Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

City Council
City of Carlsbad, California

COMMUNICATIONS REGARDING INTERNAL CONTROL

In planning and performing our audit of the financial statements of the City of Carlsbad (the "City") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, 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 our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is defined to be a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The matters below conform to this definition:

(1) Prior Period Adjustment

The City of Carlsbad participates in a joint sewer construction project with a neighboring city, Vista. Carlsbad is the lead agency on the project and is reimbursed by Vista for Vista's share of the project, which is based on ownership percentages. In the prior year, Carlsbad recorded as an asset $2,789,791 of construction in progress that should have been recorded as Vista's share of the construction costs. This is an isolated issue limited to the project in question due to the unique funding arrangement for the project. Upon detection by City internal controls, the City recorded a prior period adjustment to make the appropriate adjustment to the City's accounting records.

This communication is intended solely for the information and use of the City Council, management of the City, others within the organization, and agencies that provided federal financial assistance to the District and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
November 11, 2011