

## HONEY LAKE VALLEY RECREATION AUTHORITY

### **GOVERNING BOARD**

BRIAN WILSON, PRESIDENT  
DAVID TEETER, VICE PRESIDENT  
JEFF HEMPHILL, BOARD MEMBER  
BRIAN MOORE, BOARD MEMBER  
NOELLE HALLER-RIGGS, BOARD MEMBER

### **STAFF**

DAN NEWTON, EXECUTIVE OFFICER  
HEIDI WHITLOCK, SECRETARY  
REESA RICE, POOL MANAGER  
DIANA WEMPLE, AUDITOR  
NANCY GARDENAS, TREASURER

## HONEY LAKE VALLEY RECREATION AUTHORITY GOVERNING BOARD MEETING

City Council Chambers  
66 North Lassen Street, Susanville, CA 96130

**September 17, 2019 - 3:00 p.m.**

#### Addressing the Board

- Any person desiring to address the Board shall first secure permission of the presiding officer.
- Matters under the jurisdiction of the Board, and not on the Agenda, may be addressed by the public at a time provided in the Agenda under Public Comment
- The Board of Directors will not take action on any subject that is not on the Agenda

#### Call meeting to Order

#### Roll Call of Board of Directors present

- 1 **AGENDA APPROVAL:** (Additions and/or Deletions)
- 2 **APPROVAL OF MINUTES:** Approval of the minutes from the July 16, 2019 meeting.
- 3 **CORRESPONDENCE:**
- 4 **PUBLIC COMMENT:** Any person may address the Board at this time to comment on any subject on or not on the agenda. However, the Board may not take action on an item not on the agenda other than to direct staff to agendize the matter at a future meeting.
- 5 **MATTERS FOR BOARD CONSIDERATION:**
  - A. Financial Reports
  - B. Consider Approval of City Reimbursement Request June 29<sup>th</sup> through September 6<sup>th</sup>, 2019
  - C. General Update of Current Pool Operations
  - D. Consider Creating a Facility Sustainability Fund – Resolution 19-33
  - E. Consider Creating a Facility Improvement Fund – Resolution 19-34
  - F. Consider Accepting Report on Fiscal Year Ending 2018 and 2017 Audit
  - G. Consider Engagement Letter For Fiscal Year Ending 2019 Audit
- 6 **BOARD MEMBER ISSUES/REPORTS:**

*The next regular meeting to be held on October 15, 2019 at 3:00 p.m.*

I, Heidi Whitlock, certify that I caused to be posted notice of the regular meeting scheduled for September 17, 2019 in the areas designated on September 13, 2019.

  
Heidi Whitlock, Secretary

## **FUTURE MEETINGS & ITEMS**

### **Upcoming Meetings:**

October 15, 2019  
November 19, 2019  
December 17, 2019  
January 21, 2020

### **Upcoming Items to be Considered/Approved:**

Transfer of funds into Pool Facility Improvement Fund  
Approval of Diving Board Project  
Continuation of Long-Term Plan  
Capital Improvement Plan  
Discussion Regarding Financial Findings of other Enclosed Facilities  
Discussion on Landscaping Options

AGENDA ITEM NO. 2

**Submitted By:** Heidi Whitlock, Secretary

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**SUBJECT:** Minutes of the HLVRA July 16, 2019.

**SUMMARY:** Attached for the Board's review are the minutes of the HLVRA July 16, 2019 meeting.

**FISCAL IMPACT:** None.

**ACTION REQUESTED:** Motion to waive oral reading and approve minutes of HLVRA July 16, 2019 meeting.

**ATTACHMENTS:** Minutes: July 16, 2019

**HONEY LAKE VALLEY RECREATION AUTHORITY  
GOVERNING BOARD MEETING  
Regular Meeting Minutes  
July 16, 2019 – 3:00 p.m.  
City Council Chambers 66 North Lassen Street Susanville CA 96130**

Meeting was called to order at 3:00 p.m. by President Wilson.

Roll Call of Board members present: Wilson, Teeter, Riggs and Moore. Absent: Hemphill.

Staff Present: Dan Newton, Executive Officer, Angelina Chamblee, Administrative Staff Assistant, Heidi Whitlock, Assistant to City Administrator, and Reesa Rice, Pool Director.

**1 APPROVAL OF AGENDA:** Motion by Board Member Teeter, second by Board Member Moore, to approve the agenda. Motion carried unanimously. Ayes: Wilson, Teeter, Riggs and Moore. Absent: Hemphill.

**2 APPROVAL OF MINUTES:** Motion by Board Member Moore, second by Board Member Teeter, to approve the minutes from the June 18, 2019 meeting. Motion carried. Ayes: Wilson, Teeter, Riggs and Moore. Absent: Hemphill.

**3 CORRESPONDENCE:** None.

**4 PUBLIC COMMENT:** No comments.

**5 MATTERS FOR BOARD CONSIDERATION:**

**5A Financial Reports Through July 9, 2019**

Dan Newton requested to address the board: Angelina Chamblee works in Public Works as an Administrative Staff Assistant and fills in occasionally for Heidi. Mr. Newton would like Angelina to continue doing the minutes, it is more cost-effective way to get the work done.

Mr. Newton stated that the most recent financials were attached for the Board's consideration and review. He listed the reports provided and inquired as to whether or not anyone had questions prior to his moving to the budget worksheet.

President Wilson commented that the numbers from the General Ledger Summary and the Total Revenues has a substantial difference. The General Ledger shows \$250,794 and the Total Revenues \$270,000. Mr. Newton stated that the numbers are estimated for June. Ms. Whitlock advised that Lassen County has not submitted any revenue reports for June. Mr. Newton advised there will be new numbers at the next meeting. This does not account for the approximate \$11,000 in April and May for passes that will not be earned until this fiscal year.

**5B Consider Approval of City Reimbursement Request June 1<sup>st</sup> through June 28<sup>th</sup> 2019**

Mr. Newton stated that the reimbursement included is for a total of \$27,628, asking the board to approve the request for reimbursement.

Motion by Board Member Teeter, second by Board Member Moore to approve the reimbursement request for City staff and City administrative services. Motion carried unanimously. Ayes: Wilson, Teeter, Riggs and Moore. Absent: Hemphill.

## **5C 2019 / 2020 Budget**

Mr. Newton informed the board item 5C is a 3-part request for action. The first request considering the proposed fiscal year 2019/2020 budget, also considering approval of Resolution 19-32 which would adopt that budget. There have been discussions at previous meetings regarding a Reserve Fund for future maintenance costs. Mr. Newton proposes a discussion regarding the Reserve Fund and would like to receive some direction from the board. The County auditor told Mr. Newton she can create the fund with a Minute Order or Resolution from The Board. The Board would need to implement a policy in order to restrict a certain amount of money in the Reserve Fund.

