
**CITY OF LINCOLN
SINGLE AUDIT AND RELATED REPORTS
FOR THE YEAR ENDED
JUNE 30, 2019**

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**CITY OF LINCOLN
SINGLE AUDIT AND RELATED REPORTS
FOR THE YEAR ENDED JUNE 30, 2019**

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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 City Council
City of Lincoln, 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 Lincoln, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lincoln's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lincoln's internal control over financial reporting (internal control) to determine the 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 of Lincoln's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lincoln'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 determination of financial statement amounts. 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 Lincoln, California's Responses to Findings

City of Lincoln's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Lincoln's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Sacramento, California
December 18, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Lincoln, California

Report on Compliance for Each Major Federal Program

We have audited the City of Lincoln'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 of Lincoln's major federal programs for the year ended June 30, 2019. City of Lincoln'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 of Lincoln'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 of Lincoln'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 of Lincoln's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lincoln, 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, 2019.

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 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

City of Lincoln's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lincoln'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

Management of the City of Lincoln 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 of Lincoln'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 of Lincoln'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 of Lincoln, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lincoln's basic financial statements. We issued our report thereon dated December 18, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
December 18, 2019

**CITY OF LINCOLN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Housing and Urban Development			
Direct programs:			
Community Development Block Grants/Entitlement Grants	14.228	Beginning Loan Balance	\$ <u>460,261</u>
Home Investment Partnerships Program	14.239	Beginning Loan Balance	<u>1,861,273</u>
Total U.S. Department of Housing and Urban Development			<u>2,321,534</u>
U.S Department of Transportation			
Direct programs:			
Airport Improvement Program	20.106	3-32-0120-023-2017	5,670
Airport Improvement Program	20.106	3-06-0120-021-2016	<u>33,602</u>
Total Airport Improvement Program			<u>39,272</u>
Pass-Through State of California Department of Transportation:			
Highway Planning and Construction	20.205	BRLS-5089(021)	71,436
Highway Planning and Construction	20.205	HSIPL-5089(020)	661,409
Highway Planning and Construction	20.205	CML-5089(023)	358,746
Highway Planning and Construction	20.205	CML-5089(025)	9,368
Highway Planning and Construction	20.205	STPL-5089(024)	29,402
Highway Planning and Construction	20.205	HSIPL-5089(026)	198,309
Highway Planning and Construction	20.205	STPL-5089(028)	<u>44,679</u>
Total Highway Planning and Construction			<u>1,373,349</u>
Total U.S. Department of Transportation			<u>1,412,621</u>
Total Expenditures of Federal Awards			\$ <u>3,734,155</u>

**CITY OF LINCOLN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Lincoln. The City of Lincoln reporting entity is defined in Note 1 of the City's Comprehensive Annual Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with 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).

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's basic financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The City of Lincoln has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

NOTE 5: LOANS OUTSTANDING

The programs listed below had the following aggregate federally funded loans outstanding at June 30, 2019:

Federal CFDA Number	Program Title	Amount Outstanding
14.228	Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	\$ 473,257
14.239	Home Investment Partnerships Program	<u>1,755,421</u>
	Total Loans Outstanding	<u>\$ 2,228,678</u>

NOTE 6: INDIRECT COSTS

The City elected not to use the 10% de minimis indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2019.

**CITY OF LINCOLN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
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 section 200.516 of the Uniform Guidance	No
Identification of Major Programs:	
Home Investment Partnerships Program, 14.239	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**CITY OF LINCOLN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II: FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted *Government Auditing Standards*.

Finding 2019-001 Special Assessment Debt Funds (Material Weakness)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

During our audit procedures, we noted cash with fiscal agent reported in two of the City's governmental capital project funds was used as a source of funds in a special assessment bond refunding that was recorded in an agency fund. In addition, we noted cash was moved from an agency fund into two of the City's governmental capital project funds as a reimbursement for past, current and anticipated future expenditures and to clear deficit cash balances in the capital projects funds.

Cause

The City received capital project funding from multiple sources, including special assessment bond proceeds. The City does not have records to support the amount of unused project funds by funding source, and transferred unspent project funds to the agency fund responsible for special assessment bond repayment, and from the agency funds to the City capital project funds.

Effect

Funds that should have been closed or consolidated were not being presented as such. In addition, the City may be improperly reporting agency fund monies as City funds.

Recommendation

We recommend the City enhance their current procedures to reconcile their special assessment debt and related activity (cash with fiscal agent, special assessment revenue, and bond payments) and ensure the funds are recorded in the proper fund. Funds that tracked special assessment debt that have since been refinanced or paid off should be closed. The City should also ensure that each fund's cash balance is sufficient to cover the required bond payments. Transfers between the City's funds and Agency funds should be adequately supported and approved.

Views of Responsible Officials

The City is in agreement with the auditor's recommendation and the reconciliation is in progress. The City began discussions with bond counsel on the complexity of the issues in July of 2019.

**CITY OF LINCOLN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Finding 2019-002 Grant Accounting (Significant Deficiency - Repeat Finding)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements and the schedule of expenditures of federal awards.

