-	59,000
Subtotal			-	82,684
Passed Through California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	VW16340240	-	116,734
Crime Victim Assistance	16.575	VW17350240	-	232,161
Crime Victim Assistance	16.575	XV15010240	-	158,628
Crime Victim Assistance	16.575	XC16010240	-	286,520
Subtotal			-	794,043

(Continued)

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

**COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)				
Direct Programs				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0523	-	21,660
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0351	-	23,317
Subtotal			-	44,977
<i>Total U.S. Department of Justice</i>				
			-	921,704
U.S. DEPARTMENT OF LABOR				
Passed Through California Employment Development Department (EDD)				
Employment Service/Wagner-Peyser Funded Activities	17.207	K7105782	-	311
Employment Service/Wagner-Peyser Funded Activities	17.207	K597235	-	212,012
Employment Service/Wagner-Peyser Funded Activities	17.207	11522/11770	-	5,641
Subtotal			-	217,964
Passed through California EDD				
WIOA National Emergency Grants	17.277	K7102042	-	488,682
Subtotal			-	488,682
Passed Through California EDD				
Workforce Innovation and Opportunity Act (WIOA) Adult Program	17.258	K7102042	-	84,734
WIOA Adult Program	17.258	K7102042	-	3,611
WIOA Adult Program	17.258	K8106644	-	12,792
WIOA Adult Program	17.258	K8106644	-	37,637
WIOA Adult Program	17.258	K7102042	-	35,430
WIOA Adult Program	17.258	K7102042	-	21,487
WIOA Adult Program	17.258	K7102042	-	484,663
WIOA Adult Program	17.258	K8106644	-	799,523
Passed Through Stanislaus County				
WIOA Adult Program	17.258	2017253	-	42,043
Passed Through Fresno Regional Workforce Development Board				
WIOA Adult Program	17.258	2018085	-	2,063
Passed Through Madera County				
WIOA Adult Program	17.258	2016268	-	7,717
Passed Through Livingston Community Health				
WIOA Adult Program	17.258	2017151	-	83,349
Subtotal			-	1,615,049
Passed Through California EDD				
WIOA Youth Program	17.259	K7102042	631,859	973,641
WIOA Youth Program	17.259	K8106644	323,099	398,878
Subtotal			954,958	1,372,519
Passed Through California EDD				
WIOA Dislocated Worker Formula Grants	17.278	K698371	-	64,994
WIOA Dislocated Worker Formula Grants	17.278	K698371	-	14,856
WIOA Dislocated Worker Formula Grants	17.278	K698371	-	193,607
WIOA Dislocated Worker Formula Grants	17.278	K698371	-	228,869
WIOA Dislocated Worker Formula Grants	17.278	K7102042	-	21,909
WIOA Dislocated Worker Formula Grants	17.278	K7102042	-	364,423
WIOA Dislocated Worker Formula Grants	17.278	K7102042	-	84,000
WIOA Dislocated Worker Formula Grants	17.278	K8106644	-	961,557
WIOA Dislocated Worker Formula Grants	17.278	K8106644	-	12,671
WIOA Dislocated Worker Formula Grants	17.278	K8106644	-	6,697
Subtotal			-	1,953,583
Subtotal - WIOA Cluster				
			954,958	4,941,151
<i>Total U.S. Department of Labor</i>				
			954,958	5,647,797

(Continued)

