

CITY OF OCEANSIDE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2013

CITY OF OCEANSIDE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2013

CITY OF OCEANSIDE

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2013.....	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2013.....	9
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2012.....	11

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 City of Oceanside, California, (the City) as of and for the year ended June 30, 2013, 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 2, 2013.

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) 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 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 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*.



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

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 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, Solt & Lughard, LLP

Brea, California
December 2, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Oceanside's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Oceanside's major federal programs for the year ended June 30, 2013. The City of Oceanside'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 law, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express opinions on compliance for each of the City of Oceanside'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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB 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 City of Oceanside'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 legal determination of the City of Oceanside's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Oceanside 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, 2013.



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

Report on Internal Control over Compliance

Management of the City of Oceanside is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Oceanside'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 controls 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 City of Oceanside'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 a 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 the 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, each major fund, and the aggregate remaining fund information of the City of Oceanside, California, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 2, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of 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 OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
February 10, 2014 (Except for the schedule of expenditures of federal awards which is dated
December 2, 2013.)

CITY OF OCEANSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant*	14.218	B10-MC-06-0547	\$ 1,363,760
Supportive Housing Program	14.235	CA0714B9D101003	86,779
		CA0714B9D101104	61,213
			<u>147,992</u>
HOME Investment Partnerships Program	14.239	M5-MC-06-0523	395,237
		M10-MC-06-0523	40,057
			<u>435,294</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	S09-MY-06-0547	27,772
Section 8 Housing Choice Vouchers*	14.871	CA132VO	15,763,081
Total U.S. Department of Housing and Urban Development			<u>17,737,899</u>
<u>U.S. Bureau of Reclamation</u>			
Direct Program:			
Title XVI Water Reclamation and Reuse Program	15.504	R11AC35296	517,994
Total U.S. Bureau of Reclamation			<u>517,994</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Asset Seizure Fund	16.607	N/A	10,935
		N/A	21,311
			<u>32,246</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-SB-B9-0786	53,509
		2010-SB-B9-0784	23,519
		2011-DJ-BX-2910	62,907
			<u>139,935</u>
Passed through the County of San Diego			
Sheriff's Department:			
San Diego County North Regional Gang Enforcement Collaboration	16.753	N/A	21,709
Services for Trafficking Victims	16.320	517470	406
Total U.S. Department of Justice			<u>194,296</u>

CITY OF OCEANSIDE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Office of Traffic Safety:			
State and Community Highway Safety	20.600	20420	60,920
		PT1398	31,200
		SC13291	57,908
			<u>150,028</u>
Passed through UC Berkeley Traffic Safety Center:			
Minimum Penalties for Repeat Offenders for Driving			
While Intoxicated	20.608	AL0939	9,181
Total U.S. Department of Transportation			<u>159,209</u>
<u>National Endowment for the Arts</u>			
Direct Program:			
Promotion of the Arts Grants to Organizations and			
Individuals	45.024	N/A	1,770
Total National Endowment for the Arts			<u>1,770</u>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters Grant	97.044	EMW-2011-FO-01340	10,000
Passed through the California Emergency Management			
Agency:			
Homeland Security Grant Program	97.067	N/A	88,589
		N/A	153,496
			<u>242,085</u>
Passed through the County of San Diego:			
Homeland Security Grant Program	97.067	073-00000	224,069
		073-00001	33,711
			<u>257,780</u>
Total U.S. Department of Homeland Security			<u>509,865</u>
Total Federal Expenditures			<u>\$ 19,121,033</u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

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

Note c: Total amount provided to subrecipients during the year was \$70,549.

CITY OF OCEANSIDE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 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.

CITY OF OCEANSIDE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ___yes X no
- Material weaknesses identified? ___yes X none reported

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ___yes X no
- Material weaknesses identified? ___yes X 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 Section 510(a) of Circular A-133? ___yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218 14.871	Community Development Block Grant Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B program \$573,631

Auditee qualified as low-risk auditee? ___yes X no

CITY OF OCEANSIDE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF OCEANSIDE

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number 2012-01: Year End Journal Entries

Certain journal entries were made as the result of the account analyses we performed. These journal entries were to correct the recording of the fair market value of investments, the balance of the allowance for doubtful accounts, and accrue July 2012 highway users tax revenue.

Management's Response: Management understands the importance ensuring that all year-end accruals revenue are captured and accounts are reconciled correctly. We have implemented additional procedures for year-end review of the accounts so that all revenues and expenditures applicable to year-end are accounted for and accounts are properly reconciled.

Current Status: The City corrected this finding for the 2012-2013 fiscal year.

Finding Number 2012-02: Fund Balance Restatements

Beginning fund balance restatements were made to adjust certain accounts including receivables, deferred revenue, and other prior year revenue and expenses.

Management's Response: In order to be consistent in our accounting, correct receivables and related revenues, it was necessary to adjust accounts. We will review and reconcile accounts for proper accounting during the year and at year-end close in order to mitigate any prior period adjustments.

Current Status: The City corrected this finding for the 2012-2013 fiscal year.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.