Mr. Newton opened with an explanation of the proposed 2019/2020 budget; including the proposed pool enhancements, and how to solidify the financial planning of the Reserve Fund for the diving board, showers and a new chlorination system. Tony Jonas has investigated the estimate for the plans for the showers and possibly the diving board. The estimate for plan preparation is \$2500 dollars which includes a small cushion above the quote provided by NST.

In previous meetings there had been a proposal to take \$10,000 dollars from each year and transfer this to the Reserve Fund. The 19/20 proposed budget has a line item under Revenues for \$20,000 dollars. This is \$10,000 dollars from fiscal year 17/18 and \$10,000 dollars from 18/19. Under Expenses there is a line item for \$30,000 which consists of the previously mentioned \$20,000 from the two previous years and included an additional \$10,000 for the current fiscal year (19/20).

Board Member Riggs asked if the \$2500 dollars was enough to cover the plans and design work. Tony said he has an actual written estimate from NST.

Mr. Newton pointed out that the estimated pool staffing amount of \$135,000 has increased since the last meeting. Mr. Newton suggests increasing Pool Staffing another \$7,000 and decreasing line item 3002300-Professional & Specialized Services by \$7,000. President Wilson asked if the higher staffing costs include the minimum wage increase. Mr. Newton advised it does not and apologized for the oversight. After a discussion between the Board and Staff, Mr. Newton proposed that the Board adopts the 19/20 budget as is and bring an analysis of staffing costs to the next board meeting.

Motion by Board Member Moore, second by Board Member Teeter to approve Resolution 19-32 adopting fiscal year 2019/2020 HLVR budget. Motion carried unanimously. Ayes: Wilson, Teeter, Riggs and Moore. Absent: Hemphill.

### **Restricted Facility Improvement Fund Policy**

Mr. Newton explained the outline to the Board. President Wilson would like to see a restriction on future maintenance in the Restricted Facility Improvement Fund designated to capital improvements rather than little things. Tony said that within 3 years the exterior of the building would need to be repainted. He would like to know which fund this would come out of. President Wilson would like to see a dollar amount placed on maintenance. He suggested any maintenance cost over \$5,000 dollars should be taken from the Restricted Facility Improvement Fund instead of regular maintenance that is allocated in the budget. Board Member Teeter suggested \$2,000 or \$3,000 dollars. Board Member Riggs believes it should be a larger number than the \$3,000 amount.

Board Member Riggs asked why a new HVAC system was needed since the building is new. Board Member Teeter advised that this policy is being set for future years. Mr. Newton explained that the HVAC system is something to investigate long term. The geothermal system is not reliable and the pool building needs to have a back up heating system. When the geothermal system is down, there is no heat in the building. Tony Jonas stated last year when the geo went down, they used space heaters to keep the temperature above freezing.

President Wilson said the Board agrees maintenance costs over \$5,000 needs to come from the Restricted Facility Improvement Fund for capital repairs. President Wilson would like to see two separate accounts, one for Facility Maintenance and one for capital repairs. Mr. Newton suggested calling the second fund Facility Improvement Fund, but was not sure what to call the fund for significant maintenance. President Wilson suggested that Mr. Newton could come up with something. Mr. Newton also explained the policy override of 4/5 vote to use money in the Facility Improvement

Fund for any purpose under the jurisdiction of the HVLRA Governing Board. Mr. Newton will draw up two resolutions for the two reserve funds for board consideration at a future meeting.

**5F General Update on Pool Operations**

Ms. Rice updated the Board on a recent donation from Marine Corps League of \$5,200 dollars. When it is time to write a check for the diving board there needs to be action from the Board Members during a board meeting to allocate the \$5,200 from the donation fund to the diving board. President Wilson would like Ms. Rice to reach out to the Marine Corps League to attend the next board meeting to recognize their donation. Ms. Rice advised that the Lassen County Times was present when the Marine Corps League handed the check over. President Wilson suggested dropping a letter since they had a photo op already, but they are more than welcome to come to the next meeting. He is hoping that the new diving board will go in this coming fall.

Ms. Rice said that she is focusing on getting numbers and quotes for the showers and the chlorine systems. President Wilson would like Ms. Rice to assess the space in the front of the pool that was designated for grass, if this is still going in then it needs to be done in the fall.

Board member Riggs asked Ms. Rice about the pool temperature. The pool is kept around 85 degrees and one of the children on the swim team had overheated. Ms. Rice explained that the temperature is kept at a middle ground so that all the people that access the pool are comfortable. Ms. Rice also explained that if the swim team was having a swim competition, they would lower the temperature of the water for the swim teams. Board Member Riggs asked how much the water temperature changes through the day. Ms. Rice explained it is usually 83 degrees in the morning and the temperature rises to 85 after 11am. The pool temperature is also lowered over the weekends. Board Member Riggs asked about the person to be trained for the heat exchanger, pumps and systems. Mr. Newton advised that the training has not taken place yet.

**6 BOARD MEMBER ISSUES/REPORTS:**

Board Member Riggs advised Mr. Newton that the swim team is no longer Lassen Aquatics, they are awaiting the EIN from the IRS to change the name to Lassen Volcano's. She asked Mr. Newton to change the name on the budget line item. Next year the agreements will need to be modified to reflect the new entity, Lassen Volcano's.

Meeting adjourned at 4:06 p.m. by President Wilson

\_\_\_\_\_  
Brian Wilson, President

Respectfully Submitted by:

\_\_\_\_\_  
Angelina Chamblee, Secretary HLVRA

**Submitted By:** Heidi Whitlock, Secretary

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Receive and File Financial Reports through September 9, 2019.

**SUMMARY:** The financial reports for revenue and expenses through September 9, 2019 have been provided for the Board's review.

