

Council Business Meeting

May 18, 2021

Agenda Item	Fiscal Year 2020 Single Audit or Report on Federal Programs	
From	Melanie Purcell	Finance Director
Contact	melanie.purcell@ashland.or.us ; (541) 552-2003	

SUMMARY

The City of Ashland prepares annual financial statements for review by its external auditor, Moss-Adams Assurance Services, LLP. The auditors review the City's financial reporting and internal controls according to state and national standards including those required by the State of Oregon and the Government Accounting Standards Board. The Fiscal Year (FY) 2020 Comprehensive Annual Financial Report or annual audit received an unqualified opinion, meaning there are no material deficiencies or concerns with how the City's finances are reported. At the time the Annual Financial Report was reviewed, the federal government had not issued its guidelines for review of federal funds received by other government entities, otherwise known as a Report on Federal Programs or Single Audit. Those guidelines were received by Moss-Adams in late December and the Single Audit for the City of Ashland has been completed and found to be compliant with no exceptions.

POLICIES, PLANS & GOALS SUPPORTED

Administrative/Governance goal:

"To ensure on-going fiscal ability to provide desired and required services at an acceptable level"

PREVIOUS COUNCIL ACTION

N/A

BACKGROUND AND ADDITIONAL INFORMATION

The City of Ashland's FY2020 Comprehensive Annual Financial Report provides a snapshot of the City's financial condition as of June 30, 2020. The Annual Financial Report has been audited by the City's external auditor Moss-Adams Assurance Services, LLP and determined to warrant an unqualified opinion, indicating the City meets the state and national standards for financial reporting. Moss-Adams also reviews the City's internal controls for compliance with these standards and makes recommendations for improvements. The City of Ashland Municipal Audit Commission met on December 2, 2020 to receive the audit from Moss-Adams and voted to accept it, 3-0. The meeting also included an interested citizen and members of the City staff. The Commission was notified at that time that the Single Audit or Report on Federal Programs would be delayed until Spring given the late release of federal guidelines.

FISCAL IMPACTS

No direct impacts. Issuance of an unqualified audit opinion and assurance of the City's healthy financial condition as indicated by fund balances and retained earnings assists the City in maintaining its bond rating and financial market position. Any exceptions in the Report on Federal Programs could impact future federal grant and loan awards.

STAFF RECOMMENDATION

That the Council accept the attached FY2020 Report on Federal Programs.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to accept the City of Ashland FY2020 Report on Federal Programs.

REFERENCES & ATTACHMENTS

Attachment 1: FY2020 Report on Federal Programs.



REPORTS OF INDEPENDENT AUDITORS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF ASHLAND, OREGON
FEDERAL GRANT PROGRAMS**

June 30, 2020

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** incorporated by reference only*

Report of Independent Auditors 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 Mayor and City Council
City of Ashland, Oregon

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 Ashland, Oregon (the City) as of and for the year ended June 30, 2020, 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 3, 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 (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. 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.

Mass Adams LLP

Medford, Oregon
December 3, 2020

Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the *Mayor and City Council*
City of Ashland, Oregon

Report on Compliance for the Major Federal Program

We have audited the City of Ashland, Oregon'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 the City's major federal program for the year ended June 30, 2020. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2020, and have issued our report thereon dated December 3, 2020, 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Medford, Oregon
February 4, 2021

City of Ashland, Oregon
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Program Title	Federal CFDA Number	Pass-Through Organization	Identifying Number	Passed Through to Subrecipients	Year to Date Disbursements / Expenditures
<u>GRANTS</u>					
<u>DEPARTMENT OF AGRICULTURE</u>					
Cooperative Forestry Assistance TNC State & Private Grant 01/30/2018-01/31/2022 Project# 000609	10.664	The Nature Conservancy	COA_S&PF_2018123	\$ -	\$ 19,859
State & Private Forestry Cooperative Fire Assistance FY20 FAC Grant 9/30/2019-06/30/2020 Project# 000740	10.698	Watershed Research & Training Ctr	329-2019-130	-	15,799
Wildland Fire Management Ashland Forest Resiliency Grant 10/17/2016-01/01/2020 Project# 000199	10.688	Lomakatsi Restoration Project	2016-SA-11061000-037	-	23,621
Total Department of Agriculture				<u>-</u>	<u>59,279</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>					
Assistance to Firefighters Grant 9/18/2019-9/17/2020 Project # 000751	97.044	Direct	EMW-2018-FO-04110	-	142,795
Total Department of Homeland Security				<u>-</u>	<u>142,795</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
Community Development Block Grants/Entitlement Grants Project# 000030 07/01/2018-06/30/2019-Grant Award	14.218	Direct	B18MC410008	-	21,570
07/01/2019-06/30/2020-Grant Award	14.218	Direct	B19MC410008	-	193,293
Covid-19 Cares Act CDBG-CV Project# G00007	14.218	Direct	n/a	-	23,357
Total CDBG - Entitlement Grants Cluster					<u>238,220</u>
Total Department of Housing and Urban Development				<u>-</u>	<u>238,220</u>

