



## **LAKE SHASTINA COMMUNITY SERVICES DISTRICT**

### **AGENDA**

Special Meeting

**Wednesday, October 11, 2017 – 1:30 p.m.**

Administration Building

16320 Everhart Drive ▪ Weed, California 96094 ▪ (530) 938-3281

#### **CALL TO ORDER:**

LSCSD Board Roll Call:

Directors: Cupp \_\_\_\_\_ MacIntosh \_\_\_\_\_ Thompson \_\_\_\_\_ Two Vacant Seats

#### **PLEDGE OF ALLEGIANCE:**

#### **PUBLIC COMMENTS:**

This is an opportunity for members of the public to address the Board only on subject(s) of the special meeting. The Board reserves the right to reasonably limit the length of individual comments, and/or the total amount of time allotted to public comments.

#### **DISCUSSION / ACTION ITEMS:**

1. Consideration of Appointment to fill two(2) Unscheduled Vacant Board Member Seats
  - a. Administer the Oath of Office and Seat new Appointed Members
2. Consideration of CPA audit quotes for year ending June 30, 2017 and consider years ending 2018 and 2019

#### **STAFF COMMENTS**

#### **BOARD MEMBER COMMENTS:**

#### **ADJOURNMENT:**

The next LSCSD Regular Board Meeting is scheduled to be held on October 18, 2017, 1:00 p.m. at the Administration Building.



*Item 1*

**LAKE SHASTINA COMMUNITY SERVICES DISTRICT**

TO: Lake Shastina Community Services District Board

FROM: Sylvia Charvez, Administrative Assistant

MEETING DATE: October 11, 2017

SUBJECT: Consideration of appointments to fill vacant Board Member seats

The District received three (3) letters of interest for the two (2) vacant Board Member seats (copy of letters enclosed).

- Sher Barber
- John Lewis
- Paula Mitchell

Both vacancies have a term that expires December 7, 2018.

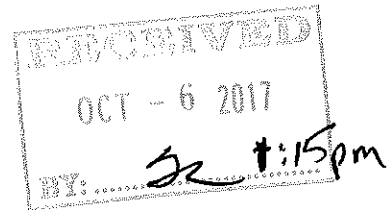
The County Clerk's office has confirmed eligibility for all three candidates.

The candidates will have five minutes to make a presentation of their reasons wanting to be on the CSD Board. The Board will then consider appointments.

If appointments are made, the Oath of Office will be administered and the new appointed Members will be seated.

Enclosures: Letters of interest – Barber, Lewis and Mitchell  
Notice from County Clerk regarding Board Vacancies

October 5, 2017



Sher T. Barber

4712 Lake Shastina Dr.

Weed, CA 96094

Subject: LSCSD Board Opening

I built my home in Lake Shastina in 2004. I worked for the LSCSD for one year being the CC&R Compliance officer. Under my watch over 56 infractions were corrected and over 86 homes were approved. I have made this my retirement community. After retiring from Silicon Valley, (leading high tech organizations) I chose to live in Siskiyou County. I have immersed myself in Siskiyou County, becoming very familiar with the issues facing our Board of Supervisors, becoming very familiar with our issues of child abuse, poverty, drug and alcohol use, and other issues. I have written grants to help Siskiyou address some of their greatest issues.

I have been on the Board of Directors of the Yreka Rotary Club, and the Siskiyou Humane Society. I have been a grant reviewer for the California Institute of Mental Health. While I was working for LSPOA I wrote a \$40,000 grant for Hoy Park and grants for Fire Fuel Reduction through the Bureau of Land Management.

I have over 25 years of management experience and believe I understand the issues we face today. We need people that are willing to work with one another (not resign over differences). Tough issues require serious consideration and negotiation. This is what we need right now.

I respectfully submit my application to become a member of the LSCSD Board.

Sincerely,

Sher T. Barber

# **SHER TAYLOR BARBER**

4712 Lake Shastina Drive ~ Weed, California 96094

(530) 925-1011 C

sherbarber@gmail.com

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## **Non-Profit EXECUTIVE**

Passionate leader; develops high-achieving teams; transforms organizations.

## **PROFESSIONAL EXPERIENCE**

Jefferson Economic Development Institute (JEDI)  
Program Manager – Women's Business Center

7/2015 – 6/2016

I developed partnerships with American Express for #ShopSmall Saturday, Google for #OnTheMap program, and ETSY for the 1<sup>st</sup> Certified Northern California ETSY training facility. I developed the first Women Thrive event in Redding with Di Strachen and other speakers. Wrote several grants and received funding in the amount of \$50,000. I directly managed the trainers for the Small Business Center program. I also provided business counseling. I fulfilled all aspects of the role of Program Manager for the Women's Business Center and submitted all reporting on time.

Family Nurturing Center  
Executive Director

9/2014 -5/2015

The Family Nurturing Center provides services to prevent child abuse and neglect. Specifically, they provide 3 of Oregon's Relief Nurseries. Relief Nurseries are therapeutic preschools. For every 8 students there are 3 teachers. They also offer the Healthy Families program of home visiting for new mothers. I joined them in September and began reviewing all the contracts. I noticed the budget was based on receiving significant funds through grants and I jumped on the grant applications quickly. I wrote over a dozen grants by February and I was delighted when I received notice from all the foundations that our grant was approved. This totaled \$385,000. The organization on the whole has a 2.5 million dollar budget. There are 5 sites. I brought an employee health plan to the organization, revamped the financial system, brought in an online time keeping system for more accurate payroll reporting and instituted a 403b plan for the employees. There are a total of 55 employees. Due to the passing of my father, I moved back to Siskiyou County so I could help my elderly mother.

WIND YOUTH SERVICES  
Executive Director/CEO

10/2011-12/2013

I was brought on to merge two non-profit organizations, Wind Youth Services and Diogenes Youth Services. Wind Youth Services provided case management, shelter, and other services to run-away and homeless youth. Our objective was to meet the youth where they were in their development and provide case management to address their needs utilizing Maslow's Hierarchy of Needs as a model. Youth could attend the Wind Center where they could complete their high school diploma at our charter school, study for the GED, see our Public Health Nurse, eat two meals a day, take a shower, do their laundry and get fresh clothing from our donation lockers. Diogenes had three Foster Group Homes at the RCL 8 level, a street outreach program and shelter program as well as counseling. The counseling program offered individual counseling as well as group counseling for anger management. We provided case management to our youth to help them along their chosen path including helping them to apply for college, participate in sports at their school and other activities. We also opened a transition age youth house and provided housing for 6 youth who either had aged out of the Foster care system or had come to our shelter as a runaway or homeless youth. I wrote youth positions into the grants I applied for to help youth gain their first work experience. I wrote and received over \$300,000 in grant funds for our programs during my tenure and brought in another \$200,000 in donations. I participated on a number of

County wide coalitions including the Coalition to end Human trafficking. While our programs were available to youth 12 – 24, the largest population we served were transition age youth. We also worked extensively with the other social service providers in Sacramento County to provide linkages to other programs that would help our youth like WEAVE and St. John's Shelter for women and children, Job Corps and Lutheran Social Services.

NORTHERN VALLEY CATHOLIC SOCIAL SERVICE, INC.

2004 - 2010

*Deputy Director, Siskiyou County Director*

Provided leadership and overall direction for all the programs in Siskiyou County and provided overall leadership for the counseling programs in each of the counties that NVCSS served: Shasta, Butte, Trinity, Tehama, Glenn, and Siskiyou. In Siskiyou I supervised a clinical program manager, an office manager and receptionist and 12 therapists. I also oversaw the information technology department in Redding, California. I developed and introduced the Money Management for Seniors Program. We provided the Wraparound program for Siskiyou. Our largest program was serving Medi-cal counseling to youth under the age of 18. We were the only provider in Siskiyou to provide counseling to those under 5 years of age.

- Strategic leader for this social service organization providing service to six counties; effected turnaround for all counseling programs throughout the organization by defining and implementing performance standards.
- Improved by 40% productivity in the organization: conceived and implemented new business model.
- Realized a 300% increase in funding as recognition of excellence in service delivery within Siskiyou County.
- Delivered a 40% increase in donation dollars through re-vamp of website including the addition of a "Donate Now" button.
- Reduced telecom costs 85% through aggressive negotiation with vendor and switch to a digital system.
- Moved organization onto the Google Apps toolset

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Prior to my change in focus to non-profit organizations, I worked in the high tech industry leading companies in the capacity as Vice President of Software Engineering.

MENLO VENTURES PORTFOLIO COMPANIES, San Francisco, Mountain View, and Menlo Park, CA

- Re-vamped entire architecture at Bravanta within nine months to meet aggressive timelines for acquisition as a technology purchase.
- Rescued failing software company, Netmosphere, Inc.; completed sale to Critical Path, Inc. for \$51 Million.
- Transformed dysfunctional team at Rubric, Inc. into a cohesive partnership allowing for expediency of software development and leading to \$331 Million sale to Broadbase Software.

## **EDUCATION**

UNIVERSITY OF CALIFORNIA SANTA CRUZ, Santa Cruz, CA

*Bachelor of Arts in Computer and Information Sciences*

INSTITUTE OF TRANSPERSONAL PSYCHOLOGY, Palo Alto, CA

*Master of Arts in Transpersonal Psychology, expected completion 2012*

UNIVERSITY OF SOUTHERN CALIFORNIA, Sacramento, CA

*Sierra Health Leadership Program*

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## **Community Involvement**

Former Board Secretary for the Siskiyou County Humane Society  
Former Board Member of the Rotary Club of Yreka  
Former Board Member of Leadership Siskiyou

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## **Grant Reviewer**

California Institute of Mental Health  
Sierra Health Foundation  
Mental Health Services Act  
Shasta Regional Community Foundation

Oct 2, 2017

To Whom It May Concern:

My name is John Lewis and with this letter I am entering my name to be considered for one of the open director positions on the LSCSD.

My wife JoAnne Silva and I purchased our home in Lake Shastina in 2009, and we have lived there and in Rancho Hills steadily since 2014.

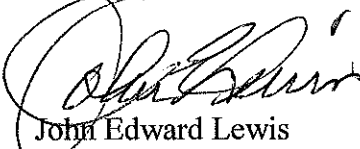
I am 68 years old and retired from The Boeing Commercial Airplane Company.

