

CITY OF PLACENTIA, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2024



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YEAR ENDED JUNE 30, 2024**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the City Council
City of Placentia
Placentia, 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 City of Placentia (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

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*.

City of Placentia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Irvine California
February 28, 2025



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

Members of the City Council
City of Placentia
Placentia, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Placentia's (the City) 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, 2024. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2024.

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 (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 Auditors' 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.

Auditors' 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 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 each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Auditors' 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.

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 the 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated February 28, 2025, 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 basic 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.



CliftonLarsonAllen LLP

Irvine, California
March 19, 2025

**CITY OF PLACENTIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

| Federal Grantor/Pass-Through Grantor/ Program/Cluster Title/Project | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Passed- Through to Subrecipients |
|--|--|--|-------------------------|--|
| U.S. Department of Housing and Urban Development | | | | |
| Passed-through the County of Orange: | | | | |
| Community Development Block Grants/ Entitlement Grants Cluster: | | | | |
| Community Development Block Grant | 14.218 | 22-23-0018-HCD | \$ 35,919 | \$ - |
| Community Development Block Grant | 14.218 | 012-23011328 | 357,435 | - |
| COVID-19 - Community Development Block Grant | 14.218 | 012-23010698-CV | 50,000 | - |
| Total Community Development Block Grants/ Entitlement Grants Cluster and U.S. Department of Housing and Urban Development | | | 443,354 | - |
| U.S. Department of Justice | | | | |
| Direct Assistance: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 7,199 | - |
| Equitable Sharing Program | 16.922 | N/A | 7,666 | - |
| Passed-through The Children's Initiative: | | | | |
| Project Safe Neighborhoods | 16.609 | 2019-GP-BX-0134 | 93,309 | - |
| Passed-through The Orange County Sherriff's Department: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 15PBJA-21-GG- 01188-JAGX | 4,890 | - |
| Total U.S. Department of Justice | | | 113,064 | - |
| U.S. Department of Transportation | | | | |
| Passed-Through the California Department of Transportation: | | | | |
| Highway Planning and Construction | 20.205 | HSIPL-2569(028) | 39,264 | - |
| Passed-Through the Orange County Transportation Authority: | | | | |
| Highway Planning and Construction | 20.205 | ORA190913 | 27,029 | - |
| Total U.S. Department of Transportation | | | 66,293 | - |
| U.S. Department of Treasury | | | | |
| Direct Assistance: | | | | |
| Equitable Sharing | 21.016 | N/A | 110,870 | - |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 1,371,749 | - |
| Total U.S. Department of Treasury | | | 1,482,619 | - |
| Total Expenditures of Federal Awards | | | <u>\$ 2,105,330</u> | <u>\$ -</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF PLACENTIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Placentia (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2024. 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 statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards, 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 allowed under the Uniform Guidance.

**CITY OF PLACENTIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|-----------------------|--------------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u> x </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u> x </u> no |

Federal Awards

- | | | |
|---|-----------------------|--------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u> </u> yes | <u> x </u> no |

Identification of Major Federal Programs

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|-------------------------------------|---|
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |

- | | |
|--|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ <u> 750,000 </u> |
| Auditee qualified as low-risk auditee? | <u> </u> yes <u> x </u> no |

**CITY OF PLACENTIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024 – 001: Financial Close and Reporting

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: Audit procedures resulted in the discovery of misstatements, that if not corrected, would cause the City's financial statements to be materially misstated.

Criteria or specific requirement: The City's system of internal controls over financial close and reporting should be designed and functioning to prevent material misstatements to the City's financial statements.

Effect: The following adjustments were recorded to correct the City's financial statements.

- Pension related deferred inflow of resources for government wide governmental activities was adjusted for an overstatement of approximately \$1,467,000.
- Long-term debt for government wide governmental activities was adjusted for an overstatement of approximately \$62,000.
- Approximately \$6,150,000 of completed capital projects were moved from construction in progress to various capital assets being depreciated categories.
- Cash and accounts payable were adjusted by approximately \$461,000 to correct an overstatement in each account balance.
- The Net OPEB liability for the refuse fund was adjusted for an overstatement of approximately \$419,000.
- Other financing sources and capital outlay for the general fund were adjusted to correct an understatement in each account balance of approximately \$1,299,000.

Cause: The issues mentioned above were caused either by user error or the occurrence of a new scenario that had not been encountered previously. For the pension-related deferred inflows, an incorrect line item in the CalPERS reporting for the total instead of the employer portion was mistakenly included in the pension calculation. Additionally, as part of an agreement for constructing three billboards, the company responsible for the billboards made the full payment for the easement associated with one of the structures. As a result, the debt owed to the company was not included in the debt schedule, as the City had been reducing its payments to account for this. Initially, the TOD/Crowther project was not captured, as it was paid by the general fund through ARPA. However, it was later reclassified as a Sewer fund asset. The cash and accounts payable were overstated due to timing differences in the bank, which were carried forward into July. When the net OPEB liability was being calculated, a negative sign was accidentally omitted in the prior year's ending balance. Finally, since the City did not have physical possession of an asset while it was being prepared for service, the financing source for the asset was not recorded initially.

Recommendation: We recommend that City management review the processes and procedures over its financial close and reporting to ensure that proper levels of review and reconciliation of all material account balances are completed.

**CITY OF PLACENTIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (Continued)

Views of responsible officials and planned corrective actions:

The city will continue to develop a more comprehensive year-end checklist, incorporating the items mentioned above to prevent them from recurring. In addition, the city will ensure that only the employer's portion is included when calculating pension activity. The remaining easement debt has been added to the debt schedule and will remain listed until fully repaid. The city will also ensure that any future sewer projects are properly transferred from the general fund to the sewer fund if the general fund has contributed to the asset. As part of the year-end close, the city will make sure that any timing differences at the end of June are resolved. Before finalizing the workpapers, the amounts entered will be verified against the prior year's workpapers, and the backup will be included to ensure consistency. Lastly, the City will review the start date of all debt service agreements, and if the start date is prior to June 30, it will require capital outlay and other financing sources to be properly accounted for.

Section III – Findings and Questioned Costs – Major Federal Programs

None identified.



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