



Management Letter

March 16, 2026

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, 2025, 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 March 16, 2026, contains our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated March 16, 2026, 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

MUN CPAs, LLP

City of Lincoln
Control Deficiencies and Internal Control Recommendations
June 30, 2025

Classification of Receivable Accounts

During our testing of receivables, we noted items were not recorded in the proper receivable account. For example, property tax receivables were recorded in both accounts and interest receivable accounts. To facilitate and improve account reconciliations, we recommend the City ensure all receivables are consistently recorded in the proper accounts.

Management's Response:

The City agrees with this recommendation, and we will carefully review account reconciliations.

Computer Loan Accounts

During our testing of receivables, we noted credit balances in the employee computer loan receivable account across several funds. Upon discussion, it was determined the loan repayments were recorded in individual funds and not transferred to the General Fund where the original receivable balance is recorded. We recommend the City ensure the repayments collected on the employee computer loans are transferred to the General fund at least quarterly.

Management's Response:

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

Inventory

Upon review of airport inventory, we noted the price used to calculate the inventory value did not include taxes, and erroneously multiplied the cost times the quantity reduction rather than the quantity on hand to calculate the ending balance. We recommend the City ensure the correct cost and quantity are used in the calculation of total inventory.

Management's Response:

The City agrees with this recommendation and will take steps to ensure calculation of inventory.

Accrued Benefits Accounts

During our review of accrued benefits accounts, we inquired and noted the City has been recording items incorrectly and has not properly reconciled these accounts. We recommend the City reconcile the accrued benefits accounts on a monthly basis and post adjustments in a timely manner.

Management's Response:

The City agrees with this recommendation, and we will carefully review account reconciliations.

City of Lincoln
Status of Prior Year Findings
June 30, 2025

Pooled Cash

Upon the City's transition to a pooled cash system, we noted that the claims on cash balances do not agree to the pooled cash balances. However, we noted the difference is not material. We recommend the City review how transactions are processed to reconcile the claims on cash balances to the pooled cash balances and prevent future errors.

Status: Implemented

Transfers

During our procedures over transfers, we noted the City recorded a transaction to transfer cash from one fund to another incorrectly using fund balance rather than transfers in and transfers out. We recommend the City only post adjustments directly to fund balance in accordance with GAAP.

Status: Implemented