



**Mission statement of McKinleyville Community Services District:**  
“Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, library services, and other appropriate services for an urban community in an environmentally and fiscally responsible manner.”

**NOTICE IS HEREBY GIVEN THAT A *Special* MEETING OF THE  
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS  
AUDIT AND FINANCE COMMITTEE MEETING  
WILL BE HELD  
TUESDAY, AUGUST 2, 2022 AT 3 P.M.**

**LOCATION: MCSD District Office Conference Room  
1656 Sutter Road  
McKinleyville, CA 95519**

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### **MEETING AGENDA**

1. Introductions & Call to Order
2. Public Comment
3. FY2021-2022 Audit – Review Deliverables, Scope and Role of the Board of Directors

**Posted 10:00 am on August 1, 2022**

*Pursuant to California Government Code Section 54957.5, this agenda and complete packet are available for public inspection on the web at [McKinleyvillecsd.com](http://McKinleyvillecsd.com) or upon request at the MCSD office, 1656 Sutter Road, McKinleyville.*

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# McKinleyville Community Services District

## AUDIT & FINANCE COMMITTEE

August 2, 2022

TYPE OF ITEM: **INFORMATIONAL**

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**ITEM: 3**                      **Review deliverables, scope and role of the Board of Directors for FY2021-2022 audit**

**PRESENTED BY:**            **Nicole Alvarado, Finance Director**

**TYPE OF ACTION:**        **None**

### **Recommendation:**

Staff recommends the Committee review the information provided, discuss and take public comment.

### **Discussion:**

As a public entity the District is subject to an annual external audit of its financials. In June, the audit for FY2021-2022 begun when Fedak & Brown, the District's external auditor began interim testing. Chris Brown, Partner, Fedak & Brown will present to the committee a review of the remaining deliverables, scope and role of the Board of Directors during the FY2021-2022 audit.

### **Alternatives:**

Take Action

### **Fiscal Analysis:**

Not applicable

### **Exhibits/Attachments:**

Attachment 1 – Audit Entrance Communication from Fedak & Brown, LLP



Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Andy Beck, CPA

# Fedak & Brown LLP

Certified Public Accountants

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August 2, 2022

Board of Directors  
McKinleyville Community Services District  
McKinleyville, California

**Dear Members of the Board:**

We are in the process of performing the audit of the McKinleyville Community Services District for the year ending June 30, 2022. Professional Auditing standards recommend that, as a part of our audit, we inquire with those whose duties include oversight of the financial reporting process to ascertain whether or not anyone on the Board of Directors has knowledge of matters that might have a bearing on the auditor's risk assessment for the District's annual audit.

Example of these matters are:

- Known or suspected instances of employee fraud
- Areas in which the internal controls of the District are thought by the Board to be weak
- Known or suspected misstatements in the accounting records of the District
- Known or suspected use of improper accounting practices by the District
- Any awareness of pressure upon the District or District's management with respect to achieving certain financial results
- Matters that warrant particular attention during the audit
- Information about unusual transactions or other matters relevant to the audit

Generally, the scope of the audit is limited to matters involving amounts that would be significant to the financial statements of the District taken as a whole. If additional time is required to respond to the concerns of the Board, we will estimate for the District the costs involved.

Please respond within 45 days from the date of this letter if the Board has any matters to report that meet the above criteria.

Auditing Standards require the auditors to communicate the planned scope and timing of the audit. Additionally, at the conclusion of the audit, we plan to communicate the auditor's responsibilities under generally accepted auditing standards and significant findings from the audit.

**Timing of Audit**

We plan to begin the final audit examination of the District by September 2022. We plan to have the audit complete and finalize the financial statements by December 2022. We will present the results of the audit to you at the completion of our engagement.

**Planned Scope of Audit**

In addition to our standard audit approach, we have identified significant audit risk areas for the District and plan to modify our audit approach as follows:

- Risk of errors associated with recording capital asset additions: As a result of the significance of capital projects we plan to test the most significant capital projects to ensure asset additions are properly recorded and removed from construction in progress when completed. We also plan to test current year depreciation calculations.
- Each year we are required to incorporate an element of unpredictability into our audit approach.

If any member of the Board has information relevant to our audit (matters involving amounts that would be significant to the financial statements of the District taken as a whole), please contact the undersigned at (657) 214-2307 or [Chris@fedakbrownllp.com](mailto:Chris@fedakbrownllp.com).

Very truly yours,



Christopher Brown  
**Fedak & Brown LLP**  
Cypress, California