



# County of Yolo

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## DEPARTMENT OF FINANCIAL SERVICES

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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*
- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

March 21, 2017

Board of Directors  
Cacheville Community Service District  
P.O. Box 268  
Yolo, CA 95697

Re: Cacheville Community Service District Report on Applied Agreed-Upon Procedures

Dear Board of Directors:

We have performed the procedures enumerated below, which were agreed to by the Cacheville Community Service District, solely to assist the District in assessing the District's ability to keep adequate records to produce financial statements in accordance with generally accepted accounting principles for the period July 1, 2009 to June 30, 2014. The District's management is responsible for the accounting records. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The District's response is provided as an enclosure to this report.

Our procedures and results are as follows:

1. Inquire with District to follow-up on any prior year findings to document the corrective action plans.

**Results:** Cacheville Community Service District had 6 prior year audit recommendations that addressed easement compliance on property for the main water well site, compliance issues on conflict of interest, and internal control weaknesses. The District provided a status response for each of the prior year audit findings. The majority of the prior year findings have been partially implemented. We have included the unimplemented exceptions, as it relates to the procedures performed, within this report.

**Considerations:** None

2. Verify that the Special District Financial Transactions Report agrees to the official records of the District and was properly filed with the State for each fiscal year June 30, within the audit period. (*Government Code 53891*).

**Results:** Cacheville Community Service District Special District Financial Transaction Report (reports) for fiscal years 2009-10 to 2013-14 were prepared by the Department of Financial Services General Accounting Division. The auditors traced the District's account balances from the general ledger to the reports and validated that the reports were transmitted to the State's file transfer protocol before the due date. Procedure performed with no exceptions.

**Considerations:** None

3. Verify that the District's budget and amendments were approved by the governing board and recorded in the general ledger for each fiscal year within the audit period (*Government Codes 61110 & 61111*).

**Results:** Cacheville Community Service District budgets for fiscal years 2009-10 to 2013-14 were prepared by the District and forwarded to the Department of Financial Services General Accounting Division for further processing. The auditors traced the District's budget, as approved by the Board of Directors, to the general ledger and found that the District exceeded its appropriation authority for salaries and employee benefits in the amount of \$302 for the fiscal year ended 2010 and \$3,021 for 2011, and services and supplies in the amount \$3,004 for 2011.

**Considerations:** The District should consider reviewing its monthly ledgers by line item, have the Board of Directors approve an appropriation transfer and submit the correction to the Department of Financial Services General Accounting Division upon occurrence to avoid any budget overruns.

4. Review the District's board minutes to determine that significant transactions including financial contractual agreements as noted in the minutes of the District were properly recorded in the general ledger for each fiscal year within the audit period.

**Results:** The auditors reviewed the District's board minutes from July 2009 through June 2014 to validate transactions and proper recording within the general ledger and review the District's current internal controls and operations as it pertained to each audit procedure. Exceptions are noted at each procedure within this report.

**Considerations:** None

5. Select a sample of expenditures from the District's general ledger to verify the appropriate use for each fiscal year within the audit period.

**Results:** The auditors selected a sample of expenditure transactions from the general ledger and verified that the transactions were reasonable based on the purpose of the District, authorized by the Board of Directors or other authorized official, and supported by adequate documentation for audit purposes. All expenditure transactions agreed to the District records.

In addition, the District contracts for legal, secretarial, and engineering services. However, the contract agreements for services were not provided to the auditor.

**Considerations:** The District should consider establishing an agreement for legal, secretarial, and engineering services that reflects the agreed arrangement between the District and the independent parties.

6. Determine that the payment on the District's general obligation bond has been made before the maturity date for each fiscal year within the audit period.

**Results:** The auditors reviewed the payments on the District's general obligation bond for fiscal years 2009-10 to 2013-14 and verified that the principal and interest payments were made before the maturity date. Procedure performed with no exception.

**Considerations:** None

7. Verify that the Board of Directors has adopted a schedule of fees for the cost of any service which the District provides or the cost of enforcing any regulation for which a fee is charged. (*Government Codes 61115 & 61123*)

**Results:** Cacheville Community Service Board of Directors adopted a fee schedule for water services for residents and the local school. The auditors reviewed the fees established and verified that the amounts were approved by the Directors and authorized by the Government Code. However, a cost analysis (total cost of providing a service to recover only actual costs for setting fees and rates) was not available to support the reasonableness of the established fees and actual costs to provide the services.

**Considerations:** The District should consider reviewing its fee schedule and perform a cost analysis to ensure that the established fees are reasonable, comply with the law, and do not exceed the actual costs to provide the service.

8. Verify that the Board of Directors has adopted a resolution which specifies the policies and procedures governing waivers. (*Government Code 61123*)

**Results:** Cacheville Community Serviced District has not adopted a resolution which specifies the policies and procedures governing waivers. During the audit period, the auditors noted no exceptions of fees waived by the District. Procedure performed with no exceptions.

