

Les Baugh
County Member

Larry Farr
City Member

Stan Neutze
City Member Alternate

Francie Sullivan
City Member

Irwin Fust
Special District Member

Mary Rickert
County Member Alternate

Brenda Haynes
Special District Member



Larry Russell
Public Member

David Kehoe
County Member

Patricia A. Clarke
Special District Alternate

Katharine Ann Campbell
Public Member Alternate

George Williamson
Executive Officer

James M. Underwood
General Counsel

Kathy Bull
Manager

Agenda Item: 8.b.

Meeting Date: November 1, 2018

From: George Williamson, Executive Officer & Kathy Bull, Office Manager

Subject: Fiscal Year 2017/2018 Audit Compilation Services

BACKGROUND:

According to Shasta LAFCO Policy 2.3.3 (f), "An outside financial audit will be conducted following the close of each fiscal year (or every other fiscal year if so determined by the Commission) and presented to the Commission when complete".

DISCUSSION:

Shasta LAFCO staff budgeted \$3,000 in Fiscal Year 2018/2019 to provide a Compilation Audit for Fiscal Year 2017/2018. A full audit typically involves the auditing firm's thorough examination and verification of financial statements, accounting records including supporting documents, and internal controls.

In keeping with the LAFCO policy, a full audit is required every other Fiscal Year. Donald R. Reynolds, CPA has provided audit services to Shasta LAFCO for a few years and has expressed interest in continuing to provide services to Shasta LAFCO. The Executive Committee and staff agree with continuing his services, which will provide a more controlled compilation audit on the years a full audit is not completed.

RECOMMENDATION:

Staff seeks the Commission's authorization to obtain the services of Donald R. Reynolds, CPA for purposes of providing a Compilation Audit service to Shasta LAFCO's Fiscal Year ending June 30, 2018, or provide further direction to staff.

Attachment: Donald R. Reynolds, CPA Engagement Letter

Donald R. Reynolds

Certified Public Accountant

Board of Directors
Shasta Local Agency Formation Commission
1255 East Street, Suite 201
Redding, CA 96001

I am pleased to confirm my acceptance and understanding of the services I am to provide for the year ended June 30, 2018.

You have requested that I prepare the financial statements of Shasta Local Agency Formation Commission, which comprise the statement of financial position as of June 30, 2018, and the related statements of activity for the years then ended and the related notes to the financial statements, and perform a review engagement with respect to those financial statements.

My Responsibilities

The objective of my engagement is to:

- 1) Prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you, and;
- 2) Obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

I will conduct my review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's Code of Professional Conduct, and its ethical principles of integrity, objectivity, professional competence, and due care, when preparing the financial statements and performing the review engagement.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the Company's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, I will not express an opinion regarding the financial statements.

My engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations. However, I will inform the appropriate level of management of any material errors and any evidence or information that comes to my attention during the performance of my review procedures that indicates fraud may have occurred. In addition, I will inform you of any evidence or information that comes to my attention during the performance of my review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. I have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

I, in my sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing those procedures or taking such action would impair my independence.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that my role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to my undertaking the engagement in accordance with SSARS:

- 1) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- 2) The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America.
- 3) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
- 4) The prevention and detection of fraud.
- 5) To ensure that the Company complies with the laws and regulations applicable to its activities.
- 6) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to me for the engagement.
- 7) To provide me with-

A.) access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

B.) additional information that I may request from you for the purpose of the review engagement.

C.) unrestricted access to persons within the Company of whom I determine it necessary to make inquiries.

8) To provide me, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee my services preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

My Report

I will issue a written report upon completion of my review of Shasta Local Agency Formation Commission's financial statements. My report will be addressed to the management of Shasta Local Agency Formation Commission. I cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for me to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, I am unable to complete the review of your financial statements, I will not issue a report on such statements as a result of this engagement.

You agree to include my accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by me and, prior to inclusion of the report, to obtain my permission to do so.

Other Relevant Information

Donald R. Reynolds, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

I estimate that my fees for these services will range from \$3,000 to \$3,750 for the financial statement preparation and review each year. You will not be billed for out-of-pocket costs such as report production, word processing, postage, travel, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs. My invoices for these fees will be rendered each month as work progresses and are payable on presentation.

You agree to hold me harmless and to release, indemnify, and defend me from any liability or costs,

including attorney's fees, resulting from management's knowing misrepresentations to me. I appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you acknowledge and agree with the terms of my engagement as described in this letter, please sign the enclosed copy and return it to me.

Sincerely,

VIA EMAIL

Donald R. Reynolds, CPA
October 24, 2018

Acknowledged:

Shasta Local Agency Formation Commission

Date