

Monterey Park Tract Community Services District

PO BOX 1301, Ceres, CA 95307

September 25, 2013

The Honorable Loretta Murphy Begen, Presiding Judge
Stanislaus County Superior Court
P.O. BOX 3488
Modesto, CA 95353

Re: Response to Grand Jury Report 13-02C

Dear Judge Begen,

The Monterey Park Tract Community Services District is in receipt of the Stanislaus County Civil Grand Jury's letter dated June 17, 2013, including the Case 13-02C. This letter serves as response from Monterey Park Tract Community Services District pursuant to Penal Code § 933.05 of the findings and recommendations in said letter which to pertain to matters under the control of the Monterey Park Tract District Board.

Findings & Recommendations:

F1. The expired term Monterey Park Tract Community Services District board member appointed in 2007 continues until he or she resigns or is replaced by a successor through the election or appointment process.

R1. The MPT CSD and Stanislaus County Board of Supervisors should make MPT CSD board member candidate recruitment a priority to fill present board vacancy(s).

Comment: Monterey Park Tract Community Services District agrees with this finding and recommendation. Additionally, Monterey Park Tract Community Services District, with collaboration with the Stanislaus County Board Supervisor Jim DeMartini and the Stanislaus County Chief Executive's Office has successfully recruited for the vacant Board member position. A new board member is scheduled to be appointed on December 6, 2013. Please see attached recruitment flyer that was used to solicit interest in vacant board position; the flyer was mailed out, along with water statements, in July 2012, in addition and in effort to insure that the flyer was read by the community, in August of 2013, the flyer was printed in the back of the statement. Also, the District Board, over the last three years has been actively recruiting for fill the board vacancy.

F2. A quorum did exist on the MPT CSD board during the meeting of May 14, 2012. The board member in question was legitimately serving a term in office.

R2. The MPT CSD should develop and implement a record keeping system that is complete, secure, and readily available.

Comment: Monterey Park Tract Community Services District agrees with this Finding and recommendation. Monterey Park Tract is currently gathering financial information in facilitate the completion of financial audits for the District. MPT CSD has recently (July 1, 2013) contracted with Clendenin Bird & Company, PC, and Certified Public Accountants, located at 1552 Coffee Road, Suite 200, Modesto, CA 95355, to conduct audits for Monterey Park Tract Community Services District. District Staff is presently compiling the required financial documentation needed by Clendenin Bird & Company; this task of providing these financial documents to the auditing firm is expected to be completed by October 18, 2013; Clendenin Bird & Company estimates completion of the audits for Monterey Park Tract Community Services District by December 17, 2013 (approximately 7 weeks after the District has provided the required financial documentation). Please see attached Understanding of Services Letter from Clendenin Bird & Company and the Board of Directors of Monterey Park Tract Community Services District. The District feels that this is the first step in developing a record system that provides more security and better access to District records. The District intends to continue this practice of maintaining a better record keeping approach.

F3. Procedures for MPT CSD elections have not always been followed.

R3. The Board of Supervisors and office of the Clerk Recorder/Registrar of Voters should convert existing hard copy paper files to searchable computer files as soon as financially feasible. The converted files should be available to county offices and the public as necessary and/or reasonable.

Comment: Monterey Park Tract Community Services District agrees with this finding and recommendation; to facilitate this process, the District intends to be more proactive and better cooperate with records' requests from Stanislaus County and the Clerk Recorder/Registrar of Voters.

F4. The separate records maintained by the MPT CSD, Stanislaus County Board of Supervisors, and the Office of the Clerk Recorder/Registrar of Voters made verifying the status of MPT CSD board members difficult.

Comment: Monterey Park Tract Community Services District agrees with this finding; the District intends to be more proactive and better cooperate with records' requests from Stanislaus County and the Clerk Recorder/Registrar of Voters.

