

**CITY OF HUNTINGTON BEACH  
Huntington Beach, California**

**Single Audit Report on Federal Awards**

**For the year ended June 30, 2019**

**CITY OF HUNTINGTON BEACH**  
**Single Audit Report on Federal Awards**  
**For the year ended June 30, 2019**

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**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**

**Independent Auditors' Report**

Honorable Mayor and City Council  
City of Huntington Beach  
Huntington Beach, 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 Huntington Beach, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Huntington Beach's basic financial statements, and have issued our report thereon dated December 17, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Huntington Beach'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 of Huntington Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huntington Beach'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 defined to be 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 were not identified. 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 of Huntington Beach'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
December 17, 2019

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

**Independent Auditors' Report**

Honorable Mayor and City Council  
City of Huntington Beach  
Huntington Beach, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Huntington Beach's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City of Huntington Beach's major federal programs for the year ended June 30, 2019. The City of Huntington Beach's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Huntington Beach'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 requirement 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 of Huntington Beach'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 of Huntington Beach's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Huntington Beach complied, in all material respects, with the 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, 2019.

### **Report on Internal Control Over Compliance**

Management of the City of Huntington Beach 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 of Huntington Beach'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 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 of Huntington Beach'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the City of Huntington Beach as of and for the year ended June 30, 2019 and have issued our report thereon dated December 17, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Irvine, California

February 14, 2020, except for the Schedule of Expenditures of Federal Awards which is dated December 17, 2019

**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2019

Federal Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Current Year Federal Expenditures	Disbursements to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Direct Programs:				
Community Development Block Grants Cluster				
Entitlement Grants	14.218	B-14-MC-06-0506	\$ 4,495	\$ -
Entitlement Grants	14.218	B-16-MC-06-0506	15,425	-
Entitlement Grants	14.218	B-17-MC-06-0506	395,626	-
Entitlement Grants	14.218	B-18-MC-06-0506	824,277	74,999
Entitlement Grants	14.218	Revolving Loan Funds	<u>1,820,732</u>	<u>-</u>
Subtotal Community Development Block Grants Cluster			<u>3,060,556</u>	<u>74,999</u>
HOME Investment Partnerships Program	14.239	M-15-MC-06-0514	75,815	-
HOME Investment Partnerships Program	14.239	M-16-MC-06-0514	109,435	-
HOME Investment Partnerships Program	14.239	M-17-MC-06-0514	25,238	23,954
HOME Investment Partnerships Program	14.239	M-18-MC-06-0514	29,307	-
HOME Investment Partnerships Program	14.239	Program Income	<u>52,311</u>	<u>37,953</u>
Subtotal HOME Investment Partnerships Program			<u>292,107</u>	<u>61,907</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>3,352,663</u>	<u>136,906</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
Asset Forfeiture	16.922	CA0301000	<u>95,964</u>	<u>-</u>
Passed through California Office of Emergency Services:				
Violence Against Women Formula Grants	16.588	LE17016860	98,829	-
Violence Against Women Formula Grants	16.588	LE18026860	<u>90,489</u>	<u>-</u>
Subtotal Violence Against Women Formula Grants			<u>189,318</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>285,282</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through California Department of Transportation:				
Highway Planning and Construction Cluster				
Bridge Preventive Maintenance - Non ARRA	20.205	BPMP-5181 (169)	8,447	-
Bridge Preventive Maintenance - Non ARRA	20.205	BPMP-5181 (171)	42,925	-
Bridge Preventive Maintenance - Non ARRA	20.205	BPMP-5181 (172)	317,261	-
Bridge Rehabilitation - Non ARRA	20.205	BRLO-5181 (174)	12,661	-
Bridge Rehabilitation - Non ARRA	20.205	BRLO-5181 (175)	12,082	-
Highway Safety Improvement Program	20.205	HSIPL-5181(178), HSIP5-12-006	204,382	-
Highway Safety Improvement Program	20.205	HSIPL-5181(180), HSIP6-12-004	3,089	-
Highway Safety Improvement Program	20.205	HSIPL-5181(183), HSIP6-12-005	3,838	-
Highway Safety Improvement Program	20.205	HSIPL-5181(184), HSIP6-12-006	4,476	-
Highway Safety Improvement Program	20.205	HSIPL-5181(185), HSIP6-12-007	2,453	-
Highway Safety Improvement Program	20.205	HSIPL-5181(181), HSIP6-12-002	7,707	-
Highway Safety Improvement Program	20.205	HSIPL-5181(182), HSIP6-12-003	<u>2,231</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			<u>621,552</u>	<u>-</u>
Passed through California Office of Traffic Safety:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT18058 (402PT-18)	13,338	-
State and Community Highway Safety	20.600	PT18058 (402PT-19)	<u>116,239</u>	<u>-</u>
Subtotal Highway Safety Cluster			<u>129,577</u>	<u>-</u>
Sobriety Checkpoint Grant Program	20.608	PT18058 (164AL-18)	93,589	-
Minimum Penalties for Repeat Offenders for	20.608	PT18058 (164AL-19)	<u>280,096</u>	<u>-</u>
Subtotal Passed through the California Office of Traffic Safety			<u>503,262</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>1,124,814</u>	<u>-</u>

