

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

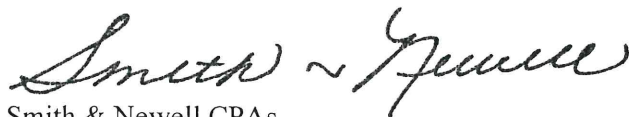
In planning and performing our audit of the financial statements of City of Nevada City, (City) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an 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.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are described in the attached appendix.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. It is our intention to use our knowledge of the City gained during our work to make comments and suggestions that will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

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



Smith & Newell CPAs  
Yuba City, California  
March 5, 2019

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF NEVADA CITY**  
**Appendix A: Management Letter Comments**  
**For the Fiscal Year Ended June 30, 2018**

**CURRENT YEAR FINDING AND RECOMMENDATION**

**Capital Asset Inventory Count**

**Condition**

At the time of our fieldwork we noted that the City had not completed a physical count of capital assets (equipment, etc.) owned by the City for the fiscal year ended June 30, 2018. This is a repeat of a prior year finding.

**Cause**

The City staff did not have enough time to send a list of capital assets (equipment, etc.) to department heads for a physical count during 2017-18.

**Criteria**

Good internal control over capital assets requires that the City periodically conduct a physical count of capital assets owned by the City.

**Effect of Condition**

The risk of lost or misplaced assets owned by the City is increased when a physical count is not completed periodically.

**Recommendation**

We recommend that the City periodically complete a physical count of all moveable capital assets.

**CITY OF NEVADA CITY**  
**Appendix B: Status of Prior Year Recommendations**  
**For the Fiscal Year Ended June 30, 2018**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Capital Asset Inventory Count**

**Prior Year Recommendation**

We recommend that the City periodically complete a physical count of all moveable capital assets.

**Status**

Not Implemented

**Investment Policy**

**Prior Year Recommendation**

We recommend that the City review the investment policy annually and make any revisions and updates as necessary.

**Status**

Implemented

**CITY OF NEVADA CITY**  
**Appendix C: Management's Corrective Action Plan**  
**For the Year Ended June 30, 2018**

**2018-001 Capital Asset Inventory Count**

We recommend that the City periodically complete a physical count of all moveable capital assets.

Responsible Individual: Loree' McCay, Administrative Services Manager

Corrective Action Plan: The Administrative Services Manager will annually visit each department and review the capital asset schedule with each department head at the fiscal year-end. The schedule will be updated with any disposals of assets and add newly acquired assets. The Administrative Services Manager will work toward adding pictures of the City assets to the schedule.

Anticipated Completion Date: Annual reviewing will begin at fiscal year-end June of 2019 and will continue annually moving forward. The Administrative Services Manager will have the asset inventory pictures by the end of the fiscal year 2018/2019.

**THIS PAGE INTENTIONALLY LEFT BLANK**