



CITY OF FULLERTON, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2023

SINGLE AUDIT REPORT

Focused
on YOU



CITY OF FULLERTON, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

CITY OF FULLERTON, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2023

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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, 2023, 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 19, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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, Soll & Lughard, LLP

Brea, California
December 19, 2023



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 identified as subject to audit 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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). 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. 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 federal 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 occurred, 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 generally accepted auditing standards,



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

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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the 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 the 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 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 Auditor's Responsibilities for the Audit of Compliance section above 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 were not 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

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 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Lance, Soll & Lughard, LLP

Brea, California

March 28, 2024 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated December 19, 2023)

CITY OF FULLERTON, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

<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>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
CDBG - Entitlement Grants Cluster *				
Department of Housing and Urban Development Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 158,635	\$ 980,356
COVID-19--Community Development Block Grants/Entitlement Grants (CARES Act)	14.218	N/A	-	18,199
CDBG Loans - Beginning Balances	14.218	N/A	-	1,002,540
CDBG - Program Income	14.218	N/A	-	5,101
Subtotal - Assistance Listing 14.218			158,635	2,006,196
Total Department of Housing and Urban Development Programs			158,635	2,006,196
Total CDBG - Entitlement Grants Cluster			158,635	2,006,196
Highway Safety Cluster				
Department of Transportation Pass-Through Programs:				
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	XCA4E3XL2KY7	-	44,450
Total Department of Transportation Pass-Through Programs			-	44,450
Total Highway Safety Cluster			-	44,450
Housing Voucher Cluster				
Department of Housing and Urban Development Direct Programs:				
HOME Investment Partnership Program	14.239	N/A	-	8,090
HOME Investment Partnership Loan Program - Beginning Balances	14.239	N/A	-	12,346,908
HOME - Program Income	14.239	N/A	-	108,865
Subtotal - Assistance Listing 14.239			-	12,463,863
Total Department of Housing and Urban Development Programs			-	12,463,863
Total Housing Voucher Cluster			-	12,463,863
Other Programs				
Department of Homeland Security Direct Programs:				
Assistance to Firefighters Grant	97.044	N/A	-	108,852
Total Department of Homeland Security Programs			-	108,852
Department of Homeland Security Pass-Through Programs from:				
State of California Office of Emergency Services and County of Orange				
Emergency Management Performance Grants	97.042	UTM3S7LKYQZ4	-	40,908
Total Department of Homeland Security Programs			-	40,908
Department of Treasury Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	-	8,630,799
Total Department of Treasury Direct Programs			-	8,630,799
Department of Treasury Pass-Through Programs from:				
County of Orange Health Care Agency				
Coronavirus State and Local Fiscal Recovery Funds*	21.027	VE2ZZY1ZHN19	-	497,247
Total Department of Treasury Pass-Through Programs			-	497,247
Total Department of Treasury Programs			-	9,128,046
Department of Transportation Pass-Through Programs from:				
State of California Office of Traffic Safety				
Minimum Penalties for Repeat Offenders	20.608	XCA4E3XL2KY7	-	101,790
Total Department of Transportation Programs			-	101,790
Department of Transportation Pass-Through Programs:				
State of California Department of Transportation				
Highway Planning and Construction	20.205	EHEGWCLJEVJ4	-	5,498
Total Department of Justice Pass-Through Programs			-	5,498
Department of Justice Direct Programs:				
Asset Seizure - Equitable Sharing*	16.922	N/A	-	599,441
Bulletproof Vest Partnership	16.607	N/A	-	4,329
Total Department of Justice Direct Programs			-	603,770
Department of Justice Pass-Through Programs from:				
County of Orange				
Justice Assistance Grant	16.738	RFT6BJ98H2A5	-	8,199
Total Department of Justice Pass-Through Programs			-	8,199
Total Department of Justice Programs			-	611,969
Department of Health and Human Services Pass-Through Programs from:				
County of Orange Health Care Agency				
Special Programs for the Aging	93.044	VE2ZZY1ZHN19	-	17,269
County of Orange Office of Aging				
Special Programs for the Aging	93.044	RFT6BJ98H2A5	-	83,065
Subtotal - Assistance Listing 93.044			-	100,334
Total Department of Health and Human Services Pass-Through Programs			-	100,334
Federal Aviation Administration Direct Programs:				
Airport Improvement Program	20.106	N/A	-	310,942
Total Department of Transportation Programs			-	310,942
Total Other Programs			-	10,408,339
Total Expenditures of Federal Awards			\$ 158,635	\$ 24,922,848

* Major Program

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

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF FULLERTON, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Fullerton, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from 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. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2: 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, 2023 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2023
14.218	Rehabilitation Revolving Loan	\$ 1,112,272
14.239	Neighborhood Stabilization Program	206,074
14.239	Acquisition and Rehabilitation Program	11,030,042
14.239	Rehabilitation Program	929,566
14.239	Down Payment Assistance Program	228,389
		<u><u>\$ 13,506,343</u></u>

CITY OF FULLERTON, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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:

Assistance Listing Number(s)

Name of Federal Program or Cluster

14.218
16.922
21.027

Community Development Block Grants
Equitable Sharing Program
Coronavirus State and Local Fiscal Recovery Funds

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
For the Fiscal Year Ended June 30, 2023

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

**CITY OF FULLERTON, CALIFORNIA
Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022**

No matters were reported.

THE EDUCATION COMMUNITY

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