

SPALDING COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

SPECIAL MEETING AGENDA

APRIL 22, 2022

3:00 PM

MEMBERS OF THE BOARD

MIKE ARNOLD, BOARD CHAIR
TED THOMAS, BOARD VICE CHAIR
LARRY DOSS, DIRECTOR
ED LAWSON, DIRECTOR
RON LOBUE, DIRECTOR



WELCOME TO THE SCSD BOARD MEETING - PLEASE SIGN IN

Welcome to the SCSD Board Meeting! Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time). Comments by members of the public on an item that appears on the agenda will only be allowed during consideration of the item by the Board.

CALL TO ORDER

ROLL CALL

___ Mike Arnold ___ Ted Thomas ___ Larry Doss
___ Ed Lawson ___ Ron LoBue

1. PLEDGE OF ALLEGIANCE
2. PUBLIC COMMENT - Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time).
3. APPROVAL OF THE AGENDA
4. APPROVAL OF MINUTES
 - A. Submitted for approval are the minutes from March 18, 2022 Board of Directors Meeting.
5. FIRE CHIEF REPORT TO BOARD
6. GENERAL MANAGER REPORT TO BOARD
 - A. SCSD Policy 2210 – Job Posting Response to March 20, 2022 email from S Alvernaz
 - B. SCSD Policy 4050 - Members of the Board of Director
 - C. Update on StarLink purchase
7. BOARD MEMBER REPORTS / BOARD MEMBER COMMENTS

8. NEW BUSINESS

- A. Discuss for approval – Memorandum to District Counsel Dated March 18, 2022 – Policy to authorize certain individuals to seek advice From the District’s general counsel for District related matters. Possible amendment to Policy #4048 – Legal Counsel and Auditor.
- B. SCSD Auditor – 2021 and 2022 Audits – Proposal from Knott CPA (recommended by Robert W. Johnson CPA Group) for 2021 and 2022 audits.

9. CONTINUING BUSINESS

- A. Update information regarding kitchen oven donations – no new data.
- B. FYI – CA Lease Term for maintenance and operation of an existing marina facility known as the “Spalding Marina” updated 2008 through 2028.
- C. 2022 SCSD Sewer Rate Increase – Discussion regarding NorthStar emails provided to all Board Directors at the December, 2021 Board meeting. Please bring your NorthStar packets for this discussion.

10. ADJOURN

NEXT REGULAR MEETING IS SCHEDULED FOR MAY 20, 2022, AT 3:00 PM

APPROVAL OF MINUTES

**SPALDING COMMUNITY SERVICES DISTRICT
REGULAR BOARD MEETING
March 18, 2022**

APPROVED BY DIRECTORS:

BOARD MEMBERS PRESENT: MIKE ARNOLD - CHAIR, TED THOMAS – VICE-CHAIR, LARRY DOSS, ED LAWSON, RONALD LOBUE

MEETING CALLED TO ORDER: Mike Arnold, 3:00 pm

Roll Call	Present	Not Present
Mike Arnold	X	_____
Ted Thomas	X	_____
Larry Doss	X	_____
Ed Lawson	X	_____
Ronald LoBue	X	_____

1. The Pledge of Allegiance was spoken

2. APPROVAL OF THE AGENDA

Mike noted an addition to the agenda regarding the postal boxes that would be put under the General Manager Report. Kari (an audience member) suggested putting the instructions regarding the public's ability to submit comments to the Board, which are noted on the front of each Agenda, be put on a future agenda for discussion and possible permanent placement in Board Policies.

Motion: Approve the agenda
First: Mike Arnold **Second:** Ed Lawson
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson, Ronald LoBue

3. GENERAL MANAGER REPORT TO THE BOARD

A. Daniel (see above notice of addition) explained that the postal service will be looking to obtain an easement in order to put up more secure mail box systems. The current postal boxes are not secure and would not pass postal inspection. Daniel explained what areas the postal service was considering and what would be involved. Postal service would be donating the units - \$36,000 for units – working on how to implement using concrete pads. Process is on-going and will not be immediate.

There were questions on the size and number of units. Postmaster was putting together a layout. Home mail delivery will still be available, but you can choose to have a mail box.

US Postal Service will require an executed easement in order to implement this program. Further information will be provided from the Postal Service as the project progresses. There was some discussion regarding the organization of the project. Information continues to be gathered.