I have experience in a leadership capacity at Boeing both as a Quality Assurance manager, as the Lead inspector over all 747 and 767 Tooling QA operations and as an FAA Liaison for audits to maintain Boeing's Federal Airworthiness certificate for the 747.

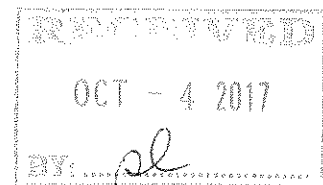
I feel my experience in making informed decisions based on facts, data and how those decisions will positively affect the quality of life of my neighbors here in Lake Shastina will be an asset to the board.

Thank you for your consideration

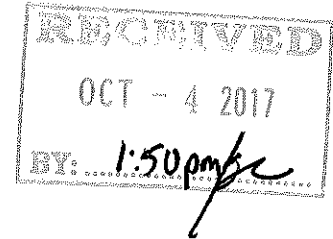
Sincerely,



John Edward Lewis  
15100 Shoreline Dr  
Weed, CA  
96094  
707-799-5969



Paula Mitchell  
5438 Stag Mountain Road  
Weed, CA 96094  
2 October 2017



Lake Shastina Community Services District  
16320 Everhart Dr.  
Weed, CA 96094

RE: LSCSD Board Member Vacancy – Roxanna Layne  
LSCSD Board Member Vacancy – Barbara Thomsson

To the Lake Shastina Community Services District:

I wish to be appointed to fill either vacancy on the CSD Board created by the resignations of Roxanna Layne and Barbara Thomsson. I understand that the term of these positions expire on December 7, 2018.

My qualifications are as follows:

- Lake Shastina Community Services District Experience

I served one term from 2012-2016 as a board member of the Lake Shastina Community Services District. During this time I was appointed as Chair of the budget committee for 2 years.

I have continued to be involved in LSCSD since leaving office. I volunteered and was appointed to two very important CSD board committees, the budget committee and the water well development committee.

I have attended almost all the CSD board meetings for the past 5 years; therefore, I am very knowledgeable of the issues facing the district.

- Business experience

I spent 22 years in management in oil refineries and petrochemical plants. In my career, I managed and was responsible for 260 employees and 5 process units with an annual budget of \$70 million dollars. This experience included skill sets in budgeting, personnel management, emergency response and expense control.

- Education

B.A. in Chemistry from Mills College

B.S. in Chemical Engineering from University of Washington

- Values and Skills

I believe the most important value a board member should have and practice is to represent, work for and vote on measures that benefit the entire district. I have a record of good business decision making and of compliance with the local, State and Federal laws. I have continuously demonstrated that I speak and act with honesty and integrity.

A handwritten signature in cursive script, reading "Paula Mitchell". The signature is written in black ink and is positioned above the printed name.

Paula Mitchell



# COUNTY OF SISKIYOU

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*Colleen Setzer*

*County Clerk • Registrar of Voters*

510 N Main Street  
Yreka, CA 96097-2525

September 26, 2017

County Clerk  
(530) 842-8084

Lake Shastina Community Services District  
16320 Everhart Dr  
Weed, CA 96097

Board of Supervisors  
(530) 842-8081

Sent via email to [info@lakeshastina.com](mailto:info@lakeshastina.com)

Elections  
(530) 842-8084

You are receiving this letter because the Clerk's Office has received notification that two members of your special district board have resigned from office.

Fax  
(530) 841-4110

Roxanna Layne and Barbara Thomasson resigned effective September 19, 2017. The Clerk's Office will send a Leaving Office Form 700s to Ms. Layne and Ms. Thomasson.

Toll Free  
1-888-854-2000 x8084

Your district board may appoint replacement board members no later than November 17, 2017. Your district has already posted the Notice of Unscheduled Vacancy in three locations within the district and completed an Affidavit of Posting, both of which have been provided to our office. The posting must be done at least 15 days prior to the date your board makes the appointment.

Website  
[www.sisqvotes.org](http://www.sisqvotes.org)

Before your board makes an appointment contact our office to confirm eligibility of the candidate. When your district board has made the appointment, please send me a copy of the Notice of Appointment form so that we can update our district file records and send the new office holder a Form 700 Packet.

If your district board does not make an appointment by November 17, 2017, the Board of Supervisors may make the appointment no later than December 17, 2017.

If your district board wants the Board of Supervisors to make the appointment, you must notify me no later than November 19, 2017. If the Board of Supervisors is unable to make an appointment by December 17, 2017, the District shall call an election to fill the vacancy.

Please feel free to give me a call at 842-8084 if you have any questions.

Sincerely,  
COLLEEN SETZER, County Clerk

By: Laura Bynum, Assistant County Clerk

PROFESSIONAL AUDIT SERVICES PROPOSAL  
*For*  
LAKE SHASTINA COMMUNITY SERVICES DISTRICT

**Fiscal Year Ended June 30, 2017**

Please Respond to:

**LARRY BAIN, CPA**

An Accounting Corporation

2148 Frascati Drive

El Dorado Hills, CA 95762

Email: [lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

Ph: (916)601-8894 Fax: (916)941-8350

September 12, 2017

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# LARRY BAIN, CPA

An Accounting Corporation

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2148 Frascati Drive, El Dorado Hills, CA / 916.601-8894  
lrbain@sbcglobal.net

Lake Shastina Community Services District  
16320 Everhart Dr.  
Weed, CA 96094

Dear Board of Directors:

We are pleased to submit this proposal to audit Lake Shastina Community Services District's (the "District") financial records for the fiscal year ending June 30, 2017. As you review our proposal.

Our firm is committed to ensuring that the District benefits from high quality work from the initial planning phases of the audit to the issuance of the final report. We are highly ethical, with strong professional standards. We provide guidance to district staff to improve internal controls, accounting practices, transparency and will complete your audit in a timely manner.

We understand financial reports are most useful when delivered on time. With anticipated cooperation from District staff we are confident that we will meet your required deadlines. We are a firm that has a comprehensive understanding of your District's functions as a high percent of our audits are local government. The firm is properly licensed with the Board of Accountancy and all the professional staff assigned to the engagement meet, the requirements to perform governmental audits. We agree to perform the work outlined in the District's RFP within the agreed upon time periods. This proposal is a firm and irrevocable offer until 90 days from date of proposal.

As President of Larry Bain, CPA, An Accounting Corporation, I certify that I am entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the District.

I appreciate the opportunity to demonstrate our qualifications and look forward to hearing from you.

Very truly yours,

Larry Bain, CPA  
President

### EXECUTIVE SUMMARY

We will audit the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining funds which comprise the basic financial statements of the District, as of June 30, 2017. Larry Bain, CPA is your engagement partner as well as supervisory partner. Susan Tang is the alternate partner and is responsible for leading the day-to-day execution of the audit in Larry Bain's absence.

We will test internal controls over financial in accordance with Generally Accepted Auditing Standards, and issue a report on their considerations.

As requested by you, we will prepare and submit the District's Annual Report of Financial Transactions of Special Districts to the State Controller's Office by the required deadlines.

We may also provide a management letter, including comments on internal control weaknesses and suggestions for improvement, if deemed necessary. At the time of the audit, a letter will be sent to the Board of Directors including required information related to the audit.

As part of our engagement, we will apply certain limited procedures to the District's required supplementary information, in accordance with auditing standards generally accepted in the United States of America. The following required supplementary information is required by generally accepted accounting principles and will be subject to certain limited review procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budget to Actual Schedule

To meet the requirements of this request for proposals, the audits shall be performed in accordance with auditing standards generally accepted in the United States. Any revisions of these standards must be followed.

The audits will include tests of accounting records and procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the report on internal controls and compliance opinion is other than unqualified, we will discuss the reasons with management in advance.

Although we will advise you regarding generally accepted accounting principles the financial statements are the responsibility of management. Our responsibility is to express an opinion on the financial statements based on our audit.

We believe in effective communication and your auditor, Larry Bain, CPA will be available to discuss the annual financial statements and results of operations. Should any irregularities and illegal acts, or indications of illegal acts come to light we will immediately communicate in writing such findings to the District's General Manager.

Our firm's policy is to retain all audit working papers for seven years, unless the firm is notified in writing by the District to extend the retention period. In addition, we will respond to reasonable inquiries of the District and successor auditors and allow the District and successor auditors to review working papers relating to matters of continuing accounting significance.

It is our understanding that the District's Finance department staff will be available during interim and audit field work to assist the firm by providing access and direction to information, documentation, and be available for explanations of all inquiries. It is also our understanding that the District's staff will also provide clerical assistance for preparation of confirmations and other routine correspondence and the District will be responsible for the preparation of the Management Discussion and Analysis.

#### INDEPENDENCE

The firm of Larry Bain, CPA, An Accounting Corporation is independent with respect to their relationship with the District. The firm has not engaged in any professional relationships with the District, its agencies, component units, staff, or members of the Board for the past five years, thus free of any conflicts of interest and impairments to independence that could arise from such relationships. If any such professional relationships do occur, the firms will provide written notice of such relationships entered into during the period of this Agreement.

#### LICENSE TO PRACTICE

Larry Bain, CPA, An Accounting Corporation is California licensed firms that is enrolled in one of the AICPA's practice monitoring programs. We are committed to periodic peer reviews as a part of our membership in those programs. The reviews concluded that Larry Bain, CPA, An Accounting Corporation does comply with the stringent quality control standards set by the AICPA. The reviews have been administered by the California Society of Certified Public Accountants, in coordination with the AICPA. We have enclosed a copy of our firm's most recent peer review letter for your information.

Larry Bain, CPA, An Accounting Corporation has never been subject to any disciplinary action with any state regulatory bodies or professional organizations. Larry Bain, CPA, An Accounting Corporation has also never had a federal or state desk review or field review of its audits.

#### EXPERIENCE OF FIRM

Larry Bain, CPA, an Accounting Corporation was established in 2001. The firm is located in El Dorado Hills, CA specializing in governmental audits. Our audit staff includes three full time employees and two independent contractors whom are CPAs. Our firm conducts over 40 governmental audits per year and all staff combined have over 75,000 hours of governmental audit experience. Larry Bain, CPA has performed audits of local governmental agencies in the State of California for approximately 22 years and Susan Tang has performed audits of local governmental agencies in the State of California for approximately 15 years.

Larry Bain, CPA is licensed to practice as certified public accountant in the State of California and has a Type A license, which allows him to sign attest reports under California law. Susan is a licensed CPA and holds a Master of Accountancy Degree. Natasha is CPA candidate. The firm is devoted almost entirely to audits of local government agencies with many community service, fire, water and sewer Districts among the firm's cliental.

