

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

Single Audit Report on Federal Awards

Year ended June 30, 2022

CITY OF HUNTINGTON BEACH
Single Audit Report on Federal Awards
Year Ended June 30, 2022

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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

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

Independent Auditor's Report

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, 2022, 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 21, 2022.

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 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'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*.

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.

Davis Farr LLP

Irvine, California
December 21, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Huntington Beach's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

The engagement team, others in our firm, as appropriate, our firm and our network firms have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated December 21, 2022, 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 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.

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.



Irvine, California

March 27, 2023, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 21, 2022

CITY OF HUNTINGTON BEACH
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Current Year Federal Expenditures	Disbursements to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants Cluster				
Entitlement Grants	14.218	B-18-MC-06-0506	\$ 65,149	\$ -
Entitlement Grants	14.218	B-19-MC-06-0506	259,224	259,224
Entitlement Grants	14.218	B-21-MC-06-0506	840,522	213,977
Entitlement Grants	14.218	Program Income	44,995	9,160
COVID-19 CARES Act/CV	14.218	B-20-MW-06-0506	<u>239,051</u>	<u>-</u>
Subtotal Community Development Block Grants Cluster			<u>1,448,941</u>	<u>482,361</u>
HOME Investment Partnerships Program	14.239	M-15-MC-06-0514	135,818	-
HOME Investment Partnerships Program	14.239	M-16-MC-06-0514	188,913	-
HOME Investment Partnerships Program	14.239	M-17-MC-06-0514	347,859	-
HOME Investment Partnerships Program	14.239	M-18-MC-06-0514	546,178	-
HOME Investment Partnerships Program	14.239	M-19-MC-06-0514	472,440	11,067
HOME Investment Partnerships Program	14.239	M-20-MC-06-0514	370,303	-
HOME Investment Partnerships Program	14.239	M-21-MC-06-0514	99,079	90,287
HOME Investment Partnerships Program	14.239	Program Income	<u>939,847</u>	<u>74,441</u>
Subtotal HOME Investment Partnerships Program			<u>3,100,437</u>	<u>175,795</u>
Total U.S. Department of Housing and Urban Development			<u>4,549,378</u>	<u>658,156</u>
U.S. Department of Justice				
Direct Programs:				
Equitable Sharing Program	16.922	CA0301000	<u>224,542</u>	<u>-</u>
Passed through Federal Bureau of Investigations:				
Joint Terrorism Task Force	16.922	300C-LA-150966-R	<u>1,003</u>	<u>-</u>
Passed through California Office of Emergency Services:				
Violence Against Women Formula Grants	16.588	LE20 04 6860	81,800	-
Violence Against Women Formula Grants	16.588	LE21 05 6860	<u>124,927</u>	<u>-</u>
Subtotal Violence Against Women Formula Grants			<u>206,727</u>	<u>-</u>
Passed through County of Orange:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-DJ-BX-0773	<u>10,249</u>	<u>-</u>
Total U.S. Department of Justice			<u>442,521</u>	<u>-</u>
U.S. Department of Transportation				
Passed through California Department of Transportation:				
Highway Planning and Construction Cluster				
Bridge Preventive Maintenance - Non ARRA	20.205	BPMP-5181 (190)	78,519	-
Bridge Rehabilitation - Non ARRA	20.205	BRLO-5181 (174)	49,702	-
Bridge Rehabilitation - Non ARRA	20.205	BRLO-5181 (175)	<u>77,521</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			<u>205,742</u>	<u>-</u>
Passed through California Office of Traffic Safety:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT21028 (402PT-21)	23,063	-
State and Community Highway Safety	20.600	PT22153 (402PT-22)	131,226	-
Pedestrian and Bicycle Safety Program	20.600	PS21006 (402PS-20)	1,623	-
Pedestrian and Bicycle Safety Program	20.600	PS22030 (402PS-22)	<u>15,604</u>	<u>-</u>
Subtotal Highway Safety Cluster			<u>171,516</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21028 (164AL-21)	120,810	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22153 (164AL-22.1)	<u>396,386</u>	<u>-</u>
Subtotal Passed through California Office of Traffic Safety			<u>688,712</u>	<u>-</u>
Total U.S. Department of Transportation			<u>894,454</u>	<u>-</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards

