

## *COLLINS ACCOUNTANCY COMPANY*

---

620 THIRD STREET, SUITE 120  
POST OFFICE BOX 426  
LINCOLN, CALIFORNIA 95648-0426  
TELEPHONE: (916) 626-4984

LINDA FOSTER, CPA, MS TAX  
CRAIG D. COLLINS, CPA  
WEBSITE: [HTTP://WWW.COLLINSACCT.COM/](http://www.collinsacct.com/)

July 22, 2019

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
VIA E-MAIL: [sragdale@sjgov.org](mailto:sragdale@sjgov.org)

Dear Ms. Ragsdale:

We are pleased to confirm our understanding of the consultation you have requested that we provide to the Mountain House Community Services District (the "District") beginning July 2019 and to clarify the nature and extent of this engagement.

### **Objectives of the Engagement**

The objectives of the engagement are to assist management in developing, evaluating, and/or performing the specific accounting procedures requested by management. The purpose of the assistance will be to provide support to management in performing certain aspects of the District's accounting functions, but not to assume overall responsibility for the District's accounting operations. We anticipate performing the following types of tasks, which may be adjusted or modified as the engagement progresses:

1. Assist the District with responses to auditor questions and requests on its 2018-2019 fiscal year audit
2. Complete analysis of utility revenue and receivables for the 2018-2019 fiscal year and develop templates and procedures for recording utility activity on an ongoing basis
3. Serve on interview panels for new staff as requested
4. Implement accounts receivable, fixed assets, and project accounting modules within Tyler using information provided by management.
5. Develop written procedures designed to ensure consistent use of those modules by employees, and develop or update procedures manuals for other accounting areas.
6. Work to close out old purchase orders within Tyler without causing the addition of unencumbered funds back to the budget.
7. Work with Tyler and District staff to implement the new chart of accounts.
8. Provide other technical assistance as requested and agreed upon by us.

The objectives are subject to revision, depending on funding priority and availability to perform work.

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
July 22, 2019  
Page 2 of 6

### **Our Responsibilities**

These services are limited to the objectives described above. The engagement involves review of the documents you submit to us, discussions with you, e-mails to you, and preparation of documents for your review. Due to the limited information presented to us from you and the limited amount of time we will spend together, our consulting services are general in nature, based on limited facts, circumstances and documents, and are not intended to provide assurance like the assurance provided with an audit or review engagement. We will not audit or review your financial statements or the underlying financial data.

This engagement is substantially less in scope than an audit or examination under generally accepted auditing standards, and may involve compilation procedures. A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. In performing compilation procedures, we will utilize information that is your representation without undertaking to obtain and provide any assurance that there are no material modifications that should be made to the financial statements in order for the financial statements to be in conformity with generally accepted accounting principles. Accordingly, we will not issue a report, provide any assurance, or express an opinion on the District's account balances, financial statements or underlying financial data, or the District's internal control system, as to do so would require substantially more time than simply performing the engagement described above. We will, therefore, disclaim an opinion on the financial statements. Had we performed additional procedures, further matters may have come to our attention that we would have reported to you.

A compilation is limited to presenting in a form of financial statements, information that is the representation of management. You acknowledge this representation.

During the course of this engagement, we may compile financial statements for you. To the extent that our assistance with the financial statements rises to the level of a compilation, we will be responsible for conducting the engagement in accordance with SSARS issued by the American Institute of Certified Public Accountants and for providing you with a compilation report once complete, if requested and the financial statements are to be provided to third parties. Our report, if issued, will disclose that we are not independent of the District due to our involvement in the District's accounting system. We will coordinate the extent of the assistance based on the level of need of District staff and our availability to provide the assistance.

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
July 22, 2019  
Page 3 of 6

Management agrees that each page of the financial statements prepared without a compilation report will contain a statement that no assurance is expressed. Without this statement, we will be required to issue a disclaimer to the same effect to be attached to the financial statements. When prepared under these requirements, we are responsible for conducting the engagement in accordance with the Statements of Standards for Accounting and Review Services (SSARSS) promulgated by the Accounting and Review Services Committee of the AICPA and complying with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care. Management acknowledges and understands that our role in the financial statement preparation engagement is to prepare financial statements in accordance with the desired accounting framework. Management has overall responsibilities that are essential to our undertaking the engagement for preparation of your financial statements, as defined under "Your Responsibilities," below.