**FISCAL IMPACT:** None.

**ACTION  
REQUESTED:** Information Only.

**ATTACHMENTS:** Chronological Expense Detail through September 9, 2019  
Expense Detail by Line Item through September 9, 2019  
Projected Revenue and Expense Detail August 31, 2019 (to be  
provided at meeting)

Chronological Expense Detail

July 1, 2019 through June 30, 2020

**Honey Lake Valley Recreation Authority**

Date	Fund	Description	Revenue	Expenses	Total
		Fund Balance Transfer			\$ 86,958.77
7/9/2019	3003030	SSD		\$ 156.00	\$ 86,802.77
7/9/2019	3005500	Alpine		\$ 126.20	\$ 86,676.57
7/9/2019	3002200	Directly taken out - deposit slips		\$ 56.90	\$ 86,619.67
7/26/2019	3002200	US Bank partial		\$ 55.94	\$ 86,563.73
7/26/2019	3002901	US Bank partial		\$ 723.00	\$ 85,840.73
7/26/2019	2010661	refund pool rental	\$ (200.00)		\$ 85,640.73
7/26/2019	2010611	refund swim lesson	\$ (60.00)		\$ 85,580.73
7/26/2019	2010611	refund swim lesson	\$ (60.00)		\$ 85,520.73
7/26/2019	2010611	refund swim lesson	\$ (60.00)		\$ 85,460.73
7/26/2019	3001705	Airgas		\$ 197.61	\$ 85,263.12
7/26/2019	3001705	Airgas		\$ 168.05	\$ 85,095.07
7/26/2019	3001400	Office Depot partial		\$ 160.25	\$ 84,934.82
7/26/2019	3002200	Office Depot partial		\$ 78.24	\$ 84,856.58
7/26/2019	3005500	Alpine		\$ 170.40	\$ 84,686.18
7/26/2019	3005500	Alpine		\$ 183.40	\$ 84,502.78
7/26/2019	3001500	CAPRI- insurance		\$ 5,354.50	\$ 79,148.28
		<b>July revenue</b>	<b>\$ 30,763.48</b>		
8/13/2019	3003010	LMUD		\$ 1,535.02	\$ 77,613.26
8/13/2019	3002300	CAPRD		\$ 400.00	\$ 77,213.26
8/13/2019	3003050	City - Nat gas		\$ 15.49	\$ 77,197.77
8/13/2019	3003060	City- geo		\$ 1,535.36	\$ 75,662.41
8/13/2019	3002807	Martin		\$ 25.00	\$ 75,637.41
8/13/2019	3003040	C&S		\$ 200.20	\$ 75,437.21
8/13/2019	3005500	Alpine		\$ 37.80	\$ 75,399.41
8/13/2019	3005500	Alpine		\$ 16.80	\$ 75,382.61
8/13/2019	3002300	KMTG - Attorney		\$ 117.50	\$ 75,265.11
8/13/2019	3001200	Frontier Communications		\$ 212.65	\$ 75,052.46
8/13/2019	3001705	Airgas		\$ 95.00	\$ 74,957.46
8/13/2019	3001705	Airgas		\$ 151.04	\$ 74,806.42
8/13/2019	3001705	Lincoln		\$ 75.95	\$ 74,730.47
8/13/2019	3001705	Ace Hardwar		\$ 33.88	\$ 74,696.59
8/20/2019	3002300	City - Staff (pending)			\$ 74,696.59
8/20/2019	3002359	City employees (pending)			\$ 74,696.59
8/26/2019	3001705	Airgas		\$ 198.47	\$ 74,498.12
8/26/2019	3002400	Lassen Addressing		\$ 64.35	\$ 74,433.77
8/26/2019	3005500	Alpine Beverage		\$ 38.20	\$ 74,395.57
8/26/2019	3005500	Alpine Beverage		\$ 69.40	\$ 74,326.17
8/26/2019	3001705	Lincoln		\$ 72.65	\$ 74,253.52
8/26/2019	3001705	Lincoln		\$ 345.57	\$ 73,907.95
8/26/2019	3005501	US Bank partial		\$ 44.52	\$ 73,863.43

8/26/2019	3002200	US Bank partial	\$	99.99	\$	73,763.44
8/26/2019	3001150	US Bank partial	\$	84.29	\$	73,679.15
8/29/2019	3001705	Ace Hardware	\$	408.42	\$	73,270.73
8/29/2019	3003010	LMUD	\$	1,900.74	\$	71,369.99
9/9/2019	3002807	Martin	\$	25.00	\$	71,344.99
9/9/2019	3003030	SSD	\$	156.00	\$	71,188.99
9/9/2019	3001705	Airgas	\$	95.00	\$	71,093.99
9/9/2019	3001200	Frontier Communications	\$	212.65	\$	70,881.34
9/9/2019	3003050	City natural gas	\$	13.95	\$	70,867.39
9/9/2019	3003060	City geo	\$	1,523.99	\$	69,343.40
9/9/2019	3001705	Airgas	\$	182.57	\$	69,160.83
					\$	69,160.83
					\$	69,160.83
			\$	30,383.48	\$	17,417.94

PENDING 2019/2020 ITEMS			
			due:
Auditors	\$	1,700.00	
Staff Time (County)	\$	3,200.00	
CAPRI - dues	\$	.	
CAPRI - Insurance	\$	5,354.50	1/1/2020
BOE (County)	\$	400.00	
<hr/>			
Total Pending	\$	<u>10,654.50</u>	

\$	69,160.83	Balance forward
\$	-	
\$	-	
\$	10,654.50	Pending (above)
\$	<u>58,506.33</u>	Cash Available

\$	6,225.00	Diving Board Fund (deposited)
\$	<u>6,225.00</u>	

	Date	2019/2020 Budget	spent	Budgeted Amounts
<b>3001150</b>		<b>Safety Equipment and Supplies</b>		<b>\$ 1,000.00</b>
	8/26/2019	US Bank - partial	\$ 84.29	

\$	84.29
\$	915.71
\$	2,600.00

<b>3001200</b>		<b>Communications</b>		
	8/13/2019	Frontier	\$ 212.65	
	9/9/2019	Frontier	\$ 212.65	

\$	425.30
\$	2,174.70
\$	2,000.00

<b>3001400</b>		<b>Janitorial Supplies</b>		
	7/26/2019	Office Depot (partial)	\$ 160.25	

\$	160.25
\$	1,839.75
\$	8,800.00

<b>3001500</b>		<b>Insurance</b>		
	7/26/2019	CAPRI	\$ 5,354.50	

\$	5,354.50
\$	3,445.50

<b>3001705</b>	<b>Maintenance - Pool</b>		<b>\$</b>	<b>29,300.00</b>
	7/26/2019 Airgas	\$	197.61	
	7/26/2019 Airgas	\$	168.05	
	8/13/2019 Airgas	\$	95.00	
	8/13/2019 Airgas	\$	151.04	
	8/13/2019 Lincoln	\$	75.95	
	8/13/2019 Ace Hardware	\$	33.88	
	8/26/2019 Airgas	\$	198.47	
	8/26/2019 Lincoln	\$	72.65	
	8/26/2019 Lincoln	\$	345.57	
	8/29/2019 Ace Hardware	\$	408.42	
	9/9/2019 Airgas	\$	95.00	
	9/9/2019 Airgas	\$	182.57	

