

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 two fiscal years ended June 30, 2018 and 2017, and have issued our report thereon dated December 10, 2018. 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 June 12, 2018, 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. 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 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 #2 – Appropriation Limit

Condition:

Fiscal year 2014-2015 the appropriation limit was passed after June 30.

The appropriation limit was passed before June 30 for fiscal years 2017-2018 and 2018-2019.

Finding #3 – Strategic Plan

Condition:

The District does not have a long-term Strategic Plan

This finding is repeated; see Current Year Findings

Finding #4 -The District Board Did Not Adopt Annual Budgets in Compliance with Community Services District Law

Condition:

The District's Board did not adopt the 2015-2016 budget until September 15, 2015.

The preliminary budgets were passed before June 30 for fiscal years 2017-2018 and 2018-2019.

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 Capitalization and Depreciation 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 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. They have completed road policies, Board policies, and bylaws. The Board is also ensuring the accuracy of the direct charge tax roles. The Board has an active website where all agendas, minutes, financial and other information are posted.

Effect:

The District needs complete accounting 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 – 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 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

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Cameron Park, CA 95682
January 17, 2019