QUALIFICATIONS OF FIRM

The following is the list of staff along with their qualifications.

Larry Bain – Larry is a Certified Public Account who graduated from Chico State University with a Bachelor of Science degree in Business Administration with an emphasis in accounting and was a member of Beta Alpha Psi accounting honors society. During Larry's twenty-one years as a CPA, he has audited over one hundred special district and local government clients. He is currently the Supervising Auditor for over forty municipal audits and special district audits. The following is a list of a few of the clients that he has audited:

*Tahoe Resource Conservation District  
Trinity Resource Conservation District  
City of Bishop  
City of Lakeport  
City of Ione  
City of Waterford  
Westside Water District  
South Placer Municipal Utilities District  
El Dorado Hills Community Services District  
Cameron Park Airport District*

*Mariposa County  
Siskiyou County  
Rancho Murieta Community Service District  
Orangevale Recreation and Park District  
Cordova Recreation and Park District  
Mammoth Community Water District  
Florin County Water District  
Marin/ Sonoma Mosquito Vector Control District  
Calaveras Public Power Agency  
Calaveras County Water District*

Susan Tang – Susan is a senior auditor who is a licensed CPA and graduated from Sacramento State University with a Master of Science degree in Accounting. Susan has over 14 years of accounting experience and auditing experience, with a specialty in employee benefit plan audits under the ERISA requirements. She has audited over 75 special district, local government, corporate clients, and pension plans. The following is a list of a few of the clients that she has audited:

*Bank of America 401 (K)  
3Com 401 (K)  
City of South Lake Tahoe  
Calaveras County Water District*

*Cordova Recreation and Park District  
City of Ione  
City of Bishop*

Natasha Dunlap – Natasha is a staff auditor who graduated from Sacramento State University with a Bachelor of Science degree in Business Administration with an emphasis in accounting. She has worked on over 100 audits and is currently preparing for the CPA exam.

CONTINUING EDUCATION OF FIRM

Our firm maintains the knowledge, skills and abilities required in by participating in general and industry specific continuing professional education (CPE) and professional development activities which enable the firm to accomplish firm quality control responsibilities and satisfy applicable CPE requirements of the AICPA, state CPA Societies State Board of Accountancy and other applicable regulators. We also monitor the compliance of per diem employees with CPE requirements. We implement this policy by participating in professional development programs; evaluating knowledge and expertise required to perform an engagement prior to accepting the client engagement; and receiving professional publications, such as the Journal of Accountancy to keep abreast of changes in accounting standards and client industry specific pronouncements.

Our staff is up to date on continuing professional education and combined have taken and completed the following courses:

California Ethics  
Single Audit  
GASB 34 Fund Financial Statements  
GASB 34 Budgetary Reporting  
GASB 34 Infrastructure Assets  
Employee Benefits Plan ERISA and Tax Requirements  
Retirement Plans – Plan Loans  
Risk Based Audits Substantive Analytical Procedures  
Risk Based Audits Testing and Evaluating Controls  
Risk Based Audits Efficient Audit Programs  
Risk Based Audits Special Considerations

Single Audit – Background Information  
Single Audits – Reporting Under the Single Audit  
Audits of Local Governments – Background information  
Audits of Local Governments – Pre-engagement Activities  
Audits of Local Governments – Concluding the Audit  
Audits of Local Governments – Auditor’s Sampling  
Audits of Local Governments – Auditor’s Report  
Audits of Nonprofit Organizations – Special Considerations  
Quality Control – Professional development  
Preparing Financial Statements Supplementary Information

## APPROACH TO THE AUDIT

### **Preliminary Planning**

We will begin work on the engagement with planning activities conducted from our locations. While much of this work is not visible to the District, it is integral to a smooth on-site audit. We will contact the District during this segment to discuss the list of required information so that we can tailor the list to ensure that we are requesting information in the most efficient manner possible for your staff and the audit.

During the planning segment, we will begin the risk assessment as required under AICPA standards. This process will involve gathering information about the District from a variety of sources and using our existing knowledge of how similar entities operate to begin identifying risks that could be present in the District's operations. Our audit approach will be specifically tailored to address these risks, resulting in an audit that is more effective and efficient for the District.

#### **Key Tasks:**

- Review prior year audit and other audits similar in nature to the District
- Set up workpaper templates.
- Document research on the District's economic environment and financial history.
- Review Board minutes to become familiar with major recent events.
- Review District procedures manuals to gain preliminary understanding of internal control systems.
- Review any new standards or regulations that may pertain to District
- Document general risks common to most District audits.
- Conduct entrance conference with District personnel.
- Tailor the list of requested schedules and documents to the District's system.
- Develop audit plan based on information obtained.
- Perform quality control review of audit plan.
- Review documentation on capital leases and long-term debt
- Select necessary samples for further review during interim fieldwork. The sample size population will be sixty for the first year under audit and sample size will be reviewed for subsequent years. Sample size will also be based on the level of activity in each category and whether additional testing is necessary.

### **Fieldwork**

We will arrive on-site for fieldwork prepared to ask thoughtful questions necessary to complete our audit planning. Fieldwork also gives us an opportunity to begin audit testing, which reduces pressure near the end of the audit.

#### **Key Tasks:**

- Make general inquiries of key individuals as required by professional standards.
- Issue internal control and walkthrough documents for District to respond to.
- Document our complete understanding of key aspects of the District's internal controls related to significant account balances.
- Perform tests of internal controls.
- Finish gathering the information needed for risk assessment that we began in the planning segment above that could not be efficiently gathered from other sources.
- Conduct progress conferences with District staff.

### **Final Planning**

Prior to beginning fieldwork, we will perform a preliminary analysis of the data you send in advance so that our approach to the audit is organized and methodical.

#### **Key Tasks:**

- Perform preliminary analytical procedures based on trial balance data.
- Select any additional samples considered necessary.
- Prepare and submit the District's Annual Report of Financial Transaction of Special Districts to the State Controller

### **Year-end Fieldwork**

With the groundwork laid during the planning phase, our focus during year-end fieldwork will be to ensure the accuracy of significant financial statement account balances. This involves general, overall procedures designed to detect items not included in the financial records that should be included as well as a tailored audit approach for each significant account balance. Based on the risks identified earlier in the process, we expect to employ a variety of approaches to verify the accuracy of the District's financial statements, including analytical procedures and sampling for further tests of details.

The key to this segment of the audit will be the detailed client participation schedule we will prepare which lists the items needed for the audit. We will provide this schedule well in advance of our visit to help your staff prepare for the audit and reduce the need for requests during fieldwork.

#### **Key Tasks:**

- Perform tests to address the risks of material misstatement present in all significant account balances of the District.
- Perform test on balance sheet items
- Make inquiries about unusual patterns identified during preliminary analysis of District.
- Make a preliminary communication of any issues that could result in findings.
- Conduct progress conferences and final exit conference with District personnel.
- Review budget for legal compliance

## **Reporting**

After completing our audit work, we will prepare the following report for District review:

- Independent Auditor's Report on Basic Financial Statements
- Report on Internal Control Over Financial Reporting
- Prepare and submit the District's Annual Report of Financial Transactions of Special Districts to the State Controller.

We will prepare the draft reports using checklists from the PPC guide.

After receiving your acceptance of the draft reports, we will issue final reports within the deadline outlined.

## **Identification of Potential Audit Problems**

Although we do not anticipate internal control difficulties based on the District's previously-issued audit report which did not identify any material weaknesses in internal control, we nonetheless plan our internal control tests earlier in the audit process during interim work to give us the necessary time to adjust our procedures if any problems are encountered.

GASB 68, which represents a significant change in the required accounting and reporting standards for pensions, will become effective for the June 30, 2015 fiscal year. We will assist the District in preparation for this continuing requirement by obtaining the GASB 68 worksheets used for the June 30, 2016 audit and updating the information for June 30, 2017 in order to prepare the journal entry for financial reporting. While the bulk of the responsibility for actually determining pension liabilities will likely rest with CalPERS, we can help the District transition from the prior audit firms GASB 68 work.

### MANAGEMENT RESPONSIBILITIES

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information in conformity with U.S. generally accepted accounting principles.

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 District from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and 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 internal controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the District 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. Your responsibilities include informing us of your knowledge of any allegation of fraud or suspected fraud affecting the government received in communication from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information 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 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. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that 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.

COST PROPOSAL

Fees for our services are based primarily on the estimated time required for the audit, the level of expertise of the individuals involved and the amount projected for out-of-pocket expenses. In connection with the annual audit we will assist with and prepare the following:

- Assist and review the preparation of the basic financial statements, notes to the basic financial statements, and report on internal control.
- Management letter covering any observations made during the course of the audit
- Prepare and submit the Special District's Financial Transactions Report

We anticipate that we will incur expenses for meals and mileage, however, these costs will be covered by our hourly rates quoted above and will not be billed separately to the District.

In summary, our proposed total fees for the one year contract term.

District audit, fiscal year ended June 30, 2017	\$11,200
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Option for additional years

District audit, fiscal year ended June 30, 2018	\$11,200
District audit, fiscal year ended June 30, 2019	\$11,200

Our invoices for these fees will be rendered each month as work progresses. The above fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

In addition to the above-described services, we will provide necessary accounting assistance throughout the year on an "as needed" basis. Our hourly fee for special projects is \$95 to \$150 per hour, depending on the level of service and staff assigned to the engagement.

REFERENCES

Larry Bain, CPA, An Accounting Corporation believes in strong customer service and client relations. We have a high retention amongst our clients. Notably a high portion of our firm's clients have been with Larry Bain for 10+ years. We strongly encourage you to contact the following references listed as they can provide you with experience and service they have received from Larry Bain, CPA, An Accounting Corporation.