\$	2,024.21
\$	27,275.79

<b>3002200</b>	<b>Office Expenses</b>		<b>\$</b>	<b>2,500.00</b>
	7/1/2019 Deposit Slips (directly taken out)	\$	56.90	
	7/26/2019 US Bank (Partial)	\$	55.94	
	7/26/2019 Office Depot (Partial)	\$	78.24	
	8/26/2019 US Bank (Partial)	\$	99.99	

\$	291.07
\$	2,208.93

**3002250 Bank & Credit Card Fees**

\$	-
\$	-

**3002251 Cash Over/Short**

\$	-
\$	-

<b>3002300</b>	<b>Prof. &amp; Spec. Services (City Staff, Auditors, Legal)</b>		<b>\$</b>	<b>28,000.00</b>
	8/13/2019 CAPRD - dues	\$	400.00	
	8/13/2019 KMTG - Attorney	\$	117.50	
	8/20/2019 City staff time - pending			

\$	517.50
\$	27,482.50

3002359      **Contract Staff Services (Pool Employees)**      \$      135,000.00  
                  8/20/2019 City Employees - pending

\$	-
\$	135,000.00
\$	1,600.00

3002400      **Publications/Legal Notices**  
                  8/26/2019 Lassen Addressing      \$      64.35

\$	64.35
\$	1,535.65
\$	8,000.00

3002701      **Non-Capitalized Equipment (under \$5,000)**

\$	-
\$	8,000.00
\$	-

3002800      **Till and Safe Money**

\$	-
\$	-

3002801      **County Wide Allocations (Quarterly)**

\$	3,200.00
\$	-
\$	3,200.00

<b>3002807</b>	<b>Electronic Surveillance</b>			<b>\$ 1,000.00</b>
	8/13/2019 Martin	\$	25.00	
	9/9/2019 Martin	\$	25.00	

\$	50.00
\$	950.00

<b>3002901</b>	<b>Conferences/Training</b>			<b>\$ 2,000.00</b>
	7/26/2019 US Bank (Partial)	\$	723.00	

\$	723.00
\$	1,277.00

<b>3003000</b>	<b>General Utilities</b>			<b>\$ -</b>
----------------	--------------------------	--	--	-------------

<b>3003010</b>	<b>Utilities - Electric</b>			<b>\$ 14,000.00</b>
	8/13/2019 LMUD	\$	1,535.02	
	8/29/2019 LMUD	\$	1,900.74	

\$	3,435.76
\$	10,564.24

<b>3003020</b>	<b>Water</b>			
		\$	-	
		\$	-	

<b>3003030</b>	<b>Utilities - Sewer</b>		<b>\$</b>	<b>1,400.00</b>
	7/9/2019 SSD	\$	156.00	
	9/9/2019 SSD	\$	156.00	

\$	312.00
\$	1,088.00

<b>3003040</b>	<b>Utilities - Trash Service</b>		<b>\$</b>	<b>1,600.00</b>
	8/13/2019 C&S	\$	200.20	

\$	200.20
\$	1,399.80

<b>3003050</b>	<b>Utilities - Natural Gas</b>		<b>\$</b>	<b>500.00</b>
	8/13/2019 city	\$	15.49	
	9/9/2019 city	\$	13.95	

\$	29.44
\$	470.56

<b>3003060</b>	<b>Utilities - Geothermal</b>		<b>\$</b>	<b>10,700.00</b>
	8/13/2019 City	\$	1,535.36	
	9/9/2019 City	\$	1,523.99	

\$	3,059.35
\$	7,640.65

3004900 Depreciation \$ 5,000.00

\$	5,000.00

3005500 Store Concessions \$ 2,000.00

7/9/2019 Alpine \$ 126.20  
7/26/2019 Alpine \$ 170.40  
7/26/2019 Alpine \$ 183.40  
8/13/2019 Alpine \$ 37.80  
8/13/2019 Alpine \$ 16.80  
8/26/2019 Alpine \$ 38.20  
8/26/2019 Alpine \$ 69.40

\$	642.20
\$	1,357.80

3005501 Recreation Activity Supplies \$ 500.00

8/26/2019 US Bank (Partial) \$ 44.52

\$	44.52
\$	455.48

3006050 Landscaping & Improvements \$ 8,000.00

\$	-
\$	8,000.00

3006100 \$ -

\$	-
\$	-

3010000 Appropriation For Contingencies

\$	-
\$	-

**Submitted By:** Dan Newton, Executive Officer

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Approve City Reimbursement Request through September 6, 2019.

**SUMMARY:** The HLVRA has contracted with the City of Susanville to perform Administrative, Management and Operational services. The City has submitted a reimbursement request for both administrative and pool staff services related to the pool. The request for reimbursement is for the period of June 29<sup>th</sup> through September 6<sup>th</sup>.

**FISCAL IMPACT:** \$55,590.66

**ACTION  
REQUESTED:** Motion to approve City reimbursement request.

**ATTACHMENTS:** Reimbursement Request with documentation

June 29th through Sept. 6th

Administrative	Hours	Wage		
Executive Officer (meetings and agenda review)	5.75	\$ 86.36	\$	496.57
Administrative (minutes, agendas, claim forms, etc)	19.50	\$ 59.58	\$	1,161.81
Parks Superintendent	1.00	\$ 42.27	\$	42.27
			\$	1,700.65

Pool Employees	Hours	Wage		
Pool Manager	375.00	\$ 31.06	\$	11,647.50
Overtime - Manager		\$ 38.89	\$	-
			\$	-
Assistant Pool Manager	246.50	\$ 25.33	\$	6,243.85
Overtime - Asst. Manager		\$ 31.93	\$	-
			\$	-
Head Swim Instructor	57.50	18.83	\$	1,082.73
			\$	-
Head Program Instructor	0.00	18.38	\$	-
			\$	-
Head Lifeguard	405.50	18.38	\$	7,453.09
			\$	-
Lifeguards/Swim Instructors	1940.25	14.00	\$	27,163.50
			\$	-
			\$	53,590.66

Publications \$ -

Training (Lifeguard Trainer) - travel expenses \$ -

\$ 55,291.31



**City of Susanville  
Administrative Services Department**

66 North Lassen Street  
Susanville, CA 96130  
(530) 252-5115

**INVOICE**

**Invoice Date: September 17, 2019**

**Account #: 4493**

Honey Lake Valley Recreation Authority  
c/o Lassen County  
221 S. Roop St., Suite 1  
Susanville, CA 96130

**TOTAL DUE: \$55,291.31**  
**Payment Due: UPON RECEIPT**

**SUBJECT: Reimbursement for Administrative, Management & Operational Services and Associated Direct Costs through September 6, 2019.**

