



CITY OF FULLERTON, CALIFORNIA

JUNE 30, 2021

SINGLE AUDIT REPORT

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on YOU



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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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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 City's basic 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 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*.





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, Solt & Lughard, LLP

Brea, California
December 15, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fullerton, California (the "City")'s 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, 2021. 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.

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, 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 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). Our responsibilities under those standards and the Uniform Guidance 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 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 City'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.



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

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*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not 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 City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, 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 Uniform Guidance, 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

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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all 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 a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.



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

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.

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic 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 basic financial statements or to the basic 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.

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.

Lance, Soll & Lughard, LLP

Brea, California

March 29, 2022 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated December 15, 2021)

CITY OF FULLERTON, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Provided to Subrecipients</i>	<i>Total Federal Expenditures</i>
Department of Housing and Urban Development Programs:				
CDBG--Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 187,745	\$ 653,672
Community Development Block Grants/entitlement Grants - Loan Beginning Balances	14.218	N/A	-	1,157,430
COVID-19--Community Development Block Grants/Entitlement Grants	14.218	N/A	523,862	866,896
Total for Program			711,607	2,677,998
Total CDBG--Entitlement Grants Cluster			711,607	2,677,998
Home Investment Partnerships Program *	14.239	N/A	-	116,465
Home Investment Partnerships Program - Loan Beginning Balances *	14.239	N/A	-	12,265,070
Total for Program			-	12,381,535
<i>Total Department of Housing and Urban Development Programs</i>			711,607	15,059,533
Department of the Interior Programs:				
Reclamation States Emergency Drought Relief	15.514	N/A	-	290,000
<i>Total Department of the Interior Programs</i>			-	290,000
Department of Justice Programs:				
COVID-19--Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	59,166
Bulletproof Vest Partnership Program	16.607	N/A	-	2,265
County of Orange--Edward Byrne Memorial Justice Assistance Grant	16.738	00-965-7602	-	75,119
Equitable Sharing Program	16.922	N/A	-	475,773
<i>Total Department of Justice Programs</i>			-	612,323
Department of Transportation Programs:				
Airport Improvement Program *	20.106	N/A	-	188,779
COVID-19--Airport Improvement Program *	20.106	N/A	-	69,000
Total for Program			-	257,779
Highway Planning and Construction Cluster:				
CalTrans--Highway Planning and Construction (Federal-Aid Highway Program)	20.205	03-187-7847	-	1,791
Highway Safety Cluster:				
State of California Office of Traffic Safety--State and Community Highway Safety	20.600	96-505-3908	-	33,996
State of California Office of Traffic Safety--National Priority Safety Programs	20.616	96-505-3908	-	49,536
Total Highway Safety Cluster			-	83,532
State of California Office of Traffic Safety--Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	96-505-3908	-	61,378
<i>Total Department of Transportation Programs</i>			-	404,480
Department of the Treasury Programs:				
County of Orange--COVID-19--Coronavirus Relief Fund *	21.019	00-965-7602	-	2,212,000
California Department of Finance--COVID-19--Coronavirus Relief Fund *	21.019	00-932-9764	-	1,751,601
Total for Program			-	3,963,601
COVID-19--Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	5,970
<i>Total Department of the Treasury Programs</i>			-	3,969,571
Department of Health and Human Services Programs:				
Aging Cluster:				
County of Orange--Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	00-965-7602	-	116,183
County of Orange--COVID-19--Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	00-965-7602	-	35,733
Total for Program			-	151,916
Total Aging Cluster			-	151,916
COVID-19--Provider Relief Fund	93.498	N/A	-	32,789
<i>Total Department of Health and Human Services Programs</i>			-	184,705
Department of Homeland Security Programs:				
State of California Office of Emergency Services--Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	94-743-6176	-	172,445
<i>Total Department of Homeland Security Programs</i>			-	172,445
Total Expenditures of Federal Awards			\$ 711,607	\$ 20,693,057

* Major Program

¹ There were no federal awards expended in the form of noncash assistance and insurance in effect during the fiscal year.

CITY OF FULLERTON, CALIFORNIA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fullerton (the City) under programs of the federal government for the year ended June 30, 2021. The information in this 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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 allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance

Note 4: Federal Housing Loan Programs

The federal housing loan programs listed subsequently are administered directly the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented on the Schedule. The balance of loans outstanding at June 30, 2021 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2021</u>
14.218	Rehabilitation Revolving Loan	\$ 1,019,633
14.239	Neighborhood Stabilization Program	206,074
14.239	Acquisition and Rehabilitation Program	10,807,417
14.239	Rehabilitation Program	1,011,063
14.239	Down Payment Assistance Program	287,130
		<u>\$ 13,331,317</u>

CITY OF FULLERTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnership Program
21.019	Coronavirus Relief Fund
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes no

CITY OF FULLERTON, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



CITY OF FULLERTON

Administrative Services Department

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

No findings were reported for the fiscal year ended June 30, 2020.

THE EDUCATION COMMUNITY

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