



LAKE SHASTINA COMMUNITY SERVICES DISTRICT

RESOLUTION 5-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LAKE SHASTINA COMMUNITY SERVICES DISTRICT APPROVING CERTIFIED PUBLIC ACCOUNTANT'S AUDIT ENGAGEMENT LETTER FOR THE YEARS ENDED JUNE 30, 2015, 2016 AND 2017.

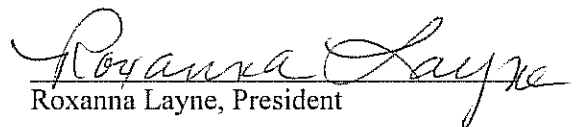
WHEREAS, the District is required to have an annual audit performed in accordance with Government Auditing Standards; and

WHEREAS, the Board of Directors has reviewed proposals submitted regarding audits for the years ended June 30, 2015, 2016 and 2017.


NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby authorizes the President to sign a three-year audit engagement letter/contract with Aiello, Goodrich & Teuscher Accountancy Corp. for the years ended June 30, 2015, 2016 and 2017.

I hereby certify that the forgoing is a full, true and correct copy of Resolution 5-15 duly passed and adopted by the Board of Directors of the Lake Shastina Community Services District, Siskiyou County, California, at a meeting thereof duly held on the 20th day of May, 2015, by the following vote:

AYES: Directors French, Hoke, Layne, Mitchell and Thomsson
NOES: None
ABSENT: None


Roxanna Layne, President

ATTEST:



Jamie Lea, Secretary



June 23, 2015

To the Board of Directors and Management
Lake Shastina Community Services District
16320 Everhart Drive
Weed, CA 96094

We are pleased to confirm our understanding of the services we are to provide Lake Shastina Community Services District (LSCSD) for the years ended June 30, 2015, 2016 and 2017. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of LSCSD as of and for the years ended June 30, 2015, 2016 and 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement LSCSD'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 statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to LSCSD'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.
- 2) Budgetary comparison schedules for major governmental funds.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of LSCSD and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of LSCSD's financial statements. Our report will be addressed to the Board of Directors and management of LSCSD. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you 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 issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing

of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that LSCSD is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. 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. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management 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. Our responsibility as auditors is limited to the period covered by our audit and does not extend to 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 tests of the physical existence of inventories, and 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 your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government 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*.



An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. 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 and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of LSCSD's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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*.

Other Services

We will also assist in preparing the financial statements and related notes of LSCSD in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

We will also prepare the Annual Financial Transactions Report for the State Controller's Office.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information 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 the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written 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.

You are 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 affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your 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, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our



report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of 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 other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to you; and management is responsible for distribution of the reports and the financial statements to others. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Aiello, Goodrich & Teuscher and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State Controller's Office 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 you of any such request. If requested, access to such audit documentation will be provided under the supervision of Aiello, Goodrich & Teuscher 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 audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by any regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Steven Drageset, CPA 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 at our standard hourly rates plus out-of-pocket costs (such as travel) except that we agree that our fee will not exceed \$11,500, \$12,000 and \$12,500, plus travel costs, for the



years ending June 30, 2015, 2016 and 2017. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to LSCSD and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation

RESPONSE:

This letter correctly sets forth the understanding of Lake Shastina Community Services District.

Management signature: *Laura Lee*

Title: Interim General Manager

Date: 6/25/15

Governance signature: *R. Payne*

Title: President

Date: 7/2/15





LAKE SHASTINA

COMMUNITY SERVICES DISTRICT

Regular Meeting
 Wednesday, May 20, 2015 – 6:00 p.m.
 Department of Public Safety Building
 16309 Everhart Drive • Weed, California 96094 • (530) 938-3281

MINUTES

CALL TO ORDER AND ROLL CALL: called to order at 5:00 p.m.

LSCSD Board Roll Call: French Hoke Layne Mitchell Thomsson

Also present: IGM Nelle, SAC Nelle, AA Charvez, DPS Chief Wilson and District Counsel Robert Winston.

There were approximately 3 people in the audience.

APPROVAL OF AGENDA:

Motion by Dir. Thomsson second Dir. Layne to delete Items 1B, 3B, 4 and 10 from the Agenda. Following discussion, the motion was amended to vote on each item separately. The Board agreed unanimously.

Motion by Dir. Thomsson second Dir. Layne to delete Item 1B from the Agenda

Ayes: Directors Hoke, Layne and Thomsson

Noes: Directors French and Mitchell

Absent: None

Motion by Dir. Thomsson second Dir. Layne to delete Item 3B from the Agenda

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson

Noes: None

Absent: None

Motion by Dir. Thomsson second Dir. Layne to delete Item 4 from the Agenda

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson

Noes: None

Absent: None

Motion by Dir. Thomsson second Dir. Layne to delete Item 10 from the Agenda

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson

Noes: None

Absent: None

PUBLIC COMMENTS BEFORE CLOSED SESSION: None

The Board adjourned to Closed Session at 5:28 p.m.

CLOSED SESSION: called to order at 5:27 p.m. (Administration Building Conference Room – 16320 Everhart Drive)

Also present: IG Lea and District Counsel Robert Winston.