**Description:**

Reimbursement for Administrative Services (through 9/6/19)	\$ 1,700.65
Reimbursement for Pool Employees (through 9/6/19)	<u>\$ 53,590.66</u>

**TOTAL DUE**

**\$55,291.31**

**PLEASE REMIT THE BOTTOM PORTION OF THIS INVOICE WITH YOUR  
PAYMENT TO THE ABOVE ADDRESS.**



Please Detach and Mail With Your Payment

PLEASE REMIT PAYMENT TO THE ADDRESS BELOW. THANK YOU

**City of Susanville Administrative Services Department**

66 North Lassen Street Susanville, CA 96130  
(530) 252-5115 Fax (530) 257-4725

Account #4493

HLVRA  
c/o Lassen County  
221 S. Roop St., Suite 1  
Susanville, CA 96130

Date of Invoice: September 17, 2019

**Amount Due: \$55,291.31**  
**Payment Due: UPON RECEIPT**

Amount Paid: \$

City Account Code # (see Debi)

AGENDA ITEM NO. 5C

**Submitted By:** Reesa Rice, Pool Manager

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Reesa Rice, Pool Manager

**SUBJECT:** General Update on Current Pool Operations

**SUMMARY:** A general update will be provided at the meeting.

**FISCAL IMPACT:** None.

**ACTION  
REQUESTED:** Information Only.

**ATTACHMENTS:** None.

**Submitted By:** Dan Newton, Executive Officer

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Approve **Resolution No. 19-33**, creating a restricted fund entitled Pool Facility Improvement Fund to be used for the purpose of funding expansion projects or funding new amenities for the Honey Lake Valley Community Pool.

**SUMMARY:** The Governing Board has directed staff to prepare a resolution creating a restricted fund to hold funds in reserve for the purpose of new facility expansion or new amenities at the Honey Lake Valley Community Pool. The proposed fund is to be called the Pool Facility Improvement Fund and will receive funds that have been donated for pool improvements, funds transferred by board action from surplus operational revenues, and other funds under the control of the board that the board desires to set aside and restrict for facility expansion or the addition of amenities. For example, projects such as the diving board, showers, land scaping, etc. Projects must be significant, meaning projects that will cost over \$5000.

The resolution is intended the memorialize the policy pertaining to the fund and the desire of the board to restrict the funds. While Resolution 19-33 is in place, the policy of the board will be that it takes a 4/5 vote to override the fund restriction. However, the policy can be changed at any time by action of the majority of the board to rescind or modify the resolution. The restriction of these funds, per the resolution, is therefore not binding on future HLVRA Governing boards. Ultimately, the funds will not be legally restricted for facility improvements and can be used for any legal purpose under the jurisdiction of the HLVRA.

**FISCAL IMPACT:** None at this time. The HLVRA Governing Board may choose to allocate funds to this fund at a later date.

**ACTION REQUESTED:** Motion to approve Resolution No. 19-33, creating a Pool Facility Improvement Fund.

**ATTACHMENTS:** Resolution No. 19-33

RESOLUTION No. 19-33

A RESOLUTION OF THE HONEY LAKE VALLEY RECREATION AUTHORITY (HLVRA) CREATING A RESTRICTED POOL FACILITY IMPROVEMENT FUND TO BE HELD IN RESERVE AND DISPERSED BY ACTION OF THE HLVRA GOVERNING BOARD FOR THE PURPOSE OF FUNDING SIGNIFICANT FACILITY EXPANSION (PROJECTS OVER \$5000) OR SIGNIFICANT NEW AMENITIES (PROJECTS OVER \$5000) FOR THE HONEY LAKE VALLEY COMMUNITY POOL FACILITY

WHEREAS: The Honey Lake Valley Recreation Authority (HLVRA) is a joint powers agency between the City of Susanville and the County of Lassen; and

WHEREAS: The purpose of the HLVRA is to provide recreation facilities to the residents of Lassen County; and

WHEREAS: The HLVRA is the owner and operator of the Honey Lake Valley Community Pool (HLVCP); and

WHEREAS: Constructed in July 2017 the HLVCP facility includes an outdoor pool with perimeter fencing; parking lot; pool house, office, mechanical room; mechanical system including pumps, filters, heat exchangers, backwash tanks and other amenities; and

WHEREAS: To provide additional facilities and amenities for the HLVCP the HLVRA governing board desires to create a restricted fund for facility improvements; and

WHEREAS: The HLVRA Governing Board recognizes that there have been and will likely continue to be funds available from donations, grants, and/or annual savings in operational costs that can be set aside in a restricted fund for significant facility improvements; and

WHEREAS: The HLVRA Governing Board is desirous of defining allowable uses for the restricted fund, setting a minimum project threshold for utilization of the fund, and providing a mechanism to override the use restriction of the fund as needed;

NOW THEREFORE BE IT RESOLVED by the HLVRA Governing Board as follows:

- 1) A Fund entitled "Pool Facility Improvement Fund" is created.
- 2) The HLRVA will endeavor to transfer funds annually into the Pool Facility Improvement Fund, as financial resources allow.
- 3) The Pool Facility Improvement Fund is restricted for Significant Improvement Projects.
- 4) Significant Improvements for the purpose of the Pool Facility Improvement Fund is defined as projects resulting in new facilities or amenities for the HLVCP, located at 800 South ST totaling of \$5,000 dollars or more, per project.
- 5) A minimum cost threshold is set at \$5,000 per project. For the purpose of the Pool Facility Improvement Fund a project is defined as any combination of outside labor, materials, and equipment necessary to complete a Significant Improvement. All projects to be completed using the Facility Sustainability Fund must be approved by resolution of the HLVRA Governing Board.

- 6) Upon 4/5 vote of the HLVRA Governing Board the Pool Facility Sustainability Fund may be used for any purpose under the jurisdiction of the HLVRA Governing Board.

The foregoing Resolution No: 19-33 was approved by the HLVRA Governing Board on September 17, 2019 by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSTAINED: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Heidi Whitlock, HLVRA Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Maggie Stern, Kronick Moskowitz Tiedmann & Girard

AGENDA ITEM NO. 5E

**Submitted By:** Dan Newton, Executive Officer

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Approve **Resolution No. 19-34**, creating a restricted fund entitled Pool Facility Sustainability Fund to be used for the purpose of funding significant maintenance and repair of the Honey Lake Valley Community Pool, as defined by the resolution.

**SUMMARY:** The Governing Board has directed staff to prepare a resolution creating a restricted fund to hold funds in reserve for the purpose of funding significant maintenance and repair of the Honey Lake Valley Community Pool. The proposed fund is to be called the Pool Facility Sustainability Fund and will receive funds that have been donated, funds transferred by board action from surplus operational revenues, and other funds under the control of the board that the board desires to set aside and restrict for significant maintenance or repairs. Projects must be significant, meaning projects that will cost over \$5000.