The District Board recognizes that it has not been ideally responsive to the request of the Grand Jury, and the Board apologizes for this lack responsiveness. In way of explanation, the District has undergone a combination of managerial, staff, and leadership changes over the last number of years. Additionally, a Board member has been undergoing medical treatment for a chronic condition. These circumstances have hindered the district and limited the District's available financial resources and staff time. The District Board hopes to clarify that its lack of responsiveness was not intended as disrespect to the Grand Jury or the Stanislaus County Superior Court; the District simply did not have the resources or wherewithal to adequately respond the to the Grand Jury's requests. Recent changes in the District's management practices have translated into a more financially viable district. The District hopes that it has satisfactorily responded to the Stanislaus County Civil Grand Jury's request; however, if any additional information you can reach me at (209) 499-1113 or Diaz_F4@hotmail.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Francisco Diaz", written over the printed name.

Francisco Diaz,
Monterey Park Tract Community Services District
Board President
7711 Monterey Ave.
Ceres, CA 95307

Cc: Richard W. Jacobs,
Foreperson 2012-2013 Civil Grand Jury
Stanislaus County Civil Grand Jury
Post Office Box 3387
Modesto, CA 95353

Supervisor Vito Chiesa, Chairman,
Stanislaus County Board of Supervisors
1010 10th Street, Suite 6500
Modesto, CA 95354

Supervisor Jim DeMartini, Vice-Chairman,
Stanislaus County Civil Grand Jury
1010 10th Street, Suite 6500
Modesto, CA 95354

Keith D. Boggs
Assistant Executive Officer
Chief Executive Office
1010 10th Street, Suite 6800
Modesto, CA 95354

Enclosures:

*Letter from Stanislaus County Civil Grand Jury to MPT CSD Board President,
dated June 17, 2013*

*Understanding of Services Letter from Clendenin Bird & Company and the Board of
Directors of Monterey Park Tract Community Services District, dated 7/1/2013*

*Bilingual Invitation to Apply for Board of Director Membership Monterey Park Tract
Community Services District, sent out along with water bills in early July, 2013*



STANISLAUS COUNTY CIVIL GRAND JURY

Post Office Box 3387 • Modesto, California 95353 • (209) 558-7766 • Fax (209) 558-8170

June 17, 2013

CONFIDENTIAL – CERTIFIED MAIL

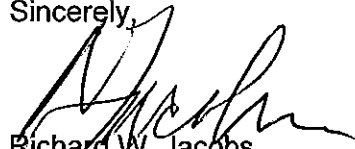
Mr. Francisco Diaz
Board of Directors
Monterey Park Tract Community Services District
P.O. Box 1301
Ceres, CA 95307

Dear Mr. Diaz:

The Civil Grand Jury is providing the Board of Directors a copy of portion of the Civil Grand Jury final report relating to the Monterey Park Tract Community Services District. The Grand Jury will release the report to the public two working days after you receive it. The Penal Code prohibits you from disclosing any contents of the report prior to its public release (Penal Code Section 933.05 (f)).

Your response to the findings and recommendations in the report must be submitted to the Presiding Judge of the Superior Court, the Hon. Loretta Murphy Begen, at PO Box 3488, Modesto, CA 95353. We are enclosing guidelines that may be helpful as you prepare your response. Please submit a hard copy of your response and a copy on CD in Microsoft Word or PDF format.

Sincerely,


Richard W. Jacobs
Foreperson
2012-2013 Civil Grand Jury

Attachments (2)

**Monterey Park Tract Community Services District
Case #13-02C**

COMPLAINT

The Stanislaus County Civil Grand Jury received a citizen's complaint on May 29, 2012, regarding the Monterey Park Tract Community Services District (MPTCSD). The complaint alleged the MPTCSD held a public meeting on May 14, 2012, and conducted an invalid vote to raise water rates.

BACKGROUND

The MPTCSD is a water district in the unincorporated area of Stanislaus County, approximately 4.5 miles southwest of the City of Ceres. The MPTCSD was formed on May 29, 1984. It covers an area of approximately 31 acres and serves approximately 114 residents.

APPROACH

Reviewed the following documents:

- MPTCSD elections related material
- MPTCSD meeting minutes and agendas
- MPTCSD candidate and elections related material obtained from the Office of the Stanislaus County Clerk Recorder/Registrar of Voters.
- MPTCSD related documentation obtained from the Stanislaus County Board of Supervisors.

Interviewed the following individuals:

- MPTCSD representative
- Two representatives from the Office of the Clerk Recorder/Registrar of Voters.
- Stanislaus County Counsel's Office representative.