Management has knowledge about the nature of procedures applied and the basis of accounting and assumptions used in the financial statements. You have also been informed of the limitations on the engagement in this letter. When preparing interim financial statements for your review, substantially all disclosures and the statement of cash flows may be omitted, so that the format of the financial statements can be better tailored to the needs of users and time is not spent creating content that users do not require. However, it is important that we inform you that such disclosures and a statement of cash flows may be required in order for the presentation to comply with generally accepted accounting principles. In addition, other material departures from generally accepted accounting principles could exist without the impact of these departures being disclosed in the financial statements.

Because of the limitations of our consulting services, our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. Consequently, there is a risk that that material errors, irregularities, or illegal acts, including fraud or defalcation, may exist and may not be detected by us. However, we will inform the appropriate level of management of any material errors or indications that fraud or illegal acts may have occurred that come to our attention during the performance of our compilation procedures, if a compilation under SSARS is requested. We need not report any matters regarding illegal acts that may have occurred that are clearly inconsequential and may reach agreement in advance with you on the nature of any such matters to be communicated.

### **Your Responsibilities**

You are responsible for

- ◆ The selection of the financial reporting framework to be applied in the preparation of financial statements.
- ◆ The preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
July 22, 2019  
Page 4 of 6

- ◆ Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, including but not limited to the implementation of any corrective actions necessary to resolve audit findings.
- ◆ Preventing and detecting fraud.
- ◆ Identify and ensuring that the entity complies with the laws and regulations applicable to its activities
- ◆ Ensuring the accuracy and completeness of the records, documents, explanations, and other information, including the significant judgments provided by management for the preparation of financial statements.
- ◆ Providing us with
  - access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - additional information that we may request from management for the purpose of the engagement, and;
  - unrestricted access to the persons within the entity of whom we determine it necessary to ask questions.

Our services may assist you in fulfilling the responsibilities noted above, but the responsibility for deciding whether or not they are sufficient rests with you.

Although we may propose journal entries and make other recommendations during the course of our engagement, our services are not intended to be a substitute for management. You acknowledge your responsibility for evaluating our services, making all management decisions and performing management functions, and for approving the results of the services and taking responsibility for them. Our involvement in performing the functions as described above could impair our independence with respect to the District. Independence is required for performing audits or other attest services.

### **Engagement Administration**

In the course of performing our duties under this agreement, it may be necessary for us to release information about the District to external parties, including but not limited to oversight authorities and external auditors. You authorize us to release information about the District where we deem it appropriate in our professional judgment or at your request.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail and otherwise transmit information about the District via the Internet, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
July 22, 2019  
Page 5 of 6

Our firm may transmit confidential information that you provided us to third parties that we retain in order to facilitate delivering our services to you. For example, such transmissions might include, but not be limited to providing information for outside services by data processing and professional staff who work as independent contractors for us. With the exception of internet providers subject to the risks discussed in the preceding paragraph, we will ensure we have a confidentiality agreement with any service providers we have retained to assist us in delivering service to you and with whom we share your confidential information, and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Craig D. Collins, CPA is the engagement partner and is responsible for supervising the engagement. Craig will not be required to perform all services under this engagement, but will supervise where necessary. Our fee for the services described above will be \$100 per hour plus reimbursement for travel and meal expenses, excluding mileage, up to the applicable federal per diem rates. Invoices will be rendered not more than monthly during the engagement. Payment will be due within 30 days of the invoice date. Total charges under this agreement will not exceed \$50,000 without your prior written approval for an increased amount. This does not represent an estimate of the total cost for the objectives enumerated above. If we reach \$50,000 in total charges under this agreement, we will not be responsible for performing additional work beyond what has been completed at that time unless and until a revised agreement between us is reached.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration District under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

The District and Collins Accountancy Company both agree that any dispute over fees charged by us to the District will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

We appreciate the opportunity to be of service to the District. We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us

Ms. Sarah Ragsdale, Interim General Manager  
Mountain House Community Services District  
July 22, 2019  
Page 6 of 6

know. If you agree with the terms of our engagement as described in this letter, please sign a copy and return it to us.

Very cordially yours,

Craig D. Collins, CPA  
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Mountain House Community Services District.

Signature:           Sarah Ragsdale          

Printed Name:           SARAH RAGSDALE          

Date:           7/22/2019