B. Mike noted that there were a large number of “freedom of information” requests and reiterated that the CSD continued to be under-staffed. Those requests would be processed in as timely a manner as rapidly as possible with the current number of available staff.

4. FIRE CHIEF REPORT TO BOARD

Fire Chief Cliff reported that he had discussed Roads and overgrown Trees with Pete at Lassen Public Works – and this issue is an ongoing discussion. For the last two years, the Fire Department has been working to get specific (7 – 8) streets cleared of overgrown trees which hinder or completely block access for equipment to utilize the street. These are streets in the community that Fire equipment cannot get down. Pete is working on an MOU for Spalding CSD so that we can trim trees for emergency access. Spalding will do the work.

Problem is how to get rid of the green waste as Spalding is not able to burn waste at this time. Pete is working with C&S to bring in dumpsters – but this could possibly take away from the current number of dumpsters used by the District. Possibility of LMUD of assisting with this project. Another possibility would be if Firewise could assist with dumpsters (mentioned Clear Creek utilizing Fire Wise to assist with tree removal).

This is an ongoing project with complex organization.

5. PUBLIC COMMENT

1. Sheryl Alvernez – Spalding Road: She began with an explanation regarding North Star's sewer rate study and discrepancies between Spalding CSD and Lassen County's budgets. She provided an extensive spreadsheet which supposedly shows budget expenditures from 2016 through 2021. She requested that the Board review the spreadsheet and two letters (one from Sheryl Alvernaz and one from Virginia Bruce), both of which are available at the District office.
2. Kari Graton made some suggestions regarding purchasing a projector for Power Point presentations, and stated that she felt that the Board was not following the appropriate CA government code regarding obtaining contracts for services and making purchases. She suggested using Purchase Order numbers, and did not approve of the current practices of keeping records in boxes. Comments were made regarding the 2011 SSMP and expenditures to the Rec Fund. Also included were comments regarding past audits.

Mr. LoBue started a discussion regarding transfers for journal entries between Lassen County and the Accountant, and money being spent without any approvals. Mr. Arnold did not recall any statement that required CSD staff were not to use a credit card. It was suggested that the Board read their ordinances over and over again.

3. Will Turner (community member in audience) stated that past comments of his to the Board have been ignored. Options will be taken out of the Boards hands.

6. APPROVAL OF MINUTES

There were some changes to the February 18, 2022 minutes. Questions were asked regarding the TIAA Bank – which is the CSD lease of the copy/fax machine

Motion: Approve the agenda with changes
First: Ted Thomas **Second:** Larry Doss
Roll Call: **Yes:** Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
No: Ronald LoBue

7. CONSENT CALENDAR

Motion: Approve the consent calendar
First: Larry Doss **Second:** Ted Thomas
Roll Call: **Yes:** Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson
No: Ronald LoBue

8. PUBLIC HEARING

There was no public hearing

9. BOARD MEMBERS REPORTS

Larry Doss commented that the contract for the Marina ended April 1, 2020. There currently is a 20-year contract which began April 1, 2008 – so the current contract ends March 31, 2028. This will become an action item for the next meeting

Ed Lawson thanked Cliff Spediacci and volunteers for help with the greenwaste. There are four years left in the Firewise agreement, which began in 2021.

10. NEW BUSINESS

- A. Review and approve contract for General Manager, Marlane Morse.

Motion: Approve the contract for GM
First: Mike Arnold Second: Ed Lawson
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson, Ronald LoBue

- B. Memorandum to District Counsel dated March 18, 2022 – became an action item for the next Board meeting.

- C. Starlink internet services were reviewed and approved

Motion: Approve the contract for Starlink services
First: Mike Arnold Second: Ron LeBue
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson, Ronald LoBue

11. CONTINUING BUSINESS

- A. Marina deferred maintenance – became an action item for next agenda
- B. Clearing roadways for Emergency Equipment (see above #4 Fire Chief Report regarding project to remove trees for emergency equipment).
- C. Kitchen Oven Donation: continues to be researched by staff.

12. GENREAL MANAGERS REPORT

Nothing to report.