DISCUSSION

The Board of Directors for MPTCSD consists of five total positions. At the present time, there is one vacant board member position. Three board members are serving elected or appointed terms and one board member continues to serve on the board even though that

member's term expired in 2009. This member was originally appointed by the Stanislaus County Board of Supervisors, to the MPTCSD board, in lieu of election, in 2007.

The expired term board member has not filed the necessary candidate documents to run for re-election, been officially re-elected, or been re-appointed to the board position by the MPTCSD or the Board of Supervisors since the term originally expired in 2009.

The Civil Grand Jury determined California State Election Code section 10507 most accurately applied to the MPTCSD board elections and appointment process.

Election Code 10507 states: "Except as otherwise provided in this part, the term of office for each elective officer, elected or appointed pursuant to this part, is for four years or until his or her successor qualifies and takes office."

The Civil Grand Jury then consulted the County Counsel's Office for its interpretation of Election Code 10507.

The County Counsel's Office interprets Election Code 10507 to mean that an official, regardless of whether or not the board member filed the necessary candidate re-election paperwork, continues in office until there is a successor who is elected, or appointed in lieu of election, to that position.

A meeting agenda dated September 2009, specifically addressed the need for appointments to the MPTCSD board because no candidates filed to run for a board member position.

In 2009, the Stanislaus County Civil Grand Jury investigated the MPTCSD based on the issue of vacant board member positions. The MPTCSD board attempted some corrective measures by requesting the Stanislaus County Board of Supervisors consider absorbing MPTCSD into the county. The request to the Board of Supervisors was made in the form of a Civil Grand Jury response to the then Stanislaus County Presiding Judge. Reference Civil Grand Jury Case #09-14C.

In December 2010, the MPTCSD sent a letter to the Board of Supervisors indicating the MPTCSD board had only three active board members and the board would be posting a notice in the Community Center, used for public meetings, advertising the two vacant board positions.

The Office of the Clerk Recorder/Registrar of Voters Office has also attempted to assist the MPTCSD. In May 2011, the office sent a letter to the MPTCSD board informing the board of the 2011 election and offered to assist prospective candidates with the filing of the necessary documentation.

FINDINGS

- F1. The expired term Monterey Park Tract Community Services District board member appointed in 2007 continues until he or she resigns or is replaced by a successor through the election or appointment process.
- F2. A quorum did exist on the MPTCSD board during the meeting of May 14, 2012. The board member in question was legitimately serving a term in office.
- F3. Procedures for the MPTCSD elections have not always been followed.
- F4. The separate records maintained by the MPTCSD, Stanislaus County Board of Supervisors and the Office of the Clerk Recorder/Registrar of Voters made verifying the status of MPTCSD board members difficult.

RECOMMENDATIONS

- R1. The MPTCSD and Stanislaus County Board of Supervisors should make MPTCSD board member candidate recruitment a priority to fill present board position vacancy(s).
- R2. The MPTCSD should develop and implement a record keeping system that is complete, secure and readily available.
- R3. The Board of Supervisors and Office of the Clerk Recorder/Registrar of Voters should convert existing hard copy paper files to searchable computer files as soon as financially feasible. The converted files should be available to county offices and the public as necessary and/or reasonable.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the grand jury requests responses as follows:

From the following governing bodies:

- The Monterey Park Tract Community Services Board of Directors
- The Stanislaus County Board of Supervisors
- The Stanislaus County Office of the Clerk Recorder/Registrar of Voters

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

| |
|--|
| Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury. |
|--|

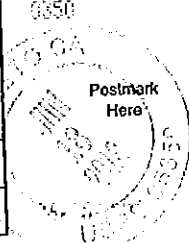
7011 3500 0001 9445 3966

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

| | | |
|---|-----------|---------------|
| Postage | \$ | |
| Certified Fee | | \$3.10 |
| Return Receipt Fee (Endorsement Required) | | \$2.55 |
| Restricted Delivery Fee (Endorsement Required) | | \$ |
| Total Postage & Fees | \$ | \$5.75 |



Sent To **Mr. Francisco Diaz**
 Street, Apt. No., or PO Box No. **Board of Directors
 Monterey Park Tract Community Services Dis**
 City, State, ZIP+4 **P.O. Box 1301
 Ceres, CA 95307**

