



Federal Awards Reports in Accordance  
with the Uniform Guidance  
June 30, 2024

City of Fontana, California

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**Independent Auditor’s 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 Members of the City Council  
City of Fontana, California

We have audited, in accordance with the auditing standards generally accepted 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fontana (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 March 31, 2025.

Our report included an emphasis of matter paragraph regarding the City’s correction of errors in previously issued financial statements resulting in a restatement of opening balances as of July 1, 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 City’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 certain deficiencies 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'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 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.



Rancho Cucamonga, California  
March 31, 2025



**Independent Auditor’s 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**

To the Members of the City Council  
City of Fontana, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Fontana’s (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 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 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 (*Government Auditing Standards*); 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 the 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 program.

### ***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 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 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.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

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

## **Report on Internal Control over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2025, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding the City's correction of errors in previously issued financial statements resulting in a restatement of opening balances as of July 1, 2023.

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.

*Eide Bailly LLP*

Rancho Cucamonga, California

April 3, 2025



City of Fontana, California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Grant Identification/Pass-Through Identification Number	Expenditures	Amount Passed-through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Direct Assistance:				
Community Development Block Grant/Entitlement Grants	14.218	B-23-MC-06-0565	\$ 2,508,602	\$ -
Community Development Block Grant/Entitlement Grants	14.218	B-20-MW-06-0565	312,939	-
Subtotal Community Development Block Grant/Entitlement Grants Cluster			<u>2,821,541</u>	<u>-</u>
Emergency Solutions Grant	14.231	E-22-MC-06-0565	176,299	162,210
Emergency Solutions Grant	14.231	E-20-MW-06-0565	1,327,111	80,670
Subtotal Emergency Solutions Grant			<u>1,503,410</u>	<u>242,880</u>
HOME Investment Partnerships Program	14.239	M-21-MP-06-0548	39,665	-
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	B-23-CP-CA-0240	4,000,000	-
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	B-23-CP-CA-0240	1,713,502	-
Subtotal Economic Development Initiative, Community Project Funding, and Miscellaneous Grants			<u>5,713,502</u>	<u>-</u>
Healthy Homes Production Program	14.913	CALHD0494-23	60,460	-
Total U.S. Department of Housing and Urban Development			<u>10,138,578</u>	<u>242,880</u>
<b>U.S. Department of Justice</b>				
Direct Assistance:				
Equitable Sharing Program	16.922	n/a	4,758,989	-
Public Safety Partnership and Community Policing Grants (COPS Hiring Grant)	16.710	Grant13025283	30,328	-
Subtotal Direct Assistance			<u>4,789,317</u>	<u>-</u>
Passed through San Bernardino County:				
Edward Byrne Memorial Justice Assistance Grant (2018 JAG)	16.738	2018-DJ-BX-0650	56,440	-
Edward Byrne Memorial Justice Assistance Grant (2019 JAG)	16.738	2019-DJ-BX-0699	53,137	-
Edward Byrne Memorial Justice Assistance Grant (2020 JAG)	16.738	2020-DJ-BX-0476	46,751	-
Edward Byrne Memorial Justice Assistance Grant (2021 JAG)	16.738	15PBJA-21-GG-01185-JAGX	51,447	-
Subtotal Edward Byrne Memorial Justice Assistance Grant			<u>207,775</u>	<u>-</u>
Total U.S. Department of Justice			<u>4,997,092</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through the State of California, Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT22171	81,183	-
State and Community Highway Safety	20.600	PD23029	209,999	-
Subtotal Highway Safety Cluster			<u>291,182</u>	<u>-</u>
Total U.S. Department of Transportation			<u>291,182</u>	<u>-</u>
<b>Federal Highway Administration</b>				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	818000071/823000054	495,756	-
Highway Planning and Construction	20.205	0823000118	197,041	-
Passed through the California Department of Parks and Recreation:				
Highway Planning and Construction	20.205	RT-36-012C	505,410	-
Subtotal Highway Planning and Construction			<u>1,198,207</u>	<u>-</u>
Total Federal Highway Administration			<u>1,198,207</u>	<u>-</u>

City of Fontana, California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Grant Identification/ Pass-Through Identification Number	Expenditures	Amount Passed-through to Subrecipients
<b>Federal Emergency Management Agency</b>				
Passed through San Bernardino County: Emergency Management Performance Grant - 2022	97.042	2022-0005	\$ 20,345	\$ -
Total Federal Emergency Management Agency			<u>20,345</u>	<u>-</u>
<b>U.S. Department of Treasury</b>				
Direct Assistance: Coronavirus State and Local Fiscal Recovery Funds - Covid 19	21.027	n/a	17,332,837	-
Passed through the California Department of Housing and Community Development: Coronavirus State and Local Fiscal Recovery Funds (Home key) - Covid 19	21.027	21-HK-17429	102,482	-
Passed through San Bernardino County: Coronavirus State and Local Fiscal Recovery Funds (pass-through County) - Covid 19	21.027	n/a	<u>1,699,184</u>	<u>-</u>
Subtotal Coronavirus State and Local Fiscal Recovery Funds			<u>19,134,503</u>	<u>-</u>
Direct Assistance: Emergency Rental Assistance Program - 2	21.023	ERAE0059	<u>38,369</u>	<u>-</u>
Total U.S. Department of Treasury			<u>19,172,872</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Passed through the California Governor's Office of Emergency Services: Homeland Security Grant Program - 2021	97.067	n/a	<u>8,342</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>8,342</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 35,826,618</u>	<u>\$ 242,880</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Fontana (City) under programs of the federal government for the year ended June 30, 2024. The information 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 in the schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, as described in Note 1 of the City's financial statements, except for subrecipient expenditures, which are recorded on the cash basis. 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 allowed under the Uniform Guidance.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251
Equitable Sharing Program	16.922
Highway Planning and Construction	20.205
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$1,074,798
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2024-001      Reporting and Closing**  
**Type of Finding:** Material Weakness