ADJOURN

The meeting was adjourned at 5:30

Motion: Motion to adjourn
First: Ted Thomas Second: Larry Doss
Roll Call: Yes: Larry Doss, Mike Arnold, Ted Thomas, Ed Lawson, Ronald LoBue

The next regular meeting scheduled for April 15th 2022

Respectfully submitted by: Sharon Moats

GENERAL MANAGER REPORT

Spalding Community Service District

POLICY HANDBOOK

POLICY TITLE: Job Posting – Application Period
POLICY NUMBER: 2110

2110.1 A personnel notice which includes the position title, salary range, and filing deadline shall be distributed and posted within each District's department, as well as on the District's web site, for a minimum period of fifteen (15) days. A job description outlining job responsibilities, minimum qualifications, prior experience requirements and selection process description shall be attached to the personnel notice at the time of posting.

From: Office 1
Sent: Tuesday, March 22, 2022 9:02 AM
To: Board Member1
Subject: FW: SCSD - Policy 2110

Sent from [Mail](#) for Windows

From: [S Alvernaz](#)
Sent: Sunday, March 20, 2022 4:06 PM
To: [Office 1](#)
Cc: [Lake - Barbara Wills Wife](#); [Lake - Ron Lobue](#)
Subject: SCSD - Policy 2110

To: General Manager

As the issue of past hiring practices has been discussed at the last two meetings with no follow up, could you please place board policy 2110 on the agenda for board discussion at the next meeting agenda?

This policy has not been followed over multiple people employed, and the policy needs to be discussed alongside current labor board requirements of a government agency.

It is possible that the policy needs updating to fall within current labor practice standards but either way, we need clear closure on this issue on a go forward basis.

Kindest Regards,
Sheryl Alvernaz

Cc: Ron Lobue
Barbara Willard

Spalding Community Service District

POLICY HANDBOOK

POLICY TITLE: Members of the Board of Directors
POLICY NUMBER: 4050

4050.1 Directors shall thoroughly prepare themselves to discuss agenda items at meetings of the Board of Directors. Information may be requested from staff or exchanged between Directors before meetings.

4050.1.1 Information exchanged before meetings shall be distributed through the General Manager, and all Directors will receive all information being distributed.

4050.1.2 Copies of information exchanged before meetings shall be available at the meeting for members of the public in attendance, and shall also be provided to anyone not present upon their request.

4050.2 Directors shall at all times conduct themselves with courtesy to each other, to staff, and to members of the audience present at Board meetings.

4050.3 Directors shall defer to the chairperson for conduct of meetings of the Board, but shall be free to question and discuss items on the agenda. All comments should be brief and confined to the matter being discussed by the Board.

4050.4 Directors may request for inclusion into minutes brief comments pertinent to an agenda item only at the meeting that item is discussed (including, if desired, a position on abstention or dissenting vote).

4050.5 Directors shall abstain from participating in consideration on any item involving a personal or financial conflict of interest. Unless such a conflict of interest exists, however, Directors should not abstain from the Board's decision-making responsibilities.

4050.6 Requests by individual Directors for substantive information and/or research from District staff will be channeled through the General Manager.

NEW BUSINESS

MEMORANDUM

To: District General Counsel and Staff

From: District Board of Directors

Date: March 18, 2022

Subject: Policy Regarding Assignments to General Counsel

I. Background.

The District has a limited budget for general counsel services; therefore, it is important that inquiries to counsel be limited to those issues determined by the Board to be appropriate for submission to counsel for analysis and/or advice.

II. Policy.

The following individuals are authorized to seek advice from the District's general counsel for District related matters:

1. The General Manager;
2. The Board President; and
3. Any two Board members

General counsel is hereby directed only to respond to inquiries and/or requests for advice meeting the foregoing requirements.

Spalding Community Service District

POLICY HANDBOOK

POLICY TITLE: Legal Counsel and Auditor
POLICY NUMBER: 4048

4048 The Board of Directors shall appoint a Legal Counsel to assist the Board and District in all applicable issues and activities.

4048.1 Legal Counsel shall be the legal adviser of the District and shall perform such duties as may be prescribed by the Board of Directors. Legal Counsel is required to review and approve as to form District legal documents, i.e. contracts, agreements, etc. The Legal Counsel may present and report on all legal issues and Closed Session items before the Board. The Legal Counsel shall serve at the pleasure of the Board, and shall be compensated for services as determined by the Board.

