

City of National City

National City, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2019



City of National City

Table of Contents

	<u>Page</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 Federal Program, on Internal Control Over Compliance Required by the Uniform Guidance, and on Schedule of Expenditures of Federal Awards.....	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs	10

This page intentionally left blank



**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 National City
National City, 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 National City, 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 February 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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*.

4365 Executive Drive, Suite 710, San Diego, California 92121

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

To the Honorable Mayor and Members of City Council
of the City of National City
National City, 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
February 28, 2020



**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 National City
National City, California

Report on Compliance for Each Major Federal Program

We have audited the City of National City, 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 auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

4365 Executive Drive, Suite 710, San Diego, California 92121

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

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.

To the Honorable Mayor and Members of City Council
of the City of National City
National City, California
Page 3

Schedule of Expenditures of Federal Awards

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, 2019, and have issued our report thereon dated February 28, 2020 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
February 28, 2020, except for the Schedule of Expenditures of Federal Awards
as to which the date is March 23, 2020

This page intentionally left blank

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

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development:				
<i>Direct Programs:</i>				
CDBG-Entitlement Grants Cluster:				
Community Development Block Grant - Entitlement	14.218	Program Income	\$ 2,566	\$ -
Community Development Block Grant - Entitlement	14.218	B-14-MC-06-0560	36,624	-
Community Development Block Grant - Entitlement	14.218	B-16-MC-06-0560	27,524	-
Community Development Block Grant - Entitlement	14.218	B-18-MC-06-0560	743,986	75,000
CDBG-Entitlement Grants Cluster Subtotal			810,700	75,000
Home Investment Partnership Program:				
Home Investment Partnership Program	14.239	Program Income	16,331	-
Home Investment Partnership Program	14.239	M-13-MC-06-0522	7,798	7,798
Home Investment Partnership Program	14.239	M-14-MC-06-0522	101,317	101,317
Home Investment Partnership Program	14.239	M-16-MC-06-0522	4,044	-
Home Investment Partnership Program Subtotal			129,490	109,115
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher Program	14.871	CA116VO	12,232,680	-
Housing Voucher Cluster Subtotal			12,232,680	-
Total U.S. Department of Housing and Urban Development			13,172,870	184,115
U.S. Department of Transportation:				
<i>Passed through the California Office of Traffic Safety:</i>				
Highway Safety Cluster:				
STEP OTS Grant	20.600	PT18101	9,644	-
STEP OTS Grant	20.600	PT19074	16,648	-
Highway Safety Cluster Subtotal			26,292	-
STEP OTS Grant	20.608	PT18101	8,760	-
STEP OTS Grant	20.608	PT19074	37,870	-
CFDA 20.608 Subtotal			46,630	-
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highland Avenue Traffic Signal Modifications	20.205	HSIPL-5066(027)	524,883	-
Highland Avenue & 28th Street Traffic Signal Improvements	20.205	HSIPL-5066(028)	154,000	-
Fiber Optic Traffic Signal Upgrades	20.205	HSIPL-5066(030)	501,400	-
HSIP - Midblock Pedestrian Crossing Enhancements	20.205	HSIPL-5066(034)	161,055	-
Citywide Traffic Signal & ADA Enhancements	20.205	HSIPL-5066(029)	299,810	-
Safe Routes to School - Pedestrian Enhancements	20.205	ATPL-5066(025)	164,889	-
El Toyon-Las Palmas Bicycle Corridor	20.205	ATPL-5066(032)	250,428	-
Highway Planning and Construction Cluster Subtotal			2,056,465	-
Total U.S. Department of Transportation			2,129,387	-

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

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

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services:				
<i>Direct Program:</i>				
CRI - Mass Prophylaxis Program	93.283	N/A	463	-
<i>Passed through the County of San Diego:</i>				
Aging Cluster:				
Special Programs for the Aging Title III, Part C	93.045	Program Income	170,767	-
Special Programs for the Aging Title III, Part C	93.045	547767	326,964	-
Nutrition Services Incentive Program	93.053	547767	50,475	-
Aging Cluster Subtotal			<u>548,206</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>548,669</u>	<u>-</u>
U.S. Department of Homeland Security:				
<i>Direct Programs:</i>				
FY17 State Homeland Security Grant	97.067	2017	50,148	-
FY17 UASI	97.067	2017	22,413	-
FY18 UASI	97.067	2018	10,000	-
<i>Passed through California Emergency Management Agency:</i>				
2017 Operation Stone Garden	97.067	2017	43,138	-
CFDA 97.067 Subtotal			<u>125,699</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>125,699</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,976,625</u>	<u>\$ 184,115</u>

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

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

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, City of National City (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.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The National City Joint Powers Financing Authority
- The Parking Authority of the City of National City

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 of Expenditures of Federal Awards (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 and the County of San Diego is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Note 4 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

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

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:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.218	CDBG-Entitlement Grants Cluster	\$ 810,700
14.871	Housing Voucher Cluster	12,232,680
20.205	Highway Planning and Construction Cluster	2,056,465
Total Expenditures of All Major Federal Programs		\$ 15,099,845
Total Expenditures of Federal Awards		\$ 15,976,625
Percentage of Total Expenditures of Federal Awards		94.51%

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

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

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

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.

This page intentionally left blank.