



Smith Marion & Co. • Certified Public Accountants
Redlands Office • 1940 Orange Tree Lane, Suite 100 • Redlands, CA 92374 • (909) 307-2323

Auditors' Communication with Those Charged with Governance

The Governing Body of
Morongo Valley Community Services District

We have audited the financial statements of Morongo Valley Community Services District (District) as of and for the year ended June 30, 2022 and 2021, and have issued our report thereon dated October 26, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and the State Controller's Minimum Audit Requirements and Reporting guidelines for California Special Districts. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.



Significant Risks Identified

In planning and performing the audit we obtained an understanding of the entity and its environment for the purpose of identifying and assessing the risks of material misstatement as a basis for designing and performing further audit procedures. Certain risks are considered inherent and significant to performing the audit. Those risks and a description of the risk are as follows:

- The risk that management will override internal controls.
Because management is primarily responsible for the design, implementation, and maintenance of internal control, the entity is always exposed to the danger of management override of controls, whether the entity is publicly held, private, not-for-profit, or governmental. When the opportunity to override internal control is combined with powerful incentives to meet accounting objectives, senior management may engage in fraudulent financial reporting. Thus, otherwise effective internal control cannot be relied upon to prevent, detect, or deter fraudulent financial reporting perpetrated by senior management.
- The risk that management will recognize revenue that has not been earned in accordance with GAAP.
Because management is responsible for meeting financial goals and the consequences to management for failing to meet financial goals can be significant, incentives or pressure to commit fraudulent financial reporting may exist when management is under pressure, from sources outside or inside the entity.

In determining if other risks identified are significant, we consider whether a risk is a risk of fraud, is related to recent significant economic, accounting, or other developments that require specific attention, involves complex transactions, involves significant transactions with related parties, has a degree of subjectivity in the measurement of financial information related to the risk and whether the risk involves significant unusual transactions.

We identified the following as additional significant risks of material misstatement used as a basis for performing the audit:

Unrecorded liabilities – The risk that management will not accrue and report all significant liabilities to vendors and employees.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the financial statements. As described in Note 2 to the financial statements, during the year, the entity changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement no. 87 – Leases. There was no cumulative effect due to the adoption of this Statement. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are described below:

Useful lives of capital assets – Management's estimate is based on assumptions about the useful life of capital assets and depreciation methods. We have evaluated the underlying assumptions and methods in determining that they are reasonable in relation to the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

Financial statement disclosures are neutral, consistent and clear

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. The following significant unusual transactions identified as a result of our audit procedures were brought to the attention of management:

We noted no transactions involving complex accounting treatments and regulations, unusually large discounts or returns, circular arrangements, that occurred under contracts whose terms changed before expiration or involved a purpose outside the normal course of business.

Identified or Suspected Fraud

We have identified or have obtained information that indicates that the following fraud may have occurred.

No events or conditions were identified or communicated to us that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.



Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole are summarized below.

Number of immaterial uncorrected statements	Total amount of immaterial uncorrected statements
1	\$5,777

Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

See Adjusting Journal Entry Report

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

No circumstances that affect the form and content of our auditor's report

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 26, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.



Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the individuals charged with governance, and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Smith Marion & Co.

October 26, 2022
Redlands, CA

Client: **1441 - Morongo Valley Community Services District**
 Engagement: **#1441 - A - 06/30/2022**
 Period Ending: **6/30/2022**
 Trial Balance: **10 - Trial Balance**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To correct beginning net assets				
2000	Deferred Revenue		199,943.00	
2325	Payroll Liabilities		1,040.00	
2900	Accrued Vacation			13,372.00
3000	Open Bal Equity			186,581.00
8000	Uncateg → Uncategorized Expense			1,030.00
Total			200,983.00	200,983.00
Adjusting Journal Entries JE # 4				
To remove transfer to/from reserves from deferred revenue				
2000	Deferred Revenue		94,669.00	
4800	Transfer to/from Reserves			94,669.00
Total			94,669.00	94,669.00
Adjusting Journal Entries JE # 103				
To recognize Accrued Vacation				
5005.5003	Wages & Benefits:5003 → Wages - Support Staff		1,239.00	
5006.5206	Fire Operations:Compensation:5206 → Compensation - Captains		7,389.00	
2900	Accrued Vacation			8,628.00
Total			8,628.00	8,628.00
Adjusting Journal Entries JE # 104				
To correct fund balances for rounding				
2100	A/P		1.00	
3000	Open Bal Equity			1.00
Total			1.00	1.00
Total Adjusting Journal Entries			304,281.00	304,281.00
Total All Journal Entries			304,281.00	304,281.00

