



Smith Marion & Co. • Certified Public Accountants
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Auditors' Communication with Those Charged with Governance

The Governing Body of
Morongo Valley Community Services District

We have audited the financial statements of Morongo Valley Community Services District (Agency) as of and for the year ended June 30, 2021, and have issued our report thereon dated January 24, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.



Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are described below:

Allowance for doubtful accounts – Management estimate of allowance for doubtful accounts is based on historical collections data and amounts collected soon after year-end. We evaluated key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements.

Useful lives of fixed assets – Management estimate of useful lives is based on expectation of usefulness of the asset. We evaluated key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to:

Contingencies and Commitments

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.



Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

See Adjusting Journal Entry Report

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the individuals charged with governance, and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads 'Smith, Marion & Co.' in a cursive script.

January 24, 2022
Redlands, CA

Client: **1441 - Morongo Valley Community Services District**
 Engagement: **#1441 - A - 06/30/2021**
 Period Ending: **6/30/2021**
 Trial Balance: **10 - Trial Balance**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 101				
To clear balance in transfer to/from reserves				
		W031		
2000	Deferred Revenue		199,943.00	
5241	Fire Operations:Apparatus:5241 → Fire Engine Maint. & Repair:BE461 → Brush Engine 461		35,000.00	
4800	Transfer to/from Reserves			234,943.00
4101	CSD:4101 → Community Donations			
Total			234,943.00	234,943.00
Adjusting Journal Entries JE # 104				
to recognize accrued vacation				
		M10		
5004	Wages & Benefits:5004 → Wages - Parks		2,214.00	
5004	Wages & Benefits:5004 → Wages - Parks		8,849.00	
5207	Fire Operations:Compensation:5207 → Compensation - Chief		2,309.00	
2900	Accrued Vacation			13,372.00
Total			13,372.00	13,372.00
Total Adjusting Journal Entries			248,315.00	248,315.00
Total All Journal Entries			248,315.00	248,315.00