(continued)



**CITY OF HUNTINGTON BEACH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
For the year ended June 30, 2019

<b>Federal Grantor Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Program Identification Number</b>	<b>Current Year Federal Expenditures</b>	<b>Disbursements to Subrecipients</b>
<b>Institute of Museum and Library Services:</b>				
Passed through California State Library:				
Library Services and Technology Grant	45.31	LS-00-0005-18	1,801	-
Library Services and Technology Grant	45.31	LS-00-0005-18	<u>10,000</u>	<u>-</u>
Subtotal Passed through the California State Library			<u>11,801</u>	<u>-</u>
<b>Department of Homeland Security</b>				
Passed through County of Orange:				
Emergency Management Performance Grant	97.042	2018 EMPG Local Allocation	<u>25,391</u>	<u>-</u>
Passed through City of Anaheim:				
Homeland Security Grant Program	97.067	2016-SS-0102	<u>1,474</u>	<u>-</u>
<b>Total Department of Homeland Security</b>			<u>26,865</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 4,801,425</u></b>	<b><u>\$ 136,906</u></b>

**CITY OF HUNTINGTON BEACH**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended June 30, 2019**

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Huntington Beach (the City) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of and the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City. The City did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

The City of Huntington Beach includes loans granted under the Community Development Block Grants/Entitlement Grants Revolving Loan Funds.

(b) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting for those grants that were recorded in governmental funds, and on the accrual basis of accounting for those grants that were recorded in proprietary funds. Such expenditures for part of the year are recognized following the cost principles contained in OMB Circular 87 Cost Principles for State, Local, and Indian Tribal Governments, and for part of the year contained in Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(c) Subrecipients

For the fiscal year ended June 30, 2019, payments to subrecipients consisted of the following:

**Community Development Block Grant**

B-18-MC-06-0506	\$ 74,999
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**HOME Investment Partnership Program**

M-17-MC-06-0514	23,954
Program Income	<u>37,953</u>

Total Payments to Subrecipient	<u>\$ 136,906</u>
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**CITY OF HUNTINGTON BEACH**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended June 30, 2019**

(2) Federal Funded Loans

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

Federal Programs	CFDA No.	Loans Outstanding as of June 30, 2019
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,278,918
HOME Investment Partnerships Program	14.239	15,294,502
Neighborhood Stabilization Program - HERA	14.228	499,020

The loans are not subject to continuing compliance requirements. The outstanding loan requirements have not been included in the accompanying Schedule of Expenditures of Federal Awards.

(3) Office of Emergency Services

The following represents federal expenditures for the grant period, which may extend over several fiscal years, for programs from the Department of Justice passed through the Office of Emergency Services:

Violence Against Women Formula Grant LE17016860 from June 30, 2018 – June 30, 2019

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Personnel costs	\$ 46,146	\$ 46,146	\$ -
Operating Expenses/Equipment	54,881	52,683	2,198
Total	<u>\$ 101,027</u>	<u>\$ 98,829</u>	<u>\$ 2,198</u>

Violence Against Women Formula Grant LE18026860 from June 30, 2018 – June 30, 2019

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Personnel costs	\$ 70,330	\$ 31,807	\$ 38,523
Operating Expenses/Equipment	132,813	58,682	74,131
Total	<u>\$ 203,143</u>	<u>\$ 90,489</u>	<u>\$ 112,654</u>

**CITY OF HUNTINGTON BEACH**

**Summary Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2019**

**Section I - Summary of Auditors' Results**

**Financial Statement:**

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| 2. Internal control over financial reporting:   |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency(ies) identified?  | None Reported |
| 3. Noncompliance material to the financial statements noted?  | No            |

**Federal Awards**

- |  |               |
|--|---------------|
| 1. Internal control over major programs:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified?   | None Reported |
| 2. Type of auditors' report issued on compliance for major programs:                                   | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | No            |

4. Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.205

Department of Housing and Urban Development:  
Community Development Block Grants/Entitlement Grants

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | Yes       |

**CITY OF HUNTINGTON BEACH**

**Summary Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2019**

**Section II - Financial Statement Findings**

There are no findings noted during the year under audit.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs.

**CITY OF HUNTINGTON BEACH**

**Summary Schedule of Findings and Questioned Costs**

**For the year ended June 30, 2019**

**Section IV – Summary Schedule of Prior Year Findings**

(2018-001) Audit Adjustments Detected During the Audit Process

As a result of audit procedures performed for the fiscal year ended June 30, 2018, there was one material audit adjustment detected. The audit adjustment involved the overstatement of accounts receivable, overstatement of expenditures in construction in progress, reclassification of revenues to developer deposits, and an understatement in revenue accruals.

Status

There were no material audit adjustments noted during the audit for the year ended June 30, 2019. As a result, the condition has been corrected and a no finding is reported in the current year.