Condition

During our evaluation of grant revenues, grants receivables, and grant unearned revenue, the City brought to our attention that grant activity was not properly being recorded as retention related to construction projects were not taken into consideration when reconciling grant activity at year-end.

Cause

The discrepancies were primarily due to a lack of a formal grant management policy in place during majority of the fiscal year. The City created and implemented a formal grant administration policy in the fourth quarter of fiscal year 2018-2019.

Effect

Adjustments were recorded for the grant receivables related to retention from related construction project grants.

Recommendation

We recommend the City maintain proper oversight of the grant administration policy throughout the fiscal year and ensure those reconciling grant activity are aware of proper financial reporting.

Views of Responsible Officials

The City Council is in agreement with the auditor's recommendations. The City Council adopted a grants administration policy that was implemented at the end of the 2018-19 fiscal year. The policy requires involving the finance department from grant application through close out. A new checklist has been created, and is required to be completed by the awarded department and submitted to finance. The City's finance department will be assuming responsibility for maintaining the permanent files which will include, grant agreements and budgets, in addition to reimbursement requests which will be reconciled and verified by finance prior to filing.

**CITY OF LINCOLN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CURRENT YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in section 200.516 of the Uniform Guidance

Finding 2019-003 Federal Grant Procedures Manual (Uniform Guidance Compliance)

Criteria

On May 17, 2017, the Office of Management and Budget (OMB) issued an addendum to Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) allowing nonfederal entities an additional year to implement the Uniform Guidance procurement requirements and the entity must document the decision to utilize the extension.

Condition

The City has not updated the Federal Grant Procedures manual for compliance with the Uniform Guidance as required for fiscal year 2018-19.

Cause

City management was not adequately informed of the Uniform Guidance requirements and implementation dates.

Effect

The City's procurement policies and procedures are not in compliance with the Uniform Guidance.

Recommendation

We recommend that the City review the Uniform Guidance procurement requirements and update the Federal Grant Procedures manual for compliance with the Uniform Guidance.

Views of Responsible Officials

The City is in agreement with the auditor's recommendation. Staff will review the Uniform Guidance procurement requirements and update the City's procurement policies.

**CITY OF LINCOLN
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2019**

Finding 2018-001 Prior Period Adjustments (Material Weakness)

Condition

As part of the year-end close process, the City's financial consultant identified various prior period adjustments. In addition, during the performance of the audit, additional prior period adjustments were identified. Prior period adjustments were related to: developer deposits, grant revenue, unearned revenue, completed projects, capital assets, and accounts receivable.

Recommendation

We recommend the City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree and reconcile to respective account balances prior to the trial balance being provided for the audit.

Status

Implemented.

Finding 2018-002 Financial Close (Material Weakness - Repeat Finding)

Condition

During the performance of the audit, we noted that processes utilized for closing and financial reporting of financial activity for the fiscal year were not effective, which contributed to the delayed accounting close of the City's trial balances and unpreparedness for the audit. Approximately 50 journal entries were proposed and posted subsequent to providing the trial balance for audit. Auditors had to perform additional procedures over testing of account balances after receiving additional journal entries.

Recommendation

We recommend the City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree and reconcile to respective account balances prior to the trial balance being provided for the audit.

Status

Implemented.

CITY OF LINCOLN
SCHEDULE OF PRIOR YEAR FINDINGS (Continued)
JUNE 30, 2019

Finding 2018-003 Capital Assets (Significant Deficiency - Repeat Finding)

Condition

In addition to the material weaknesses noted in 2018-001 and 2018-002, there were various inaccuracies noted in the capital assets schedule.

During our testing of capital assets, we noted the City had not properly reconciled the general ledger balances to the supporting depreciation detail. We recommend the City review its depreciation schedule for mathematical accuracy and perform an asset inventory to ensure all assets are being accounted for properly. We also recommend the City perform a thorough reconciliation of the supporting depreciation schedule to each fund's general ledger.

During our review of the asset detail, we noted an asset totaling \$4,365,752 that was erroneously included as part of construction-in-progress but was not the City's asset. This resulted in a prior period restatement.

During our review of Council minutes, we noted a transfer of land from the Successor Agency to the City in the amount of \$1,798,914 that was approved but was not recorded.

Per our review of the asset detail, we noted several assets that are fully depreciated. We recommend the City perform an inventory to determine if those fully depreciated assets are still in use. If the assets are no longer in use by the City, the assets should be removed from the asset listing.

Recommendation

We recommend the City assess their current supporting schedules for capital assets to ensure 1) they are mathematically accurate; 2) they only include relevant data; and 3) the reconciliations and journal entries are being properly prepared and reviewed.

Status

Partially Implemented. Not consider a significant deficiency for fiscal year 2018-2019. See separately issued management letter.

CITY OF LINCOLN
SCHEDULE OF PRIOR YEAR FINDINGS (Continued)
JUNE 30, 2019

Finding 2018-004 Grant Accounting (Significant Deficiency - Repeat Finding)

Condition

The City's grant revenues, expenditures, and receivables are not being properly reconciled for financial reporting purposes at year-end.