The resolution is intended to memorialize the policy pertaining to the fund and the desire of the board to restrict the funds. While Resolution 19-34 is in place, the policy of the board will be that it takes a 4/5 vote to override the fund restriction. However, the policy can be changed at any time by action of the majority of the board to rescind or modify the resolution. The restriction of these funds, per the resolution, is therefore not binding on future HLVRA Governing boards. Ultimately, the funds will not be legally restricted per Resolution 19-34 and can be used for any legal purpose under the jurisdiction of the HLVRA.

**FISCAL IMPACT:** The HLVRA has expressed its desire to transfer \$10,000 annually into the fund. The board will determine how much can be transferred each year as part of the budget process. For fiscal year 19/20 the board has adopted a budget that provides for the transfer of \$30,000. This accounts for \$10,000 from FY 17/18; \$10,000 from FY 18/19; and \$10,000 FY 19/20.

**ACTION**

**REQUESTED:** Motion to approve Resolution No. 19-34, creating a Pool Facility Sustainability Fund.

**ATTACHMENTS:** Resolution No. 19-34

RESOLUTION No. 19-34

A RESOLUTION OF THE HONEY LAKE VALLEY RECREATION AUTHORITY (HLVRA) CREATING A RESTRICTED POOL FACILITY SUSTAINABILITY FUND TO BE HELD IN RESERVE AND DISPERSED BY ACTION OF THE HLVRA GOVERNING BOARD FOR THE PURPOSE OF FUNDING SIGNIFICANT MAINTENANCE AND REPAIR (PROJECTS OVER \$5000) OF THE HONEY LAKE VALLEY COMMUNITY POOL FACILITY AND/OR REPLACEMENT OF VARIOUS APPURTENANCES AND DEVICES UTILIZED FOR THE OPERATION OF THE HONEY LAKE VALLEY COMMUNITY POOL FACILITY

WHEREAS: The Honey Lake Valley Recreation Authority (HLVRA) is a joint powers agency between the City of Susanville and the County of Lassen; and

WHEREAS: The purpose of the HLVRA is to provide recreation facilities to the residents of Lassen County; and

WHEREAS: The HLVRA is the owner and operator of the Honey Lake Valley Community Pool (HLVCP); and

WHEREAS: Constructed in July 2017 the HLVCP facility includes an outdoor pool with perimeter fencing; parking lot; pool house, office, mechanical room; mechanical system including pumps, filters, heat exchangers, backwash tanks and other amenities; and

WHEREAS: Over time the existing facilities and future improvements will require maintenance, upkeep, repair and replacement; and

WHEREAS: The HLVRA Governing Board recognizes that there will be annual and routine maintenance performed through the annual operating budget; and

WHEREAS: The HLVRA Governing Board is desirous of establishing a restricted fund that can be utilized for the purpose of performing significant maintenance at the pool facility, which may include repairing and replacing equipment that has reached its useful life or has failed; and

WHEREAS: The HLVRA Governing Board is desirous of defining allowable uses for the restricted fund, setting a minimum project threshold for utilization of the fund, and providing a mechanism to override the use restriction of the fund as needed;

NOW THEREFORE BE IT RESOLVED by the HLVRA Governing Board as follows:

- 1) A Fund entitled "Pool Facility Sustainability Fund" is created.
- 2) The HLRVA will endeavor to transfer \$10,000 annually into the Pool Facility Sustainability Fund, as financial resources allow.
- 3) For Fiscal Year 2019-2020 the HLVRA will transfer \$30,000 to account for Fiscal years 2017-2018; 2018-2019; and 2019-2020.
- 4) The Facility Sustainability Fund is restricted for significant maintenance projects.
- 5) Significant Maintenance for the purpose of the Pool Facility Sustainability Fund is defined as projects for the following items performed at a cost total of \$5,000 dollars or more: As to the mechanical system of the pool facility, significant maintenance includes the repair and/or replacement and/or servicing of established equipment necessary for the operation

of the pool. As to the non-mechanical systems of the pool facility, significant maintenance includes any of the following items 1) building repair and/or appurtenance replacement of established buildings; 2) sealing, striping, repair and or replacement of established parking areas; 3) pool and pool deck repair and or replacement of established pools and pool decks. 4) any other established amenities at the HLVRP that require service to extend the useful life, or to repair or replace established amenities.

- 6) A minimum cost threshold is set at \$5,000 per project. For the purpose of the Pool Facility Sustainability Fund a project is defined as any combination of outside labor, materials, and equipment necessary to perform significant maintenance. All projects to be completed using the Facility Sustainability Fund must be approved by resolution of the HLVRA Governing Board.
- 7) Upon 4/5 vote of the HLVRA Governing Board the Pool Facility Sustainability Fund may be used for any purpose under the jurisdiction of the HLVRA Governing Board.

The foregoing Resolution No: 19-34 was approved by the HLVRA Governing Board on September 17, 2019 by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSTAINED: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Heidi Whitlock, HLVRA Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Maggie Stern, Kronick Moskowitz Tiedmann & Girard

AGENDA ITEM NO. 5F

**Submitted By:** Dan Newton, Executive Officer

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Receive Audit Report for fiscal year ending 2018 and 2017.

**SUMMARY:** Price Paige and Company has completed the Financial Statements and Independent Auditor's Report for the years ended June 30 2018 and 2017.

The Audit is a clean audit with no findings of material weaknesses in the internal accounting controls for the HLVRA.

**FISCAL IMPACT:** None.

**ACTION**

**REQUESTED:** Motion to receive and file Audit Report, possible direction to staff.

**ATTACHMENTS:** Honey Lake Valley Recreation Authority Susanville, California – Financial Statments and Independent Auditor's Report For The Fiscal Years Ended June 30, 2018 and 2017.



September 6, 2019

To the Members of the Board of Directors  
of Honey Lake Valley Recreation Authority  
Susanville, California

We have audited the financial statements of Honey Lake Valley Recreation Authority ("the Authority") for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 6, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimate affecting the Authority's financial statements was:

Management's estimate of the useful lives of fixed assets and depreciation expense is based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the Authority. We evaluated the key factors and assumptions used to compute depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements noted during our audit for the year ended June 30, 2018.

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540  
fax 559.299.2344

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 6, 2019.

### *Management 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 Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our 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.

