



CITY OF OCEANSIDE, CALIFORNIA

JUNE 30, 2020

SINGLE AUDIT REPORT

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CITY OF OCEANSIDE, CALIFORNIA

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INDEPENDENT AUDITORS' 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 Mayor and Members of the City Council
City of Oceanside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oceanside, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 financial statements. 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*.





To the Honorable Mayor and Members of the City Council
City of Oceanside, California

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
December 3, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
Oceanside, California

Report on Compliance for Each Major Federal Program

We have audited the City of Oceanside, California (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City'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 City'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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, 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, 2020.





To the Honorable Mayor and Members of the City Council
Oceanside, California

Report on Internal Control over Compliance

Management of the City 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 City'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 City'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 a 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.

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 City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2020, 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.



To the Honorable Mayor and Members of the City Council
Oceanside, California

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.

Lance, Solt & Lingham, LLP

Brea, California

January 6, 2021 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated December 3, 2020)

CITY OF OCEANSIDE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
CDBG - Entitlement Grants Cluster *				
Department of Housing and Urban Development Direct Programs: Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 84,760	\$ 1,203,464
Total Department of Housing and Urban Development Programs in Cluster			84,760	1,203,464
Total CDBG - Entitlement Grants Cluster			84,760	1,203,464
Housing Voucher Cluster *				
Department of Housing and Urban Development Direct Programs: Section 8 Housing Choice Vouchers	14.871	N/A	-	21,369,123
Mainstream Vouchers	14.879	N/A	-	289,579
Total Department of Housing and Urban Development Programs in Cluster			-	21,658,702
Total Housing Voucher Cluster			-	21,658,702
Highway Planning and Construction Cluster				
Department of Transportation Pass-Through Programs from State of California Department of Transportation (Caltrans): Highway Planning and Construction	20.205	94-900-7744	-	503,213
Total Department of Transportation Programs in Cluster			-	503,213
Total Highway Planning and Construction Cluster			-	503,213
Highway Safety Cluster				
Department of Transportation Pass-Through Programs from State of California Office of Traffic and Safety: State and Community Highway Safety	20.600	96-505-3908	-	185,058
Total Department of Transportation Programs in Cluster			-	185,058
Total Highways Safety Cluster			-	185,058
Aging Cluster				
Department of Health and Human Services Pass-Through Programs from County of San Diego Office of Health and Human Services: Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	00-932-1639	-	3,444
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	00-932-1639	-	130,639
Nutrition Services Incentive Program	93.053	00-932-1639	-	19,034
Total Department of Health and Human Services Programs in Cluster			-	153,117
Total Aging Cluster			-	153,117
Other Programs				
Department of Housing and Urban Development Direct Programs: Administrative Fee Funding from the CARES Act	14.U01	N/A	-	55,003
HOME Investment Partnerships Program	14.239	N/A	-	75,082
Community Development Block Grants Section 108 Loan Guarantees	14.248	N/A	-	2,213,000
Continuum of Care Program	14.267	N/A	-	138,440
Total U.S. Department of Housing and Urban Development			-	2,481,525
Department of Justice Direct Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	88,598
Congressionally Recommended Awards	16.753	N/A	-	12,453
Recovery Act - Internet Crimes against Children Task Force Program	16.800	N/A	-	10,860
Equitable Sharing Program	16.922	N/A	-	140,999
Bureau of Alcohol, Tobacco, Firearms and Explosives	16.U01	N/A	-	14,302
Total U.S. Department of Justice			-	267,212
Department of Transportation Direct Programs: Airport Improvement Program *	20.106	N/A	-	1,221,028
Total U.S. Department of Transportation			-	1,221,028
National Endowment for the Arts: Direct Programs: Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	-	11,574
Grants to States	45.310	N/A	-	53,168
Passed through the State of California Library: Grants to States	45.310	95-020-5898	-	9,032
Subtotal - CFDA 45.310			-	62,200
Total U.S. National Endowment for the Arts			-	73,774
Department of Homeland Security: Direct Programs: Assistance to Firefighters Grant	97.044	N/A	-	110,771
Passed through the State of California Emergency Management Agency: Homeland Security Grant Program	97.067	00-958-1646	-	189,639
Passed through the County of San Diego Office of Homeland Security: Homeland Security Grant Program	97.067	00-958-1028	-	187,736
Subtotal - CFDA 97.067			-	377,375
Total U.S. Department of Homeland Security			-	488,146

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF OCEANSIDE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Department of the Treasury Pass-Through Programs from County of San Diego:				
Coronavirus Relief Fund	21.019	00-958-1646	-	179,305
Total U.S. Department of Treasury			-	179,305
Total Other Programs			-	4,710,990
Total Expenditures of Federal Awards			\$ 84,760	\$ 28,414,544

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Department of Housing and Urban Development Direct Programs:				
Housing Assistance Payments Allocation from the CARES Act	14.U01	N/A	\$ -	\$ 55,003
Total Department of Housing and Urban Development Programs			-	55,003
Department of the Treasury Direct Programs:				
Coronavirus Relief Fund	21.019	00-958-1646	-	179,305
Total Department of the Treasury Programs			-	179,305
Total Coronavirus Emergency Acts Funding			\$ -	\$ 234,308

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

² The City expended \$219,442 for repayment of the Section 108 Loan Program using Community Development Block Grants/Entitlement Grants funding during fiscal year 2019-2020. Refer to Note 2 to the schedule of expenditures of federal awards for a description of the Section 108 Loan Program.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Oceanside, California (the City), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2: Section 108 Loan Program

In January 2019, the City entered into a contract with the United States Department of Housing and Urban Development for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5308. The loans are due in annual installments ranging from \$171,000 to \$279,000. Interest is payable quarterly at a rate of 4.8 percent. The outstanding balance at June 30, 2020, was \$2,042,000. The City pledged Community Development Block Grants/Entitlement Grants program allocations and program income as security for the loan.

CITY OF OCEANSIDE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG – Entitlement Grants Cluster
14.871 and 14.879	Housing Voucher Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B program \$852,436

Auditee qualified as low risk auditee? yes no

CITY OF OCEANSIDE, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



CITY OF OCEANSIDE

Financial Services Department

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

There were no findings reported for the fiscal year ended June 30, 2019.