**Trinity County Resource Conservation District**

Contact: Trish Wardrip, Accountant  
(530) 623-6005  
P.O. Box 1450  
Weaverville, CA 96093

**Rancho Murieta Community Services District**

Contact: Darlene Gillum, General Manager  
(916) 354-3700  
P.O. Box 1050  
Rancho Murieta, CA 95683

**Corning Water District**

Contact: Jim Lowden, General Manager  
(530) 824-2914  
P.O. Box 738  
Corning, CA 96021

**City of Ione (Fire, Police and Sewer)**

Contact: Jane Wright, Finance Manager  
(209) 274-2412  
P.O. Box 398  
Ione, CA 95640

**Eastern Sierra Community Service District**

Contact: Jennifer Krafcheck, General Manager  
(760) 872-1415  
301 West Lane Street  
Bishop, CA 93514

**DEV** **David E. Vaughn CPA** (209) 957-8806, fax (209) 957-9589  
**CPA** 4540 Gnekow Drive, Stockton, Ca. 95212-1307

System Review Report

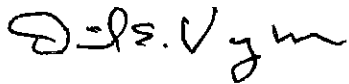
July 9, 2015

To the Shareholders,  
Larry Bain, CPA, An Accounting Corporation,  
and the Peer Review Committee of the California Society of CPAs

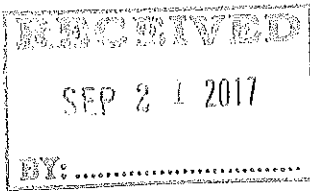
I have reviewed the system of quality control for the accounting and auditing practice of Larry Bain, CPA, An Accounting Corporation (the firm) in effect for the year ended January 31, 2015. My peer review was conducted in accordance with Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In my opinion, the system of quality control for the accounting and auditing practice of Larry Bain, CPA, An Accounting Corporation in effect for the year ended January 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Larry Bain, CPA, An Accounting Corporation has received a peer review rating of *pass*.



David E. Vaughn, CPA



## **INDEPENDENT AUDIT PROPOSAL**

John E. Blomberg, CPA, President

September 18, 2017

**LAKE SHASTINA COMMUNITY SERVICES  
DISTRICT**

# **Lake Shastina Community Services District**

## **Audit Proposal-Table of Contents**

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Blomberg & Griffin Accountancy Corporation  
Certified Public Accountant

**TRANSMITTAL LETTER**

Board of Directors  
Lake Shastina Community Services District  
16320 Everhart Drive  
Weed, CA 96094-9400

September 18, 2017

Dear Board of Directors:

Thank you for the opportunity to submit the following proposal to serve as independent auditor for the Lake Shastina Community Services District.

We propose to conduct the audits of the financial statements of the Lake Shastina Community Services District for the fiscal years ending June 30, 2017 and at Districts option years 2018 and 2019.

We will plan and perform the audits in accordance with GAGAS and will include tests of the accounting records and other procedures considered necessary under the circumstances. If our audit report is other than unqualified, we will fully discuss the reason with the District's manager prior to presentation of the report. If during the audits, we become aware of significant deficiencies in the design or operation of internal controls or of ways management practices can be improved, we will communicate such information to the District Board of Directors in a separate letter. We shall discuss the draft of the audit report at an exit conference with appropriate Lake Shastina Community Services District officials to sustain an effective auditor-client communication and provide a check against misunderstandings.

We propose to begin the audits for the fiscal years ending June 30, 2017 and if applicable 2018 and 2019, as soon as the District records are available. Setup, pre-list and certain other procedures would begin on notification of the contract. Fieldwork would begin soon after District personnel complete the trial balances. In addition to conducting the financial audits, we shall prepare and submit electronically the State Controller's Annual Report of Financial Transactions of Special Districts by the required due date.

Our fee for audit services is based on hourly rates ranging \$45 to \$105 per hour with maximum audit fee not to exceed \$11,500 for one year engagement or \$9,975 per year for three year engagement. The fee to prepare the State Controller's Annual Report of Financial Transactions of Special Districts shall be \$650 and is in addition to the audit fee. In the following page, we have shown a tentative audit program with estimated hours and billing rates.

# Lake Shastina Community Services District

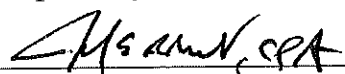
## Audit Proposal-Page 2

<b>Audit Phase</b>	<b>Manager/Senior Performed by</b>	<b>Hours</b>	<b>Hourly Rate</b>	<b>Audit Fee</b>
Prepare for field work	Senior	8	95	760
Field work of audit	Manager	16	105	1,680
Field work of audit	Senior	16	95	1,520
Test remaining accounts, write report, and Conclude audit	Manager	13	105	1,365
Test remaining accounts, write report, and Conclude audit	Senior	24	95	2,280
Assist manager and accountant	Assistant Staff	40	65	2,600
Send Preliminary audit report	Senior	1	-	55
Finalize audit reports	Manager	4	95	380
Bind and send audit reports	Assistant Staff	4	45	180
Hourly Rate Cost				10,820
Travel Cost				680
Total Audit Fee - One year				<u>\$ 11,500</u>
Total Audit Fee - Three year (for each year)				<u>\$ 9,975</u>

This audit proposal is for a financial audit and the above fees include our entire out of pocket expenses including up to 10 bound copies of the audit report. Additional copies are available at \$5 each. We will need the cooperation and assistance of District personnel to successfully complete the audits. Such assistance will include obtaining copies of documents, contracts, invoices, etc., various audit inquiries and assistance with the preparation of audit confirmations and other standard audit procedures. Upon completion of the audits, we will present a draft copy of the audit report and management letter to the District General Manager for review. Ten bound copies of the final reports shall be submitted to the District each year. Should the District need additional services, our fee assisting shall be billed at the rate of \$105 per hour and travel fees in addition to the audit fee discussed above. Such additional fees, if any, will be discussed with the District in advance of providing such services.

Should you need any additional information regarding this proposal please call John direct at (209) 466-3894.

Respectfully Submitted,

  
 John E. Blomberg, C.P.A., President

Approved by: (one year) (three year) Please select option.

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Date

## **Lake Shastina Community Services District**

### **Audit Proposal-Page 3**

#### **Profile of Independent Auditors**

Blomberg & Griffin Accountancy Corporation is a local firm located in Stockton, CA. The firm provides different services such as attestation, tax, consulting, and bookkeeping, among other services to the Northern California public. We have provided these services for over thirty-five years. Our Firm is able to audit different organizations with computerized accounting systems. In addition, the Manager in charge John E. Blomberg has a current Certified Public Accounting License in the State of California. The firm meets all applicable independent standards and meets all specific requirements imposed by the state, local law and regulations. Also, the firm participates in the AICPA peer review program administered by the California Society of Certified Public Accountants. In addition, management believes all firm quality control standards are currently met.

#### **Summary of the Auditor's Qualifications**

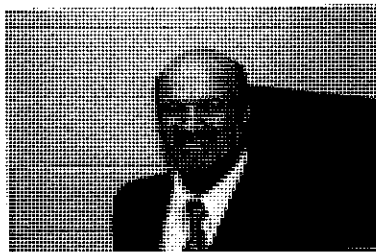
The manager in charge shall be John E. Blomberg, C.P.A. There will be one manager, a senior, and an assistant auditor assigned to the audit. We have included resumes of the personnel. Our Firm specializes in auditing the financial statements of special districts throughout California. We conduct approximately forty-five financial audits of special districts including but not limited to fire, water, sewer, cemetery, resource conservation, etc. each year. Furthermore, Approximately 97% of our total audits are special districts in California. Each audit adds to the experience of the staff and equips the staff to accurately and efficiently conduct audits of future engagements. The staff and the manager in charge have conducted many financial and single audits of local governments. The vast experience of the firm will ensure the District that the personnel assigned are up to date with internal control procedures, GASB pronouncements, and new audit testing techniques. Furthermore, the firm requires all Certified Public Accountants to take continuing education courses. Some of these courses include but not limited to Recovery and Reinvestment Act, Single Audits of Governmental Entities, Audits of State and Local Governments, and Internal Control and Fraud in Government Engagements. These courses are made available to the audit staff. These courses enable the C.P.A. and the staff to be knowledgeable in the latest GASB pronouncements.

**Lake Shastina Community Services District**  
**Audit Proposal-Page 4**

<b>Audit Client</b>	<b>Contact</b>	<b>Phone Number</b>
1) Woodside Fire Protection District	Kate Edwards	(650) 851-6205
2) Sutter Creek Fire Protection District	Dominic Moreno	(209) 419-3151
3) Patterson Irrigation District	Toni Russel	(209) 892-6233
4) Lake Don Pedro CSD	Syndie Marchesiello	(209) 852-2251
5) Twain Harte CSD	Carolyn Higgins	(209) 586-3172
6) Eastside Fire Protection District	Ginger Root	(209) 956-3516
7) Collegeville Fire Protection District	Betty Pettit	(209) 941-2339
8) Lockeford Community Services District	Judy Hoag	(209) 727-5035
9) Mountain Gate Community Services District	Janice Heck	(530) 275-3002
10) Lewiston CSD	Mel Deardorff	(530) 778-3307

## Lake Shastina Community Services District

### Audit Proposal-Page 5



**John E. Blomberg, C.P.A.**  
1013 N. California Street  
Stockton, CA 95202

#### **EDUCATION/LICENSE**

- **Certified Public Accountant, California** 1978
- San Diego State University, Bachelor of Science degrees in Accounting and Economics 1974

#### **EXPERIENCE**

##### **Blomberg & Griffin Accountancy Corporation**

###### ***President***

1981-Present

- Conducting audit services to various organizations such as special district, nonprofit, and professional health care organizations.
- Conducting water rate study to special district
- Managing the company's employees, finances, and marketing.
- Meeting with audit clients to improve financial and internal control measures

###### **Steelgard, Inc.**

1988-1990

###### **Chief Financial Officer**

- Managed all financial functions of 30 million dollar manufacturing organization.

###### **Keller, Blomberg, Griffin, & Co.**

###### **Partner**

1978-1981

- Perform audits of special districts, non-profit, and professional health care organizations.
- Prepare tax returns for clients who own rental properties, companies, conduct business in other states and countries, and sell stocks and bonds.

###### **Blomberg & Bott**

1974-1978

###### **Staff Accountant**

- Perform audits of special district, non-profit, and professional health care organizations.
- Prepare tax returns

#### **COMPUTER SKILLS**

- Microsoft Office 2010, Creative Solutions
- Accounting, various accounting and bookkeeping programs, and ten key.