### *Other Audit Findings or Issues*

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

### Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Price Pugh & Company*

**HONEY LAKE VALLEY  
RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017**

HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
BASIC FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION.....	4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7
OTHER AUDITOR'S REPORT:	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	13



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
of Honey Lake Valley Recreation Authority  
Susanville, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Honey Lake Valley Recreation Authority (the "Authority"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540  
fax 559.299.2344

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Honey Lake Valley Recreation Authority, as of June 30, 2018 and 2017, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Price Pugh & Company*

Clovis, California  
September 6, 2019

## BASIC FINANCIAL STATEMENTS

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash	\$ 108,985	\$ 305,468
Total current assets	108,985	305,468
Noncurrent assets:		
Capital assets, nondepreciable	2,722	2,722
Capital assets, depreciable, net	3,100,651	3,168,737
Total noncurrent assets	3,103,373	3,171,459
Total assets	\$ 3,212,358	\$ 3,476,927
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ -	\$ 124,957
Retention payable	-	27,500
Due to other governmental agencies	19,777	52,439
Deferred Revenue	20,032	-
Total liabilities	39,809	204,896
<b>NET POSITION</b>		
Net investment in capital assets	3,103,373	3,171,459
Unrestricted	69,176	100,572
Total net position	3,172,549	3,272,031
Total liabilities and net position	\$ 3,212,358	\$ 3,476,927

The notes to the financial statements are an integral part of this statement.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ <u>137,700</u>	\$ <u>-</u>
Operating expenses:		
Professional and specialized services	194,207	74,641
Publications and legal notices	1,586	1,257
Special department expense	653	-
Conference and training	1,500	6,497
Insurance expense	8,140	1,971
Maintenance and repairs	40,040	151
Equipment expense	38,876	11,715
Office expense	2,378	2,123
Operating Supplies Expense	3,035	-
Utilities	28,317	5,919
Depreciation expense	<u>82,499</u>	<u>-</u>
Total operating expenses	<u>401,231</u>	<u>104,274</u>
Net operating income (loss)	<u>(263,531)</u>	<u>(104,274)</u>
Nonoperating revenues (expenses):		
Operating contributions from members	160,000	160,000
Interest income	2,512	10,499
Other income	<u>1,537</u>	<u>2,000</u>
Total nonoperating revenues (expenses)	<u>164,049</u>	<u>172,499</u>
Change in net position	(99,482)	68,225
Net position - beginning	<u>3,272,031</u>	<u>3,203,806</u>
Net position - ending	\$ <u>3,172,549</u>	\$ <u>3,272,031</u>

The notes to the financial statements are an integral part of this statement.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 157,732	\$ -
Payments to vendors for services and supplies	<u>(483,658)</u>	<u>(83,081)</u>
Net cash provided (used) by operating activities	<u>(325,926)</u>	<u>(83,081)</u>
Cash flows from capital and related financing activities:		
Contributions received from members	160,000	160,000
Purchases of capital assets	<u>(34,606)</u>	<u>(2,640,526)</u>
Net cash provided (used) by capital and related financing activities	<u>125,394</u>	<u>(2,480,526)</u>
Cash flows from noncapital and related financing activities:		
Other income	<u>1,537</u>	<u>2,000</u>
Net cash provided (used) by noncapital and related financing activities	<u>1,537</u>	<u>2,000</u>
Cash flows from investing activities:		
Interest received	<u>2,512</u>	<u>10,499</u>
Net cash provided (used) by investing activities	<u>2,512</u>	<u>10,499</u>
Net Increase (decrease) in cash and cash equivalents	(196,483)	(2,551,108)
Cash and cash equivalents - beginning of year	<u>305,468</u>	<u>2,856,576</u>
Cash and cash equivalents - end of year	<u>\$ 108,985</u>	<u>\$ 305,468</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ (263,531)	\$ (104,274)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	82,499	-
Change in Assets and Liabilities:		
Increase (decrease) in accounts payable	(132,264)	(31,246)
Increase (decrease) in due to other governmental agencies	(32,662)	52,439
Increase (decrease) in deferred revenue	<u>20,032</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (325,926)</u>	<u>\$ (83,081)</u>

The notes to the financial statements are an integral part of this statement.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Honey Lake Valley Recreation Authority (the "Authority") was formed pursuant to a Joint Powers Agreement dated November 18, 2013. The Authority is a joint powers authority established by and between the County of Lassen (the "County") and the City of Susanville (the "City") pursuant to the Government Code of the State of California. Its purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional recreation system and swimming pool.

The Authority has a Board of Directors which consists of five persons, two from the County and two from the City, and one public member at-large who is appointed by the City and County members. The activities of the Authority are funded by contributions from its member agencies, the County and the City.

The Authority is not a component unit of the County or City. The Authority is legally separate and fiscally independent and the Authority itself has no component units. The Authority does not have employees and all services are supplied by County and City staff or contracted.

The financial statements present information on the financial activities of the Authority, which is considered an enterprise fund. The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting principles are described below.

**Basis of Accounting and Measurement Focus**

Enterprise funds are accounted for on a flow of "economic resources" measurement focus and the accrual basis of accounting. This method recognizes revenues in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the related fund liability is incurred. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include governmental contributions. Revenues from governmental contributions are recognized in the fiscal year in which all eligible requirements have been satisfied.

Operating revenues include charges to users and result from exchange transactions associated with the principal activities of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

When both restricted and unrestricted resources are available, unrestricted resources are used only after restricted resources are depleted.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

The Authority maintains its cash in the Lassen County Treasury. The County pools these deposits with those of other entities in the County and invests the cash. Interest earned is deposited quarterly into participating funds. Investment losses, if any, are proportionately shared by all funds in the pool. The Lassen County Treasury Oversight Committee oversees the Treasurer's compliance with the County investment policy.

For purposes of the Statements of Cash Flows, all highly liquid investments with original maturities of three months or less at acquisition and the Authority's investment in the County Treasury Pool are considered to be cash equivalents. The Authority had no investments during the years ended June 30, 2018 and 2017.

**Capital Assets**

All capital assets acquired by the Authority are owned in common by the parties to the Joint Powers Agreement, in equal shares, unless otherwise determined in writing by all of the parties hereto. The Authority defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated cost if actual cost is not known. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and improvements	25 to 40 years
Equipment	5 to 30 years

Costs related to the construction of capital assets are not depreciated until they are placed into service.

**Net Position**

Net position is reported in three categories as follows:

- *Net Investment in Capital Assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This category represents net position of the Authority that is not restricted for any projects or other purposes.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – CASH**

Cash consisted of the following at June 30.

	2018	2017	
Cash in County Treasury	\$ 108,985	\$ 305,468	

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs, and fair value.

The California Government Code ("Code") requires California banks and savings and loan associations to secure the Authority's and County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority or County's name, as applicable.

