

# Saddle Creek Community Services District

## Regular Meeting of June 16, 2014

### AGENDA SUPPORTING DATA

#### 8. NEW BUSINESS

- c. Preliminary review of the 2014 independent Audit Report prepared by Larry Bain, CPA

#### Background

California law requires that the District hire a qualified independent auditing firm to perform an annual audit, or test review of our financial statements to ensure that they are prepared in accordance with Generally Accepted Accounting Principles and various government auditing standards. As the Board cannot possibly be heavily involved in, and fully understanding of the daily financial affairs of the District, the Board hires a Manager and authorizes other staff or consultant positions to handle the routine financial matters. The Board adopts policies to guide how budgets are developed, and how money is spent, accounted for and the results reported to the Board. The auditor, working with management and on behalf of the Board will also test portions of the financial transactions to determine compliance with current Board policy.

Larry Bain, CPA was engaged to conduct the audit for the 2014 calendar year, and the draft audit is now being distributed for Board and public review. This agenda item is to receive additional information on the audit, and for its acceptance by the Board in July. Mr. Bain will be in attendance during our July meeting to discuss the audit and answer questions from the Board and public during this meeting.

One of the primary duties of the Board is their fiduciary responsibility with regard to District finances. The Board must establish policies and ensure that the procedures and practices of District management provide the highest level of protection of public funds, and that these funds are invested in appropriate activities and means to achieve the level of service desired by the community, through this Board. The only way for the Board to confirm that this is occurring is to receive accurate and timely financial reporting.

As stated in the draft report, the auditor is not engaged to find every potential flaw in our financial system, but is required to report publicly to the Board if there are material weaknesses or breaches in our financial systems where policy was not followed, or methods were discovered where a substantial risk of fraud, embezzlement or other financial crimes could occur without immediate notice by management and/or the Board. The auditor will also make findings and recommendations for changes to our financial systems if they feel that material weaknesses could occur, or if there are actions that put the District at financial risk.

In Mr. Bain's 2014 Report on Internal Controls Over Financial Reporting, he reports that **no** such **material weaknesses** were **discovered** in his review of our financial statements. By comparing the findings and recommendations from 2013 to 2014, you can see that we have resolved most of Mr. Bain's previously stated concerns. The draft audit, attached, is a testament that we have taken positive

steps throughout the year, and have made a solid choice in our new Bookkeeper, Dolores Baker. Dolores has worked diligently with Larry from her beginning near the close of 2014 to keep him informed and moving on preparation of the audited financial statements, and clarifying any concerns or issues he had.

Once again, I view this audit as a positive reflection of the Board and District management. Rather than presenting a response letter to Mr. Bain's Findings and Recommendations of 2013, your management immediately addressed these concerns directly with changes in Board policy and accounting practices.

**Recommended Motion**

Preliminary review only