

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 Jackson Road, Rancho Murieta, CA 95683

Office - 916-354-3700 Fax – 916-354-2082



FINANCE COMMITTEE

Regular Meeting

June 3, 2015 at 9:00 a.m.

All persons present at District meetings will place their cellular devices in silent and/or vibrate mode (no ringing of any kind). During meetings, these devices will be used only for emergency purposes and, if used, the party called/calling will exit the meeting room for conversation. Other electronic and internet enabled devices are to be used in the “silent” mode. Under no circumstances will recording devices or problems associated with them be permitted to interrupt or delay District meetings.

AGENDA

1. **Call to Order**
2. **Comments from the Public**
3. **Annual OPEB Plan Review**
4. **Annual Audit Engagement Letter**
5. **Directors & Staff Comments/Suggestions [no action]**
6. **Adjournment**

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the District offices during normal business hours. If, however, the document is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is May 31, 2016. Posting locations are: 1) District Office; 2) Plaza Foods; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: May 31, 2016
To: Board of Directors
From: Darlene J. Thiel Gillum, General Manager
Subject: Receive Annual OPEB Plan Review

RECOMMENDED ACTION

No action - receive and file.

BACKGROUND

Rachel Sanders, from Public Agency Retirement Services, will be attending the Committee meeting to present the annual review of our PARS OPEB Trust Program.

MEMORANDUM

Date: May 24, 2016
To: Finance Committee
From: Darlene J. Thiel Gillum, General Manager
Subject: Annual Audit Engagement Letter

RECOMMENDED ACTION

To approve the annual audit engagement letter with Larry Bain, CPA for the 2015-2016 audit.

DISCUSSION

The audit covers the District wide Financial Statements and Community Facilities District 2014-1 (CFD 2014-1) Financial Statements. The not-to-exceed fee for the District and CFD 2014-1 audits is \$13,900 and \$4,000, respectively. The District audit is paid from operating budget and the CFD 2014-1 audit is paid from administration fees collected in the special assessment levy.

Attached is the engagement letter to perform the 2015-16 financial audit for the District and the CFD #2014-1. Larry's proposal anticipates that the audit will commence on September 6, 2016 and that the draft audit report will be issued in October 2016. In keeping with the SCO requirement for audit engagement partner rotation, which is required for the 2018/2019 fiscal year, Larry plans to transition that role to his partner, Susan, for the 2018/2019 fiscal year audit. Larry's transition plan has been approved by his AICPA peer reviewer and it satisfies the SCO audit engagement partner rotation requirement.

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lbain@sbcglobal.net

May 17, 2016

Board of Directors
Rancho Murieta Community Services District
15160 Jackson Road
Rancho Murieta, CA 95683

We are pleased to confirm our understanding of the services we are to provide Rancho Murieta Community Services District for the fiscal years ended June 30, 2016. We will audit the financial statements of the business-type activities and the aggregate discretely presented component units, including the related notes to the financial statements, which comprises the basic financial statements of Rancho Murieta Community Services District as of and for the fiscal years ended June 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Rancho Murieta Community Services District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Rancho Murieta Community Services District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies Rancho Murieta Community Services District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

1) The Schedules of Operating Revenues for the Water, Sewer, Drainage, Solid Waste and Security Funds

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with modified cash basis of accounting. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Rancho Murieta Community Service District's financial statements. Our report will be addressed to governing board of Rancho Murieta Community Services District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the business-type activities of the Rancho Murieta Community Services District and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including 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 deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Rancho Murieta Community Services District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The workpapers for this engagement are the property of Larry Bain, CPA and constitute confidential information. However, we may be requested to make certain workpapers available to regulatory agencies pursuant to authority given to it by law or regulations. If requested, access to such workpapers will be provided under the supervision of Larry Bain, CPA. Furthermore, upon request, we may provide photocopies of selected workpapers to the regulatory agency. The regulatory agency may intend, or decide; to distribute photocopies or information contained therein to others, including to governmental agencies.

We expect to begin our audit on September 6, 2016 and to issue our reports no later than October 2016. Larry Bain is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$13,900 for the District audit and \$4,000 for the CFD 2014-1 audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

We appreciate the opportunity to be of service to Rancho Murieta Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Larry Bain, CPA
An Accounting Corporation

RESPONSE:

This letter correctly sets forth the understanding of Rancho Murieta Community Services District.

By: _____

Title: _____

Date: _____