

**CITY OF YUBA CITY**  
**MANAGEMENT REPORT**  
**AND**  
**AUDITOR'S COMMUNICATION LETTER**

**June 30, 2009**



**PARTNERS**  
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December 8, 2009

Honorable Mayor and Members of the City Council  
City of Yuba City  
Yuba City, CA

RE: Findings and recommendations resulting from the annual audit of the City of Yuba City for the fiscal year ended June 30, 2009.

Having completed the annual audit of the City's records for the fiscal year ended June 30, 2009, we would like to take this opportunity to bring to your attention a number of our observations, recommendations, and suggestions that we feel are appropriate to be reported at this time. The following are the findings that we feel should be reported to you:

**Internal Control**

1. Finding – Deficiencies in the internal control at the Parks and Recreation Department:  
During the review of internal control, we noted that instructors are allowed to receive registration fee payments from students. In addition, there is no random spot-checking and roll-taking of participants (by a City employee) in the recreation classes.

Effect:

A deficiency in internal control increases the risk that errors and irregularities may occur and go undetected. It adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably, which can lead to a misappropriation of funds.

Recommendation:

We recommend segregating the following duties to the fullest extent possible: the Parks and Recreation main office should receive all payments from students, issue a receipt to the participant, and add the participant to the respective roster. In addition, a supervisor should perform random spot-checking and roll-taking of participants in the recreation classes, to ensure that the roster reconciles to the actual participants in attendance.

City's Response:

The recommendation will be implemented. Limited onsite registrations will take place for two sports camps on two campuses that will be conducted by a City employee to ensure that class instructors are not collecting class fees.

2. Finding – No tally sheet:

During the review of internal control, we noted that tally sheets were not being used at the Gauche Aquatic Park to track the number of paying customers (by fee type/amount) that enter the park. Instead, same colored tickets were being issued to customers.

Effect:

Without a reconciliation of customers (by fee type/amount), it is impossible to reconcile the number of participants to the total amount of receipts collected.

Recommendation:

We recommend that the Gauche Aquatic Park implement the use of a log or tally sheet, to track the number of customers entering the park (by fee type/amount).

City's Response:

The recommendation will be implemented. Different colored tickets will be utilized based on varying fee types for admission.

The findings and recommendations herein noted are of a general nature only and are not to be taken as criticism of current management. Should you wish to have a more detailed explanation or assistance in executing them, we would be happy to be of assistance in any way.

Very truly yours,



Moss, Levy & Hartzheim, LLP  
Beverly Hills, California



**MOSS, LEVY & HARTZHEIM LLP**

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December 8, 2009

Honorable Mayor and Members of the City Council  
City of Yuba City  
Yuba City, California

We have audited the financial statements of the City of Yuba City (City) for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 8, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 22, 2009, 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 accounting principles generally accepted in the United States of America. 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 errors, fraud, or illegal acts may exist and not be detected by us.

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

Significant Accounting Policies

Management has the responsibility for 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 the City of Yuba City are described in Note 1 to the financial statements. We noted no transactions entered into by City of Yuba City during the fiscal year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There were five new accounting pronouncements implemented during the fiscal year, which are all described in Note 1 to the financial statements.

Accounting Estimates

Accounting estimates are an integral part of the 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated historical cost and useful lives of certain capital assets, the funding progress of the CalPERS pension plan, and the Other Postemployment

Benefits actuarial values. Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines, while the funding progress of the CalPERS pension plan and the Other Postemployment Benefits actuarial values are based on consultant estimates. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on City of Yuba City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by City of Yuba City, either individually or in the aggregate, indicates matters that could have a significant effect on City of Yuba City's financial reporting process.

#### Disagreements with Management

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

#### 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 the governmental unit'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 accountants 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.

#### Issues Discussed Prior to Retention of Independent Auditors

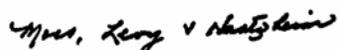
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Yuba City's auditors. However, these discussions occurred in the normal course of our profession relationship and our responses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

#### Difficulties Encountered in Performing the Audit

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

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

Very truly yours,



Moss, Levy & Hartzheim, LLP  
Beverly Hills, California