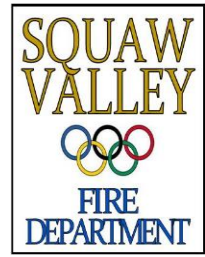




## SQUAW VALLEY PUBLIC SERVICE DISTRICT



### Audit-Additional Services

**DATE:** June 30, 2015

**TO:** District Board Members

**FROM:** Tom Campbell, Finance & Administration Manger

**SUBJECT:** Amended Audit Engagement and Additional Fees

**BACKGROUND:** In June 2012, The Government Accounting Standards Board (GASB) issued Statement 68, which established new reporting requirements for governments that provide their employees with pension benefits, and is effective for fiscal years beginning after June 15, 2014.

On or about March 2013, the District engaged McClintock Accountancy to audit the basic financial statements of the District during fiscal years 2013, 2014, and 2015.

**DISCUSSION:** Resulting from the new GASB 68 financial statement reporting requirements, McClintock Accountancy estimates an additional \$5,000 to perform the required auditing services during the third and final year of the existing engagement. Additional auditing services include census data testing for participants, obtaining and reviewing certain information form CalPERS, and auditing the entries and disclosures related to recording the net pension liability per GASB 68.

**ALTERNATIVES:**

1. Authorize General Manager to execute the amended engagement letter for an additional \$5,000 to perform auditing of net pension liabilities in accordance to GASB 68.
2. Decline authorization to execute the amended engagement letter.

**FISCAL/RESOURCE IMPACTS:** An additional \$5,000 will be allocated between the Fire Department and Utility Enterprise for the additional professional services rendered.

**RECOMMENDATIONS:** Authorize General Manager to execute the engagement letter with McClintock Accountancy as amended.

**ATTACHMENTS:** Amended McClintock Accountancy Audit Engagement Letter (5 pages)

**DATE PREPARED:** June 18, 2015

# McCLINTOCK ACCOUNTANCY CORPORATION

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June 10, 2015

Board of Directors  
Squaw Valley Public Service District  
PO Box 2026  
Olympic Valley, CA 96146

We are pleased to confirm our understanding of the services we are to provide Squaw Valley Public Service District for the year ended June 30, 2015. We will audit the basic financial statements of Squaw Valley Public Service District as of and for the year ended June 30, 2015.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Squaw Valley Public Service District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

As part of our engagement, we will apply certain limited procedures to Squaw Valley Public Service District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and if applicable to the District's financial report, will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary comparison schedules
- 3) GASB-required supplementary pension
- 4) Other Post Employment Health Benefits

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinion. If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the Squaw Valley Public Service District and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of any supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Squaw Valley Public Service District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Audit Administration**

Our understanding is that you will provide us with a set of CPA-compiled financial statements including disclosures prior to commencement of the audit, along with supporting schedules for selected balance sheet accounts and note disclosures, analyses of accounts for selected revenue and expense accounts, and conversion/presentation of GASB 68 amounts in the financial statements and notes.

Our fees for these services will be based on the actual time spent at our standard hourly rates, plus out-of-pocket costs such as report production, typing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. Based on our estimates, the fee will not exceed \$16,000 for the general purpose financial statements described above, including out of pocket costs for report assembly.

Our fee will cover attendance at a meeting of the Board of Directors to present the results of our work, if requested. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Other work performed will be billed separately at our normal hourly rates.

Should Single Audit reports be required the fee would be \$4,000.

We anticipate additional work will be required surrounding the implementation of GASB 68 effective for the year ended June 30, 2015. This work will entail census data testing for participants, obtaining and reviewing certain information from CalPERS, as well as auditing the entries and disclosures related to recording of the net pension liability and related activity. We will track our work separately for this work, and anticipate that the additional fee will not exceed \$5,000.

Squaw Valley Public Service District

June 10, 2015

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We appreciate the opportunity to be of service to Squaw Valley Public Service District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION

You are hereby authorized to proceed with the services outlined above.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date