4048.1.2 The Legal Counsel reports to the Board as a whole but is available to each director for consultation regarding legal matters particular to that Board members participation. No Board member may request a legal opinion of legal counsel without concurrence by the Board except as such requests relate to questions regarding that member's participation. The Legal Counsel shall be available to the District General Manager for consultation on applicable issues and activities.

4048.2 The District Auditor shall be appointed by the Board by a majority vote in a public meeting. The Board shall determine the duties and compensation of the Auditor. The Auditor shall serve at the pleasure of the Board. Selection of the Auditor shall be done in a noticed public meeting.

4048.2.1 The Board may appoint a committee to oversee the work of an independent auditor, who will report to the Board, to conduct an annual audit of the District's books, records, and financial affairs in accordance with state law and the Finance Committee Charter for Audit Compliance. The General Manager will install and maintain an accounting system that will completely depict the financial condition of the District, at all times.



April 7, 2022

Board of Directors and Management
Spalding Community Services District
Susanville, California

Thank you for the invitation to submit this audit proposal, for the fiscal year ending June 30, 2021, to the Spalding Community Services District. On behalf of Knott CPA, I would like to say that we would be honored to be able to perform your audit. All audits performed by Knott CPA are performed in accordance with all applicable accounting and auditing standards.

At Knott CPA, we deliver comprehensive assurance work with regular communication. Our only auditing clients are governmental agencies and not-for-profit organizations. These are the only audits that we perform. Given this, I feel that we are well positioned to provide you with an excellent product.

We have recently completed the audits for Stones-Bengard Community Service District, Churchill Economic Development Authority, and Canyon General Improvement District, which are similar governmental agencies. From this work, I feel confident that I have a thorough understanding of Spalding Community Services District to enable us to perform a quality audit and subsequent audit reports.

I am Michel Knott, a Certified Public Accountant, a Certified Fraud Examiner, the engagement partner as well as the responsible party for performing the engagement and signing the reports. I am licensed in the State of Nevada and the firm is licensed in the states of Nevada and California. I possess over 10 years of progressive accounting, auditing, and finance experience. I specialize in governmental audits. Being the owner of a small firm, I perform all audits. I will perform the field work at your office, and I personally prepare the audit reports. This is my responsibility since I am signing the report.

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 Government Auditing Standards and the State Controller's Minimum Audit Requirements for California Special Districts.

Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgement about the number of transactions to be examined and the areas to be tested. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We will obtain an understanding of Spalding Community Services District and its environment, including internal control sufficient to assess the risk 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.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Spalding Community Services District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures 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.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Our audit report will typically contain the following schedules

- Statement of Net Position
- Statement of Activities
- Balance Sheet and Statement of Revenue, Expenses and Changes in Fund Balance – Governmental Fund
- Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows – Proprietary Fund
- Summary of Significant Accounting Policies

Initially, we would like to hold a meeting to learn recent information about your District and to understand your expectations and any issues that exist. Following this initial meeting we will begin our audit and report to you any issues we find.

We expect to begin our audit of 2021 no later than August 15, 2022, and issue our audit report no later than November 18, 2022. This is contingent upon receiving the full cooperation of your accounting staff and provided that the general condition of your books and records are conducive to my review and analysis.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$10,000. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above 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.

We appreciate the opportunity to submit this proposal to Spalding Community Services District and believe this letter accurately summarizes the significant information requested. If you have any additional questions, please do not hesitate to contact me.

Sincerely,



Michel E. Knott
Certified Public Accountant
Knott CPA



KNOTT CPA

235 W Pueblo Street, Reno, Nevada 89509

PH.: 775-746-2900

MKNOTT@KNOTTCPA.COM

March 31, 2022

Board of Directors and Management
Spalding Community Services District
Susanville, California

Thank you for the invitation to submit this audit proposal, for the fiscal year ending June 30, 2022, to the Spalding Community Services District. On behalf of Knott CPA, I would like to say that we would be honored to be able to perform your audit. All audits performed by Knott CPA are performed in accordance with all applicable accounting and auditing standards.

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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 Government Auditing Standards and the State Controller's Minimum Audit Requirements for California Special Districts.

Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgement about the number of transactions to be examined and the areas to be tested. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We will obtain an understanding of Spalding Community Services District and its environment, including internal control sufficient to assess the risk 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.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Spalding Community Services District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures 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.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Our audit report will typically contain the following schedules

- Statement of Net Position
- Statement of Activities
- Balance Sheet and Statement of Revenue, Expenses and Changes in Fund Balance – Governmental Fund
- Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows – Proprietary Fund
- Summary of Significant Accounting Policies

Initially, we would like to hold a meeting to learn recent information about your District and to understand your expectations and any issues that exist. Following this initial meeting we will begin our audit and report to you any issues we find.

We expect to begin our audit of 2022 no later than August 15, 2022, and issue our audit report no later than November 18, 2022. This is contingent upon receiving the full cooperation of your accounting staff and provided that the general condition of your books and records are conducive to my review and analysis.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$10,000. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above 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.

We appreciate the opportunity to submit this proposal to Spalding Community Services District and believe this letter accurately summarizes the significant information requested. If you have any additional questions, please do not hesitate to contact me.

Sincerely,



Michel E. Knott
Certified Public Accountant
Knott CPA



March 31, 2022

Board of Directors and Management
Spalding Community Services District
Susanville, California

I am pleased to confirm my understanding of the services to be provided in the request for proposal for the Spalding Community Services District for the fiscal year ended June 30, 2022. I will audit the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the entity's basic financial statements for the year ended June 30, 2022. 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 Spalding Community Services District'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 my engagement, I will supply certain limited procedures to Spalding Community Services District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquires 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 I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary comparison schedules.

Audit Objective

The objective of my audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. My 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 Spalding Community Services District and other procedures I consider necessary to enable me to express such opinions. I will issue a written report upon completion of my audit of Spalding Community Services District. My report will be addressed to the Board of Directors of Spalding Community Services District. I cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for me to modify my opinions or add emphasis-of-matter or other-matter paragraphs. If my opinions on the financial statements are other than unmodified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable

to form or have not formed opinions, I may decline to express opinions or to issue reports or may withdraw from this engagement.

I 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 grants 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 entity'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 entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during my audit I become aware that Spalding Community Services District is subject to an audit requirement that is not encompassed in the terms of this engagement, I 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.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, I will assist with preparation of your financial statements and related notes. These non-audit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. You agree to assume all management responsibilities relating to the financial statements and related notes and any other non-audit services I provide. You will be required to acknowledge in the management representation letter my 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 non-audit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those 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; following laws and regulations; and ensuring that management is reliable 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 in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to me and for the accuracy and completeness of that information. You are also responsible for providing me 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 I may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to me in the written representation letter that the effects of any uncorrected misstatements aggregated by me 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 me 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 or illegal acts

could have a material effect on the financial statements. Your responsibilities include informing me 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, illegal acts, violations of contracts or grant agreements, or abuse that I 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 me previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to me 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 my current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for 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 financial statements; therefore, my 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. I will plan and perform the audit to obtain reasonable rather than absolute 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 I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me, 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, I will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential, and of any material abuse that comes to my attention. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of 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. I 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 my audit, I will also request 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 and related matters.

Audit Procedure — Internal Controls

My 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 I 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. My 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 my 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 weakness. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of CPAs (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, I will perform tests of Spalding Community Services District compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of my audit will not be to provide an opinion on overall compliance, and I will not express such an opinion in my report on compliance issued pursuant to Government Auditing Standards.

Engagement Administration, Fees, and Other

I may from time to time, and depending on the circumstances, use third-party service providers in serving your account. I may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service provider.

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

I will provide copies of my reports to Spalding Community Services District: however, management is responsible for distribution of the reports and financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of my reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Knott CPA and constitutes confidential information. However, subject to applicable law or regulations, I may be requested to make certain audit documentation available to government entities for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Knott CPA. Furthermore, upon request, I 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 five years after the report release or for any additional period requested by oversight organizations. If I am aware that a federal awarding agency or auditee is contesting an audit finding, I will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

I, Michel E. Knott, am the engagement partner and responsible for supervising the engagement and signing the report.

My fee for these services will be at my standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that I agree that my gross fee, including expenses will not exceed \$10,000. The above 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, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs

I appreciate the opportunity to be of service to Spalding Community Services District and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of my engagement as described in this letter, please sign the enclosed copy and return it to me.

