

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)



June 3, 2013

Board of Trustees
Lakeside Union School District
14535 Old River Road
Bakersfield, California 93311

We are pleased to confirm our understanding of the services related to the General Obligation Bonds that we are to provide to Lakeside Union School District. We will audit the financial statements of the Building Fund as it pertains to Proposition 39, 2008 Election – Series A General Obligation Bond issues, including the related notes to the Building Fund financial statements of Lakeside Union School District as of and for the year ended June 30, 2013. These Building Fund financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the Building Fund financial statements based on our audit. We will also conduct a performance audit in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your Building Fund 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 Building Fund of Lakeside Union School District and other procedures we consider necessary to enable us to express such opinions. 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 on the Building Fund financial statements are other than unqualified (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 to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the Building Fund financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Building Fund financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an

Santa Maria Building • 575 E. Locust Ave., • Suite 308 • Fresno, Ca 93720-2928
(559) 438-8740 • FAX 438-8746

audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting 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 Lakeside Union School District 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.

The objective of our performance audit will be the expression of an opinion as to whether, in all significant respects, the District expended the 2008 Election – Series A General Obligation Bond funds for the year ended June 30, 2013 only for the purposes approved by the voters and only on the specific projects developed by the District’s Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Our performance audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for performance 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 sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives for the performance audit will be limited to our audit objectives as detailed on Page 5.

Management Responsibilities

Management is responsible for the Building Fund financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your Building Fund financial statements and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the Building Fund financial statements and that you have reviewed and approved the Building Fund financial statements and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. 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 Building Fund 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 Building Fund 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 Building Fund 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 Building Fund 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 entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, violations of contracts or grant agreements, or abuse that we may 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 for us 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.

Audit Procedures--General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Building Fund 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 Building Fund financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the Building Fund 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 entity or to acts by management or employees acting on behalf of the entity. 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 Building Fund financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come 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. 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 of the Building Fund, and may include 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 also require certain written representations from you about the Building Fund financial statements and related matters.

Audit Procedures--Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the Building Fund 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 Building Fund 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 Building Fund 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 Building Fund financial statements are free of material misstatement, we will perform tests of Lakeside Union School District'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*.

Audit Procedures—Proposition 39 Performance Audit

The performance procedures will be designed in order to comply with Subparagraph (C) of Paragraph (3) of Subdivision (b) of Section I of Articles XIII A of the California Constitution. The performance procedures will include a review of at least 25% of the expenditures of the Bond issue(s). The purpose of these procedures is to verify that the use of the funds is within the scope of the published materials specifying the intended use of the Bond funds, and other items as noted below. The election documents, District resolutions, and the master plan will be used for guidance in determining the intended use of the funds.

Objectives

1. Verify that the proceeds and expenditures of funds were recorded in a designated fund in the accounting records as required to allow for separate accountability.
2. Select at least 25% of all expenditures by project and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials, District resolutions, and the project priority list that were distributed to the voters.
3. Verify that the District's internal control procedures as they relate to Bond expenditures are operating according to District policies through examination of the invoices and other documentation that supports the payments made.
4. Verify that the State and District policies were followed in the awarding of bids and expenditure of funds.
5. Verify that Citizens' Bond Oversight Committee meetings were held at the required frequency and that the Committee filed any required reports.

Engagement Administration, Fees, and Other

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

We will provide copies of our reports to the District and to the Citizen's Bond Oversight Committee; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Linger, Peterson, Shrum & Co. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Department of Education or its designee, a federal agency providing direct or indirect funding, a state grantor agency or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of

Linger, Peterson, Shrum & Co. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by an oversight agency for audit, or pass-through entity. If we are aware that an auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to issue our reports no later than December 15, 2013. Gary Shrum is the engagement partner and is responsible for supervising the engagement and signing the reports. Our fee for these services will be \$1,500. This fee 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 and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our 2010 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Lakeside Union School District 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 sign the enclosed copy and return it to us.

Very truly yours,


LINGER, PETERSON, SHRUM & CO.


Gary Shrum

* * *

RESPONSE:

This letter correctly sets forth the understanding of Lakeside Union School District.

By: 
Date: 8/31/13

Title: Superintendent



C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

System Review Report

To the Partners of
Linger, Peterson, Shrum & Co.
and the Peer Review Committee of the State of California

We have reviewed the system of quality control for the accounting and auditing practice of Linger, Peterson, Shrum & Co. (the firm) in effect for the year ended December 31, 2010. Our peer review was conducted in accordance with the *Standards for Performing and Reporting on Peer Reviews* established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Linger, Peterson, Shrum & Co. in effect for the year ended December 31, 2010 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Linger, Peterson, Shrum & Co. has received a peer review rating of pass.

C. G. Uhlenberg LLP

May 10, 2011