



CPAs AND ADVISORS

CITY OF DIXON

JUNE 30, 2015

SINGLE AUDIT REPORT

Focused
on YOU



WWW.LSLCPAS.COM

CITY OF DIXON, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2015

CITY OF DIXON
SINGLE AUDIT REPORT
JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1
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 OMB Circular A-133	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2015.....	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2015.....	9
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014.....	12



CPAs AND ADVISORS

**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 City of Dixon, California, (the City) as of and for the year ended June 30, 2015, 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 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. 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 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 the determination of financial statement amounts. 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

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, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Lungard, LLP" on the second line.

Brea, California
November 10, 2015



CPAs AND ADVISORS

**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 OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dixon, California (the City)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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'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's compliance.

Opinion on Each Major Federal Program

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, 2015.





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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. 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

Management of the City 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'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 OMB Circular A-133, 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'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 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. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, which we consider to be a significant deficiency.

The City's response to the internal control over compliance 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.



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

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Dixon, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 10, 2015, which contained an unmodified opinion 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 the purposes of additional analysis as required by OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is written in a cursive style with some printed capital letters for "LLP".

Brea, California

February 4, 2016 (with exception to the report on the schedule of expenditures of Federal Awards which is dated November 10, 2015)

CITY OF DIXON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program	Federal CFDA Number	Pass-Through Entity Identifying Number/Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State of California			
Department of Forestry & Fire Protection:			
Cooperative Forestry Assistance	10.664	7FG14044	\$ 16,360
Total U.S. Department of Agriculture			16,360
U.S. Department of Commerce			
Direct Program:			
Investments for Public Works and Economic Development Facilities *	11.300	0701-06559	189,347
Total U.S. Department of Commerce			189,347
U.S. Department of Housing and Urban Development			
Passed through the State of California			
Department of Housing and Community Development:			
Community Development Block Grants/Entitlement Grants	14.218	13-CDBG-8969 Outstanding Loans	9,038 420,109 429,147
Home Investment Partnerships Program *	14.239	12-HOME-7859 14-HOME-9273 Outstanding Loans	6,793 1,511,606 9,437,817 10,956,216
Total U.S. Department of Housing and Urban Development			11,385,363
U.S. Department of Transportation			
Passed through the State of California			
Department of Transportation:			
Formula Grants for Rural Areas *	20.509	6414113	243,428
Passed through the State of California			
Office of Traffic Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	AL0953	6,135
Total U.S. Department of Transportation			249,563
U.S. Department of Health and Human Services			
Passed through Solano County			
Department of Health and Social Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	00529-12	3,503
Total U.S. Department of Health and Human Services			3,503
U.S. Department of Homeland Security			
Direct Program:			
Staffing for Adequate Fire and Emergency Response (SAFER) *	97.083	EMW-2012-FF-00412 EMW-2012-FJ-00606	9,361 258,670 268,031
Total U.S. Department of Homeland Security			268,031
Total Federal Expenditures			\$ 12,112,167

* 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 was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

CITY OF DIXON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

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 Dixon. The City of Dixon reporting entity is defined in Note 1 of the City's Comprehensive Annual 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 the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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 Dixon 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 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. In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the City has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2015, along with the value of total outstanding and new loans made during the current year.

CITY OF DIXON**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Note 5: Loans Outstanding with Continuing Compliance Requirements (Continued)

The programs listed below had the following aggregate federally funded loans outstanding at June 30, 2015:

Federal CFDA Number	Program Title	Amount Outstanding	
		June 30, 2014	June 30, 2015
14.218	Community Development Block Grants/Entitlement Grants	\$ 420,109	\$ 314,682
14.239	Home Investment Partnerships Program	<u>9,437,817</u>	<u>11,815,704</u>
	Total Loans Outstanding	<u>\$ 9,857,926</u>	<u>\$ 12,130,386</u>

CITY OF DIXON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes no
 - Material weaknesses identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? X yes no
- Material weaknesses identified? yes X 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 Section 510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities
14.239	Home Investment Partnerships Program
20.509	Formula Grants for Rural Areas
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)
Dollar threshold used to distinguish between type A and type B program	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> X yes <input type="checkbox"/> no

CITY OF DIXON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001:

Significant Deficiency – Reporting

Federal Program:

CFDA number: 97.083

Title: Staffing for Adequate Fire and Emergency Response (SAFER)

Federal grantor: U.S. Department of Homeland Security

Grant number(s): EMW-2012-FF-00412 and EMW-2012-FJ-00606

Criteria or specified requirement:

Grant agreements EMW-2012-FF-00412 and EMW-2012-FJ-00606 both contain the following reporting requirements:

"Recipients of a SAFER grant will be required to submit a semi-annual Federal Financial Report (FFR) via the automated system on the Standard Form 425 (SF-425). The FFR, to be submitted using the online e-grant system, will be due semi-annually based on the calendar year beginning with the period after the award is made. Grant recipients will be required to submit an FFR throughout the entire period of performance of the grant. The reporting periods for the FFR are January 1 through June 30 (report due by July 31), and July 1 through December 31 (report due by January 30)."

Condition:

During the course of our audit testwork, it was determined that the FFRs for both grant agreements for the period ending December 31, 2014 were filed on March 17, 2015; the FFR for grant agreement EMW-2012-FF-00412 for the period ending June 30, 2015 was filed on January 28, 2016; and the FFR for the grant agreement EMW-2012-FJ-00606 for the period ending June 30, 2015 was filed on August 19, 2015.

Context:

The City personnel responsible for completing the reports are not purely administrative personnel. They have operational field assignments as well, especially during wildfire season. The city has been operating on a reduced staffing level in the Fire Department for some time, and consequently, some reporting has been delayed.

Effect:

The immediate effect of the condition is that each of the four reports submitted for the fiscal year is considered to have been filed late. A potential effect of the condition is that future awards, amendments, and payment requests may be withheld by the federal agency, if these reports are delinquent.

CITY OF DIXON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Finding 2015-001 (Continued):

Recommendation:

We recommend that the City implement a system of review of the FFRs, by a responsible individual, other than the individual preparing the FFRs, to ensure that they are completed and filed by the deadlines in the grant agreements.

Management's response and corrective action:

The City of Dixon agrees with this finding and will take corrective measures to ensure timely reporting.

CITY OF DIXON

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.