Sincerely,



Michel E. Knott
Certified Public Accountant
Knott CPA

RESPONSE:

This letter correctly sets forth the understanding of the Spalding Community Services District.

Management signature: _____

Title: _____

Date: _____

Governance Signature: _____

Title: _____

Date: _____

CONTINUING BUSINESS

CA State Lands Comm.

June 24, 2008

CALENDAR ITEM

C07

A 3

06/24/08

PRC 8155.1

S 1

R. Barham

**TERMINATION OF A GENERAL LEASE - PUBLIC AGENCY USE
AND ISSUANCE OF A GENERAL LEASE - COMMERCIAL USE**

LESSEE/APPLICANT:

Spalding Community Service District
502-907 Mahogany Way
Susanville, CA 96130

AREA, LAND TYPE, AND LOCATION:

18.94 acres, more or less, of sovereign lands in the bed of Eagle Lake, near Susanville, Lassen County.

AUTHORIZED USE:

Continued use, maintenance and operation of an existing marina facility known as the "Spalding Marina" comprised of two boat launching ramp facilities, a fishing pier, one permanent floating courtesy dock, two floating breakwaters, four mooring buoys, swimming area with swim float, ten seasonally operated recreational and commercial floating boat docks, and rock slope bank protection as shown on the attached Exhibit A.

LEASE TERM:

20 years, beginning April 1, 2008.

CONSIDERATION:

Public Facilities (boat launch, fishing pier with platform, one permanent floating courtesy dock, two floating breakwaters, four mooring buoys, open swim area with swim float and rock slope bank protection): The public use and benefit; with the State reserving the right at any time to set a monetary rent if the Commission finds such action to be in the best interest of the State.

Recreational and Commercial Docks: Five percent of the Lessee's gross annual income from the issuance of annual dock permits; five percent of the Lessee's and/or Operator's gross annual income derived from the commercial activities of mooring, berthing and boat rentals; ten percent of the Lessee's and/or Operator's gross annual income derived from all unauthorized activities conducted on or

CALENDAR ITEM NO. C07 (CONT'D)

over the Lease Premises; with a minimum annual rent of \$500; and with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Liability insurance with coverage of no less than \$1,000,000.

Other:

The lease includes engineering specifications for the conversion of docks from seasonal to permanent, which are included in the "Spalding Marina Requirements for Year-Round Mooring Float Structures".

The lease contains provisions that the Lessee must implement the Commission's "Best Management Practices for Marina Owners/Operators" and incorporate the Commission's "Best Management Practices for Berth Holders and Boaters" into Lessee's berth rental agreements, including additional Best Management Practices (BMPs) the Commission subsequently deems appropriate for either of the above categories. In addition to the inclusion of the BMPs for Berth Holders and Boaters into the berth rental agreements, the Lessee shall post such publication in prominent places within the lease premises. The Lessee shall provide the Commission, on the first anniversary of the lease and tri-annually thereafter, a report on compliance with all BMPs.

OTHER PERTINENT INFORMATION:

1. Applicant owns the uplands adjoining the lease premises.
2. On April 20, 2000, the Commission authorized the issuance of a General Lease - Public Agency Use with the Spalding Community Service District (District) for an existing launch ramp, 34 existing seasonal docks and three anchored mooring floats, used in conjunction with the Spalding Marina. That lease will expire on March 31, 2020.
3. In 2001, the District received grants from the California Department of Boating and Waterways and the California Wildlife and Conservation Board for the development of the "Spalding Marina Improvement Project" (Project) to facilitate improvement to the existing marina to ensure that the operation of the marina and the ancillary onshore public health/safety facilities were installed and managed in a way that enhances recreational use while protecting the fragile Eagle Lake natural environment.

