

# Saddle Creek Community Services District

## Regular Meeting of August 16, 2016

### AGENDA SUPPORTING DATA

#### 7. DISCUSSION AND ACTION ITEMS

- a. Receive, review and approval to file 2015 fiscal year audit.

#### 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 final draft audit is attached for your review and acceptance. Mr. Bain will be in attendance 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.

As was the case last year in 2014, Mr. Bain once again in the 2015 Report on Internal Controls Over Financial Reporting, states that **no** such **material weaknesses** were **discovered** in his review of our financial statements. By comparing the findings and recommendations from 2013, 2014 and 2015 you can see that we continue to receive findings regarding our lack of segregation of duties (FS -15-1) which is considered insignificant. FS – 15-2 regarding payment of federal unemployment is stated only to show that we have correctly stopped paying this fund. FS – 15-3 is a new finding, but we have a new procedure in place that we have implemented this year with solid success. Lastly, although FS – 15-4 is a new finding, we have also already adjusted our practices to avoid these types of problems in the future. This year, our responses to the draft findings are included in the final audit.

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**

I move to accept and file the 2015 audit.