

# **City of Escondido**

Escondido, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2019*





# City of Escondido

## Table of Contents

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	<u>Page</u>
<b>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> .....</b>	<b>1</b>
<b>Independent Auditors' Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance Required by the Uniform Guidance, and on Schedule of Expenditures of Federal Awards.....</b>	<b>3</b>
Schedule of Expenditures of Federal Awards .....	5
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs .....	8

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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***

To the Honorable Mayor and Members of City Council  
of the City of Escondido  
Escondido, 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 Escondido, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2019.

**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 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 basic 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 City Council  
of the City of Escondido  
Escondido, California  
Page 2

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

*The PwC Group, LLP*

San Diego, California  
December 13, 2019



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

**Independent Auditors' Report**

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

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

We have audited the City of Escondido, California's (the "City") 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, 2019. The City's major federal programs are identified in the summary of the 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 terms and conditions of 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 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.

To the Honorable Mayor and Members of City Council  
of the City of Escondido  
Escondido, California  
Page 2

**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 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 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 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.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and have issued our report thereon dated December 13, 2019 which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the City’s Basic Financial Statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 basic financial statements and certain other 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California  
December 13, 2019

**City of Escondido**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster</b>				
<i>Direct Programs:</i>				
Community Development Block Grant	14.218	B-14-MC-06-0552	\$ 368,456	\$ -
Community Development Block Grant	14.218	B-15-MC-06-0552	95,350	-
Community Development Block Grant	14.218	B-16-MC-06-0552	632,302	-
Community Development Block Grant	14.218	B-17-MC-06-0552	82,782	-
Community Development Block Grant	14.218	B-18-MC-06-0552	738,505	132,947
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>1,917,395</u>	<u>132,947</u>
Emergency Solutions Grant Program	14.231	E-17-MC-06-0552	26,031	-
Emergency Solutions Grant Program	14.231	E-18-MC-06-0552	140,094	-
<b>Total Emergency Solutions Grant Program</b>			<u>166,125</u>	<u>-</u>
HOME Investment Partnership	14.239	M-17-MC-06-0542	36,685	-
HOME Investment Partnership	14.239	M-18-MC-06-0542	25,321	-
<b>Total - Home Investment Partnership Program Grants</b>			<u>62,006</u>	<u>-</u>
		<b>Total U.S. Housing and Urban Development</b>	<u>2,145,526</u>	<u>132,947</u>
<b>U.S. Department of Justice</b>				
<i>Direct Programs:</i>				
Safe Streets Task Force	16.U01	N/A	20,007	-
Fugitive Task Force (US Marshals)	16.U02	N/A	11,503	-
Child Exploitation Task Force (FBI)	16.U03	N/A	13,407	-
Electronic Crimes Task Force	16.U04	N/A	4,372	-
Bulletproof Vest Partnership	16.607	N/A	1,818	-
<b>JAG Program Cluster</b>				
EBM Justice Assistance Grant	16.738	2015-DJ-BX-0306	15,193	-
EBM Justice Assistance Grant	16.738	2016-DJ-BX-0437	26,363	-
EBM Justice Assistance Grant	16.738	2017-DJ-BX-0760	15,387	-
<b>Total JAG Program Cluster</b>			<u>56,943</u>	<u>-</u>
Narcotic Task Force Cooperative Agreement	16.751	N/A	16,823	-
Byrne Criminal Justice Innovation Program	16.817	2018-BJ-BX-0008	46,322	-
Body-worn Camera Policy & Implementation Program	16.835	2016-BC-BX-K045	23,869	-
Equitable Sharing Program	16.922	N/A	90,808	-
<i>Passed through the City of San Diego:</i>				
Missing Children's Assistance	16.543	2015-MC-FX-K037	16,588	-
		<b>Total U.S. Department of Justice</b>	<u>302,460</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
<b>Highway Planning and Construction Cluster:</b>				
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction	20.205	HSISP-5081-020	609,693	-
HSIP Traffic Signals	20.205	HSISL-5081-019	472,703	-
<b>Total Highway Planning and Construction Cluster</b>			<u>1,082,396</u>	<u>-</u>
<b>Highway Safety Cluster:</b>				
<i>Passed through California Office of Traffic Safety:</i>				
OTS -2018 DUI Enforcement and Awareness	20.600	PT18042	11,806	-
OTS -2019 DUI Enforcement and Awareness	20.600	PT19033	74,987	-
OTS - 2018 Bicycles and Pedestrian Safety	20.600	PS18009	4,760	-
OTS - 2019 Bicycles and Pedestrian Safety	20.600	PS19006	18,584	-
<b>Subtotal - Program 20.600</b>			<u>110,137</u>	<u>-</u>
<i>Passed through California Office of Traffic Safety:</i>				
OTS -2019 DUI Enforcement and Awareness	20.616	PT19033	9,967	-
<i>Passed through California Department of Alcoholic Beverages:</i>				
Minor Decoy, Shoulder Tap Programs (IMPACT)	20.616	16-OTS05	3,924	-
<b>Subtotal - Program 20.616</b>			<u>13,891</u>	<u>-</u>
<b>Total Highway Safety Cluster</b>			<u>124,028</u>	<u>-</u>