Audit procedures identified a grant that was not presented on the City's grant schedule. It was further identified that \$211,513 of the grant revenue recorded in the current year was actually related to expenditures recorded in the prior fiscal year. This resulted in a prior period adjustment.

As part of audit procedures related to grants, we identified two cash receipts for \$633,604 and \$441,994 received after 60 days that should have been recorded as deferred inflows of resources as opposed to revenue in accordance with the modified accrual basis of accounting.

Recommendation

We recommend the City implement a grants administration policy. With assistance from department heads/grant managers, summarized grant information and program information should be provided to the Finance Department such as:

- Copies of grant agreements and budgets
- Copies of material expenditures with proper approval of coding and application
- Copies of reimbursement requests submitted
- Monitoring of grant cash flow

The Finance Department should then be able to prepare a reconciliation of grant revenues, expenditures, unearned revenues, and receivables for the fiscal year-end.

Status

Partially implemented. See current year finding 2019-002.

Finding 2018-005 Interfund Borrowing (Significant Deficiency - Repeat Finding)

Condition

The City's airport enterprise fund has significant interfund borrowings in the form of due to other funds. As of June 30, 2018, the amount due to other funds totaled \$5,250,000. This balance represents an increase of \$206,829 or 4.17% from the prior year. Amounts exceeding \$5,000,000 have existed as due to other funds in the airport fund for several years. Based on current revenue sources and review of the City's budget, this fund has not demonstrated the ability to repay the interfund borrowing within the subsequent fiscal year. We also noted that a restricted special revenue fund was being used as the offsetting due from account to eliminate this fund's cash deficit. As a restricted, special revenue fund, this transaction represents an ineligible cost.

Recommendation

Per review of the City's budget, it is evident that the airport fund's revenues will not be sufficient to cover general operating costs and may result in subsequent years' cash deficits. We recommend the City implement plans on how the cash deficit will be eliminated in future years and establish a formal interfund loan agreement that is approved by Council. Alternatively, the City may want to consider the possibility of writing-off the amount due and research implications of the write-off.

Status

Implemented.

**CITY OF LINCOLN
SCHEDULE OF PRIOR YEAR FINDINGS (Continued)
JUNE 30, 2019**

Finding 2018-006 Special Assessment Debt Funds (Significant Deficiency)

Condition

Upon reviewing the City's cash balances, we noted that several of the City's funds related to special assessment debt had negative unrestricted cash balances. These funds were being used to wire bond payments to the fiscal agent. Upon further inquiry, it was identified that the related special assessment revenue that was supposed to be used to pay the bond payments were being recorded in a different fund, causing the negative cash balances.

During our audit procedures, we noted that one of the City's governmental capital project funds related to a Community Facilities District transferred out \$123,168 to a special assessment agency fund. The City was not able to provide supporting documentation for this transfer.

Recommendation

We recommend the City enhance their current procedures to reconcile their special assessment debt and related activity (cash with fiscal agent, special assessment revenue, and bond payments). Funds that tracked special assessment debt that have since been refinanced or paid off should be closed. The City should also ensure that each fund's cash balance is sufficient to cover the required bond payments. Transfers between the City's pooled cash and cash with fiscal agent need to be performed in a timely manner.

We recommend the City develop a system to properly track project revenues and expenditures by funding source to ensure that all funds are expended properly.

Status

Not Implemented. See finding 2019-001.

Finding 2018-007 SB 341 Successor Agency Compliance (Compliance - Repeat Finding)

Condition

The City did not post the required annual report for the fiscal year ended June 30, 2018 by the deadline of December 31, 2018.

Recommendation

As noted in recommendations 2018-001 and 2018-002, we recommend the City strive to close the year-end with properly prepared reconciliations within 3 months after year-end in order to complete the annual financial audit and single audit timely.

Status

Implemented.

**CITY OF LINCOLN
SCHEDULE OF PRIOR YEAR FINDINGS (Continued)
JUNE 30, 2019**

Finding 2018-008 Federal Grant Procedures Manual (Uniform Guidance Compliance - Repeat Finding)

Condition

The City did not document the decision to utilize the extension for the implementation of the procurement standards thereby extending the due date to FY 2018/19, however the City has not updated the Federal Grant Procedures manual for compliance with the Uniform Guidance in FY 2017/18.

Recommendation

We recommend that the City review the Uniform Guidance procurement requirements and update the Federal Grant Procedures manual for compliance with the Uniform Guidance.

Status

Not implemented. See finding 2019-003.

Finding 2018-009 Schedule of Expenditures of Federal Awards (SEFA) (Uniform Guidance Compliance)

Condition

The City prepared SEFA did not include the beginning of audit period balance of loans from previous years, expenditures of program income funds and expenditures of CDBG grant funds .

Recommendation

We recommend that the City review the Uniform Guidance regarding preparation of the SEFA to ensure that the proper balances of loans are reported on the SEFA and implement procedures and open communication lines between departments to ensure that all federal expenditures are correctly reported on the SEFA.

Status

Implemented.