



# CITY OF FULLERTON, CALIFORNIA AIR QUALITY IMPROVEMENT TRUST FUND

JUNE 30, 2021

AUDIT REPORT

Focused  
on YOU



CITY OF FULLERTON, CALIFORNIA  
AIR QUALITY IMPROVEMENT TRUST FUND  
AUDIT REPORT  
JUNE 30, 2021

CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND

AUDIT REPORT

JUNE 30, 2021

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Air Quality Improvement Trust Fund (the Fund) of the City of Fullerton, California (the City) as of and for the year ended June 30, 2021, and the notes to financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Fund and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

#### ***Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date of the financial statements.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes





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

our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control over the Fund. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Other Matters***

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 15, 2021 on our consideration of the City's internal control over the Fund's 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 the Fund's 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 the Fund's financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Solt &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
December 15, 2021

CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND

BALANCE SHEET / STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Funds	Reclassification and Eliminations	Statement of Net Position
<b>Assets:</b>			
Cash	\$ 913,380	\$ -	\$ 913,380
Other accrued revenue	47,626	-	47,626
Capital assets, net of depreciation	-	74,716	74,716
<b>Total Assets</b>	<b>\$ 961,006</b>	<b>\$ 74,716</b>	<b>\$ 1,035,722</b>
<b>Fund Balance/Net Position:</b>			
Restricted for AQMD activities	961,006	74,716	1,035,722
<b>Total Fund Balance/Net Position</b>	<b>\$ 961,006</b>	<b>\$ 74,716</b>	<b>\$ 1,035,722</b>

The notes to financial statements are an integral part of this statement.

**CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE / STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues:</b>			
Intergovernmental	\$ 185,242	\$ -	\$ 185,242
Use of money and property	4,528	-	4,528
<b>Total Revenues</b>	<b>189,770</b>	<b>-</b>	<b>189,770</b>
<b>Expenditures:</b>			
Current:			
Community development	11,190	13,801	24,991
<b>Total Expenditures</b>	<b>11,190</b>	<b>13,801</b>	<b>24,991</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	178,580	(13,801)	164,779
<b>Other Financing Sources (Uses):</b>			
Transfers out	(858)	-	(858)
<b>Total Other Financing Sources (Uses)</b>	<b>(858)</b>	<b>-</b>	<b>(858)</b>
Net Change in Fund Balance	177,722	(13,801)	163,921
Fund Balance/Net Position - Beginning	783,284	88,517	871,801
<b>Fund Balance/Net Position - Ending</b>	<b>\$ 961,006</b>	<b>\$ 74,716</b>	<b>\$ 1,035,722</b>

The notes to financial statements are an integral part of this statement.

**CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Basis of Accounting**

The accompanying financial statements for the Air Quality Improvement Trust Fund of the City of Fullerton, California have been prepared on the modified accrual basis of accounting. Generally, revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include motor vehicle fees and interest earnings on investments received within 60 days of year end. Expenditures are recognized when the fund liability is incurred, if measurable.

**b. Measurement Focus**

The Air Quality Improvement Trust Fund is accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets and current liabilities are included on the balance sheet/statement of net position. The statement of revenues, expenditures and changes in fund balance/statement of activities for the Air Quality Improvement Trust Fund generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**c. Air Quality Improvement Trust Fund**

California Assembly Bill 2766 (SHER) authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District for vehicles registered in the South Coast District. Forty cents of every dollar subvented to SCAQMD is allocated to the cities and counties in the South Coast Air District proportionately based upon population. The amounts attributable to the City of Fullerton are maintained in a special revenue fund administered by the City of Fullerton.

The accompanying financial statements present only the Air Quality Improvement Trust Fund of the City and do not include any other funds of the City. The City has issued its Basic Financial Statements under a separate cover and are available at City Hall.

**d. Fund Balance**

Fund balance is reported by the following fund balance classifications:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution or ordinance.



**CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Assigned include amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Director of Administrative Services is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

The entire fund balance/net position of the Air Quality Improvement Trust Fund has been classified as restricted fund balance since the external resource provider, SCAQMD, requires the motor vehicle fees to be used only to reduce air pollution.

**Note 2: Cash and Investments**

The Air Quality Improvement Trust Fund cash balance is pooled with the City of Fullerton's cash and investment in order to generate optimum interest income. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is included in the City's basic financial statements.

**Note 3: Capital Assets**

Capital assets activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Improvements other than buildings	\$ 152,287	\$ -	\$ -	\$ 152,287
Total Capital Assets Being Depreciated	152,287	-	-	152,287
Less accumulated depreciation for:				
Improvements other than buildings	63,770	13,801	-	77,571
Total Accumulated Depreciation	63,770	13,801	-	77,571
Governmental Activities Capital Assets, Net	\$ 88,517	\$ (13,801)	\$ -	\$ 74,716

CITY OF FULLERTON  
AIR QUALITY IMPROVEMENT TRUST FUND

BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 181,000	\$ 240,956	\$ 185,242	\$ (55,714)
Use of money and property	4,100	4,100	4,528	428
<b>Total Revenues</b>	<b>185,100</b>	<b>245,056</b>	<b>189,770</b>	<b>(55,286)</b>
<b>Expenditures:</b>				
Current:				
Community development	38,050	38,050	11,190	26,860
<b>Total Expenditures</b>	<b>38,050</b>	<b>38,050</b>	<b>11,190</b>	<b>26,860</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	147,050	207,006	178,580	(28,426)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(30,000)	(149,912)	(858)	149,054
<b>Total Other Financing Sources (Uses)</b>	<b>(30,000)</b>	<b>(149,912)</b>	<b>(858)</b>	<b>149,054</b>
Net Change in Fund Balance	\$ 117,050	\$ 57,094	177,722	\$ 120,628
Fund Balance - Beginning			783,284	
<b>Fund Balance - Ending</b>			<b>\$ 961,006</b>	



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

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

### **Report on Compliance**

#### **Opinion on the Air Quality Improvement Trust Fund**

We have audited the compliance of the Air Quality Improvement Trust Fund (the Fund) of the City of Fullerton, California (the City) with the requirements described in Assembly Bill 2766, Chapter 1705 (44220 through 44247) for the year ended June 30, 2021.

In our opinion, the City complied, in all material respects, with the types of compliance that could have a direct and material effect on the requirements referred to above applicable to the Fund for the year ended June 30, 2021.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements described in Assembly Bill 2766, Chapter 1705 (44220 through 44247). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Fund and the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not



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

detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Fund's compliance with the requirements described in Assembly Bill 2766, Chapter 1705 (44220 through 44247).

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the compliance requirements referred to above, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance of the Air Quality Improvement Trust Fund**

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 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 compliance requirement 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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

**Purpose of this Report**

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 described in Assembly Bill 2766, Chapter 1705 (44220 through 44247). Accordingly, this report is not suitable for any other purpose.

*Lance, Soll & Loughard, LLP*

Brea, California  
December 15, 2021



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 Fullerton, 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 Air Quality Improvement Trust Fund (the Fund) of the City of Fullerton, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund financial statements, and have issued our report thereon dated December 15, 2021.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over the Fund's 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 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, including the requirements described in Assembly Bill 2766, Chapter 1705 (44220 through 44247), 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*.



To the Honorable Mayor and Members of the City Council  
City of Fullerton, 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, Soll & Lughard, LLP*

Brea, California  
December 15, 2021