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

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs				
Airport Improvement Program	20.106	3-06-0364-020-2017	-	98,395
Airport Improvement Program	20.106	3-06-0364-017-2014	-	137,674
Subtotal			-	236,069
Passed Through California Department of Transportation				
Highway Planning and Construction	20.205	BRLO-5939(103)	-	114,785
Highway Planning and Construction	20.205	BRLO-5939(101)	-	65,820
Highway Planning and Construction	20.205	CML - 5939(124)	-	9,138
Highway Planning and Construction	20.205	STPLR-7500(229)	-	33,386
Highway Planning and Construction	20.205	BRLO-5939(077)	-	92,036
Highway Planning and Construction	20.205	FERP16-5939(126)	-	1,759
Highway Planning and Construction	20.205	BRLO-5939(100)	-	131,567
Highway Planning and Construction	20.205	BRLO-5939(078)	-	478,976
Highway Planning and Construction	20.205	HRRRL-5939(118)	-	6,857
Highway Planning and Construction	20.205	FERPL16-5939(125)	-	4,451
Highway Planning and Construction	20.205	BRLO-5939(82)	-	39,289
Highway Planning and Construction	20.205	BRLO-5939(92)	-	72,375
Highway Planning and Construction	20.205	BRLO-5939(070)	-	71,052
Highway Planning and Construction	20.205	HSIPL - 5939 (089)	-	417,388
Highway Planning and Construction	20.205	BRLO-5939(083)	-	28,518
Highway Planning and Construction	20.205	BRLO-5939(102)	-	78,748
Highway Planning and Construction	20.205	HSIPL - 5939 (111)	-	67,479
Highway Planning and Construction	20.205	BRLO - 5939(091)	-	1,678,523
Highway Planning and Construction	20.205	BRLO - 5939 (107)	-	201,046
Highway Planning and Construction	20.205	HRRRL-5939(112)	-	89,632
Highway Planning and Construction	20.205	HSIPL - 5939 (116)	-	22,288
Highway Planning and Construction	20.205	BRLS - 5939 (106)	-	44,470
Highway Planning and Construction	20.205	ATPL - 5939(104)	-	125,668
Highway Planning and Construction	20.205	ATPL - 5939(108)	-	23,105
Highway Planning and Construction	20.205	CML - 5939(117)	-	27,093
Highway Planning and Construction	20.205	BRLO-5939(084)	-	5,837
Subtotal			-	3,931,286
<i>Total U.S. Department of Transportation</i>				4,167,355
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed Through California State Library				
Grants to States	45.310	40-8673	-	4,021
Grants to States	45.310	Merced (County 24)	-	9,969
<i>Total Institute of Museum and Library Services</i>				13,990
U.S. DEPARTMENT OF EDUCATION				
Passed Through California Department of Rehabilitation				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	2014030	-	72,949
<i>Total U.S. Department of Education</i>				72,949
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through California Department of Aging				
Title VII, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1718-31	-	3,138
Title VII, Long-Term Care Ombudsman Services for Older Individuals	93.042	AP-1718-31	-	23,755
Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-1718-31	-	13,964
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-1718-31	-	202,309
Title III, Part C - Nutrition Services	93.045	AP-1718-31	-	427,256
Nutrition Services Incentive Program	93.053	AP-1718-31	-	46,190
Subtotal - Aging Cluster			-	675,755
National Family Caregiver Support - Title III, Part E	93.052	AP-1718-31	-	101,699
Medicare Enrollment Assistance Program	93.071	MI-1517-31	-	19,873

(Continued)

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

**COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through California Department of Public Health Public Health Emergency Preparedness	93.069	17-10171 (HE1851)	-	163,552
Passed Through California Department of Social Services Guardianship Assistance	93.090	Merced (County 24)	-	566,514
Passed Through California Department of Public Health Project Grants and Cooperative Agreements for Tuberculosis	93.116	2007230 (HE 1885)	-	56,308
Passed Through California Department of Health Care Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	93-15	-	64,790
Passed Through California Department of Aging State Health Insurance Assistance Program	93.324	HI-1718-31	-	53,474
Direct Program Partnership to Improve Community Health	93.331	2015014 (HE 1807)	-	531,958
Passed Through California Department of Public Health Pregnancy Assistance Fund Program	93.500	201724 (HE 1883)	-	289
Pregnancy Assistance Fund Program	93.500	201724 (HE 1907)	-	16,025
Subtotal			-	16,314
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program	93.505	15-10164 (HE 1520)	-	414,953
State Immunization Subvention	93.539	17-10309 (HE 1881)	-	94,796
Passed Through California Department of Social Services Promoting Safe and Stable Families	93.556	Merced (County 24)	-	277,807
Promoting Safe and Stable Families	93.556	Merced (County 24)	-	8,463
Subtotal			-	286,270
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	1,061,967
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	1,186,072
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	1,033,519
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	136,541
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	10,265,492
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	2,253,920
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	1,931,287
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	57,500
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	25,413,590
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	95,921
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	214,527
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	822,314
Temporary Assistance for Needy Families	93.558	Merced (County 24)	-	42,879
Subtotal			-	44,515,529
Passed Through California Department of Child Support Services Child Support Enforcement	93.563	Merced (County 24)	-	5,583,897
Passed Through California Department of Social Services Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	Merced (County 24)	-	2,675
Community - Based Child Abuse Prevention Grants	93.590	Merced (County 24)	-	19,122
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Merced (County 24)	-	253,744

