



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

November 13, 2020

Canebrake County Water District

140 Smoketree Lane
Julian CA 92036

Proposal & Engagement Letter

Dear Board Members:

We are pleased to submit our proposal for the preparation of the annual audit of the **Canebrake County Water District** for the year ended June 30, 2021. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we propose to provide. We will audit the statement of net assets of Canebrake County Water District as of June 30, 2021 and the related statement of revenues and expenses and changes in net assets for the year then ended.

Audit Objective: The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to below when considered in relation to the general purpose financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for the California State Controller's Minimum Audit Requirements for California Special Districts, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement. The document we submit to you will also include the following supplemental information required by generally accepted accounting principles that will be subject to certain limited procedures, but will not be audited: Management's Discussion and Analysis.

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the 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 District complies with applicable laws and regulations.

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. 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 (a) errors, (b) fraudulent financial reporting, (c) misappropriation of assets, or (d) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, generally accepted auditing standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance 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. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as an auditor 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, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. We will also request written representations from the District's attorneys as part of the engagement, and they may bill the District for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management 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 the District's compliance with applicable laws and regulations and the provisions of 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.

State Controller's Report: The State of California requires each special district to file an annual audit report with the County Auditor and the State Controller. Special districts must also file an annual Financial Transaction Report with the State Controller's Office. We will file an electronic report in addition to the audit of the district's financial statements within three weeks of the approval of the audit report by the Board of Directors.

Management Discussion and Analysis Reports: *Government Accounting Standards* require a report on Management Discussion and Analysis (MDA) to be prepared by the District's management and incorporated into the audit report. We will provide assistance with preparation and review of the required MDA report. We will advise you with regard to required information on MDA reports, but the responsibility for the MDA report remains with you.

Audit Documentation: The audit documentation for this engagement is the property of Sonnenberg & Company, CPAs and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to governmental agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Sonnenberg & Company, CPAs personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. The audit documentation for this engagement will be retained for a minimum of seven years after the date the auditor's report is issued. If we are aware that a governmental agency is contesting an audit finding, we will contact the party (ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Engagement, Administration, Fees and Other

Client Preparation: Our proposed fee is budgeted based on certain basic client preparation:

1. Client should provide well-organized financial records for the entire audit year at the start of the audit fieldwork. We will provide a Records Checklist to help you organize your records.
2. Client may be requested to make copies of certain documents for our audit files as listed in bold on our Records Checklist (i.e. year end bank statements, grants, leases, loans, insurance policies, etc.)
3. Client should reconcile all financial statement accounts to bank statements, loan schedules, grants, receivables reports, fixed asset schedules, etc.
4. Client employees may be asked to prepare confirmations for cash, accounts receivable, or accounts payable.

If you are unable to provide this support, the proposed fee may be affected.

Meeting Attendance: We welcome the opportunity to present our reports at a meeting of the Board or Board Committees. In a brief presentation we explain the audit process and reports, highlight significant financial items, explain suggestions we may have, and answer questions regarding non-profit audit, accounting, budget, and related areas. We offer this service at no additional fee.

➤ *Due to Coronavirus (Covid-19), meeting might be limited to an online format*

Professional Fees: Our fee for the audit and State Controller's Report will be **\$3,900**. These fees are based on the following assumptions:

- The overall condition of your financial and accounting records is satisfactory.
- We will receive support from your accounting personnel necessary for the preparation of requested schedules and other supporting documentation before we commence fieldwork.
- There will not be a need for substantial research of any unforeseen technical issues or new accounting or auditing pronouncements in order for us to complete our audit.

Should any additional work be required or requested that exceeds our fee estimate, this work will only be performed if agreed-to by both our Firm and Canebroke District. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

Billing: Our first invoice will be sent shortly before the start of fieldwork and is payable upon receipt. Additional progress bills will be rendered monthly or semi-monthly as work progresses and are payable on presentation.

Additional Services: You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of work and the estimated fee. We also may issue a separate engagement letter. In the absence of any other written communication from us documenting additional services, we will continue to be governed by the terms of this engagement letter.

Electronic: With regard to electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This proposal must be signed and returned to us within 90 days to remain valid. 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 and return to us.

Very truly yours,



Leonard C. Sonnenberg, CPA
Sonnenberg & Company CPAs

This letter correctly sets forth the understanding of Canebrake County Water District and by signing below, we approve the following services:

_____ Audit & State Controller's Report Preparation – FYE June 30, 2021 - **\$3,900**

Signature	Print Name	Title	Date	Phone #
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Preferred Start Date: _____