



CITY OF DIXON, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SINGLE AUDIT REPORT

Focused
on YOU



CITY OF DIXON, CALIFORNIA
Single Audit Report
For the Fiscal Year Ended June 30, 2023

CITY OF DIXON, CALIFORNIA

Single Audit Report

For the Fiscal Year Ended June 30, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2023.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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 or significant deficiencies may exist that have not been identified.

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*.



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

City of Dixon, California's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 21, 2023



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, 2023. 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, 2023.

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 for each major federal program. 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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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 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. We consider the deficiency in internal control



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

over compliance described in the accompanying schedule of findings and questioned costs as finding 2023-002 to be a significant deficiency.

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.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 21, 2023, 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, Soll & Loughard, LLP".

Sacramento, California

March 8, 2024 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated December 21, 2023)

CITY OF DIXON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the State of California				
Department of Housing and Community Development:				
COVID-19 - Community Development Block Grants	14.228	L4JQPJ7N5NT4	\$ -	\$ 9,674
Total U.S. Department of Housing and Urban Development			-	9,674
<u>U.S. Department of Transportation</u>				
Passed through the State of California				
Department of Transportation:				
Formula Grants for Rural Areas	20.509	UK66CLD4DX71	-	455,435
Total U.S. Department of Transportation			-	455,435
<u>U.S. Department of Treasury</u>				
Passed through the State of California				
Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds*	21.027	RN15SP9CPJE6	-	2,230,817
Total U.S. Department of Treasury			-	2,230,817
Total Federal Expenditures			\$ -	\$ 2,695,926
<u>Federal Loan Beginning Balances with a Continuing Compliance Requirement</u>				
Community Development Block Grant	14.228		\$ 710,859	
HOME Investment Partnership Program *	14.239		15,346,405	
Total Federal Loan Balances with a Continuing Compliance Requirement			16,057,264	
TOTAL EXPENDITURES OF FEDERAL AWARDS INCLUDING LOANS			\$ 18,753,190	

* 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

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, 2023

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, 2023. 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, 2023, are as follows:

<u>AL Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2023</u>
14.228	Community Development Block Grant - Loans	\$ 714,718
14.239	HOME Investment Partnership Program - Loans	15,345,405
	Total Loans Outstanding	<u>\$ 16,060,123</u>

CITY OF DIXON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnership Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference No.: 2023-001 – Final Reconciliation Process

Evaluation of Finding:
Significant deficiency

Criteria:

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Condition:

During the audit various client entries were provided subsequent to the trial balance being provided to begin audit fieldwork, which resulted in significant adjustments.

Accuracy in External Financial Reporting

The year-end closing process did not ensure that account balances were reconciled and accurate in advance of the audit requiring adjusting journal entries to correct the final financial statements. It appears these errors were primarily caused by the trial balance being prepared from data that was not always complete. The more significant entries identified include:

- Adjustments to record assets not properly capitalized.
- Adjustments to reclassify construction-in-progress assets as completed projects.
- Adjustments to record other post-employment benefits (OPEB) as provided by actuarial valuation.
- Adjustments to record leases in accordance with GASB 87.

Cause of Condition:

Yearend closing processes were not completed prior to audit fieldwork.

Effect or Potential Effect of Condition:

Capital Assets and depreciation expenses would have been understated for fiscal year 2023, and overall expenses would have been overstated. OPEB-related assets, liabilities, and expenses would have been understated for fiscal year 2023.

Recommendation:

The City should include in their year-end close process a review of capital assets not being depreciated to ensure they have not been placed in service. The City should review the yearend closing process for potential updates, including review of prior year ending activity per the ACFR to the beginning balances for the fiscal year and a review of capital assets not being depreciated to ensure they have not been placed in service. Additionally, we recommend the preparation of capital assets semi-annually to ensure completeness, timely reconciliation, and accuracy.

Client Response:

The City of Dixon agrees with this finding. A reconciliation of prior year ending balances and current year beginning balances will be conducted to ensure accuracy of financial data. In addition, capital assets will be reviewed semi-annually for CIP, additions and dispositions and recorded accordingly in a spreadsheet to ensure all activity is captured for the fiscal year end process.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference No.: 2023-002 – Program Monitoring
Federal Award Program: 14.239 – HOME

Evaluation of Finding:
Significant deficiency

Criteria or Specific Requirement:

Management is required to establish and maintain effective internal controls over each federal award, allowing management to evaluate and monitor compliance with statutes, regulations, and terms of the federal award, per Uniform Guidance section 200.303 *Internal Controls*.

Condition:

The City has not established internal controls over the program monitoring requirement of this federal award.

Cause of Condition:

The City has engaged third party specialists to oversee this program and its compliance requirements, however, the City has not established and maintained internal controls surrounding the work being completed by the specialists to ensure federal award requirements are being followed.

Effect or Potential Effect of Condition:

Without established controls within the City to review the work performed by the specialist engaged to monitor the federal program the City may be unaware of potential noncompliance with grant requirements, causing noncompliance by the City. If noncompliance occurs, the City could be at risk of reduced funding.

Context:

The City has not established internal controls over the program monitoring requirement of this federal award.

Questioned Costs:

None.

Repeat Finding:

This is a new finding for the fiscal year ended June 30, 2023.

Recommendation:

The City should establish and maintain a review of procedures performed by third party specialists the City has engaged to oversee any federal program, to ensure all appropriate federal award requirements are being implemented and completed.

Management Response and Corrective Action:

The City of Dixon will be hiring an Economic Development Specialist that will oversee this grant program. The Specialist will review the report from the consultant to ensure that all procedures were completed and submitted to the State.

MAYOR STEVEN C. BIRD
VICE MAYOR DON HENDERSHOT
COUNCILMEMBER THOM BOGUE
COUNCILMEMBER JIM ERNEST
COUNCILMEMBER KEVIN JOHNSON



ELECTED CITY CLERK KRISTIN M. JANISCH
CITY TREASURER JAMES P. WARD JR.

**Summary Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022**

No matters were reported.

City of Dixon

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