**Lake Shastina Community Services District**  
**Audit Proposal-Page 6**



**Gabriela Mendoza**  
1013 N. California St.  
Stockton, CA 95202

**EDUCATION**

Individual Income Tax Course/Accounting I  
San Joaquin Delta College, Stockton, CA -2004

Various Microsoft Word, Excel Programs  
San Joaquin Delta College, Stockton, CA - 2003

Graduate, Student  
Franklin High School, Stockton, CA - 2001

**WORK EXPERIENCE**

Blomberg & Griffin Accountancy Corporation  
Office Manager/Bookkeeper

2001-Present

- \* Assist CPA in various complex governmental, not-for-profit, and professional Organizations Audits
- \* Prepare payroll tax returns
- \* Bookkeeping for small to medium size organizations in the Central Valley of California
- \* Prepare bank reconciliations
- \* Prepare tax returns for various corporations, partnerships, and individuals
- \* Consult clients for greater economic improvement
- \* Prepared sales tax reports
- \* Delegate responsibilities to employees to meet company expectations

**COMPUTER SKILLS**

- \* Microsoft Office Programs
- \* CSA Accounting Software
- \* Bookkeeping Solutions
- \* Lacerte Tax Programs
- \* QuickBooks

**LANGUAGE SKILLS**

- \* Bilingual (Spanish/English)

## **Lake Shastina Community Services District Audit Proposal-Page 7**



**Syed F. Bukhari C.P.A Candidate**  
1013 N. California Street  
Stockton, CA 95202  
syed@blombergcpa.com

### **WORK EXPERIENCE**

**Auditor/Accountant: Blomberg & Griffin A.C., Stockton CA July'15- Current**

#### **Auditor/Accountant:**

- Prepare Special District, non-profit, professional healthcare organization and Community Services District Audit.
- Prepare and submit Special District State Controller and Compensation report.
- Plan and prepare risk assessments and audit procedures for the audit.
- Assist with fieldwork audits and inform client with internal control measures.
- Worked on single audits and prepared working papers with intensive testing's.
- Analyzed, reviewed, and assessed reliability and fairness of clients' financial statements and communicated findings to management or board.
- Prepare individual and business tax returns.

**Senior Specialist Accountant & Grants Accountant: San Joaquin Regional Transit District, Stockton**

#### **Grants Accountant:**

- Prepare Schedule of Federal Awards reconciliation for single audit.
- Manage State Transit Awards Reconciliation.
- Assist managers preparing Comprehensive Annual Financial Reporting.
- Manage retirement reconciliation, Transit Development Act, and Financial audit.
- Reconcile complex bank statements, Federal Receivable, Accrued Receivable, Accrued Payable, and also reconcile Retirement statements on monthly basis and Prepare monthly reports for board meetings.
- Post Journal Entries, Accounts Payable, Accounts Receivable, and Revenue Collection batches.
- Prepare and submit packet for federal grants reimbursement.
- Calculate and record interest for Public Transit Modernization, Improvement and Service Enhancement Accounts (PTMISEA) and Low-Carbon Transit Operation Program (LCTOP) grants.

## **Lake Shastina Community Services District**

### **Audit Proposal-Page 8**

#### **Olive Financial Services, Manteca CA January'15 –April'15**

##### **Accountant and Tax Preparer:**

- Help individual and business clients to minimize tax liability and reduce audit risk. Inform them of any tax changes that affect their business and ensure compliance with taxing agency requirements.
- Review financial records such as income and documentation of expenditures to determine forms needed to prepare tax returns.
- Consult tax law handbooks or bulletins to determine procedures for preparation of a complex returns. Check data input or verify totals on forms prepared by others to detect errors in arithmetic, data entry, or procedures.
- Interview clients to obtain additional information on taxable income and deductible expenses and allowances.

#### **Hilmar Cheese and Ingredients, Hilmar CA Jan–Apr 2013**

##### **Supply Chain Management Assistant:**

- Designed and presented the expense reports of the merchandising and manufacturing of the product based on the stock
- Documented the company product's daily usage of ingredients and conserved the availability of the product to the market.
- Assisted the management with regards to the issues of collection accounts aging and resolved the areas of concerns of the customers.

##### **Education**

- **California State University East Bay, Bachelor of Science in Accounting and Finance**
- **CPA- Certified Public Accountant Candidate**
- **H&R Block Tax Training**

##### **Skills**

- QuickBooks Pro Advisor
- Lacerate Tax Software
- Special District Reporting Program
- Microsoft Office
- Thomson & Reuters Audit Program

# **Lake Shastina Community Services District**

## **Proposal for Financial Audit Services**

For the Fiscal Year Ended June 30, 2017

Submitted on September 21, 2017

1 year

Submitted by:  
Diane R. Watts, CPA  
D.R. Watts Accountancy Corporation  
1018 Live Oak Boulevard, Suite G  
Yuba City, CA 95991  
(530) 755-6402 / drwattscpa@aol.com

# **Lake Shastina Community Services District**

## **Proposal for Financial Audit Services**

### Table of Contents

Introduction	1
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Audit Team	4
Fees and Costs	4
Conflict Disclosure	4
Resume of Diane R. Watts, CPA	5
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Letters of Recommendation	7
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**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Year June 30, 2017

**INTRODUCTION**

This proposal is in response to a *Request for Proposal for Financial Audit Services* received from Lake Shastina Community Services District (LSCSD). This proposal has been prepared by Diane R. Watts, CPA, President and sole shareholder of D.R. Watts Accountancy Corporation (DRW).

**WORK PLAN / SCOPE OF SERVICES:**

The following step sequence provides an overview of the approach and methods our firm would use from the planning phase of the audit through the conclusion. It may not be all inclusive, and may be subject to modification, if it is deemed necessary as the audit progresses.

- **Obtain an understanding of the entity and the environment in which it operates.** Review information on LSCSD's web site, interview management, staff and board members; review prior audited financial statements, budgets and other information; gain an understanding of any related entities, funding sources, contractors, etc.; and read all minutes to board meetings and review all board actions during the fiscal year.
- **Obtain an understanding of the policies, procedures and internal controls related to financial reporting.** Interview appropriate staff; review accounting policies and procedures; and identify internal controls in place to prevent or detect material misstatements in the financial statements and various types of fraud or other misappropriation of assets.
- **Assess the risk of material misstatement of the financial statements.** Conduct tests of transactions to determine if internal controls in place are being followed and are effective; verify that segregation of duties are adequate and are being adhered to; determine whether there are significant deficiencies or material weaknesses in internal controls; and discuss findings with management and the audit committee (if any).
- **Perform an analytical review of the client prepared financial statements.** Analyze significant ratios and trends over multiple years for unusual changes or questionable items; compare budget to actual results; and discuss any unusual or unexpected items with management.
- **Develop appropriate audit programs.** Based on facts obtained and the assessment of the risk of material misstatement of the financial statements, prepare a general/overall audit program and financial statement specific audit programs for specific line items; determine if third-party confirmations are needed on certain financial statement items, such as cash balances, accounts receivable, revenues, etc.; plan and perform substantive testing sufficient to confirm whether amounts reported on 's financial statements are accurate; perform any additional audit procedures considered necessary; and determine what findings and recommendations need to be communicated to management and governance.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Year June 30, 2017

**WORK PLAN / SCOPE OF SERVICES (continued)**

- **Determine if any corrections/adjustments need to be made to the financial statements.**  
Prepare adjusting journal entries needed to correct any errors found and to bring the financial statements into compliance with GAAP; discuss these adjusting journal entries with management and the audit committee (if any) and address any disagreements with management; and verify that the adjustments have been made.
- **Determine that all required footnote disclosures have been made and are accurate, complete and concise.** Review the current and prior year's financial statements and the prior year's footnotes; compare to GAAP disclosure requirements for financial statements of governmental units; compare to disclosure requirements required by applicable GASB statements, interpretations or technical bulletins; review board minutes through the current date and inquire of management as to subsequent events that may require disclosure; and add new footnotes and remove or adjust prior year's footnotes as necessary.
- **Perform complete review of the audit.** Review all workpapers for accuracy, completeness, and conclusions; determine that any necessary corrections have been made; determine that all third party confirmations and attorney's letters have been received and reviewed; and draw conclusion as to whether the financial statements are free of material misstatements and fairly present the financial position of LSCSD.
- **Prepare draft financial statements.** Prepare the draft financial statements, the footnotes and the required supplementary information (RSI); and prepare the draft auditor's report, the report on internal controls, and the communication with governance report.
- **Perform a complete review of drafts.** Review the financial statements, footnotes, RSI, and auditor's reports for overall layout, numeric accuracy, spelling and grammar, page numbers and table of contents; trace all final numbers on the financial statements and footnotes back to the workpapers and the final working trial balance; and present the drafts to management and the audit committee (if any).
- **Completion of audit.** Make any changes to the drafts as agreed upon; obtain approval by management of the final drafts; obtain a management representation letter signed by authorized management; prepare final audited financial statements, RSI, the report on internal controls, and the communications with governance report.
- **Prepare the Financial Transactions Report (FTR).** Prepare all schedules as required by the State Controller's Office from the final, audited financial statements; electronically transmit the FTR to the SCO; and provide a copy of the FTR and proof of filing to management.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Year June 30, 2017

**WORK PLAN / SCOPE OF SERVICES (continued)**

- **Provide other guidance and information.** It is understood that our firm will be occasionally called upon to provide assistance in applying GAAP or GASB requirements and specifics of federal and state regulations, and we have provided for these services in our proposed fees.

**SCHEDULE:**

Our proposed schedule for the year ended June 30, 2017:

**During the month of December, 2017:**

- Current June 30 and prior year June 30 internal comparative financial statements received from LSCSD.
- Budget to actual June 30 internal financial statements received from LSCSD.
- Preliminary analytical review completed.
- By December 1, DRW will provide a *Pre-Audit Request* list to LSCSD management of audit items to be received in December, 2017.
- Prepare and mail the inquiry of legal counsel and third-party confirmations.

**During the month of January, 2018:**

- Perform all fieldwork at LSCSD's office.
- Audit completed.
- Final audited financial statements released.
- Financial Transactions report completed and transmitted to SCO.

The above is our suggested schedule, however we can adapt our timeline to fit the needs of LSCSD's management and staff.

**TEAM:**

For the year ended June 30, 2017, our team will consist of Diane R. Watts, CPA, who will conduct all audit work, and Dana Lawson, who will perform administrative services only. If our firm is awarded this contract, we will inform the management and board members of staff additions, including qualifications and employment history.

**STATEMENT OF EXPERIENCE AND QUALIFICATIONS:**

See page 5.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Year June 30, 2017

**FEES AND COSTS:**

We propose the following professional fees for the term of the engagement:

Year ended June 30, 2017	<u>\$ 15,200</u>
Total fees	<u>\$ 15,200</u>

The fees stated above include all administrative, travel and miscellaneous expenses. If current circumstances change significantly, our firm reserves the right to renegotiate our fees for the years affected.

