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CERTIFIED PUBLIC ACCOUNTANTS

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January 20, 2015

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bell (City) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. As described in Note 1 to the financial statements, the City changed its accounting policies related to debt issuance cost by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the fiscal year is reported in the Statement of Activities and the Statement of Changes in Net Position. We noted no transactions entered into by the City 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of Interfund Allocations in Note 6 to the financial statements identifies the payroll and benefit expenditures that were allocated to the General Fund, the Community Development Block Grant Special Revenue Fund, Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds, based on budgetary amounts and not actual amounts.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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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. These differences are described below. In addition, we detected misstatements as a result of audit procedures, which were material, and were subsequently corrected by management. The details of these misstatements are described in a separate letter dated January 20, 2015.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Correction of Due to/From Balance	$ (111,827)
Gateway of Cities Council Dues expense	45,019
Incorrect void of stale dated check	63,775
Unavailable revenue recorded as current year revenue	13,560
	-
Cumulative effect (before effect of prior year differences)	10,527
Effect of unadjusted audit difference - prior year	-
Cumulative effect (after effect of prior year differences)	$ 10,527

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2015.

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.

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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 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.

Modified Opinion

As discussed in Note 6 to the financial statements, direct payroll and benefit expenditures were allocated to the General Fund, the Community Development Block Grant Special Revenue Fund, Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds, based on budget estimates rather than time spent on the program or function. Accounting principles generally accepted in the United States of America require that such allocations represent reasonable estimates of actual costs incurred. The amount by which this departure would affect the expenditures and fund balances of the General Fund, the Community Development Block Grant Special Revenue Fund, Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds, and the classification of functional expenses in the government-wide statement of activities is not determinable.

Other Matters

We applied certain limited procedures to the budgetary comparison information of the General Fund, the Retirement Special Revenue Fund, the Low and Moderate Housing Special Revenue Fund, the Community Development Block Grant Special Revenue Fund, the Community Housing Authority Special Revenue Fund, and the information on the City's Funding Process, which are 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.

We were engaged to report on combining and individual nonmajor fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2013-2014 audit:

> GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The City properly implemented this pronouncement.
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> GASB Statement No. 66, *Technical Corrections* – The City properly implemented this pronouncement.

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GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB of GASB Statement No.* 25 - The City was not affected by this pronouncement.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - The City was not affected by this pronouncement at this time.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2014-2015 audit and should be reviewed for proper implementation by management:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement no. 27.*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.*

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date.*

Restriction on Use

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

Very truly yours,

Lance, Soll & Lunghard, LLP

Brea, California