Section II

SUMMARY AND EVALUATION OF MISSTATEMENTS
AND OMITTED, INACCURATE, OR INCOMPLETE DISCLOSURES

SECTION II: UNCORRECTED MISSTATEMENTS

OPINION UNIT: _____

No.	Workpaper Reference	Description	General Ledger Account			Amount of Known Misstatement	Amount of Likely Misstatement	Assets Debit/(Credit)				Liabilities Debit/(Credit)				Net Position (Debit/(Credit))	Statement of Net Position Debit/(Credit)					Communicated to Management (indicate to whom, date, and by whom)															
			No.	Description	Amount			Total Assets (Sum of Columns J-L)	Long Term Assets	Current Assets	Deferred Outflows of Resources	Long Term Liabilities	Current Liabilities	Deferred Inflows of Resources	Net Position		Results of Operations	Change in Net Position	Other (specify)	Other (specify)	Reserve Position (Sum of cols Q-R)																
1	M010	Accounts Payable	2003	Accounts Payable	80,809.00		5,777.00	-				(5,777)		(5,777)																							
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Effect of Uncorrected Misstatements: Current-Period
Effect of Prior-Period Uncorrected Misstatements
Net Effect of Uncorrected Misstatements

MANAGEMENT REPRESENTATION LETTER

DATE: 10.26.22

Smith Marion & Co.
1940 Orange Tree Lane, Suite 100
Redlands, CA 92374

Ladies and Gentlemen:

This representation letter is provided in connection with your audits of the financial statements of Morongo Valley Community Services District as of and for the year ended June 30, 2022, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the Generally Accepted Accounting Principles of the United States (GAAP).

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

BASIC FINANCIAL STATEMENTS

- ξ We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, for the preparation and fair presentation of the financial statements in accordance with GAAP.
- ξ The financial statements referred to above have been fairly presented in accordance with GAAP and include all proper classifications, required supplementary information, and note disclosure.
- ξ We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- ξ We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- ξ Significant assumptions used by us in making accounting estimates are reasonable.
- ξ Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
- ξ All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed.
- ξ The effects of uncorrected misstatements aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- ξ The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with GAAP.

MANAGEMENT REPRESENTATION LETTER *(continued)*

INFORMATION PROVIDED

- ξ We have provided you with:
- Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- ξ All transactions have been recorded in the accounting records and are reflected in the financial statements.
- ξ We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- ξ We have identified and disclosed to you all information that we are aware of regarding instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.
- ξ We have identified and disclosed to you all information that we are aware of regarding instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- ξ We have disclosed to you all information that we are aware of regarding allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors (contractors), regulators, or others.
- ξ We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- ξ We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- ξ We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves:
- Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.

MANAGEMENT REPRESENTATION LETTER *(continued)*

- § We have disclosed to you all communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- § We have disclosed to you all guarantees, whether written or oral, under which the is contingently liable.
- § We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
- § We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

SUPPLEMENTARY INFORMATION

With respect to the supplementary information accompanying the financial statements:

- § We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- § We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- § The methods of measurement or presentation have not changed from those used in the prior period.
- § When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

NON-ATTEST SERVICES

With respect to the non-attest service(s) provided, we have performed the following:

- § Made all management decisions and performed all management functions;
- § Assigned a competent individual to oversee the services;

MANAGEMENT REPRESENTATION LETTER *(continued)*

- ξ Evaluated the adequacy of the services performed;
- ξ Evaluated and accepted responsibility for the result of the service performed; and
- ξ Established and maintained internal controls, including monitoring ongoing activities.

MATERIAL AUDIT ADJUSTMENTS

We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.

MANAGEMENT REPRESENTATION LETTER *(continued)*

Sincerely,

Morongo Valley Community Services District

Signature: James A. Brakobill

Print Name: JAMES A. BRAKOBILL

Title: FIRE CHIEF