



CITY OF FULLERTON, CALIFORNIA

JUNE 30, 2020

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, 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 January 13, 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, Soll & Lughard, LLP

Brea, California
January 13, 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

We have audited the City of Fullerton (the City), California'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, 2020. 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.

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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2020.



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

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

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 13, 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.



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.

Lance, Solt & Lughard, LLP

Brea, California

March 16, 2021 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated January 13, 2021)

CITY OF FULLERTON, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA 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	\$ 171,484	\$ 1,920,142
Community Development Block Grants/Entitlement Grants - Loan Programs (Note 3)	14.218	N/A	-	1,128,149
Subtotal - CFDA 14.218			<u>171,484</u>	<u>3,048,291</u>
Total Department of Housing and Urban Development Direct Programs			<u>171,484</u>	<u>3,048,291</u>
Total CDBG - Entitlement Grants Cluster			<u>171,484</u>	<u>3,048,291</u>
Highway Planning and Construction Cluster				
Department of Transportation Pass-Through Programs from:				
Orange County Transportation Authority				
Highway Planning and Construction	20.205	15-394-7940	-	479,015
State of California Department of Transportation				
Highway Planning and Construction	20.205	03-187-7847	-	6,149
Subtotal - CFDA 20.205			-	<u>485,164</u>
Total Department of Transportation Pass-Through Programs			-	<u>485,164</u>
Total Highway Planning and Construction Cluster			-	<u>485,164</u>
Highway Safety Cluster *				
Department of Transportation Pass-Through Programs from:				
California Department of Alcoholic Beverage Control				
State and Community Highway Safety	20.600	61-389-9947	-	5,966
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	96-505-3908	-	42,636
Subtotal - CFDA 20.600			-	<u>48,602</u>
State of California Office of Traffic Safety				
National Priority Safety Programs	20.616	96-505-3908	-	160,455
Total Department of Transportation Pass-Through Programs			-	<u>209,057</u>
Total Highway Safety Cluster			-	<u>209,057</u>
Aging Cluster				
Department of Health and Human Services Pass-Through Programs from:				
County of Orange				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	00-965-7602	-	17,875
Total Department of Health and Human Services Pass-Through Programs			-	<u>17,875</u>
Total Aging Cluster			-	<u>17,875</u>
Other Programs				
Department of Housing and Urban Development Direct Programs:				
Home Investment Partnerships Program	14.239	N/A		108,026
Home Investment Partnerships Program - Loan Programs (Note 3)	14.239	N/A		12,263,028
Subtotal - CFDA 14.239			-	<u>12,371,054</u>
Total Department of Housing and Urban Development			-	<u>12,371,054</u>
Department of Justice Direct Programs:				
Equitable Sharing Program	16.922	N/A	-	534,989
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	9,274
Total Department of Justice			-	<u>544,263</u>
Department of Transportation Pass-Through Programs from:				
State of California Office of Traffic Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	96-505-3908	-	80,055
Total Department of Transportation			-	<u>80,055</u>
Department of Health and Human Services Pass-Through Programs from:				
County of Orange				
Coronavirus Relief Fund *	21.019	00-965-7602	-	1,216,547
Total Institute of Museum and Library Services			-	<u>1,216,547</u>

CITY OF FULLERTON, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Department of Homeland Security Pass-Through Programs from:				
State of California Office of Emergency Services				
Emergency Management Performance Grants	97.067	94-743-6176	-	51,855
City of Anaheim				
Preparing for Emerging Threats and Hazards	97.133	61-366-2766	-	(125)
Total Department of Homeland Security			-	51,730
Total Other Programs			-	14,263,649
Total Expenditures of Federal Awards			\$ 171,484	\$ 18,024,036

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Department of Justice Direct Programs:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	\$ -	\$ 9,274
Department of Health and Human Services Pass-Through Programs from:				
County of Orange				
Coronavirus Relief Fund *	21.019	00-965-7602	-	1,216,547
Total Coronavirus Emergency Acts Funding			\$ -	\$ 1,225,821

* 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, 2020**

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, California (the "City") under programs of the federal government for the year ended June 30, 2020. 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable 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 City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: 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, 2020 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2020</u>
14.218	Rehabilitation Revolving Loan	\$ 1,157,430
14.239	Neighborhood Stabilization Program	206,074
14.239	Acquisition and Rehabilitation Program	10,695,414
14.239	Rehabilitation Program	1,011,063
14.239	Down Payment Assistance Program	352,519
		<u>\$ 13,422,500</u>

CITY OF FULLERTON, CALIFORNIA

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

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>
14.218	CDBG Entitlement Grants Cluster
20.600, 20.616	Highway Safety Cluster
21.019	Coronavirus Relief Fund

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, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

No matters were reported.