(Continued)

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

**COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Foster Care - Title IV-E	93.658	CSA 199-12	-	354,630
Foster Care - Title IV-E	93.658	Merced (County 24)	-	125,191
Foster Care - Title IV-E	93.658	Merced (County 24)	-	4,436,134
Foster Care - Title IV-E	93.658	Merced (County 24)	-	128,271
Foster Care - Title IV-E	93.658	Merced (County 24)	-	40,721
Foster Care - Title IV-E	93.658	Merced (County 24)	-	8,193
Foster Care - Title IV-E	93.658	Merced (County 24)	-	172,667
Foster Care - Title IV-E	93.658	Merced (County 24)	-	84,000
Foster Care - Title IV-E	93.658	Merced (County 24)	-	2,151
Foster Care - Title IV-E	93.658	Merced (County 24)	-	61,707
Foster Care - Title IV-E	93.658	Merced (County 24)	-	14,643
Foster Care - Title IV-E	93.658	Merced (County 24)	-	2,689,605
Foster Care - Title IV-E	93.658	Merced (County 24)	-	393,000
Foster Care - Title IV-E	93.658	Merced (County 24)	-	63,638
Foster Care - Title IV-E	93.658	Merced (County 24)	-	503
Foster Care - Title IV-E	93.658	Merced (County 24)	-	140
Foster Care - Title IV-E	93.658	Merced (County 24)	-	164,491
Foster Care - Title IV-E	93.658	Merced (County 24)	-	133,013
Subtotal			-	8,872,698
Adoption Assistance	93.659	Merced (County 24)	-	237,112
Adoption Assistance	93.659	Merced (County 24)	-	53,656
Adoption Assistance	93.659	Merced (County 24)	-	3,157,972
Adoption Assistance	93.659	Merced (County 24)	-	52,717
Subtotal			-	3,501,457
Passed Through California Department of Social Services				
Social Services Block Grant	93.667	Merced (County 24)	-	405,531
Passed Through California Governor's Office of Emergency Services				
Social Services Block Grant	93.667	XT 15010240	-	41,562
Social Services Block Grant	93.667	XT 15010240	-	37,158
Social Services Block Grant	93.667	XT 15010240	-	37,083
Social Services Block Grant	93.667	XT 15010240	-	36,851
Subtotal			-	558,185
Passed Through California Department of Social Services				
Chafee Foster Care Independence Program	93.674	Merced (County 24)	-	112,417
Passed through California Department of Public Health				
State and Local Public Health Actions to Prevent Obesity, Diabetes, and Heart Disease	93.757	14-10715 A01 (HE 1667/HE 1715)	-	122,341
State and Local Public Health Actions to Prevent Obesity, Diabetes, and Heart Disease	93.757	14-10715 A02 (HE 1834/HE 1904)	-	288,152
Subtotal			-	410,493
Passed Through California Department of Health Care Services				
Children's Health Insurance Program	93.767	2007030 (HE1862)	-	206,890
Passed Through California Department of Social Services				
Medical Assistance Program	93.778	Merced (County 24)	-	1,144,207
Medical Assistance Program	93.778	Merced (County 24)	-	303,959
Medical Assistance Program	93.778	Merced (County 24)	-	681,549
Medical Assistance Program	93.778	Merced (County 24)	-	1,990,922
Medical Assistance Program	93.778	Merced (County 24)	-	101,216
Passed Through California Department of Aging				
Medical Assistance Program	93.778	MS-1415-28	-	677,948
Passed Through California Department of Health Care Services				
Medical Assistance Program	93.778	2007030 (HE1862)	-	806,697
Medical Assistance Program	93.778	2007030 (HE1862)	-	331,440
Medical Assistance Program	93.778	2007030 (HE1862)	-	140,806
Medical Assistance Program	93.778	2007030 (HE 1862)	-	29,622
Medical Assistance Program	93.778	Merced (County 24)	-	482,711
Medical Assistance Program	93.778	17-94084	-	51,045
Medical Assistance Program	93.778	17-94084	916,936	1,497,264
Medical Assistance Program	93.778	Merced (County 24)	-	19,371,097

