

VAUGHN JOHNSON, CPA

MANAGEMENT COMMUNICATIONS

The Board of Directors
Golden West Community Services District
El Dorado, California

We have audited the financial statements of Golden West Community Services District (District) for the seven fiscal years ended June 30, 2014, and have issued our report thereon dated December 11, 2015. Professional standards require that we provide you with the following information relating to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated January 2, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note One (1) to the financial statements. Except for the FEMA and OES funding received in fiscal year 2007-08, we noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the

District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, some of the adjustments we proposed indicate matters that could have a significant effect on the District's financial reporting process. All audit adjustments proposed have been accepted.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

ISSUES DISCUSSED PRIOR TO RETENTION OF AUDITORS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

In the following section we will discuss certain observations that we believe warrant attention and/or future monitoring by the District's management:

Finding #1 -The District Exceeded Its Budgeted Expenditures

Condition:

The District did not make the appropriate adjustments or corrections to their legally adopted budget when warranted.

This finding is not repeated.

Finding #2- The District Does Not Have Capitalization and Depreciation Policies

Condition:

The District Board has not established capitalization and depreciation policies for its capital assets.

This finding is repeated; see Current Year Findings

Finding #3- The District Did Not Maintain the Petty Cash Fund Properly

Condition:

The detail testing of ten (10) petty cash reimbursements (claim vouchers) revealed that the District did not maintain or account for the petty cash fund properly.

This finding is not repeated.

Finding #4 - Inappropriate Reimbursement of the General Manager for Travel Related Expenses

Condition:

Detail testing of expenditures revealed that the District reimbursed the General Manager for personal vehicle use based on gas purchase receipts instead of the standard mileage rate stipulated by Government Code and the District's rules and procedures. Further, travel related reimbursements based solely on gas purchase receipts do not meet the Internal Revenue Service's accountable plan criteria and, as such, are subject to employment taxes (federal income tax withholding, social security and Medicare).

This finding was not repeated.

Finding #5 -The District Did Not Properly Code Expenditures

Condition:

During our detail testing of the District's expenditures, we found the District assigned incorrect subobjects to seven (7) out of the 26 claim vouchers tested. Specifically, six (6) vouchers for petty cash replenishments were coded entirely to "office expenses" while portions should have been posted to employee reimbursement "fuel purchases employee private auto" and "road maintenance". Similarly, the District coded one (1) claim voucher to "road maintenance" that should have been split between "fuel purchases employee private auto" and "office expenses".

This finding was not repeated.

Finding #6- Going Concern- The District's Actual Expenditures Exceeded Its Available Resources; The District Incurred a Fund Deficit And Overdue Payables

Condition:

The District's expenditures exceeded its available resources in fiscal year 2006-07 and the Board did not raise revenues or incur debt according to Government Code Section 61120 and 61125. Specifically, the District entered into a contract with Delta Construction Co, Inc. on December 12, 2006 in the amount of \$463,615, far beyond its available resources. As of June 30, 2007 the District owed Delta Construction Co. Inc. \$264,037 and had incurred a fund deficit of \$231,816. Further, while the District subsequently paid principal of \$100,000 in July 2007, Delta Construction has sought legal action for the unpaid balance.

This finding is not repeated.

Finding #7- The District Board Did Not Consistently Maintain Meeting Minutes

Condition:

The District's Board did not consistently maintain minutes for all meetings in the audit period and was unable to provide some minutes to the auditors.

This finding is not repeated.

Finding #8 -The District Board Did Not Adopt Annual Budgets in Compliance with Community Services District Law

Condition:

The District's Board did not document the adoption of budget in a board meeting.

This finding is not repeated.

Finding #9- The District Did Not Establish Its Appropriations Limit in Fiscal Year 2001-02

Condition:

The District did not establish its appropriations limit in fiscal year 2001-02.

This finding is not repeated.

Finding #10- The District Board Did Not Comply With Its Rules And Procedures by Authorizing A Payment in a Special Meeting

Condition:

In a special meeting held on September 25, 2005, the District Board authorized a payment.

This finding is not repeated.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

In the following section we will discuss certain observations that we believe warrant attention and/or future monitoring by the District's management:

Finding #1 – The District Does Not Have Bylaws and Policies

Criteria:

Governmental Generally Accepted Accounting Principles GASB 34 require capital assets be depreciated over their useful lives. Capitalization policies are required to be implemented by the governing unit. Other policies need to be implemented internal control monitoring and implementation per government auditing standards.

Community Services District Law requires the District's Board to enact, by rule or regulation, operating policies for the operation of the District, including but not limited to, administrative policies, fiscal policies, personnel policies, and purchasing policies.

Condition:

The District has not yet enacted capitalization and depreciation policies.

Effect:

The District needs policies and procedures to ensure that internal control, monitoring and reporting are implemented for accuracy and control of the District's assets.

Recommendation:

The District produces and approves administrative policies, fiscal policies, personnel policies and purchasing policies. This will give guidance for present and future boards to ensure the success of the District.

Finding #2 – Appropriation Limit

Criteria:

California's state appropriations limit (SAL)--originally established by Proposition 4 in 1979--places an "upper bound" each year on the amount of monies that can be spent from state tax proceeds. The SAL itself grows annually by a population and cost-of-living factor. The appropriation limit must be approved by the District before each fiscal year.

Condition:

Fiscal years 2008, 2010, 2011 and 2012 the appropriation limit was passed after June 30.

Effect:

This is a compliance requirement.

Recommendation:

File appropriation limit established by Proposition 4 before June 30.

Finding #3 – Strategic Plan

Criteria:

The District does not have a long-term Strategic Plan.

Condition:

The Strategic plan is very important part of governance.

Effect:

It is a supplement to the budget. It is important for the District to know what future repairs and requirements will be needed by the District.

Recommendation:

A Strategic plan is a very important tool for the District to implement for the continuance and future of the District.

DISTRICT ADMINISTRATION

We would like to extend our appreciation to Hope Leja, Ed White and Audrey Keebler for their cooperation during our audit. The District has made significant improvement since the last audit.

This information is intended solely for the use of the District's members and directors, El Dorado County Auditor-Controller's Office and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Vaughn Johnson

Vaughn Johnson, CPA
Cameron Park, CA 95682
December 11, 2015