

**MARINWOOD COMMUNITY SERVICES DISTRICT**

**BOARD & MANAGEMENT REPORT**

**For the Year Ended  
JUNE 30, 2016**

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**R. J. RICCIARDI, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Board of Directors  
Marinwood Community Services District  
San Rafael, California

In planning and performing our audit of the basic financial statements of Marinwood Community Services District for the fiscal year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Marinwood Community Services District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Marinwood Community Services District in implementing the recommendations.

This report is intended solely for the information and use of management of Marinwood Community Services District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Marinwood Community Services District's staff for its cooperation during our audit.

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
January 20, 2017

# R. J. RICCIARDI, INC.

## CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Marinwood Community Services District  
San Rafael, California

We have audited the basic financial statements of Marinwood Community Services District for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 1, 2016 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Marinwood Community Services District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marinwood Community Services District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Marinwood Community Services District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences;
- Capital asset lives and depreciation expense;
- Calculation of unearned revenue;
- Pension plan and postemployment benefit actuarial computations;
- Fair value of investments and financial instruments;
- Marinwood Community Services District's portion of the 1999 Marin Emergency Radio Authority Revenue Bond.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the misstatements detected as a result of audit procedures and corrected by management most were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 20, 2017.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Marinwood Community Services District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Marinwood Community Services District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management’s Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and Board of Directors of Marinwood Community Services District and is not intended to be, and should not be, used by anyone other than these specified parties.

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**Current Year Observations**

1) Bank Reconciliations

Observation:

During our audit of Marinwood Community Services District (the District), we noted the County cash account statement was not reconciled to the general ledger and the statement balance had an irreconcilable difference of approximately \$7,000 with the general ledger. The payroll account reconciliation had an irreconcilable difference of \$6,963.

Recommendation:

We recommend the District consider hiring an outside accountant to perform monthly bank reconciliations and payroll tax return reconciliations.

Response:

In early July, when data was pulled from the County SAP system and imported into the District's new QuickBooks system, both systems reconciled. During the County transition to their new Munis system, several credits were applied in the following months to the District's fund as late as October with a 6/30/16 post date. The County did not provide explanation to the District as to when or why these credits were applied and the multiple individual transactions were challenging to identify and isolate specific to our fund. The District has since forth engaged with a contracted accounting consultant familiar with both accounting systems to perform monthly reconciliations that will be reviewed by the District Manager.

The payroll account is reconciled quarterly and fluctuates in an immaterial amount based on uncashed payroll checks and eventually cancelled warrants.

**Prior Year Observations**

1) Capital Assets

Observation:

During our audit we noted the District has not recorded capital assets and compensated absences account balances on their general ledger. Current threshold for capitalizing and depreciating equipment costs is \$700.

Recommendation:

We recommended the District record the account balances noted above on their general ledger and reconcile the balances to the supporting records periodically. We also recommended the District consider raising their capitalization threshold to \$5,000.

Response:

With the District's prior reliance and utilization of the County's SAP accounting system as the accounting system of record, this information had not been historically maintained within the general ledger as specific to our agency. With the District's transition to an independent QuickBooks system as our accounting system of record, the District will reconcile our general ledger in accordance with the results of this audit.

The District Board of Directors has since forth approved and adopted a formal Capitalization and Depreciation Policy raising the capitalization threshold to \$5,000.

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Status:

This recommendation has been implemented.

2) Accounting and Administrative Manual

Observation:

During the course of our audit we noted the District does not have a complete set of written accounting and administrative procedures to follow in the absence of a key employee. In addition, the District has no formal policies for fraud prevention and detection.

Recommendation:

We recommended the District develop written accounting, administrative, and fraud prevention procedures.

Response:

During the course of the past year, primarily coinciding with the establishment of a newly elected Board of Directors and a recently hired District Manager, the District has indeed created and adopted several key accounting and administrative policies. The Board has designated a Board Director to work directly with staff in the identification and drafting of such policies. This will be a continuous effort in both the creation of new policies and reviewing and revising existing policies as needed. All adopted policies are carefully organized for ease of future reference.

Status:

In Progress, Ongoing.

3) Payroll Tax Return Reconciliation

Observation:

During the course of our audit we noted the District does not reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger.

Recommendation:

We recommended the District reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger on a quarterly basis.

Response:

The feasibility of this recommendation will be explored and potentially implemented with the use the District's stand-alone QuickBooks accounting system.

Status:

In Progress, Ongoing.

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4) Bank Reconciliations

Observation:

During our audit of the District, we noted the preparer and reviewer were not documented on the bank reconciliation. We also noted a Board Member did not review bank statements and related reconciliations periodically.

Recommendation:

We recommended the District's bank reconciliation be signed off by the preparer and reviewer. Due to the District's small administrative staff the monthly bank statements and related reconciliations should be periodically reviewed by a Board member. This will provide oversight of the District's controls over cash.

Response:

The District will note the preparer and reviewer on bank reconciliations. The Board of Directors has assigned a director to perform periodic reviews of bank statements and related reconciliations.