CALENDAR ITEM NO. C07 (CONT'D)

4. On August 19, 2003, the Commission authorized an amendment to the lease for the construction of the Project which included two launching ramps with courtesy mooring floats, channel dredging for the installation of the launch ramps, 15 seasonal docks with a capacity of 320 berths, a public courtesy dock and five berths for short-term hourly public dockage, two floating breakwaters, one public fishing pier, four mooring buoys, a seasonal swim area with a swim platform, and rock slope bank protection. All of the docks were seasonal, requiring removal by December 1 of each year due to excessive ice and windy conditions common to Eagle Lake. Docks could only remain in the Lake year-round if the District determined that a dock was to be constructed in conformance with the engineering requirements described in the "Bid Specifications for the Spalding Marina Improvement Project" (Specifications), which were developed for the Project.
5. In July 2007, staff was contacted by the District requesting clarification regarding the dock Specifications for the proposed conversion of one of the seasonal docks. At that time, staff became aware that the marina operation included commercial activities along with the public facilities.
6. Subsequently, the District submitted an application requesting that the prior General Lease - Public Agency Use be terminated and that a new General Lease - Commercial Use be considered to include the District's current operation and commercial activities. The District requested that the number of previously authorized seasonal docks be reduced from 15 to ten, thereby reducing the total number of berths from 320 to 279. The District is also requesting that five of the docks, having a maximum capacity of 220 berths, be authorized for commercial activities and the remaining five docks, having a maximum capacity of 59 berths, be used for recreational use by local district boaters. The District will continue to issue seasonal permits for each of the docks and manage the marina operations. In addition, the application contains revised engineering specifications for the conversion of seasonal docks to year-round docks that were prepared by a licensed civil engineer to replace the original specifications, which were found to be unclear and inadequate. Staff is recommending termination of the existing lease and issuance of a new lease to allow for the change in facilities, operation and activities on the lease premises.
7. **Termination of Lease:** Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a

CALENDAR ITEM NO. C07 (CONT'D)

“project” as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21065 and Title 14, California Code of Regulations, section 15060(c)(3) and 15378.

8. **Issuance of New Lease:** A Mitigated Negative Declaration was prepared and adopted for this project by the Spalding Community Service District. The California State Lands Commission’s staff has reviewed such document. A Mitigation Monitoring Program was adopted by the Spalding Community Services District.
9. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff’s consultation with the persons nominating such lands and through the CEQA review process, it is the staff’s opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:

- A. Location and site map
- B. Land Description

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

TERMINATION OF EXISTING LEASE:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060 (c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

ISSUANCE OF NEW LEASE:

FIND THAT A MITIGATED NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE SPALDING COMMUNITY SERVICE DISTRICT AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED WITHIN THE MND.

CALENDAR ITEM NO. C07 (CONT'D)

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

AUTHORIZATION:

AUTHORIZE TERMINATION OF GENERAL LEASE-PUBLIC AGENCY USE NO. PRC 8155.9, EFFECTIVE MARCH 31, 2008, ISSUED TO SPALDING COMMUNITY SERVICE DISTRICT AND APPROVED BY THE COMMISSION ON APRIL 20, 2000.

AUTHORIZE ISSUANCE OF A GENERAL LEASE - COMMERCIAL USE TO THE SPALDING COMMUNITY SERVICE DISTRICT BEGINNING APRIL 1, 2008, FOR A TERM OF 20 YEARS, FOR THE CONTINUED USE, MAINTENANCE, AND OPERATION OF THE "SPALDING MARINA" CONSISTING OF TWO BOAT LAUNCHING RAMPS, FISHING PIER, ONE PERMANENT FLOATING COURTESY DOCK, TWO FLOATING BREAKWATERS, FOUR MOORING BUOYS, OPEN SWIM AREA WITH SWIM FLOAT, TEN SEASONAL RECREATIONAL AND COMMERCIAL FLOATING BOAT DOCKS AND ROCK SLOPE BANK PROTECTION, AS SHOWN ON EXHIBIT A ATTACHED AND DESCRIBED ON EXHIBIT B, AND BY THIS REFERENCE MADE A PART HEREOF;
CONSIDERATION FOR THE PUBLIC FACILITIES (BOAT LAUNCH, FISHING PIER, ONE PERMANENT FLOATING COURTESY DOCK, TWO FLOATING BREAKWATERS, FOUR MOORING BUOYS, OPEN SWIM AREA WITH SWIM FLOAT AND ROCK SLOPE BANK PROTECTION): THE PUBLIC USE AND BENEFIT, WITH THE STATE RESERVING THE RIGHT AT ANY TIME TO SET A MONETARY RENT IF THE COMMISSION FINDS SUCH ACTION TO BE IN THE STATE'S BEST INTEREST; CONSIDERATION FOR THE RECREATIONAL AND COMMERCIAL DOCKS: FIVE PERCENT OF GROSS INCOME DERIVED FROM LESSEE'S ISSUANCE OF ANNUAL DOCK PERMITS, FIVE PERCENT OF GROSS INCOME DERIVED FROM THE AUTHORIZED COMMERCIAL ACTIVITIES, TEN PERCENT OF GROSS INCOME DERIVED FROM ALL UNAUTHORIZED ACTIVITIES, WITH A MINIMUM ANNUAL RENT IN THE AMOUNT OF \$500; WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; AND LIABILITY INSURANCE COVERAGE OF NO LESS THAN \$1,000,000.

