



CITY OF DIXON, CALIFORNIA

JUNE 30, 2021

SINGLE AUDIT REPORT

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on YOU



CITY OF DIXON, CALIFORNIA

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INDEPENDENT AUDITORS' 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 Honorable Mayor and Members of the City Council
City of Dixon, 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 Dixon, California, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2021.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify the following deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: 2021-001.



To the Honorable Mayor and Members of the City Council
City of Dixon, California

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 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

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Lance, Solt & Loughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 24, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Dixon, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Dixon (the City), California'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's major federal programs for the year ended June 30, 2021. 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 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.

Basis for Opinion

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; 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 government programs.



To the Honorable Mayor and Members of the City Council
City of Dixon, California

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, 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 government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and 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 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 one 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 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is 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

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



To the Honorable Mayor and Members of the City Council
City of Dixon, California

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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. We did identify the following deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs that we consider that we consider to be a significant deficiency: 2021-002.

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.

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 24, 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.

A handwritten signature in cursive script that reads "Lance, Solt & Loughard, LLP".

Sacramento, California

February 7, 2022 (Except for the Report on Schedule of Expenditures of Federal Awards required by Uniform Guidance, which is dated November 24, 2021)

CITY OF DIXON

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantors DUNS Number	Grant ID Number	Passed-Through to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development					
Passed through the State of California					
Department of Housing and Community Development:					
Community Development Block Grant	14.228	00-399-9680	Program Income	\$ -	\$ 208,759
COVID-19 - Coronavirus Aid Relief, Economic Security Act	14.228	00-399-9680	20-CDBG-CV1-00011	-	279,468
				-	488,227
Passed through the State of California					
Department of Housing and Community Development:					
HOME Investment Partnership Program*	14.239	00-399-9680	Program Income	-	11,485
				-	11,485
Total U.S. Department of Housing and Urban Development				-	499,712
U.S. Department of Transportation					
Passed through the State of California					
Department of Transportation:					
Formula Grants for Rural Areas	20.509	84-088-1648	64BO19-00923 / 64GC17-00483	-	255,311
COVID-19 - Transportation Emergency Relief - Operating Assistance*	20.527	84-088-1648	64VO0-01055	-	305,302
Total U.S. Department of Transportation				-	560,613
U.S. Department of Treasury					
Passed through the State of California					
Department of Treasury					
COVID-19 - Coronavirus Relief Fund*	21.019	17-015-0440	N/A	30,755	246,597
Total U.S. Department of Transportation				30,755	246,597
Total Federal Expenditures				\$ 30,755	\$ 1,306,922

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Passed-Through to Subrecipients	Total Federal Expenditures
Passed through the State of California			
U.S. Department of Housing and Urban Development			
COVID-19 - Coronavirus Aid Relief, Economic Security Act	14.228	\$ -	\$ 279,468
U.S. Department of Transportation:			
COVID-19 - Transportation Emergency Relief - Operating Assistance*	20.527	-	305,302
U.S. Department of Treasury			
COVID-19 - Coronavirus Relief Fund *	21.019	30,755	246,597
Total Coronavirus Emergency Acts Funding		\$ 30,755	\$ 831,367

Federal Loan Beginning Balances with a Continuing Compliance Requirement

Community Development Block Grant	14.228	\$ 144,929
HOME Investment Partnership Program*	14.239	15,591,573
Total Federal Loan Balances with a Continuing Compliance Requirement		15,736,502
TOTAL EXPENDITURES OF FEDERAL AWARDS INCLUDING LOANS		\$ 17,043,424

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

CITY OF DIXON

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

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Dixon under programs of the federal government for the year ended June 30, 2021. The information in this Schedule 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 of Dixon, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Dixon.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. 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. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2: Loan Programs with Continuing Compliance Requirements

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs required servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. Current year transactions relating to these programs are included in the schedule of expenditures of federal awards. In accordance with 2 CFR section 200.502(b), the balance of loan program outstanding at June 30, 2021, are as follows:

CFDA Number	Program Name	Outstanding Balance at June 30, 2021
14.228	Community Development Block Program - Loans	\$ 126,565
14.239	HOME Investment Partnership Program - Loans	15,556,156
	Total Loans Outstanding	<u>\$ 15,682,721</u>

CITY OF DIXON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnership Program
20.527	Transportation Emergency Relief Program
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF DIXON

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Accounts Payable Accruals

Reference Number: 2021-001

Evaluation of finding:
Significant Deficiency

Condition:
Through our search for unrecorded liabilities invoices were identified that related to the current fiscal year under audit but were not properly accrued to that period.

Criteria:
All invoices should be recorded to the proper period based on dates of service

Cause of Condition:
The invoices needing to be accrued were not identified as pertaining to the current fiscal year under audit.

Effect or Potential Effect of Condition:
Expenditures being recorded in the improper accounting period and expenditures and accounts payable being understated.

Recommendation:
We recommend that all invoices paid after the close of the fiscal year be thoroughly reviewed to ensure they are recorded in the proper accounting period prior to being paid.

Management's Response and Corrective Action:
The City agrees with the finding and has created a separate Accounts Payable (AP) checklist to ensure that a review of the fiscal year end is performed during the normal AP review and approval process.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Loan Continuing Compliance Requirements

Reference Number: 2021-002

Evaluation of finding:
Noncompliance/Significant Deficiency

Federal Award Information
CFDA Number: 14.239
Program Title: Home Investment Partnerships
Federal Award Number: Outstanding Loans
Name of Federal Agency: U.S. Department Housing and Urban Development

CITY OF DIXON

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Condition

While the City did not have any new loans within the fiscal year, the City has not performed continuing compliance verification on the existing loans reported on the SEFA.

Criteria or Specific Requirement

According to *Title 24 CFR, Subpart F, Project Requirements, Section 92.254 Qualification as affordable housing: Homeownership, (a)(5) Resale and recapture*, all participating jurisdictions must establish the resale or recapture requirements that comply with the standards of this section. Resale requirements must ensure, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability that the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low-income family and will use the property as the family's principal residence. Except as provided in paragraph (a)(5)(i)(B) of this section, deed restrictions, covenants running with the land, or other similar mechanisms must be used as the mechanism to impose the resale requirements.

Cause of the Condition

The Housing Department at the City has not documented the insurance records received for existing loans or perform annual verification of principal residence.

Effect or Possible Effect

Failure to timely document continuing loan compliance has resulted in noncompliance.

Questioned Costs

No questioned costs were identified (\$0).

Recommendation

Procedures should be implemented requiring the annual verification of principal residence and documentation of insurance records received.

Management's Response and Corrective Action:

The City agrees with the finding and has implemented a process by which the Economic Development and Grants Manager will report the completion of this annual task to the Loan Committee.

CITY OF DIXON

**SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.