(Continued)

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

COUNTY OF MERCED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal C.F.D.A. Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed Through California Department of Public Health				
Medical Assistance Program	93.778	201724 (HE 1883)	-	233,241
Medical Assistance Program	93.778	201724 (HE 1882)	-	333,943
Subtotal			916,936	28,177,667
Passed Through California Department of Public Health				
Public Health Emergency Preparedness (PHEP) HPP Allocation	93.899	17-10171 (HE1851)	-	184,056
HIV Care Formula Grants				
HIV Care Formula Grants	93.917	15-11063 (HE1661)	-	102,495
HIV Care Formula Grants	93.917	16-10376 (HE 1691)	-	8,180
Subtotal			-	110,675
Passed Through California Department of Health Care Services				
Block Grants For Community Mental Health Services	93.958	78767951	-	442,092
Block Grants for Prevention and Treatment of Substance Abuse				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17-94141	-	694,223
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17-94141	-	1,059,496
Subtotal			-	1,753,719
Passed Through California Department of Public Health				
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	15-10257 (HE1531)	-	100
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	16-10723 (HE 1720)	-	100
Subtotal			-	200
Maternal and Child Health Services Block Grant to the States				
Maternal and Child Health Services Block Grant to the States	93.994	201724 (HE 1883)	-	131,632
Maternal and Child Health Services Block Grant to the States	93.994	201724 (HE 1882)	-	155,699
Subtotal			-	287,331
<i>Total U.S. Department of Health and Human Services</i>			916,936	98,079,960
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through California Governor's Office of Emergency Services				
Emergency Management Performance Grants	97.042	2017-0007	-	180,824
Homeland Security Grant Program				
Homeland Security Grant Program	97.067	2016-0102	120,582	242,801
Homeland Security Grant Program	97.067	2017-0083	-	36,846
Subtotal			120,582	279,647
<i>Total U.S. Department of Homeland Security</i>			120,582	460,471
<i>Total Expenditures of Federal Awards, Excluding Federal Loan Balances Carried Forward from Prior Year</i>			<u>\$ 1,992,476</u>	<u>\$ 119,407,413</u>
Federal Loan Balances Carried Forward from Prior Year				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Economic Adjustment Assistance	11.307	N/A	\$ -	\$ 80,358
Community Development Block Grants/State's Program	14.228	N/A	-	2,241,506
HOME Investment Partnership Program	14.239	N/A	-	3,720,459
<i>Total Federal Loan Balances Carried Forward from Prior Year</i>			-	6,042,323
<i>Total Expenditures of Federal Awards, Including Federal Loan Balances Carried Forward from Prior Year</i>			<u>\$ 1,992,476</u>	<u>\$ 125,449,736</u>

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

**COUNTY OF MERCED
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the County of Merced, California (County). The County reporting entity is defined in Note 1 within the Merced County Comprehensive Annual Financial Report (CAFR). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the cash basis of accounting with the exception of the Department of Workforce Investment using the accrual basis of accounting. Within the CAFR, the basic financial statements were presented using the accrual basis of accounting for the government-wide and proprietary fund statements and the modified accrual basis of accounting for the governmental fund statements.

NOTE 3 – AMOUNT PROVIDED TO SUBRECIPIENTS

The County has provided federal awards to various organizations. The amounts provided to subrecipients from each federal program are summarized as follows:

FEDERAL GRANTOR OR Pass-Through Grantor	Federal Program	Federal C.F.D.A. #	Subrecipient	Contract or Program Number	Amount Provided to Subrecipients
State Employment Development Department	WIOA Youth Activities	17.259	Merced County Office of Education	K7102042	\$ 631,859
State Employment Development Department	WIOA Youth Activities	17.259	Merced County Office of Education	K8106644	323,099
California Department of Alcohol and Drug	Medical Assistance Program	93.778	Aegis Medical Systems Inc.	17-94084	916,936
California Governor's Office of Emergency Services	Homeland Security Grant Program	97.067	City of Merced	FY16 SHSGP	16,416
California Governor's Office of Emergency Services	Homeland Security Grant Program	97.067	City of Los Banos	FY16 SHSGP	104,166
					<u>\$ 1,992,476</u>

NOTE 4 – CALIFORNIA DEPARTMENT OF AGING GRANT PROGRAMS

The SEFA is normally a presentation of federal awards expended. However, the terms and conditions of agency contracts with the California Department of Aging require agencies to display state-funded expenditures discretely along with the related federal expenditures in the SEFA. The following is a listing of the grant programs administered by the California Department of Aging.