City of Ashland, Oregon
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Program Title	Federal CFDA Number	Pass-Through Organization	Identifying Number	Passed Through to Subrecipients	Year to Date Disbursements / Expenditures
DEPARTMENT OF JUSTICE					
Bulletproof Vest Partnership Program 04/01/2014-ongoing Project # 000445	16.607	Direct	ASHLAND CITY	-	3,869
Public Safety Partnership and Community Policing Grants Community Policing Development Program COPS Grant 09/01/2015-02/28/2019 Project# 000519	16.710	Direct	2015CKWXK019	5,905	5,905
Total Department of Justice				5,905	9,774
DEPARTMENT OF TREASURY					
Covid-19 Coronavirus Relief Fund Covid-19 Coronavirus Pandemic 3/1/2020-12/30/2020 Proj # 000770	21.019	Oregon Dept of Administrative Services	SLT0038	-	575,306
Covid-19 Economic Recovery 3/1/2020-12/30/2020 Proj # G00002	21.019	Oregon Dept of Administrative Services	SLT0038	-	127,358
Total Department of Treasury				-	702,664
DEPARTMENT OF TRANSPORTATION					
State and Community Highway Safety Ashland PD Safety Belt OT Enforcement Grant 10/01/2019-9/30/2020 Project# 000766	20.600	Direct	OP-20-45-03 222	-	786
State and Community Highway Safety Distracted Driving Grant 11/7/18-9/30/19 Project# 000648	20.600	Direct	07-639-5508	-	956
Total CFDA 20.600	20.600				1,742
National Priority Safety Programs Ashland Safety Belt Grant 12/28/18-9/30/19 Project# 000659	20.616	Direct	M1HVE-19-46-03 AAA	-	517
Total Highway Safety Cluster					2,259
Total of Department of Transportation				-	2,259

City of Ashland, Oregon
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Program Title	Federal CFDA Number	Pass-Through Organization	Identifying Number	Passed Through to Subrecipients	Year to Date Disbursements / Expenditures
<u>LOANS</u>					
<u>ENVIRONMENTAL PROTECTION AGENCY</u>					
Capitalization Grants for Drinking Water State Revolving Funds 7.5 MGD Water Treatment Plant Project # 201820					
Total Drinking Water State Revolving Fund Cluster	66.468	Oregon Infrastructure Finance Authority	S16021	-	1,103,851
Total Loans				<u>-</u>	<u>1,103,851</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 5,905</u>	<u>\$ 2,258,842</u>

City of Ashland, Oregon
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity in programs of the federal government. The information in this schedule is presented in accordance with 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). Because the schedule presents only a selected promotion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has elected to use the ten percent de minimis indirect cost rate as allowed under Uniform Guidance when allowed.

NOTE 3. LOANS AND LOAN GUARANTEES

The federal loan program CFDA 66.468 Safe Drinking Water State Revolving Fund are administered directly by the entity and balances and transactions relating to the programs are included in the entity's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year and included in the federal expenditures presented in the schedule. The balance of loans outstanding is \$1,103,851.

City of Ashland, Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported
 Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major federal program and type of auditor’s report issued on compliance for major federal programs:

CFDA Numbers	Name of Federal Program or Cluster	Type of Auditor’s Report Issued on Compliance for Major Federal Programs
21.019	Covid-19 Coronavirus Relief Fund	Unmodified

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