If additional years are added beyond June 30, 2019, the fees will increase by an adjustment for inflation at the current rate, plus any increases for changes in circumstances as noted in the previous paragraph, changes in the scope of the audit, or changes in the complexity of the financial reporting or footnote disclosures, either due to changes in LSCSD's activities or changes in regulatory requirements such as GASB statements, interpretations or technical bulletins.

**LETTERS OF RECOMMENDATION:**

See pages 7-9.

**CONFLICT DISCLOSURE:**

As stated previously, based on information regarding your board, staff and management obtained on your website, I am not aware of any impairment to our firm's independence that would disqualify us from accepting this engagement. However, before accepting this engagement if offered, we would make sure that there are no actual or potential conflicts of interest.

**Diane R. Watts, CPA**  
**1018 Live Oak Boulevard, Suite G**  
**Yuba City, CA 95991**  
**Phone (530) 755-6402 / drwattscpa@aol.com**

**EDUCATION & CERTIFICATION:**

Bachelor of Arts Degree – Business Administration/Accounting 1984 California State University, Northridge, Cum laude, Dean's list.

Certified Public Accountant – California license issued May, 1990. Passed CPA exam in the top 5% statewide.

Continuing Professional Education – Exceeds all state requirements. Additional governmental, auditing and accounting CPE. Member of CalCPA.

**PROFESSIONAL EXPERIENCE:**

1986 – 1997: Auditing, tax and accounting from entry level to management at the following firms:

Montgomery, Dickerson and Moreno, Los Angeles, CA  
Leaf & Cole, San Diego, CA  
A.M. Golden Accountancy Corp., San Diego, CA

1997 – current: Private practice: audit, accounting and tax. Incorporated May, 2007.  
Currently President and CEO, D.R. Watts Accountancy Corporation.

**AUDIT EXPERIENCE:**

Government District Experience:

- ❖ General, proprietary, and fiduciary fund accounting and financial presentation.
- ❖ Accounting and reporting for various State and Federal grants (including FEMA)
- ❖ Accounting, reporting and disclosures for CalPERS defined benefit pensions, multiple employer risk pools, under Government Accounting Standards -GASB 68.
- ❖ Accounting, reporting and disclosures for Other Post- Employment Benefits (OPEB) under GASB 45.
- ❖ Accounting, reporting and disclosures for Deferred Outflows of Resources and Deferred Inflows of Resources under GASB 63.
- ❖ Overall experience with GASB statements, interpretations and technical bulletins.
- ❖ Overall experience with Generally Accepted Government Auditing Standards.

Non-Profit Experience:

- ❖ Accounting and reporting for various California grants.
- ❖ Accounting and reporting for restricted contributions.
- ❖ Overall experience with Financial Accounting Standards Board (FASB) and the Clarity Standards.

**D.R. Watts Accountancy Corporation**

List of Recent Audit Clients

**GOVERNMENTAL AUDITS:**

Current:

**Humboldt Bay Fire Joint Powers Authority, Eureka, CA (see letter of reference)**

**Humboldt No 1. Fire Protection District, Eureka, CA (see letter of reference)**

**Arcata Fire Protection District, Arcata, CA (see letter of reference)**

**Footbill Fire Protection District, Brownsville, CA**

**Jackson Valley Fire Protection District, Ione, CA**

**Blue Lake Fire Protection District, Blue Lake, CA**

**San Joaquin County Fair, 2<sup>nd</sup> District Agricultural Association, Stockton, CA**

**Various other Districts**

Recent past:

**Browns Valley Irrigation District (has strict 3 year auditor rotation policy)**

**NON-PROFIT AUDITS:**

Current:

**Tri-State Livestock Credit Corporation 501(c)(16) – a multi-state livestock lending institution, Rancho Cordova, CA (see letter of reference)**

**North Tahoe Family Resource Center 501(c)(3), Kings Beach, CA**

**Yuba Sutter Legal Center for Seniors 501(c)(3), Marysville, CA**

**Employers Advocate, Inc. - construction labor relations trade associations 501(c)(6), Walnut Creek, CA:**

**Construction Employers' Association**

**Carpenters Work Preservation Trust Fund**

**Carpenter Employers Contract Administration Trust**

**Association of Construction Employers**

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**Laborers Building Industry Promotion Trust**

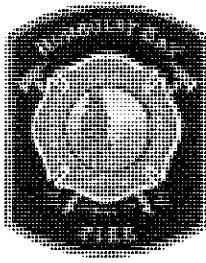
**Construction Employers Contract Administration Fund**

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**California Builders Advancement Program Trust**

**Association of Environmental Contractors**

**Assoc. of Environ. Contractors Industry Promotion Trust**



## HUMBOLDT BAY FIRE

Joint Powers Authority

533 C Street • Eureka, California 95501-0340 • (707) 441-4000  
Fax (707) 441-4133 • [www.hbfire.org](http://www.hbfire.org) • email: [info@hbfire.org](mailto:info@hbfire.org)

August 19, 2016

RE: LETTER OF RECOMMENDATION FOR DIANE R. WATTS AND D.R. WATTS  
ACCOUNTANCY CORPORATION

To whom it may concern,

I am providing this letter of reference regarding Diane R. Watts. As you are aware, Ms. Watts is the owner of D.R. Watts Accountancy Corporation, located at 1018 Live Oak Boulevard, Suite G in Yuba City, California.

Ms. Watts has provided very professional auditing service to the Humboldt Bay Fire Joint Powers Authority and Humboldt No. 1 Fire Protection District since fiscal year 2012-13. The upcoming audit for fiscal year 2015-16 will be the fourth audit her firm has conducted consecutively for our agencies. Additionally, Ms. Watts firm has also provided audit services for a Joint Fire Services shared account during those years.

It may seem interesting that I include reference for multiple entities in this letter. Humboldt Bay Fire JPA was formed through the consolidation of Humboldt No. 1 Fire Protection District and the Eureka Fire Department (City of Eureka). The consolidation took a few years, and Ms. Watts' firm was there as we transitioned from two departments into one, including the complicated consolidation of fiscal budgets into the agency of today. The parent entities remain due to funding stream considerations, and Ms. Watts' firm continues to provide audit services to both Humboldt Bay Fire JPA and to Humboldt No. 1 Fire Protection District.

Ms. Watts and her firm have worked very well with our agencies. She and her staff work professionally, efficiently, and effectively to complete the audit in a timely manner. They work to minimize disruption within our office environment. Ms. Watts' knowledge and experience leads to a thorough and accurate audit. Following completion of the audit, Ms. Watts has provided our respective Boards with a hard copy report and a verbal summary and overview report of the results of the audit during board meetings, and does so in a manner that board members and staff alike can follow and are able to understand.

In closing, I endorse Ms. Diane R. Watts and her firm D.R. Watts Accountancy Corporation based on my experiences, and would recommend her firm to any agency seeking professional audit services. If you have any questions, please do not hesitate to contact me.

Respectfully,

Bill Gillespie

Fire Chief

Humboldt Bay Fire Joint Powers Authority



# ARCATA

## FIRE DISTRICT

OFFICE OF THE FIRE CHIEF

August 22, 2016

To Whom It May Concern:

The purpose of this letter is to provide a professional and personal recommendation for Diane Watts.

Ms. Watts has been our independent auditor, conducting our annual audits for the past eight years. Her expertise in Fire Departments and Special Districts has been invaluable in guiding our department through governmental financial rules and regulations. She has the ability to present the financial statements to our District Board in a way that is clearly understandable to the layperson.

I highly recommend Diane Watts to anyone in need of independent auditor services. Ms. Watts provides information in a prompt and professional manner, and responds to all communications in a prompt and professional manner, bringing the highest standards of excellence and expertise to her profession.

Please feel free to contact me if there are any questions.

Sincerely,

Justin McDonald, Fire Chief

Arcata Fire District

Office | (707) 825-2000

[jmcdonald@arcatafire.org](mailto:jmcdonald@arcatafire.org)

[www.arcatafire.org](http://www.arcatafire.org)





**Tri-State Livestock Credit Corporation**  
2880 Sunrise Blvd., Suite 224, Rancho Cordova, CA 95742  
(800) 778-8734 • (916) 570-1388 • (916) 570-1389 Fax • [info@TSLCC.com](mailto:info@TSLCC.com)

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August 23, 2016

RE: LETTER OF RECOMMENDATION FOR DIANE R. WATTS,  
D.R. WATTS ACCOUNTANCY CORPORATION

To whom it may concern:

This letter is to serve as a reference for:

Diane R. Watts, Owner  
D.R. Watts Accountancy Corporation  
1018 Live Oak Boulevard, Suite G  
Yuba City, CA 95991

Diane Watts and her staff have provided professional auditing and tax services for our organization since 2014. She and her staff have also performed several internal control audits for our Company. Ms. Watts works competently, thoroughly, and efficiently to meet the deadlines required to complete the annual audit of our Company's financial statements and Federal and State tax returns. The services are completed timely and according to the contract quoted price. Ms. Watts' extensive knowledge and vast auditing experience results in a thorough and accurate audit report.

Her team is punctual and minimizes staff disruption of the daily work flow by being organized and prepared.

I highly recommend the audit and tax services of Diane R. Watts without reservation.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Germana Silva Suderman', written in a cursive style.

Germana Silva Suderman  
President and Chief Credit Officer

## D.R. Watts Accountancy Corporation

1018 Live Oak Boulevard, Suite G

Yuba City, CA 95991

Phone (530) 755-6402 / drwattscpa@aol.com

September 21, 2017

To the Board of Directors and Management  
of Lake Shastina Community Services District

In 2014 D.R. Watts Accountancy Corporation had a peer review conducted in which the corporation was given the rating of *pass with deficiencies*. There are three ratings – pass, pass with deficiencies, and fail.

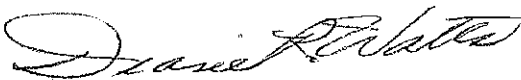
At that time, I had a second shareholder in the corporation, Lewis Ridgeway, CPA, who had taught auditing at Sacramento State University for 25 years, and had previously had his own audit and tax practice. He frequently talked to me about various CPE classes he had or was taking, and which ones he liked or didn't like. We worked independently on our own audit clients, and had no shared clients.

