



CPAs AND ADVISORS

CITY OF OCEANSIDE, CALIFORNIA MEASURE X FUND

JUNE 30, 2019

FINANCIAL STATEMENTS

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CITY OF OCEANSIDE, CALIFORNIA
MEASURE X FUND

FINANCIAL STATEMENTS

JUNE 30, 2019

CITY OF OCEANSIDE, CALIFORNIA
MEASURE X FUND

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure X Fund (the Fund) of the City of Oceanside, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure X Fund of the City of Oceanside, California, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the financial statements present the financial position of only the Fund, and do not present, or purport to present fairly, the financial position of the City of Oceanside, as a whole, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brea, California
December 6, 2019

CITY OF OCEANSIDE, CALIFORNIA

MEASURE X FUND
BALANCE SHEET
JUNE 30, 2019

Assets:

Pooled cash and investments

\$ 2,738,693

Fund Balance:

Assigned for Measure X

\$ 2,738,693

See accompanying notes to financial statements.

CITY OF OCEANSIDE, CALIFORNIA

MEASURE X FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

Revenues:

Taxes	\$ 2,737,313
Use of money and property	<u>1,687</u>
Total Revenues	<u>2,739,000</u>

Expenditures:

General government	<u>307</u>
Total Expenditures	<u>307</u>
Change in Fund Balance	2,738,693

Fund Balance, Beginning of the Year	<u>-</u>
Fund Balance, End of the Year	<u>\$ 2,738,693</u>

See accompanying notes to financial statements.

**CITY OF OCEANSIDE, CALIFORNIA
MEASURE X FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Description of the Reporting Entity

The City of Oceanside's (the City) Measure X Fund (the Fund) was formed to account for resources received and used from the City's Measure X Half-Cent Sales Tax approved by voters in November 2018. The half-cent sales tax went into effect April 1, 2019. The City performs all administrative and accounting functions. The accounting policies of the Fund are in conformity with generally accepted accounting principles in the United States applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. Complete financial statements of the City can be obtained from the City's Finance Department.

Note 2: Summary of Significant Accounting Policies

a. Fund Accounting

To ensure the proper identification of individual revenue sources and the expenditures made from those revenues, the Fund is organized on the basis of an individual fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as follows:

Governmental Fund Type:

Special Revenue Fund – The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted by the provisions of Measure X to expenditures for a specific purpose. As with all governmental funds, the special revenue fund is accounted for on a spending or "current financial resources" measurement focus which means that current assets and current liabilities are generally included on its balance sheet. The reported fund balance is the net current assets, which is considered only to be a measure of "available spendable resources."

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds revenues are recognized when they become measurable and available as net current assets. Measurable means the amount of the transaction can be determined, and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts that cannot be measured or are not available are not accrued as revenue in the current fiscal year. Expenditures under the modified accrual basis of accounting are generally recorded at the time liabilities are incurred.

c. Fund Balance

Governmental fund balance represents the net current assets of the fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. The fund balance is designated as assigned for the purposes allowable under the provisions of Measure X.

**CITY OF OCEANSIDE, CALIFORNIA
MEASURE X FUND**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 3: Stewardship, Accountability, and Compliance

The Fund did not adopt a budget for the fiscal year ended June 30, 2019.

Note 4: Pooled Cash and Investments

The Fund participates in the City's pooled cash and investments (the pool). The June 30, 2019, cash and investment balance of \$2,738,693 represents the Fund's share of the pool. Information relating to the City's cash and investments can be found in the City's financial statements.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Measure X

We have audited the City of Oceanside, California, (the City's) compliance with the compliance requirements described in the provisions of the City's Measure X Ordinance for the year ending June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the provisions of the Measure X Ordinance.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance with the provisions of the Measure X Ordinance. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred above that could have a direct and material effect on the City have 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 the City. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

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 its Measure X Fund for the year ending June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the type 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 the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.



CPAs AND ADVISORS

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

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 of the provisions of the Measure X Ordinance 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 a material noncompliance with a type of compliance requirement of the Measure X Ordinance 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 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 provisions of the City's Measure X Ordinance. Accordingly, this communication is not suitable for any other purpose.

Brea, California
December 6, 2019



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 *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Oceanside, 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 Measure X Fund (the Fund) of the City of Oceanside, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 6, 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 (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 Fund'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*.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Oceanside, 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 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
December 6, 2019