CITY OF HUNTINGTON BEACH
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022

Federal Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Current Year Federal Expenditures	Disbursements to Subrecipients
Institute of Museum and Library Services:				
Passed through California State Library:				
Library Services and Technology Grant	45.310	LS-246140-OLS-20	374	-
Library Services and Technology Grant	45.310	LS-249951-OLS-21	2,981	-
Total Institute of Museum and Library Services			<u>3,355</u>	<u>-</u>
Department of Homeland Security				
Passed through County of Orange:				
Emergency Management Performance Grant	97.042	2020 EMPG Local Allocation	18,100	-
Emergency Management Performance Grant	97.042	2021 EMPG Local Allocation	30,425	-
Subtotal Passed through the County of Orange			<u>48,525</u>	<u>-</u>
Passed through California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance	97.036	FEMA-4482-DR-CA, CalOES 059-36000	69,452	-
Homeland Security Grant Program Operation Stonegarden	97.067	2020-0095	94,870	-
Total Department of Homeland Security			<u>212,847</u>	<u>-</u>
Department of Treasury				
Passed through County of Orange				
COVID-19 Coronavirus State and Local Fiscal Recovery Fur	21.027	COVID-19 Small Business Relief Program	200,000	-
Passed through California Department of Community Services				
COVID-19 Coronavirus State and Local Fiscal Recovery Fur	21.027	Coronavirus Relief Fund	411,049	-
Total Department of Treasury			<u>611,049</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,713,604</u>	<u>\$ 658,156</u>

See accompanying notes to the schedule of expenditures of federal awards

CITY OF HUNTINGTON BEACH

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

(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, 2022. 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 includes loans granted under the Community Development Block Grants.

(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, 2022, payments to subrecipients consisted of the following:

Community Development Block Grant

B-19-MC-06-0506	\$ 259,224
B-21-MC-06-0506	213,977
Program Income	9,160

HOME Investment Partnership Program

M-19-MC-06-0514	11,067
M-21-MC-06-0514	90,287
Program Income	<u>74,441</u>

Total Payments to Subrecipient \$ 658,156

CITY OF HUNTINGTON BEACH

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

(Continued)

(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, 2022
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,201,011
HOME Investment Partnerships Program	14.239	13,631,197
Neighborhood Stabilization Program - HERA	14.228	535,186

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 LE20046860 from July 1, 2021 – June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel costs	\$ 28,739	\$ 26,928	\$ 1,811
Operating Expenses/Equipment	54,872	54,872	-
Total	<u>\$ 83,611</u>	<u>\$ 81,800</u>	<u>\$ 1,811</u>

Violence Against Women Formula Grant LE21015860 from July 1, 2021 – June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel costs	\$ 62,431	\$ 43,875	\$ 18,556
Operating Expenses/Equipment	140,712	81,052	59,660
Total	<u>\$ 203,143</u>	<u>\$ 124,927</u>	<u>\$ 78,216</u>

CITY OF HUNTINGTON BEACH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I - Summary of Auditor's 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Department of Treasury: Coronavirus State and Local Fiscal Recovery Funds
14.218	Department of Housing and Urban Development: CDBG Entitlement Grants Cluster 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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

(Continued)

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2022.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs.

CITY OF HUNTINGTON BEACH
Summary Schedule of Prior Year Findings
Year Ended June 30, 2022

Section IV – Summary Schedule of Prior Year Findings

The following is the status of prior audit finding for the year ended June 30, 2021.

(2021-001) Audit Adjustments Detected During the Audit Process

Recommendation

To minimize adjustments detected through the year end process, the City should establish procedures to identify adjustment in the reporting period in which the related transactions occurred. We recognize that it is not always possible to detect errors prior to the close of the fiscal year and, on occasion, the City's internal controls may identify adjustment in subsequent periods.

Current Year Status

The matter was resolved during the year ended June 30, 2022.