

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, (the City) as of and for the year ended June 30, 2017, 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
January 31, 2018

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CITY OF NEVADA CITY
Appendix A: Management Letter Comments
For the Fiscal Year Ended June 30, 2017

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

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, 2017.

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 2016-17.

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.

Investment Policy

Condition

At the time of our fieldwork we noted the City had not updated the investment policy since February 26, 2014.

Cause

The City staff has not had time to review the investment policy and make any necessary revisions and updates.

Criteria

The City investment policy should be reviewed annually.

Effect of Condition

The policy may not be current with California Government Code.

Recommendation

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

CITY OF NEVADA CITY
Appendix B: Management's Corrective Action Plan
For the Year Ended June 30, 2017

2017-001 Capital Asset Inventory Count

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

Responsible Individual: Catrina Olson, Interim City Manager and Loree' McCay, Finance and Administrative Analyst

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

Anticipated Completion Date: Annual reviews will begin at fiscal year end June of 2018 and will continue annually moving forward. The Interim City Manager and Finance and Administrative Analyst will have the asset inventory pictured by the end of the fiscal year 2017/2018.

2017-002 Investment Policy

We recommend that the City review the investment policy annually.

Responsible Individual: Catrina Olson, Interim City Manager and Loree' McCay, Finance and Administrative Analyst

Corrective Action Plan: The Interim City Manager and the Finance and Administrative Analyst will annually, prior to calendar year end, review the Investment Policy for any required updates. If updates are necessary the required changes will be made to the policy and brought forward to City Council for approval.

Anticipated Completion Date: The Interim City Manager reviewed the City's Investment Policy and implemented the necessary changes and brought the updated policy forward to City Council on October 11, 2017 for approval. Resolution 2017-71, Updates to the Nevada City Investment Policy was adopted.