PS Form 3800, August 2005 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Mr. Francisco Diaz
 Board of Directors
 Monterey Park Tract Community Services Dis
 P.O. Box 1301
 Ceres, CA 95307**

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
 B. Received by (Printed Name) **FRANCISCO DIAZ**
 C. Date of Delivery **03/05/06**

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail
 Registered
 Insured Mail
 Express Mail
 Return Receipt for Merchandise
 C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
(Transfer from service label)

7011 3500 0001 9445 3966



1052 Coffee Road, Suite 200
Modesto, CA 95355
(209) 326-3931
(209) 545-2267 fax
cbcpas.com

David L. Clendenin, CPA (Inactive)
Arlene L. Gestogner, CPA
City: Rainwood, EA

Constance Hiltz Bird, CPA (Inactive)
Sara Bird, EA

July 1, 2013

**Board of Directors
Monterey Park Tract Community Services District**

We are pleased to confirm our understanding of the services we are to provide Monterey Park Tract Community Services District for the year ended June 30, 2013 and 2012. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of the Monterey Park Tract Community Services District. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Monterey Park Tract Community Services District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational economic, or historical context. As part of our engagement, we will apply certain limited procedures to Monterey Park Tract Community Services District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

Supplementary information other than RSI also accompanies Monterey Park Tract Community Services District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1. Schedule of expenditures of federal awards**
- 2. Budgetary comparison schedules**

Audit Objectives

The objective of our audit is the expression of opinions as to whether the District's basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statement as a whole. The objective also includes reporting on –

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include test of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of the District's financial statements, schedule of expenditures of federal awards, and related notes. Management is responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. Management will be required to acknowledge in the management

representation letter our assistance with preparation of the financial statements and the schedule of expenditures of federal awards and that management have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted full responsibility for them. Further, management is required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Monterey Park Tract Community Services District and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Management responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management responsibilities include informing us of management's knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review prior to commencement of fieldwork. Management is responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. The District agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to present the supplementary information with the audited financial statements or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor's report, the District understands that it must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the District's website, the District understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the District of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the District of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the District's attorneys as part of the engagement, and they may

bill the District for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Monterey Park Tract Community Services District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and related addenda for the types of compliance requirements that could have a direct and material effect on each of Monterey Park Tract Community Services District's major programs.

Engagement Administration, Fees, and Other

We understand that the District's employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of this engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with management the electronic submission and certification. If applicable, we will provide copies of our report for management to include with the reporting package management will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is property of Clendenin Bird & Company, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to grantor agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify management of any such request. If requested, access to such audit documentation will be provided under the supervision of Clendenin Bird & Company, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The workpapers for this engagement will be retained for a minimum of seven years after the date the auditors' report is issued or for any additional period requested by the oversight agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the workpapers.

We expect to begin our audit within a week of a signed engagement letter and to issue our report no later than four weeks after commencement of the audit. Michelle L. Gallagher is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be based on actual time spent at our standard hourly rates for the person assigned to this engagement. Based on our preliminary estimates we expect our fee to be approximately **\$2,000** and shall not exceed **\$5,000** for the audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the District's audit. In accordance with our firm policies, work may be suspended if the District's account becomes 30 days or more overdue and may not be resumed until the District's account is paid in full. The fee will be payable according to the following payment schedule:

\$ 1,000 Due and payable upon commencement of audit.

Final payment is due upon completion and delivery of the audit.

Payment arrangements other than these should be discussed prior to commencement of the audit.

The fee is based on anticipated cooperation from the District's personnel and the assumption that unexpected circumstances or additional accounting work will not be encountered during the audit. Additional accounting work would include, but not be limited to, the following: assistance with the reconciliation of any accounts or bank statements, preparation of journal entries other than normal audit adjustments and providing direction or supervision to assist management in the completion of routine accounting functions. If significant additional time or accounting work is necessary, we will discuss it with management and give the District a new fee estimate before we incur the additional costs.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules 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, 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 ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

Government Auditing Standards require that we provide the District with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of contract. Our 2010 peer review report and letter of comments will be available upon request.