<u>LOCAL PROGRAM TITLE</u>	<u>PROGRAM</u>	<u>C.F.D.A. #</u>	<u>CONTRACT OR PROGRAM NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>STATE EXPENDITURES</u>
HICAP State Contract	HICAP	93.324	HI-1718-31	\$ 53,474	\$ 172,846
HICAP State Contract	SMP	State only	12423	-	3,000
MIPPA State Contract	MIPPA	93.071	MI-1517-31	19,873	-
Title III/VII State Contract	Nutrition Services	93.045	AP-1718-31	427,256	49,626
Title III/VII State Contract	NSIP	93.053	AP-1718-31	46,190	-
Title III/VII State Contract	Family Care Support III E	93.052	AP-1718-31	101,699	-
Title III/VII State Contract	Elder Abuse Title VII B	93.041	AP-1718-31	3,138	-
Title III/VII State Contract	Ombudsman Title VII A	93.042	AP-1718-31	23,755	-
Title III/VII State Contract	Disease Prev. & Promo. Svcs Title IIID	93.043	AP-1718-31	13,964	-
Title III/VII State Contract	Supp Svcs & Sr, Ctrs Title IIIB	93.044	AP-1718-31	202,309	4,838
Title III/VII State Contract	Sr, Farmers Market	10.576	AP-1718-31	10,000	-
Title III/VII State Contract	Ombudsman Special Deposit Fund (SDF)	State only	AP-1718-31	-	12,149
Title III/VII State Contract	Ombudsman Skilled Nursing Fac Quality & Acctability Fund	State only	AP-1718-31	-	9,192
Title III/VII State Contract	Ombudsman PHL & C	State only	AP-1718-31	-	1,935
SNAP-ED-AAA	SNAP-ED-AAA	10.561	SP-1718-31	17,365	-
SNAP-ED-AAA	Prior Year SNAP ED	10.561	SP-1718-31	15,154	-
				<u>\$ 934,177</u>	<u>\$ 253,586</u>

NOTE 5 – LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed no continuing compliance requirements with respect to the loans rendered under the programs other than to repay the loans, except for the Economic Development Administration Revolving Loan Funds, which do impose continuing compliance requirements in addition to repayment of the loans.

The following is a summary of the loan programs maintained by the County and their balances at June 30, 2018:

	<u>C.F.D.A. Number</u>	<u>June 30, 2018 Amount Outstanding</u>
Economic Adjustment Assistance	11.307	\$ 80,358
Community Development Block Grants/State's Programs	14.228	2,241,506
HOME Investment Partnership Program	14.239	<u>3,720,459</u>
		<u>\$ 6,042,323</u>

NOTE 6 – INDIRECT COST RATE DISCLOSURE

The County has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance for over 99% of its federal grants.

FINDINGS AND QUESTIONED COSTS

**COUNTY OF MERCED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance
17.258	WIOA Cluster
17.259	WIOA Adult Programs
17.278	WIOA Youth Programs
	WIOA Dislocated Worker Formula Grants
93.778	Medical Assistance Programs
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

Finding 2018-FS01 — Year-End Accruals for Expenditure Items

Condition

During our search for unrecorded liabilities testing, we discovered two disbursements made after the year-end relating to one of the County's Departments were not accrued as fiscal year 2018 liability and expenditure items.

Criteria

Government Accounting Standards require that expenditures be accrued and recorded in the period they incurred.

Cause of Condition

The Department over looked the cash disbursements made after the year-end and failed to accrue the items for goods and services that were provided before the end of the fiscal year.

Potential Effect of Condition

Accounts payable and related expenditures were materially understated.

Recommendation

We recommend that the County enforce the year-end accrual policy and request all Departments to review all significant disbursements subsequent to the year-end to ensure that all significant transactions relating to goods and services provided prior to the end of the year are accrued.

Management Response

The County agreed to our recommendation. The County Auditor-Controller's Office will improve oversight over the Departments to ensure that the County year-end accrual and closing policy and procedures are followed.

Section III – Federal Award Findings and Questioned Costs

None.

**COUNTY OF MERCED
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

None.