Each shareholder had their selected audits and reviews examined by the peer reviewer, David Vaughn. After his examination, he stated that Mr. Ridgeway's audits had not been updated to comply with the *Clarity Standards* issued by the FASB in 2013. None of my audits or reviews had any stated deficiencies.

Mr. Ridgeway was required to take an 8 hour CPE course on the *Clarity Standards*, which he did (see page 12). I was not required to do so, since none of my audits were affected by the deficiency. My deficiency required me to prepare a Quality Control Document, as I had not properly reviewed Mr. Ridgeway's audits.

Lewis Ridgeway left my firm on January 1, 2015 and has since retired. My corporation continues to have a rating of *pass with deficiencies*. I am currently scheduled for peer review (every 3 years) which is to be completed by December 31, 2017. I look forward to it, as an opportunity to redeem the corporation's previous rating. I have no reason to believe that D.R. Watts Accountancy Corporation will not pass this peer review without any deficiencies.

Sincerely,



Diane R. Watts, CPA  
D.R. Watts Accountancy Corporation



David E. Vaughn CPA

(209) 957-8806, fax (209) 957-9589

4540 Gnekow Drive, Stockton, Ca. 95212-1307

### System Review Report

March 18, 2014

To the Partners,  
D.R. Watts Accountancy Corporation,  
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of D.R. Watts Accountancy Corporation (the firm) in effect for the year ended June 30, 2013. My peer review was conducted in accordance with Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

I noted the following deficiencies during my review:

1. Deficiency - Although the firm's quality control policies and procedures for engagement performance regarding consultation requires the firm to refer to its practice aids to assist in implementing professional standards, my review disclosed an instance where the firm did not adequately consult its practice aids. As a result, on a nonprofit audit, the firm did not update the auditor's report for recent significant changes to professional standards. The firm intends to update its audit reports on all future engagements.

Recommendation - I recommend that the firm modify its current policies and procedures to include a mechanism for assuring that the firm's practice aids are more fully utilized. This could include a detailed review of each periodic update of the firm's practice aids and a more comprehensive review of the financial statements during the review process.

2. Deficiency - The firm had not prepared a Quality Control Document under Statement on Quality Control Standards as required by professional standards. The firm had not consulted professional standards.

Recommendation - The firm should review the requirements of the Statements on Quality Control Standards and adopt an appropriate Quality Control Document.

In my opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of D.R. Watts Accountancy Corporation in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. D.R. Watts Accountancy Corporation has received a peer review rating of *pass with deficiencies*.

David E. Vaughn, CPA

May 28, 2014

Diane R Watts, CPA  
D.R. Watts Accountancy Corporation  
1585 Butte House Road, Ste. E  
Yuba City, CA 95993

Dear Ms. Watts:

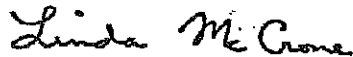
On May 22, 2014 the California Peer Review Committee accepted the report on the most recent system peer review of your firm and your firm's response thereto.

The Committee accepted the aforementioned documents with the understanding that the firm will:

- Submit proof of 8 hours CPE taken in an auditing standards update class by August 31, 2014.

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us at the address noted on this letterhead.

Sincerely,



Linda McCrone, CPA  
Director, Peer Review Program

cc: David Eugene Vaughn

Firm Number: 72004504      Review Number: 351199

Acknowledged for the Firm:

Signature:  CPA      Date: 8/23/2014  


## D.R. Watts Accountancy Corporation

1018 Live Oak Blvd, Suite G  
Yuba City, CA 95991  
Phone (530) 755-6402 / drwattscpa@aol.com

3 year

September 21, 2017

Mike Wilson, General Manager  
and the Board of Directors  
Lake Shastina Community Services District  
16320 Everhart Drive  
Weed, CA 96094

Dear Mr. Wilson and Members of the Board,

I am pleased to submit the enclosed proposal for the financial audit of the Lake Shastina Community Services District for a three year period beginning with the fiscal year ended June 30, 2017. I have also submitted a separate one year contract for the year ended June 30, 2017, if that is preferable to management and the board members.

I, Diane R. Watts, CPA will conduct the planning of the audit, will perform all audit procedures and will write the final financial statements, including the auditor's report and all required supplementary reports and information.

Since we are close to the end of September, I have a number of June 30 year end audits that are currently underway. I'm also undergoing peer review that is due by December 31, 2017. Therefore, as you will see in the Audit Schedule section of my proposal, I would need to schedule the audit for the year ended June 30, 2017 for early January of 2018. I hope this timeframe is agreeable to the management and the Board of Directors of the Lake Shastina Community Services District.

I appreciate this opportunity to submit the following proposal. Please contact me if you have any questions.

Sincerely,



Diane R. Watts, CPA  
President  
D.R. Watts Accountancy Corporation

# **Lake Shastina Community Services District**

## **Proposal for Financial Audit Services**

For the Fiscal Years Ending June 30, 2017, 2018 and 2019

Submitted on September 21, 2017

Submitted by:  
Diane R. Watts, CPA  
D.R. Watts Accountancy Corporation  
1018 Live Oak Boulevard, Suite G  
Yuba City, CA 95991  
(530) 755-6402 / drwattscpa@aol.com

**Lake Shastina Community Services District  
Proposal for Financial Audit Services**

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**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Years June 30, 2017, 2018 and 2019

**INTRODUCTION**

This proposal is in response to a *Request for Proposal for Financial Audit Services* received from Lake Shastina Community Services District (LSCSD). This proposal has been prepared by Diane R. Watts, CPA, President and sole shareholder of D.R. Watts Accountancy Corporation (DRW).

**WORK PLAN / SCOPE OF SERVICES:**

The following step sequence provides an overview of the approach and methods our firm would use from the planning phase of the audit through the conclusion. It may not be all inclusive, and may be subject to modification, if it is deemed necessary as the audit progresses.

- **Obtain an understanding of the entity and the environment in which it operates.** Review information on LSCSD's web site, interview management, staff and board members; review prior audited financial statements, budgets and other information; gain an understanding of any related entities, funding sources, contractors, etc.; and read all minutes to board meetings and review all board actions during the fiscal year.
- **Obtain an understanding of the policies, procedures and internal controls related to financial reporting.** Interview appropriate staff; review accounting policies and procedures; and identify internal controls in place to prevent or detect material misstatements in the financial statements and various types of fraud or other misappropriation of assets.
- **Assess the risk of material misstatement of the financial statements.** Conduct tests of transactions to determine if internal controls in place are being followed and are effective; verify that segregation of duties are adequate and are being adhered to; determine whether there are significant deficiencies or material weaknesses in internal controls; and discuss findings with management and the audit committee (if any).
- **Perform an analytical review of the client prepared financial statements.** Analyze significant ratios and trends over multiple years for unusual changes or questionable items; compare budget to actual results; and discuss any unusual or unexpected items with management.
- **Develop appropriate audit programs.** Based on facts obtained and the assessment of the risk of material misstatement of the financial statements, prepare a general/overall audit program and financial statement specific audit programs for specific line items; determine if third-party confirmations are needed on certain financial statement items, such as cash balances, accounts receivable, revenues, etc.; plan and perform substantive testing sufficient to confirm whether amounts reported on 's financial statements are accurate; perform any additional audit procedures considered necessary; and determine what findings and recommendations need to be communicated to management and governance.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Years June 30, 2017, 2018 and 2019

**WORK PLAN / SCOPE OF SERVICES (continued)**

- **Determine if any corrections/adjustments need to be made to the financial statements.**  
Prepare adjusting journal entries needed to correct any errors found and to bring the financial statements into compliance with GAAP; discuss these adjusting journal entries with management and the audit committee (if any) and address any disagreements with management; and verify that the adjustments have been made.
- **Determine that all required footnote disclosures have been made and are accurate, complete and concise.** Review the current and prior year's financial statements and the prior year's footnotes; compare to GAAP disclosure requirements for financial statements of governmental units; compare to disclosure requirements required by applicable GASB statements, interpretations or technical bulletins; review board minutes through the current date and inquire of management as to subsequent events that may require disclosure; and add new footnotes and remove or adjust prior year's footnotes as necessary.
- **Perform complete review of the audit.** Review all workpapers for accuracy, completeness, and conclusions; determine that any necessary corrections have been made; determine that all third party confirmations and attorney's letters have been received and reviewed; and draw conclusion as to whether the financial statements are free of material misstatements and fairly present the financial position of LSCSD.
- **Prepare draft financial statements.** Prepare the draft financial statements, the footnotes and the required supplementary information (RSI); and prepare the draft auditor's report, the report on internal controls, and the communication with governance report.
- **Perform a complete review of drafts.** Review the financial statements, footnotes, RSI, and auditor's reports for overall layout, numeric accuracy, spelling and grammar, page numbers and table of contents; trace all final numbers on the financial statements and footnotes back to the workpapers and the final working trial balance; and present the drafts to management and the audit committee (if any).
- **Completion of audit.** Make any changes to the drafts as agreed upon; obtain approval by management of the final drafts; obtain a management representation letter signed by authorized management; prepare final audited financial statements, RSI, the report on internal controls, and the communications with governance report.
- **Prepare the Financial Transactions Report (FTR).** Prepare all schedules as required by the State Controller's Office from the final, audited financial statements; electronically transmit the FTR to the SCO; and provide a copy of the FTR and proof of filing to management.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Years June 30, 2017, 2018 and 2019

**WORK PLAN / SCOPE OF SERVICES (continued)**

- **Provide other guidance and information.** It is understood that our firm will be occasionally called upon to provide assistance in applying GAAP or GASB requirements and specifics of federal and state regulations, and we have provided for these services in our proposed fees.

**SCHEDULE:**

Our proposed schedule for the year ended June 30, 2017:

**During the month of December, 2017:**

Current June 30 and prior year June 30 internal comparative financial statements received from LSCSD.  
Budget to actual June 30 financial statements received from LSCSD.  
Preliminary analytical review completed.  
On December 1, the auditor will provide a *Pre-Audit Request* list to LSCSD management of audit items to be received in December, 2017.  
Prepare and mail the inquiry of legal counsel and third-party confirmations.

**During the month of January, 2018:**

Perform all fieldwork at LSCSD's office.  
Complete audit.  
Final audited financial statements released.  
Financial Transactions report completed and transmitted to SCO.

