

**CITY OF NEVADA CITY**

**CITY COUNCIL  
&  
MANAGEMENT REPORT**

**For the Year Ended  
JUNE 30, 2019**

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To the Honorable Members  
of the City Council  
City of Nevada City  
Nevada City, CA

In planning and performing our audit of the basic financial statements of City of Nevada City for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of City of Nevada City's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider material weaknesses, as defined above.

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

We thank City of Nevada City's staff for its cooperation during our audit.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
March 20, 2020

To the Honorable Members  
of the City Council  
City of Nevada City  
Nevada City, CA

We have audited the basic financial statements of City of Nevada City for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 13, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of City of Nevada City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Nevada City are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by City of Nevada City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimate(s) affecting the basic financial statements were:

- Accrual and disclosure of compensated absences;
- Capital asset lives and depreciation expense;
- Actuarial assumptions for pension plan disclosure;
- Accrual and disclosure of leases;
- Fair value of investments and financial instruments.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the misstatements detected as a result of audit procedures and corrected by management most were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 20, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to City of Nevada City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Nevada City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management’s Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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City of Nevada City  
CITY COUNCIL & MANAGEMENT REPORT  
For the Year Ended June 30, 2019

**Current Year Observations**

1) Accounting and Administrative Manual

Observation:

During the course of our audit we noted City of Nevada City (the City) does not have a complete set of written accounting and administrative procedures to follow in the absence of a key employee. In addition, the City has no formal policies for fraud prevention and detection.

Recommendation:

We recommend the City develop written accounting, administrative, and fraud prevention procedures.

2) Cash Receipts Collection Reports

Observation:

During our audit we noted the City's cash receipts reports are not signed by the preparer and reviewer.

Recommendation:

We recommend the City's cash receipt reports be signed by the preparer and reviewer to document their performed duties and the accuracy of the report.

3) Governmental Capital Asset Balances

Observation:

During our audit we noted the City's capital asset amounts for Governmental Activities were not recorded in the City's accounting software but were reported on separate spreadsheets.

Recommendation:

We recommend the City record all transactions in their accounting software to ensure nothing is incomplete or lost.

**Prior Year Observations**

1) Budget Monitoring

Observation:

The prior auditor noted the Measure S funds costs exceeded budget amounts.

Status:

The City is in the process of resolving this observation.

City of Nevada City  
Appendix A: Management's Corrective Action Plan  
For the Fiscal Year Ended June 30, 2019

**2019-01      Accounting and Administrative Manual**

We recommend the City develop written accounting, administrative, and fraud prevention procedures.

Responsible Individual:      Loree' McCay, Administrative Services Manager

Corrective Action Plan:      The Administrative Services Manager will develop a complete set of written accounting and administrative procedures to follow in the absence of a key employee. In addition, the City will also implement policies for fraud prevention and detection.

Anticipated Completion Date:    September 2020

**2019-02      Cash Receipts Collection Reports**

We recommend the City's cash receipt reports be signed by the preparer and reviewer to document their performed duties and the accuracy of the report.

Responsible Individual:      Loree' McCay, Administrative Services Manager

Corrective Action Plan:      The Administrative Services Manager has implemented this recommendation.

Anticipated Completion Date:    Complete

**2019-03      Governmental Capital Asset Balances**

We recommend the City record all transactions in their accounting software to ensure nothing is incomplete or lost.

Responsible Individual:      Loree' McCay, Administrative Services Manager

Corrective Action Plan:      The Administrative Services Manager has implemented this recommendation.

Anticipated Completion Date:    Complete