



Management Letter

January 19, 2024

City of Lincoln
600 6th Street
Lincoln, California 95648

In planning and performing our audit of the financial statements of the City of Lincoln (the City) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter dated January 19, 2024, contains our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated January 19, 2024, on the financial statements of the City of Lincoln.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City's responses to the comments identified in our audit are described in the accompanying schedule of control deficiencies and internal control recommendations. The City'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.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

MUN CPAs, LLP

City of Lincoln
Control Deficiencies and Internal Control Recommendations
June 30, 2023

Leases

During our testing of leases receivable and related deferred inflows of resources, we noted the City used an incorrect discount rate for the calculation of one lease. We recommend that the City utilize the proper discount rate when calculating the lease receivable and related deferred inflow of resources.

Management's Response:

City management agrees with this recommendation and this one-time issue has been resolved.

Subscription-Based Information Technology Arrangements (SBITAs)

During our testing of SBITA implementation, we noted the City recorded the beginning balance of SBITA assets and liabilities as expenditures and other financing sources rather than as a change in accounting principle. We recommend the City properly record the impact of the restatement related to the implementation of new accounting standards.

Management's Response:

City management agrees with this recommendation and this one-time issue has been resolved.

Accounts Payable

During our testing of accounts payable, we noted the detail accounts payable schedule did not agree to the balance of accounts payable recorded in the general ledger. We recommend the City reconcile the accounts payable detail schedule to the balance recorded in the general ledger and correct any differences prior to the start of the annual audit.

Management's Response:

City management agrees with this recommendation and will carefully review the AP Aging detail schedule to correct any differences.

Unavailable Revenue

During our testing of unavailable revenue, we noted the City incorrectly recorded unavailable revenue in an internal service fund. We recommend the City only record unavailable revenue in funds that use the modified accrual basis of accounting.

Management's Response:

City management agrees with this recommendation and this one-time issue has been resolved.

Long-term Debt

During our testing of long-term debt, we noted one principal and interest payment was incorrectly recorded as investment revenue. We recommend that all debt service principal and interest payments be properly recorded in expenditure accounts.

Management's Response:

City management agrees with this recommendation and this one-time issue has been resolved.

City of Lincoln
Control Deficiencies and Internal Control Recommendations (Continued)
June 30, 2023

Special Assessment Debt

During our testing of special assessment debt, we noted the amortization schedules provided for one debt issuance did not agree to actual payments made during the fiscal year. We recommend all debt service principal and interest payments be properly recorded and amortization schedules provided properly reflect principal and interest payments made during the year.

Management's Response:

City management agrees with this recommendation and this one-time issue has been resolved.

City of Lincoln
Status of Prior Year Findings
June 30, 2023

Capital Assets (Repeat)

Per review of the capital asset detail schedules and the trial balance to be audited we encountered one asset that had been capitalized as an addition in fiscal year 20/21 was also capitalized as an addition in fiscal year 21/22. We recommend the City review the capital asset schedule for completeness and accuracy and reconcile the capital asset additions to capital outlay recorded in the general ledger to ensure assets are properly capitalized.

Status: No instances noted in CY

Interfund Advances (Repeat)

The City has 7 interfund loans totaling \$18.4 million. Currently only five of the loans have payment schedules and are making payment. The remaining 2 interfund loans totaling \$7.7 million continue to accrue interest and did not have principal payments made in the current year. We recommend the City revisit the payment plans for all interfund loans to determine the likelihood of payoff and alter the payment plans as necessary. The City may want to consider the possibility of writing-off amounts due and research implications of the write-off if it is deemed that insufficient funds are available to fulfill the obligations.

Status: Implemented

Fund Balance – Special Revenue Funds

In accordance with GASB 54, special revenue funds should only remain if specific revenue sources that are restricted or committed are expected to continue to be a substantial portion of the inflows reported in that fund. Per review of fund 250, we noted there had been no activity in the fund for two fiscal years. Upon further investigation, the City noted the remaining cash in this fund should have been applied to other funds. We recommend the City review the special revenue funds and close any funds that no longer meet the definition of a special revenue fund.

Status: Implemented