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April 15, 2010

To the Honorable Mayor and Members of the City Council  
City of Palm Springs, California

We are engaged to perform a financial audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs for the year ended June 30, 2010. Professional standards require that we communicate with those in governance at various times during the performance of the audit. To comply with these standards, we are providing you with the following information related to our audit.

#### Those in Governance and Management's Responsibilities

The term *those charged with governance* means the person(s) for the City, and its component units, with responsibility for overseeing the strategic direction and obligations related to the accountability of the City and its component units, including overseeing the financial reporting process. Those charged with governance are the governing body of the City and management personnel. Those in governance and management personnel of the City are responsible for:

- 1) The entity's financial statements and the selection and application of the accounting policies.
- 2) Establishing and maintaining effective internal control over financial reporting.
- 3) Designing and implementing programs and controls to prevent and detect fraud.
- 4) Identifying and ensuring that the City complies with the laws and regulations applicable to its activities.
- 5) Making all financial records and related information available to the auditor.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by us or management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our audit of the financial statements does not relieve you or management of your responsibilities.

At the conclusion of our audit, our opinion on the financial statements will be expressed in the financial report of the entity. The financial report will contain the financial statements of the City along with other information prepared by the City (Management Discussion and Analysis, Transmittal Letter and Statistical Information). As to that information, our responsibility is as follows:

- 1) Our responsibility does not extend beyond the financial statements identified in the report.

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- 2) We do not have an obligation to perform any procedures to corroborate other information contained in these documents.
- 3) We will read the other information and generally agree the amounts with those contained in the financial statements; however, that is for consistency purposes only and does not extend our opinion or responsibility to such information.

#### **Planned Scope and Timing of the Audit**

##### **Scope of the Audit**

We will conduct the audit in accordance with generally accepted auditing standards. Those standards require that we obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.

During the audit, we will obtain an understanding of the City of Palm Springs and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, we will communicate to those charged with governance any significant deficiencies that come to our attention.

At the conclusion of our audit, we will communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

##### **Timing of the Audit**

We will be performing the audit in phases which will consist of interim contact(s) during the fiscal year and a year-end contact which will occur after the fiscal year-end.

#### **Future Communication**

While we are utilizing this correspondence to communicate our professional responsibilities to those in governance, we recognize that those that exercise oversight and management of the City are an integral part of the City of Palm Springs's system of internal control as it relates to financial reporting and compliance with laws and regulations. In recognition of that, we wish to establish a two way communication with those in governance. Please feel free to contact the partner-in-charge of your audit, Mr. Richard K. Kikuchi, CPA with any concerns that you may have relating to our engagement with the City of Palm Springs.

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

*Lance, Soll & Loughard, LLP*