

AGENDA

**INVESTMENT AND FINANCE COMMITTEE MEETING
LEUCADIA WASTEWATER DISTRICT**

July 9, 2019 – 1:00 PM
1960 La Costa Avenue, Carlsbad, CA 92009

1. **Call to Order**
2. **Roll Call**
3. **Public Comment**
4. **New Business**
 - A. Audit Entrance Meeting with Davis Farr, LLP. (Pages 2-4)
5. **Information Items**

None.
6. **Directors' Comments**
7. **General Manager's Comments**
8. **Adjournment**

MEMORANDUM

Ref: 20-6733

DATE: July 3, 2019
TO: Investment & Finance Committee (IFC)
FROM: Paul J. Bushee, General Manager
SUBJECT: **Audit Entrance Meeting**



RECOMMENDATION:

1. This item is for information purposes.

DISCUSSION:

During April 2016, LWD entered into an agreement with Davis Farr, LLP (Davis Farr) for the purpose of performing financial auditing services for Fiscal Years 2016 through 2018. The agreement allowed for an additional two-year extension. On November 14, 2018, LWD approved an amendment to the agreement for the two-year extension of financial auditing services for Fiscal Years 2019 and 2020.

As a practice and as a part of the auditing process, the IFC typically meets with the District's auditors to discuss the auditing process. Shannon Ayala, CPA of Davis Farr, will be at the IFC meeting to present information about the FY19 audit and discuss items that may be of interest to the IFC. Attached is a copy of their letter (Communication with Those Charged with Governance) which was previously delivered to the full Board of Directors.

rad:PJB

June 27, 2019

Board of Directors
Leucadia Wastewater District

We are in the process of planning the audit of the Leucadia Wastewater District (the "District") for the year ending June 30, 2019.

Professional auditing standards require that, as a part of our audit, we inquire of those in governance to ascertain whether or not the Board of Directors (the "Board") has knowledge of matters that might have a bearing on the auditor's risk assessment for the annual audit of the District's financial statements.

Examples 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 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.

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 meet with the Board to communicate the auditor's responsibilities under generally accepted auditing standards and significant findings from the audit.

Timing of Audit

We began the interim audit procedures in April 2019 and our final audit examination will be in September 2019. We plan to finalize the Comprehensive Annual Financial Report in November 2019. We plan to present the audit reports and results of the audit to the Board of Directors at the completion of the audit.

Planned Scope of Audit

In addition to our standard audit approach, our engagement team plans to expand our testing in the following areas:

- Review of Capital Asset Transactions: We will test a sample of capital asset additions and deletions, as well as construction in progress balances to ensure the underlying journal entries were recorded properly.
- Review of Vendor Contracts: We will review the five largest vendor contracts and test compliance with District Policies.

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 (760) 298-5872 or sayala@davisfarr.com.

Very truly yours,



Shannon Ayala
Davis Farr LLP