(Continued)

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**City of Escondido**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<b><u>U.S. Department of Transportation (Continued)</u></b>				
<i>Passed through California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving				
While Intoxicated:				
OTS -2018 DUI Enforcement and Awareness	20.608	PT18042	79,423	-
OTS -2019 DUI Enforcement and Awareness	20.608	PT19033	201,132	-
<b>Subtotal - Program 20.608</b>			<u>280,555</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>1,486,979</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Aging Cluster:</b>				
<i>Passed through the County of San Diego Health and Human Services Agency:</i>				
Title III - B Transportation	93.044	547766	64,728	-
Title III - C1 Congregate Meals	93.045	547766	113,282	-
Title III - NSIP C1 Incentive Payments	93.053	547766	17,567	-
<b>Total Aging Cluster</b>			<u>195,577</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>195,577</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through the California Office of Emergency Services:</i>				
Public Assistance	97.036	FEMA-4305-DR-CA	17,284	-
<b>Homeland Security Grant Program:</b>				
<i>Passed through the County of San Diego Office of Emergency Services:</i>				
2017 State Homeland Security Grant - Planning	97.067	2017-0083	107,709	-
2018 State Homeland Security Grant - Planning	97.067	2018-0054	5,090	-
<i>Passed through the City of San Diego Office of Homeland Security:</i>				
FY 16 UASI Dispatch Equipment	97.067	2016-00102	610,373	-
FY 17 UASI Training	97.067	2017-0083	50,059	-
FY 18 UASI Training	97.067	2018-0054	13,355	-
<i>Passed through the County of San Diego Sheriff's Department:</i>				
2017 CalEMA Operation Stonegarden Grant	97.067	2017-0083	50,000	-
<b>Total Homeland Security Grant Program</b>			<u>836,586</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>853,870</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,984,412</u>	<u>\$ 132,947</u>

(Concluded)

**City of Escondido**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

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**Note 1 – Reporting Entity**

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Escondido, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

**Note 2 – Basis of Accounting**

Funds received under the various grant programs have been recorded within the general fund and special revenue funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) is presented in accordance with the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

**Note 3 – Schedule of Expenditures of Federal Awards**

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California, County of San Diego, San Diego Association of Governments, and City of San Diego is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

**Note 4 – Indirect Cost Rate**

With the exception of the following programs, the City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance:

<b>CFDA Number</b>	<b>Award Number</b>	<b>Program Name</b>
14.218	B-14-MC-06-0552	CDBG – Entitlement Grants Cluster
14.218	B-15-MC-06-0552	CDBG – Entitlement Grants Cluster
14.218	B-16-MC-06-0552	CDBG – Entitlement Grants Cluster
14.218	B-17-MC-06-0552	CDBG – Entitlement Grants Cluster
14.218	B-18-MC-06-0552	CDBG – Entitlement Grants Cluster

**City of Escondido**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$ 280,555
97.067	Homeland Security Grant Program	836,586
	Total Expenditures of All Major Federal Programs	<u>\$ 1,117,141</u>
	Total Expenditures of Federal Awards	<u>\$ 4,984,412</u>
	Percentage of Total Expenditures of Federal Awards	<u>22.41%</u>

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

**City of Escondido**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section II – Financial Statement Findings**

**A. Current Year Findings – Financial Statement Audit**

No findings were noted on the City’s financial statement audit for the year ended June 30, 2019.

**B. Prior Year Findings – Financial Statement Audit**

No findings were noted on the City’s financial statement audit for the year ended June 30, 2018.

**Section III – Federal Award Findings**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2019.

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2018.

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