

**CITY OF BIGGS,
CALIFORNIA**



**MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2009**

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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 Biggs (City) for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 20, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008-09. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate(s) affecting the City's financial statements are depreciation of capital assets and estimated cost of infrastructure assets.

Management's estimate of depreciation is based on estimated or actual historical cost and the useful lives of such assets. We evaluated the key factors and assumptions used to develop depreciation estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. One of the more sensitive disclosures affecting the financial statements was the disclosure of employee retirement plan funding.

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. Items identified as significant deficiencies including those significant deficiencies which are also material weaknesses are identified in the Schedule of Findings and Recommendations. Matters other than significant deficiencies are reported in the separate Management Report.

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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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

Management Representations

We have requested certain representations from management that are included in the management representation letter.

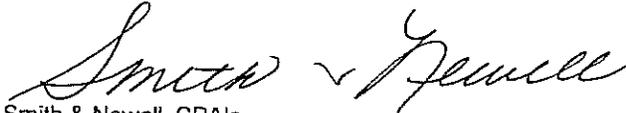
Management Consultations with Other Independent Accountants

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 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 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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell, CPA's
Yuba City, California
February 12, 2010

**CITY OF BIGGS, CALIFORNIA
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

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City of Biggs
Biggs, California

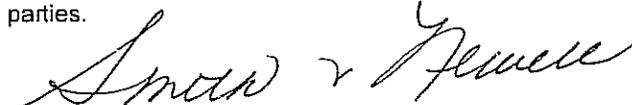
We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Biggs, Biggs, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2010. We conducted our audit 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.

Professional standards require that independent auditors communicate with the City about matters that are important to the City's oversight role. We previously reported on internal control and compliance in our 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 and in our Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 dated February 12, 2010.

However, during our audit we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The following report summarizes our comments and suggestions including immaterial noncompliance and control deficiencies that are not considered significant deficiencies or material weaknesses.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Smith & Newell, CPA's
Yuba City, California
February 12, 2010

CITY OF BIGGS, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009

09-MC-01 FUND CLASSIFICATION

Condition

During our audit we noted that the City classified fund 145, '39 Fire Truck, as an agency fund. However, we further noted that the asset 1939 Fire Truck and related accumulated depreciation had been added to the City's capital asset schedule at June 30, 2009.

Cause

The City is reporting assets held for repair and maintenance of the 1939 Fire Truck in an agency fund, but is reporting the 1939 Fire Truck as an asset of the City.

Criteria

Governmental accounting, including GASB Statement No. 34, requires that fiduciary funds be used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs.

Effect of Condition

The City may be incorrectly reporting the assets held for repair and maintenance of the 1939 Fire Truck in an agency fund.

Recommendation

We recommend that the City analyze fund 145, '39 Fire Truck, to determine the proper classification.

Corrective Action Plan

The accounting staff will analyze fund 145 and determine the proper classification.

**CITY OF BIGGS, CALIFORNIA
MANAGEMENT REPORT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
08-FS-05	<p>EXPENDITURES IN EXCESS OF APPROPRIATIONS</p> <p>Recommendation</p> <p>We recommend that the City review and adjust the budget throughout the year as necessary.</p> <p>Status</p> <p>Implemented</p>

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