For subsequent years ending June 30, 2018 and 2019, the above schedule would take place in July, August and September of the same year. The above is our suggested schedule, however we can adapt our timeline to fit the needs of LSCSD's management and staff.

**TEAM:**

For the year ended June 30, 2017, our team will consist of Diane R. Watts, CPA, who will conduct all audit work, and Dana Lawson, who will perform administrative services only. If our firm is awarded this contract, we will inform the management and board members of staff additions, including qualifications and employment history.

**STATEMENT OF EXPERIENCE AND QUALIFICATIONS:**

See page 5.

**Lake Shastina Community Services District**  
**Proposal for Financial Audit Services**  
Fiscal Years June 30, 2017, 2018 and 2019

**FEES AND COSTS:**

We propose the following professional fees for the term of the engagement:

Year ended June 30, 2017	\$ 14,400
Year ended June 30, 2018	14,400
Year ended June 30, 2019	<u>14,400</u>
Total fees	<u>\$ 43,200</u>

The fees stated above include all administrative, travel and miscellaneous expenses. If current circumstances change significantly, our firm reserves the right to renegotiate our fees for the years affected.

If additional years are added beyond June 30, 2019, the fees will increase by an adjustment for inflation at the current rate, plus any increases for changes in circumstances as noted in the previous paragraph, changes in the scope of the audit, or changes in the complexity of the financial reporting or footnote disclosures, either due to changes in LSCSD's activities or changes in regulatory requirements such as GASB statements, interpretations or technical bulletins.

**LETTERS OF RECOMMENDATION:**

See pages 7-9.

**CONFLICT DISCLOSURE:**

As stated previously, based on information regarding your board, staff and management obtained on your website, I am not aware of any impairment to our firm's independence that would disqualify us from accepting this engagement. However, before accepting this engagement if offered, we would make sure that there are no actual or potential conflicts of interest.

**Diane R. Watts, CPA**  
**1018 Live Oak Boulevard, Suite G**  
**Yuba City, CA 95991**  
**Phone (530) 755-6402 / drwattscpa@aol.com**

**EDUCATION & CERTIFICATION:**

Bachelor of Arts Degree – Business Administration/Accounting 1984 California State University, Northridge, Cum laude, Dean's list.

Certified Public Accountant – California license issued May, 1990. Passed CPA exam in the top 5% statewide.

Continuing Professional Education – Exceeds all state requirements. Additional governmental, auditing and accounting CPE. Member of CalCPA.

**PROFESSIONAL EXPERIENCE:**

1986 – 1997: Auditing, tax and accounting from entry level to management at the following firms:

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**D.R. Watts Accountancy Corporation**

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**Association of Construction Employers**

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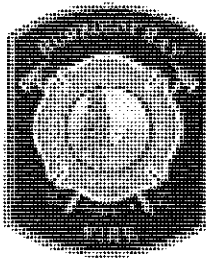
**Construction Employers Contract Administration Fund**

**Builders Industry Promotion Trust Fund**

**California Builders Advancement Program Trust**

**Association of Environmental Contractors**

**Assoc. of Environ. Contractors Industry Promotion Trust**



## HUMBOLDT BAY FIRE

Joint Powers Authority

533 C Street • Eureka, California 95501-0340 • (707) 441-4000

Fax (707) 441-4133 • [www.hbfire.org](http://www.hbfire.org) • email: [info@hbfire.org](mailto:info@hbfire.org)

August 19, 2016

RE: LETTER OF RECOMMENDATION FOR DIANE R. WATTS AND D.R. WATTS  
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In closing, I endorse Ms. Diane R. Watts and her firm D.R. Watts Accountancy Corporation based on my experiences, and would recommend her firm to any agency seeking professional audit services. If you have any questions, please do not hesitate to contact me.

Respectfully,

Bill Gillespie

Fire Chief

Humboldt Bay Fire Joint Powers Authority



# ARCATA FIRE DISTRICT

OFFICE OF THE FIRE CHIEF

August 22, 2016

To Whom It May Concern:

The purpose of this letter is to provide a professional and personal recommendation for Diane Watts.

Ms. Watts has been our independent auditor, conducting our annual audits for the past eight years. Her expertise in Fire Departments and Special Districts has been invaluable in guiding our department through governmental financial rules and regulations. She has the ability to present the financial statements to our District Board in a way that is clearly understandable to the layperson.

I highly recommend Diane Watts to anyone in need of independent auditor services. Ms. Watts provides information in a prompt and professional manner, and responds to all communications in a prompt and professional manner, bringing the highest standards of excellence and expertise to her profession.

Please feel free to contact me if there are any questions.

Sincerely,

Justin McDonald, Fire Chief  
Arcata Fire District  
Office | (707) 825-2000  
[jmcdonald@arcatafire.org](mailto:jmcdonald@arcatafire.org)  
[www.arcatafire.org](http://www.arcatafire.org)





**Tri-State Livestock Credit Corporation**  
2880 Sunrise Blvd., Suite 224, Rancho Cordova, CA 95742  
(800) 778-8734 • (916) 570-1388 • (916) 570-1389 Fax • [info@TSLCC.com](mailto:info@TSLCC.com)

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August 23, 2016

RE: LETTER OF RECOMMENDATION FOR DIANE R. WATTS,  
D.R. WATTS ACCOUNTANCY CORPORATION

To whom it may concern:

This letter is to serve as a reference for:

Diane R. Watts, Owner  
D.R. Watts Accountancy Corporation  
1018 Live Oak Boulevard, Suite G  
Yuba City, CA 95991

Diane Watts and her staff have provided professional auditing and tax services for our organization since 2014. She and her staff have also performed several internal control audits for our Company. Ms. Watts works competently, thoroughly, and efficiently to meet the deadlines required to complete the annual audit of our Company's financial statements and Federal and State tax returns. The services are completed timely and according to the contract quoted price. Ms. Watts' extensive knowledge and vast auditing experience results in a thorough and accurate audit report.

Her team is punctual and minimizes staff disruption of the daily work flow by being organized and prepared.

I highly recommend the audit and tax services of Diane R. Watts without reservation.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Germana Silva Suderman', written in a cursive style.

Germana Silva Suderman  
President and Chief Credit Officer

**D.R. Watts Accountancy Corporation**

**1018 Live Oak Boulevard, Suite G**

**Yuba City, CA 95991**

**Phone (530) 755-6402 / drwattscpa@aol.com**

September 21, 2017

To the Board of Directors and Management  
of Lake Shastina Community Services District

In 2014 D.R. Watts Accountancy Corporation had a peer review conducted in which the corporation was given the rating of *pass with deficiencies*. There are three ratings – pass, pass with deficiencies, and fail.

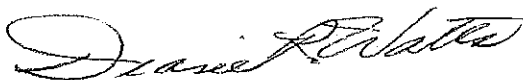
At that time, I had a second shareholder in the corporation, Lewis Ridgeway, CPA, who had taught auditing at Sacramento State University for 25 years, and had previously had his own audit and tax practice. He frequently talked to me about various CPE classes he had or was taking, and which ones he liked or didn't like. We worked independently on our own audit clients, and had no shared clients.

Each shareholder had their selected audits and reviews examined by the peer reviewer, David Vaughn. After his examination, he stated that Mr. Ridgeway's audits had not been updated to comply with the *Clarity Standards* issued by the FASB in 2013. None of my audits or reviews had any stated deficiencies.

Mr. Ridgeway was required to take an 8 hour CPE course on the *Clarity Standards*, which he did (see page 12). I was not required to do so, since none of my audits were affected by the deficiency. My deficiency required me to prepare a Quality Control Document, as I had not properly reviewed Mr. Ridgeway's audits.

Lewis Ridgeway left my firm on January 1, 2015 and has since retired. My corporation continues to have a rating of *pass with deficiencies*. I am currently scheduled for peer review (every 3 years) which is to be completed by December 31, 2017. I look forward to it, as an opportunity to redeem the corporation's previous rating. I have no reason to believe that D.R. Watts Accountancy Corporation will not pass this peer review without any deficiencies.

Sincerely,



Diane R. Watts, CPA  
D.R. Watts Accountancy Corporation



David E. Vaughn CPA

(209) 957-8806, fax (209) 957-9589

4540 Gnekow Drive, Stockton, Ca. 95212-1307

### System Review Report

March 18, 2014

To the Partners,  
D.R. Watts Accountancy Corporation,  
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of D.R. Watts Accountancy Corporation (the firm) in effect for the year ended June 30, 2013. My peer review was conducted in accordance with Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

I noted the following deficiencies during my review:

1. Deficiency - Although the firm's quality control policies and procedures for engagement performance regarding consultation requires the firm to refer to its practice aids to assist in implementing professional standards, my review disclosed an instance where the firm did not adequately consult its practice aids. As a result, on a nonprofit audit, the firm did not update the auditor's report for recent significant changes to professional standards. The firm intends to update its audit reports on all future engagements.

Recommendation - I recommend that the firm modify its current policies and procedures to include a mechanism for assuring that the firm's practice aids are more fully utilized. This could include a detailed review of each periodic update of the firm's practice aids and a more comprehensive review of the financial statements during the review process.

2. Deficiency - The firm had not prepared a Quality Control Document under Statement on Quality Control Standards as required by professional standards. The firm had not consulted professional standards.

Recommendation - The firm should review the requirements of the Statements on Quality Control Standards and adopt an appropriate Quality Control Document.

In my opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of D.R. Watts Accountancy Corporation in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. D.R. Watts Accountancy Corporation has received a peer review rating of *pass with deficiencies*.

David E. Vaughn, CPA

May 28, 2014

Diane R Watts, CPA  
D.R. Watts Accountancy Corporation  
1585 Butte House Road, Ste. E  
Yuba City, CA 95993

Dear Ms. Watts:

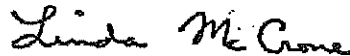
On May 22, 2014 the California Peer Review Committee accepted the report on the most recent system peer review of your firm and your firm's response thereto.

The Committee accepted the aforementioned documents with the understanding that the firm will:

- Submit proof of 8 hours CPE taken in an auditing standards update class by August 31, 2014.

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us at the address noted on this letterhead.

Sincerely,




Linda McCrone, CPA  
Director, Peer Review Program

cc: David Eugene Vaughn

Firm Number: 72004504      Review Number: 351199

Acknowledged for the Firm:

Signature:

 CPA  
D.R. Watts Accountancy Corporation

Date:

8/23/2014