**Credit Risk**

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 – CASH (Continued)**

**Concentration of Credit Risk**

At June 30, 2018 and 2017, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. governments, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

**Custodial Credit Risk**

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At June 30, 2018 and 2017, the County's investment pool had no securities exposed to custodial credit risk.

**Local Agency Investment Fund (LAIF)**

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2018 and 2017, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

**Investment Valuation**

The Authority categorizes its fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's only investments, which are allocated at fair value, are in the County's pooled investments. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, County's pool investments are not an investment type that can be categorized in any particular level in the fair value hierarchy.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 3 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	<u>Balance July 01, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 2,722	\$ -	\$ -	\$ 2,722
Total capital assets, not being depreciated	<u>2,722</u>	<u>-</u>	<u>-</u>	<u>2,722</u>
Capital assets, being depreciated:				
Building and improvements	3,168,737	-	-	3,168,737
Equipment	-	14,413	-	14,413
Total capital assets, being depreciated	<u>3,168,737</u>	<u>14,413</u>	<u>-</u>	<u>3,183,150</u>
Less accumulated depreciation for:				
Building and improvements	-	(79,616)	-	(79,616)
Equipment	-	(2,883)	-	(2,883)
Total accumulated depreciation	<u>-</u>	<u>(82,499)</u>	<u>-</u>	<u>(82,499)</u>
Capital assets, net	<u>\$ 3,171,459</u>	<u>\$ (68,086)</u>	<u>\$ -</u>	<u>\$ 3,103,373</u>

Depreciation expense was \$82,499 and \$0 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 4 – CAPITAL CONTRIBUTIONS FROM MEMBERS**

In accordance with the Authority's Joint Powers Agreement, members of the Authority are required to provide annual funding to the Authority to support operating costs. The agreement requires each member, the County and the City, to contribute \$80,000 per year ending on June 30, 2029. During the years ended June 30, 2018 and 2017, member contributions totaled \$160,000 per year.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The Authority has contracted with the County of Lassen (County) to provide various services to the Authority, including purchasing, warrant preparation and general accounting. During the years ended June 30, 2018 and 2017, the County charged the Authority \$1,359 and \$2,204, respectively for these services through the Countywide Cost Allocation Plan.

The Authority has contracted with the City of Susanville (City) to provide various services, including general administration and overseeing the operations of the pool. During the years ended June 30, 2018 and 2017, the City incurred expenses reimbursable from the Authority totaling \$194,331 and \$149,033, respectively. The total amount due to the City at the year ended June 30, 2018 and 2017, was \$19,777 and \$52,439, respectively.

**HONEY LAKE VALLEY RECREATION AUTHORITY  
SUSANVILLE, CALIFORNIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries and natural disasters. As such, the Authority participates in a Joint Powers Authority named CAPRI (California Association for Park and Recreation Indemnity), to provide coverage for workers' compensation and general liability exposure and to pay for the administration of the program. Primary and excess workers' compensation insurance, as well as excess property and general liability insurance are reinsured through a commercial company. There is a self-insured retention of \$25,000,000 for general liability and \$1,000,000 for property

**NOTE 7 – CONTINGENCIES**

The Authority may be subject to litigation arising in the normal course of business. In the opinion of the Authority, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 6, 2019, the date the financial statements were issued. No events requiring recognition or disclosure in the financial statements were identified.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Directors  
of Honey Lake Valley Recreation Authority  
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Honey Lake Valley Recreation Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540  
fax 559.299.2344

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Parge & Company*

Clovis, California  
September 6, 2019

AGENDA ITEM NO. 5E

**Submitted By:** Dan Newton, Executive Officer

**Action Date:** September 17, 2019

**HLVRA AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Executive Officer

**SUBJECT:** Consider engagement letter from Price Paige and Company for fiscal year ending 2019 Audit.

**SUMMARY:** Price Paige and Company has submitted an engagement letter to conduct the fiscal year ending 2019 HLVRA financial audit. This is the same firm that will be conducting the 2019 Lassen County Audit and there is an expected economy of scale to be observed by including the HLVRA financial audit. The audit of the HLRVA financials will be conducted at the same time the firm is conducting the Lassen County Audit.

The Audit is a clean audit with no findings of material weaknesses in the internal accounting controls for the HLVRA.

**FISCAL IMPACT:** The proposed fee for the audit services is \$4500. Cost for audit last year was \$4145.

**ACTION REQUESTED:** Motion to authorize Executive Officer and Board President to sign the engagement letter.

**ATTACHMENTS:** Audit engagement letter



**PRICE PAIGE & COMPANY**  
Accountancy Corporation

The Place to Be

August 2, 2019

Dan Newton, Executive Officer  
Brian Wilson, Board President  
Honey Lake Valley Recreation Authority  
66 North Lassen Street  
Susanville, California 96130

We are pleased to confirm our understanding of the services we are to provide Honey Lake Valley Recreation Authority (the Authority) for the year ending June 30, 2019. We will audit the financial statements of the Authority, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the year ending June 30, 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis

#### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and will include tests of the accounting records of the Authority and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to the Governing Board of Honey Lake Valley Recreation Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540  
fax 559.299.2344

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Other Services**

We will assist in preparing the financial statements and related notes of the Authority in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives

discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

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

### **Electronic Data Communication and Storage and Use of Third Party Service Provider**

In the interest of facilitating our services to the Authority, we may communicate by facsimile transmission, send data over the Internet, store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to the Authority may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data, such as providers of tax return preparation and document management software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. We also require all of our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors, and consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

### **Engagement Administration, Fees and Other**

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

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

The audit documentation for this engagement is the property of Price Paige & Company and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to your cognizant agency or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Price Paige & Company personnel. Furthermore, upon request, we may provide copies of selected audit documentation to your cognizant or its designee. The cognizant agency or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

August 2, 2019

Page 5

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date.

Fausto Hinojosa, CPA, CFE, is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for the Authority's audit for the year ending June 30, 2019 is \$4,500. Our fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you before we incur the additional costs. Our fees for these services will be billed at the hourly billing rates for the individual involved, plus out-of-pocket expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. We will issue a monthly billing statement for the work completed in that month. Payments for services are due when rendered and interim billings may be submitted as work progresses and expenses are incurred.

If any dispute pertaining to our work product arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

All work will be suspended if your account becomes 90 days past due. No work will be resumed until your account is fully paid. You acknowledge and agree that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services. Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please return a signed copy to us via email or regular mail at your earliest convenience.

Very truly yours,



Fausto Hinojosa, CPA, CFE  
Price Paige & Company

**RESPONSE:**

This letter correctly sets forth the understanding of **Honey Lake Valley Recreation Authority**

\_\_\_\_\_  
*Management Signature*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Governance Signature*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Date*