**Considerations:** None

9. Verify that the Board of Directors has exercised their independent judgment on behalf of the interests of the entire District, held regular meetings and has not exceeded the stipend amount, if applicable. (*Government Codes 61040-61048*)

**Results:** Cacheville Community Service District holds regular monthly meetings on the first Wednesday of every month. The Board of Directors receive \$100 for attending the meeting. Biannually, an exemption from adopting a Local Agency Conflict of Interest Code is filed with Yolo County Counsel and then approved by the Yolo County Board of Supervisors. The auditors validated that the District has held regular monthly meetings, that compensation to the Board of Directors for attending meetings agreed to the Government Code, and that an exemption was filed during the years under review. However, the Directors received compensation for meetings that were cancelled and when Directors were absent from the meeting. Total amount paid to Directors for meetings not attended and cancelled was \$3,100.

**Considerations:** The District should consider reviewing the Government Code to ensure compliance with the law.

10. Perform a fluctuation analysis of all current account balances of the income statement and balance sheet comparing to prior year's actual and current year's budget within the audit period.

**Results:** The auditors performed a fluctuation analysis of all current account balances of the income statement and balance sheet and compared to prior year's actual and current year's budget, and investigated any variances exceeding \$5,000 and/or unusual transactions. The auditors inquired with District management and reviewed the District minutes for explanation of variances. The results are illustrated below:

- Capital Asset Replacement Fund increased by varied amounts as in accordance with the District approved budget
- Water service fees increased by 64%
- Accounting codes reclassified due to new accounting standards

**Considerations:** None

11. Select a sample of revenue transactions for each fiscal year within the audit period to verify that the revenue has been properly accounted for in the District's accounting records and deposited properly within the County treasury.

**Results:** Cacheville Community Service District collects fees for water services. The auditor selected 5 cash receipt transactions from each fiscal year and traced the amounts to the District's records and the general ledger. All revenue transactions tested agreed to the District records and deposited in the County treasury. However, the District had an outstanding receivable balance of \$4,259 that was not recorded in the general ledger at June 30, 2014.

Furthermore, the District does not have written procedures for collecting, recording and reconciling collections for water service fees.

**Considerations:** The District should consider monitoring the accounts receivable balance on a monthly basis and record the outstanding balance in the general ledger. In addition, the District should consider developing written procedures for collecting, recording and reconciling collections for water service fees.

12. Review the last meeting minutes of each fiscal year as well as two other meetings within the audit period to verify that the meeting held was regular, open and public, the agenda was posted 72 hours prior to the meeting, and all discussions were posted to both the agenda and the meeting minutes. (*Government Codes 54950-54963*)

**Results:** The auditors examined 7 agendas and meeting minutes. The agenda notices were publicly noticed at the Yolo Post Office, 14138 2<sup>nd</sup> St., Yolo, California and posted within 72 hours prior to the meetings with the exception of 2 agendas posted less than 48 hours. Quorum was met as required by the code. The meeting minutes agreed to the agenda items; except for, 4 meetings where the board approved actions not appearing on the posted agendas and no supporting documentation for urgent business.

**Considerations:** The District should consider reviewing the Brown Act to ensure compliance with the law.

We were not engaged to, and did not; conduct an audit, the object of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such as opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is prepared for use by the Cacheville Community Service District Management, the Board of Directors, Department of Financial Services and Yolo County Board of Supervisors. However, it may be distributed to other interested parties.

We appreciate the professional responses provided by the District's management and the Board of Directors to our requests for information.

Sincerely,



Mary E. Khoshmashrab, MSBA, CPA  
Internal Audit Manager  
County of Yolo

Enclosure (2)

cc: Supervisor Duane Chamberlain, Yolo County District 5  
Patrick Blacklock, Yolo County Administrator  
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

**Schedule of Prior Year Findings**

Summarized below is the current status of all audit findings reported in the Cacheville Community Service District Final Agreed Upon Procedures report dated June 23, 2010:

Finding Title	Finding Description	Status of Corrective Action
Easement compliance	Removed by auditor	Not applicable
Independent contractor determination	Review Internal Revenue Service considerations and 20 factors in determining the District's clerk working relationship.	Implemented
Potential conflict of interest	Removed by auditor	Not applicable
Appropriation authority exceeded	Review monthly ledgers and submit appropriations transfer to the Auditor-Controller's Office.	Not Implemented
Procedures on handling collections for water service fees	Develop written procedures for collecting, recording, and reconciling collections for water service fees.	Not Implemented
Endorsement of checks	Purchase a stamp to endorse checks immediately upon receipt from the customer to avoid misappropriation of checks.	Implemented