

**BAYSHORE SANITARY DISTRICT**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**BAYSHORE SANITARY DISTRICT**

Management Report  
For the Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
Introduction.....	1
Required Communication .....	2-4

Board of Directors of the  
Bayshore Sanitary District  
Brisbane, California

In planning and performing our audit of the financial statements of the Bayshore Sanitary District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We thank the District's staff for its cooperation on this audit.

Fechter & Company, Certified Public Accountants



September 9, 2015  
Sacramento, CA

## **BAYSHORE SANITARY DISTRICT**

Required Communications  
For the Year Ended June 30, 2014

### **The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Internal Control Considerations at a Small Entity**

At most small to mid-sized entities, internal controls cannot be designed to guarantee absolute assurance against fraud or abuse due to the lack of resources to properly segregate duties. However, even in smaller entities there are a number of procedures which can be performed in order to assist the District both analyze its finances and protect against the risk of fraud:

- An individual independent of the bookkeeping function should review the bank reconciliations on a monthly basis.
- Checks should be signed by a person independent of the bookkeeping and preparation process.
- The board of directors should review the District's financial statements on a monthly basis. This would include a balance sheet, a profit & loss statement, and a budget to actual statement.

## **BAYSHORE SANITARY DISTRICT**

Required Communications  
For the Year Ended June 30, 2014

- Individuals responsible for reviewing the financial information should exercise “professional skepticism” for the information presented. Staff should be questioned about major changes from expectations and changes from the prior year.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s 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 significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Capital asset lives and depreciation expense

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of financial statements. An audit adjustment may or may not indicate matters that could have a significant effect on the District’s financial reporting process. The following audit adjustment, made by us on an annual basis, indicates a matter that could have a significant effect on the District’s financial reporting process:

- Posting current year depreciation expense
- Posting year-end accounts payable
- Reconciling net assets with previous periods

### **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 that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **BAYSHORE SANITARY DISTRICT**

Required Communications  
For the Year Ended June 30, 2014

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.