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**CITY OF LINCOLN  
SINGLE AUDIT AND RELATED REPORTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**

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**CITY OF LINCOLN  
SINGLE AUDIT AND RELATED REPORTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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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, 2021, 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 17, 2021.

**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) 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 of Lincoln's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln'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 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 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*.

**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.

*Mann, Urrutia, Nelson CPAs*

Sacramento, California  
December 17, 2021



**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, 2021. 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, 2021.

**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, 2021, 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 17, 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.

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.

*Mann, V. Muthia, Nelson CPA's*

Sacramento, California  
December 17, 2021

**CITY OF LINCOLN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass-Through Grantor Program                   | Federal Assistance Listing Number | Pass-Through Entity Identifying Number/Grant Number | Federal Expenditures       |
|--|-----------------------------------|---|----------------------------|
| <b>U.S Department of Housing and Urban Development</b>         |                                   |   |                            |
| Direct programs:   |                                   |   |                            |
| Community Development Block Grants/Entitlement Grants          | 14.228                            | Beginning Loan Balance                              | \$ <u>357,853</u>          |
| Home Investment Partnerships Program                           | 14.239                            | Beginning Loan Balance                              | <u>1,272,594</u>           |
| Total U.S. Department of Housing and Urban Development         |                                   |   | <u>1,630,447</u>           |
| <b>U.S Department of Transportation</b>                        |                                   |   |                            |
| Direct programs:   |                                   |   |                            |
| Airport Improvement Program                                    | 20.106                            | 3-32-0120-024-2020                                  | <u>57,620</u>              |
| Total Airport Improvement Program                              |                                   |   | <u>57,620</u>              |
| Pass-Through State of California Department of Transportation: |                                   |   |                            |
| Highway Planning and Construction                              | 20.205                            | BRLS-5089 (021)                                     | 277,225                    |
| Highway Planning and Construction                              | 20.205                            | CML-5089 (025)                                      | 1,269,612                  |
| Highway Planning and Construction                              | 20.205                            | STPL-5089 (027)                                     | 178,851                    |
| Highway Planning and Construction                              | 20.205                            | STPL-5089 (028)                                     | <u>51,828</u>              |
| Total Highway Planning and Construction                        |                                   |   | <u>1,777,516</u>           |
| Total U.S. Department of Transportation                        |                                   |   | <u>1,835,136</u>           |
| <b>U.S Department of the Treasury</b>                          |                                   |   |                            |
| Direct programs:   |                                   |   |                            |
| COVID-19 - Coronavirus Relief Fund                             | 21.019                            |   | <u>608,924</u>             |
| Total Coronavirus Relief Fund                                  |                                   |   | <u>608,924</u>             |
| <b>Total Expenditures of Federal Awards</b>                    |                                   |   | <b>\$ <u>4,074,507</u></b> |

**CITY OF LINCOLN  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 Annual Comprehensive 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), with the exception of the Coronavirus Relief Funds. See Note 7.

**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, 2021:

| Federal AL<br>Number | Program Title   | Amount<br>Outstanding |
|----------------------|---|-----------------------|
| 14.228               | Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | \$ 423,142            |
| 14.239               | Home Investment Partnerships Program  | <u>1,742,849</u>      |
|                      | Total Loans Outstanding   | <u>\$ 2,165,991</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, 2021.

**NOTE 7: CORONAVIRUS RELIEF FUNDS**

The amount of Coronavirus Relief Funds totaling \$608,924 in the Schedule of Expenditures of Federal Awards is based upon expenditures incurred during the period March 1, 2020 through December 31, 2021.

**CITY OF LINCOLN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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?                     | No            |
| Significant deficiency(ies) identified                | None reported |
| 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:  |               |
| Highway Planning and Construction, AL 20.205   |               |
| Coronavirus Relief Funds, AL 21.019  |               |
| Dollar threshold used to distinguish between type A and type B programs:   | \$750,000     |
| Auditee qualified as low-risk auditee?   | No            |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

|  |      |
|--|------|
| Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted <i>Government Auditing Standards</i> | None |
|--|------|

**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 | None |
|--|------|



**CITY OF LINCOLN  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2021**

**Finding 2020-001 Special Assessment Debt and Capital Project Funds (Material Weakness)**

**Condition**

During our audit procedures, we noted approximately \$14 million of fiscal agent cash being expensed in various City capital project funds. Upon inquiry, it was communicated that the City was transferring unused special assessment debt bond proceeds back to their respective agency funds. The transfer of these funds indicates the City did not properly manage the debt proceeds or related capital projects.

**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, bond payments, and capital projects) and ensure the funds are recorded in the proper fund and being tracked accordingly. Procedures should be developed for the transfer of special assessment bond funds to City capital project funds for the approved capital project. Transfers between the City's funds and Agency funds should be adequately supported and approved.

**Status**

Implemented.

**Finding 2020-002 Capital Assets (Significant Deficiency)**

**Conditions**

The City identified approximately \$1.2 million in capital asset adjustments that needed to be recorded as a prior period adjustment.

During our review of the asset detail, we noted an asset totaling \$152,697 was erroneously double counted on the asset listing.

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.

**Recommendations**

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. Further, the City should ensure their capital asset module reconciles to actual inventory.

**Status**

Recommendation 1: Implemented.

Recommendation 2: Implemented.

Recommendation 3: See separate management letter.