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## **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 (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated February 29, 2024. 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. 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 District 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. In determining if 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 significant risks:

- Management override of controls (required by US GAAS) - Even though internal control over financial reporting (hereinafter referred to as internal controls or simply as controls) may appear to be well-designed and effective, controls that are otherwise effective can be overridden by management in every entity. Many financial statement frauds have been perpetrated by intentional override by senior management of what might otherwise appear to be effective internal controls. Because management is primarily responsible for the design, implementation, and maintenance of internal controls, the entity is always exposed to the danger of management override of controls.
- 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.
- The risk that internal controls will not prevent or detect misstatements related to accounts payable and other liabilities.

Whether due to errors or failures to identify items for proper accrual, accounts payable and other liabilities could be materially understated because transactions were not recorded or accrued in the proper period.

## 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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. 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 fixed assets – Management estimate of useful lives is based on expectation of usefulness of the asset. We evaluated key factors and assumptions used to develop the useful lives in determining that it is 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.

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 February 29, 2024.

### **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 District, 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.

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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.*

February 29, 2024  
Redlands, CA

Client: **1441 - Morongo Valley Community Services District**  
 Engagement: **#1441 - BA - 06/30/2023**  
 Period Ending: **6/30/2023**  
 Trial Balance: **10 - Trial Balance**  
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 6</b>				
To correct beginning balance of net assets				
2000	Deferred Revenue		295,612.00	
2003	Payables		2,215.00	
2325	Payroll Liabilities		847.00	
1206	Other Receivables			1,823.00
2000	Deferred Revenue			664.00
2900	Accrued Vacation			22,000.00
3000	Open Bal Equity			268,957.00
4190	CSD:Income - Other			5,230.00
<b>Total</b>			<b>298,674.00</b>	<b>298,674.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To remove transfers to/from and correct deferred revenue account				
4800	Transfer to/from Reserves		294,689.00	
2000	Deferred Revenue			294,689.00
<b>Total</b>			<b>294,689.00</b>	<b>294,689.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
To post PBC adjustment made after TB was provided for audit				
1300	Prepaid Insurance		4,502.00	
5000.5060	Administration:Utilities:5060 Telephone		228.00	
5000.5083	Administration:Office Expense:Expenses & Supplies		24.00	
5006.5240	Fire Operations:Apparatus:Apparatus Maint. & Repair		10.00	
5006.5241	Fire Operations:Apparatus:Fire Engine Maint. & Repair:Brush Engine 461		963.00	
5006.5249	Fire Operations:Training & Safety:Firefighter Personal Equipment		573.00	
5006.5265	Fire Operations:Operating Supplies:Paramedic Supply & Equipment		267.00	
2003	Payables			5,173.00
2054	Pacific Western Bank #1564			41.00
5000.5065	Administration:Office Expense:Postage			113.00
5000.5080	Administration:Office Expense			23.00
5006.5241.4	Fire Operations:Apparatus:Fire Engine Maint. & Repair:Medic Engine 461			963.00
5006.5260	Fire Operations:Administration:Building Maintenance			10.00
9999	Uncateg Uncategorized Expense			244.00
<b>Total</b>			<b>6,567.00</b>	<b>6,567.00</b>
<b>Total Adjusting Journal Entries</b>			<b>599,930.00</b>	<b>599,930.00</b>
<b>Total All Journal Entries</b>			<b>599,930.00</b>	<b>599,930.00</b>



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

This representation letter is provided in connection with your audit of the financial statements of Morongo Valley Community Services District, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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:

#### **Financial Statements**

- ♥ 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 U.S. GAAP.
- ♥ 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.
- ♥ We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- ♥ Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- ♥ All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- ♥ All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- ♥ The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- ♥ The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- ♥ We have complied with all contractual agreements, grants, and donor restrictions.
- ♥ We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- ♥ We have accurately presented the entity's position regarding taxation and tax-exempt status.
- ♥ The bases used for allocation of functional expenses are reasonable and appropriate.
- ♥ We have included in the financial statements all assets and liabilities under the entity's control.
- ♥ We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.



- ♥ Reclassifications between net asset classes are proper.
- ♥ Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- ♥ With respect to nonattest services described in the engagement letter, we have performed the following:
  - 2 Made all management decisions and performed all management functions;
  - 2 Assigned a competent individual to oversee the services;
  - 2 Evaluated the adequacy of the services performed;
  - 2 Evaluated and accepted responsibility for the result of the service performed; and
  - 2 Established and maintained internal controls, including monitoring ongoing activities.

### **Information Provided**

- ♥ 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, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
  - A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
  - A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- ♥ All transactions have been recorded in the accounting records and are reflected in the financial statements.
- ♥ 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.
- ♥ We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- ♥ 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.
- ♥ 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, analysts, regulators, or others.
- ♥ We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- ♥ We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- ♥ We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.

**Supplementary Information in Relation to the Financial Statements as a Whole**

With respect to supplementary information accompanying the financial statements:

- a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with generally accepted accounting principles
- b) We believe the supplementary information, including its form and content, is fairly presented in accordance with generally accepted accounting principles.
- c) The methods of measurement or presentation have not changed from those used in the prior period
- d) We believe any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- e) 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.

James A. Brubaker GENERAL MGR / FIRE CHIEF  
Name of Chief Executive Officer and Title

02-29-2024  
Date