

**CITY OF SEASIDE  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2013**

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**CITY OF SEASIDE**

Single Audit Report  
For the Year Ended June 30, 2013

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**INDEPENDENT AUDITOR'S 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**

The Honorable City Council  
of the City of Seaside  
Seaside, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seaside (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable City Council  
of the City of Seaside  
Seaside, California

**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 cursive script that reads "Gallina LLP".

Roseville, California  
December 20, 2013



**INDEPENDENT AUDITOR'S 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 OMB CIRCULAR A-133**

The Honorable City Council  
of the City of Seaside  
Seaside, California

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

We have audited the City of Seaside's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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, 2013.

**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 the 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

The Honorable City Council  
of the City of Seaside  
Seaside, California

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013, 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 OMB Circular A-133 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.



Roseville, California  
December 20, 2013

**CITY OF SEASIDE**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Army</u>			
Pass-Through City of Monterey, CA:			
Presidio of Monterey Base			
Operation and Maintenance Control	99.Unknown		<u>\$ 1,005,281</u>
<u>Department of Homeland Security</u>			
Direct Programs:			
Staffing and Adequate Fire and Emergency Response (SAFER)	97.083		<u>316,400</u>
<u>Department of Commerce</u>			
Direct Programs:			
State Economic Adjustment Assistance	11.307		<u>174,521</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
State Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,976
State Bulletproof Vest Partnership Program	16.607		<u>4,771</u>
Total U.S. Department of Justice			<u>6,747</u>
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218		<u>158,361</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,661,310</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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## CITY OF SEASIDE

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. General**

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of federal award programs of the City of Seaside, California (City). The City's reporting entity is defined in Note 1A of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

##### **B. Basis of Accounting**

The expenditures included in the accompanying Schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services.

##### **C. Relationships to the Basic Financial Statements**

The Schedule presented is prepared from only the accounts of the grant programs and, therefore, does not present the financial position or results of operations of the City. Monies received under various grant programs have been recorded within special revenue funds of the City.

##### **D. Loan Receivables**

Funded by Community Development Block Grants/Entitlement Grants, the City issues loans to various recipients. At June 30, 2013, the outstanding balances of these loans was \$383,145, which does not have continuing compliance requirements and is not reported on the Schedule. No new loans were issued during the fiscal year ended June 30, 2013.

##### **E. Housing and Urban Development (HUD) Note**

Note payments of principal and interest are funded by Community Development Block Grants/Entitlement Grants, which do not have continuing compliance requirements and have not been reported on the Schedule. The outstanding HUD note payable at June 30, 2013 was \$1,065,000. The total debt service paid during the fiscal year ending June 30, 2013 was \$237,863.

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**CITY OF SEASIDE**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Section 1 – Summary of Audit Results**

Financial Statements

Summary of Auditor's Results

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued:  | Unmodified    |
| 2. Internal controls over financial reporting:                                   |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                         | No            |

Federal Awards

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No            |

4. Identification of major programs:

CFDA No. 99.Unknown

Presidio of Monterey Base Operations and Maintenance Contract

CFDA No. 97.083

Staffing for Adequate Fire and Emergency Response (SAFER act)

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs?       | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No        |

**CITY OF SEASIDE**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Section 2**

Financial Statement Findings

None reported.

**Section 3**

Federal Award Findings and Questioned Costs

None reported.

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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**CITY OF SEASIDE**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2013

**Reference Number:** 12-SA-2  
**Federal Program Title:** Energy Efficiency and Conservation Block Grant Program  
**CFDA Number(s):** 81.128

**Recommendation:**

We recommend the City implement formal procedures requiring timely submission of progress reports and to designate a responsible official to oversee the report is submitted timely, accurately, and completely.

**Status: Recommendation is no longer applicable as the program no longer exists.**

**Reference Number:** 12-SA-3  
**Federal Program Title:** Byrne Memorial Grant Program – ARRA  
**CFDA Number(s):** 16.803

**Recommendation:**

We recommend the City implement formal procedures requiring timely submission of progress reports and to designate a responsible official to oversee the report is submitted timely.

**Status: Recommendation is no longer applicable as the program no longer exists.**

**Reference Number:** 12-SA-4  
**Federal Program Title:** Staffing for Adequate Fire and Emergency Response  
**CFDA Number(s):** 97.083

**Recommendation:**

We recommend the City implement a policy to require an individual independent of preparation of the required reports to review the reports for accuracy.

**Status: Reports prepared by the City during the fiscal year accurately reflected federal expenditures.**