*Criteria:*

In order to fairly present the Annual Comprehensive Financial Report (ACFR) in accordance with accounting principles generally accepted in the United States of America, management must perform a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the trial balance and financial report. The year-end closing process should include an appropriate review of all balances to ensure completeness and accuracy of amounts reported within the financial statements.

*Condition:*

The City contracted with Eide Bailly to draft the financial statements. We noted the following during our audit:

- An adjustment in the amount of \$3,786,047 and \$95,876 was recorded to the Governmental Activities and Sewer Operations/Business-Type Activities, respectively to increase the Deferred Outflows of Resources- Pension for contributions to the miscellaneous and safety plan subsequent to the measurement date.
- An adjustment in the amount of \$1,469,508 was recorded to the Governmental Activities to reduce assets capitalized erroneously in the current year.
- An adjustment in the amount of \$4,487,807 was recorded as a Due To/Due From Other Funds in the Grant Fund and General Fund, respectively, to account for short term borrowings between funds.
- An adjustment in the amount of \$10,386,566 was recorded to reduce the opening net position of the Governmental Activities to account for assets erroneously capitalized in prior years.
- An adjustment in the amount of \$757,082 was recorded in the Housing Authority Fund and the Home Program Fund to increase and decrease, respectively, opening fund balance to account for cash erroneously recorded between funds.
- An adjustment in the amount of \$196,985 was recorded in the Housing Authority Fund to increase opening fund balance to account for revenues erroneously recorded in the prior year.
- An adjustment in the amount of \$22,695,094 was recorded to opening net position in the City's OPEB Trust Fund to account for the City's plan assets in accordance with GASB Statement No. 74- *Financial Reporting for Postemployment Benefit Plans*.
- An adjustment in the amount of \$3,739,794 was recorded to increase the Due From Other Governments, Allowance for Doubtful Accounts within the Traffic Congestion Relief Fund.

*Context:*

The condition noted above was identified during testing over various account balances.

*Effect:*

Due to the condition noted above, there is an increased risk that the City's financial statements may not be prepared properly. Material adjustments were necessary to fairly state the financial statements.

*Cause:*

The City has experienced staff turnover during the financial year-end closing period. This turnover impacted the continuity and accuracy of the financial process, leading to challenges in completing necessary adjustments and material reconciliations in a timely manner.

*Recommendation:*

We recommend the City implement year-end closing processes in order to ensure the financials are materially fairly stated.

*View of Responsible Official:*

Management agrees. See separately issued Corrective Action Plan.

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**Section III – Federal Award Findings and Questioned Costs**

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**2024-002**      **Program:** Economic Development Initiative, Community Project Funding, and Miscellaneous Grants  
**Financial Assistance Listing Number:** 14.251  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**Award Year:** 2024  
**Grant Award Number:** B-23-CP-CA-0240  
**Compliance Requirements:** Special Tests and Provisions  
**Type of Finding:** Significant Deficiency in Internal Control over Compliance and Instance of Non-Compliance

*Criteria:*

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal awards in order to provide reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per the *Economic Development Initiative Community Project Funding Grant Guide*, the requirements of Section 3 of the Housing and Urban Development Act of 1968 found at 24 CFR Part 75 apply to all grant recipients that are awarded \$200,000 or more for projects involving housing construction, rehabilitation, or other public construction.

*Condition:*

We identified one (1) project, “Courtplace”, in which Section 3 requirements are applicable to the City. The City was unable to provide supporting documentation to demonstrate that Section 3 requirements were communicated and followed by the applicable project contractor.

*Cause:*

The City did not have effective controls in place to ensure all compliance requirements were met.

*Effect:*

The City is not in compliance with Section 3 of the Housing and Urban Development Act of 1968 found at 24 CFR Part 75.

*Questioned Costs:*

No questioned costs were identified as a result of our audit procedures.

*Context/Sampling:*

A sample of one (1) out of one (1) applicable contractor was selected for testing.

*Repeat Finding from the Prior Year(s):*

No.

*Recommendation:*

We recommend that the City implement additional policies and procedures to ensure that Section 3 of the Housing and Urban Development Act of 1968 found at 24 CFR Part 75 requirements are complied with.

*Views of Responsible Official:*

Management agrees. See separately issued Corrective Action Plan.



**Financial Statement Findings**

Finding No.	Area	Status of Corrective Action
2023-001	Prior Period Adjustment	Not Implemented- See Finding 2024-001

**Federal Awards Findings**

Finding No.	Program	CFDA No.	Compliance	Status of Corrective Action
2023-002	Coronavirus State and Local Fiscal Recovery Funds	21.027	Methods of Procurement	Implemented