1. A. Conference with Labor Negotiator, IGM Lea (Gov. Code § 54957.6) Review District's position and to instruct its designated representatives: General Teamsters Professional, Health Care and Public Employees Local 137
- B. Item deleted from Agenda.

With no objections by the Board, Pres. Layne adjourned Closed Session at 5:55 p.m.

REGULAR MEETING: called to order at 6:00 p.m.

Also present: IGM Nelle, SAC Nelle, AA Charvez, DPS Chief Wilson and District Counsel Robert Winston.

There were approximately 53 people in the audience.

PLEDGE OF ALLEGIANCE: Dir. Thomsson led the Pledge of Allegiance.

REPORT ON CLOSED SESSION:

Item 1.A.: District Counsel Winston reported that the Board voted unanimously to recognize Teamsters Local 137 as the representative for District employees. All correspondence between LSCSD and Union Representatives are available to the public upon request.

PUBLIC COMMENTS: Twelve (12) speakers; follow-up action: proposed Fire Abatement Ordinance to be on a future agenda.

CONSENT CALENDAR: (All items accepted/approved by the Board unless otherwise noted.)

2. A. Approval of Minutes: Regular Meeting April 15, 2015
- B. Ratification of Disbursements: April 1 to April 30, 2015
- C. Budget Comparison: FY 2014/2015 YTD
- D. LAIF Quarterly Report

Motion by Dir. French second Dir. Mitchell to approve Consent Calendar.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

DISCUSSION / ACTION ITEMS:

3. Department of Public Safety Monthly Report: CPS Wilson updated the Board
 - A. Request to sell surplus District equipment at public auction (DPS and Public Works Dept. Sewer/Water):
The Board discussed and Pres. Layne directed IGM Lea to bring request regarding Public Works Dept. equipment back to the Board with more specifics.

Motion by Dir. Mitchell second Dir. French to authorize the Chief of Public Safety, or his designee, to sell surplus District-owned vehicle (2002 F150 – Police Animal Control vehicle).

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

B. Item deleted from Agenda.

4. Item deleted from Agenda.
5. Water Wells: Don Moore gave a presentation regarding possible new well locations. The Board discussed recommendations to proceed with test holes.
6. Wastewater Rates/Connection Fees: IGM Lea will obtain quotes for a new Engineering Study and bring back to the Board for consideration.
7. FY 2015/16 Operating Budget: update from Budget Committee: Dir. Mitchell updated the Board; a public hearing to consider adoption of the District's FY 2015/16 preliminary budget will be on the June agenda.
8. Safe Health Practices re: construction yard office complex: IGM Lea update the Board

Motion by Dir. Mitchell second Dir. French to authorize the IGM to proceed with bid process for new construction yard office to determine cost.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

9. Regular Meeting start time and location: The Board discussed.

Motion by Dir. Thomsson second Dir. Layne to approve continuing the CSD Regular Board meeting start time at 6:00 p.m. through August, 2015; location of meetings to be determined with each meeting.

Ayes: Directors French, Hoke, Layne and Thomsson
Noes: None
Absent: None
Abstain: Director Mitchell

10. Item deleted from Agenda.

11. Update on the California State Water Board Regulations: IGM Lea reported he has submitted a request for a waiver from the RWQCB regarding water conservation mandates.

12. Board Member request to attend training session in Sacramento, CA on June 3, 2015: The Board discussed.

Motion by Dir. French second Dir. Layne to approve that the District reimburse Dir. Thomsson for the costs related to attending a CSDA Training (Staying in Compliance: Understanding Fundamental Laws) in Sacramento CA on June 3, 2015.

Ayes: Directors French, Hoke, Layne and Thomsson
Noes: Director Mitchell
Absent: None

13. Review of proposals: CPA audit quotes for years ending June 30, 2015, 2016 and 2017. The Board discussed.

Motion by Dir. Thomsson second Dir. French to approve Resolution 5-15 authorizing the President to sign a three-year audit engagement letter/contract with Aiello, Goodrich & Teuscher Accountancy Corp for the years ended June 30, 2015, 2016 and 2017.

Ayes: Directors French, Hoke, Layne, Mitchell and Thomsson
Noes: None
Absent: None

14. DECO/Medical Clinic status report: IGM Lea updated the Board.

15. Duties as a Board Member: Pres. Layne read proposed Resolution 6-15 censuring Director Mitchell.

Motion by Dir. Thomsson second Dir. Hoke to approve Resolution 6-15 censuring Board Member Paula Mitchell and removing her as a signer on District bank accounts.

Ayes: Directors Hoke, Layne and Thomsson
Noes: Director French and Mitchell
Absent: None

STAFF COMMENTS: None

BOARD MEMBER COMMENTS: Two (2) Directors; follow-up action: proposed amendment to Animal Control Ordinance be on the June agenda.

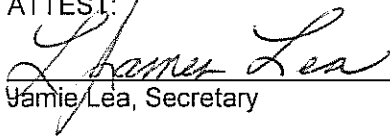
ADJOURNMENT:

With no objections by the Board, Pres. Layne adjourned the meeting at 9:15 p.m. to the next LSCSD Regular Board Meeting scheduled to be held on Wednesday, June 17, 2015, Closed Session, as needed, at 5:00 p.m. and Open Session at 6:00 p.m., location to be determined.

Approval Date: 6/17/15


Roxanna Layne, President

ATTEST:


Jamie Lea, Secretary