We appreciate the opportunity to be of service to the Monterey Park Tract Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If management have any questions, please let us know. If the District agrees with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,


CLENDENIN BIRD & COMPANY, PC

Michelle L. Gallagher

Michelle L. Gallagher, CPA
Vice President

RESPONSE:

This letter correctly sets forth the understanding of Monterey Park Tract Community Services District.

By:  _____ *Francisco Diaz*

Title: Board president

Date: 7/24/13

Preliminary Needs List for Monterey Park Tract CSD for
Audit of 6/30/2012 and 6/30/2013

1. All Bank statements and reconciliations for both years
2. List of water/utility customers
3. A/R Aging at 6/30/2012 and 6/30/2013
4. List of the Board of Directors for both years and terms
5. Monthly water/utility billings – for 11/2011, 4/2012, 9/2012, 6/30/2013
6. Cash disbursement listing (checks written)
7. Summarize your procedure for the check/disbursement process
8. Copies of ALL minutes for Board of Director meetings for the period
9. Copies of cash receipts/bank deposits for 10/11, 5/2012, 11/2012, 5/2013
10. Copy of any procedure manuals and/or rules for the district as they pertain to the operation of the entity
11. Balance Sheet/Profit & Loss and/or any other financial reports that you may have for the entity

This is a list that will allow us to begin the planning process of the audit. Please feel free to contact me by phone or email if you have any questions. You may also contact Michelle Gallaher in my office .

Thank you!

Invitation to Apply for Board of Director Membership Monterey Park Tract Community Services District

The Monterey Park Tract Community Services District is inviting members of the Monterey Park Tract Community to participate as Board Members. The Purpose of the Community Services District Board is to facilitate dialogue with community residents, surrounding jurisdictions, State and Federal agencies, and stakeholders, to advise, share concerns with, and provide direction and action on the water delivery and water quality issues of the Monterey Park Tract Community. As a goal, the District strives to reflect the composition, diversity, and interests of the local community. Please consider becoming a Board Member and assist us in delivering more representative direction for our community.

There is currently one vacancy in the existing 5-person Monterey Park Tract Community Services District Board.

To qualify for membership you will have to be:

- 1) Either a resident of or property owner of the Monterey Park Tract Community; and
- 2) A registered voter

If you are interested in applying for Board Membership, please contact Francisco Diaz at (209) 499-1113, or by email at Diaz_f4@hotmail.com. After a candidate or lists of candidates have been identified, the existing Board Members will select the new Board Member by a majority vote. Thank you for interest in your community.

Invitación para aplicar para membresía a la Cámara de Directores del Distrito de Servicios Comunitarios de Monterey Park Tract

El Distrito de Servicios Comunitarios de Monterey Park Tract invita a miembros de la comunidad de Monterey Park Tract a participar en la cámara de directores del distrito. El propósito de la cámara de directores del Distrito de Servicios Comunitarios es facilitar el diálogo con los residentes de la comunidad, las jurisdicciones al alrededor, agencias estatales federales, y a otras partes interesadas; a la vez, la cámara comparte preocupaciones con la comunidad y proporcionan la dirección y acción sobre el suministro de agua, incluyendo problemas de calidad de agua en la comunidad. Como una meta, el Distrito de Servicios Comunitarios de Monterey Park Tract se esfuerza para reflejar la composición, diversidad e intereses de la comunidad local. Con esta meta en mente, por favor, considere convertirse en un miembro de la cámara y nos ayudará a proporcionar dirección más representativa para nuestra comunidad.

Actualmente hay una vacante en la cámara de 5 directores del Distrito de Servicios Comunitarios de Monterey Park Tract.

Para calificar para membresía usted tendrá que:

- 1) Ser un residente o dueño de propiedad en la comunidad de Monterey Park Tract; y
- 2) ser un votante registrado

Si usted está interesado en aplicar para ser miembro de la cámara, póngase en contacto con Francisco Diaz al teléfono (209) 499-1113, o por correo electrónico a Diaz_f4@hotmail.com. Después de que un candidato o una las listas de candidatos se hayan identificado, los miembros actuales de la cámara seleccionarán al nuevo miembro de la cámara por mayoría de votos. Gracias por el interés en su comunidad.