MINUTE ITEM

This Calendar Item No. C71 was approved as Minute Item No. 71 by the California State Lands Commission by a vote of 3 to 0 at its 8-17-03 meeting.

**CALENDAR ITEM
C71**

A 1
S 2

08/19/03
PRC 8155 WP 8155.9
B. Young

AMENDMENT OF GENERAL LEASE-PUBLIC AGENCY USE

APPLICANT/LESSEE:

Spalding Community Services District
502-907 Mahogany Way
Susanville, CA 96130

AREA, LAND TYPE, AND LOCATION:

18.94 acres, more or less, of sovereign lands in the bed of the Eagle Lake near Susanville, Lassen County.

EXISTING AUTHORIZED USE:

Use and maintenance of an existing launch ramp; the seasonal installation, use, maintenance and removal of 34 existing docks/berths, and three anchored mooring floats.

LEASE TERM:

20 years, April 1, 2000.

PROPOSED AMENDMENT:

The Authorized Improvements are amended to authorize, consistent with the spalding Marina Improvement Project approved by Lessee on July 1, 2003, and with Sections 2 & 3 of this Amendment the following: two boat launch ramps with courtesy mooring floats, channel dredging of a maximum of 2,500 cubic yards of material for the installation of the boat launch ramps, the dredged material will be used for the shore embankment protection along the marina; 15 removable/permanent docks with a maximum capacity of 320 berths/slips, including one dock for public courtesy mooring; two floating breakwaters; one fishing access pier with fishing platform; four mooring buoys; a seasonal swim area with a swimming platform, and rock slope protection. Lessee will remove the mooring buoys and removable docks no later than December 1 of each year during the lease term. All other terms/conditions of the Lease shall remain in effect without amendment.

CALENDAR ITEM NO. C71 (CONT'D)

CONSIDERATION:

No monetary consideration for the marina facilities. The consideration to the California State Lands Commission for granting the lease is for the use and benefit of the public; provided, monetary rent for any reporting period in which revenues, derived from or attributable to use of the facilities under lease, exceed expenses of operating, maintenance or improving the facilities.

Consideration for the channel dredging for the installation of launch ramps, shall be the public health and safety and the public use and benefit; the dredged material will be used for the shore embankment protection along the marina; a royalty fo \$0.25 per cubic yard will be charged for any dredged material used for private benefit or commercial sale purposes.

OTHER PERTINENT INFORMATION:

1. On April 20, 2000, the Commission authorized the issuance of a General Lease - Public Agency Use to the Spalding Community Services District (District). That lease will expire on March 31, 2020. In 2001, the District received grants from the California Department of Boating and Waterways and the California Wildlife and Conservation Board to facilitate improvement to the existing marina by providing fishing access to the public and walkways for the protection of riparian zones along the lakeshore. The District will continue to administer the annual operation and management of the marina related facilities. The proposed amendment is designed to ensure that the use, maintenance and operation of the marina facilities and the ancillary onshore public health and safety facilities and services are installed and managed in a way that enhances recreational use and also protects Eagle Lake's environment.
2. A Mitigated Negative Declaration was prepared and adopted for this project by the Spalding Community Services District. The California State Lands Commission's staff has reviewed such document.
3. A Mitigation Monitoring Program was adopted by the Spalding Community Services District.
4. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections

CALENDAR ITEM NO. C71 (CONT'D)

6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

APPROVALS OBTAINED:

California Department of Fish and Game

APPROVALS REQUIRED:

U.S. Army Corps of Engineers, California Water Quality Control Board, Lassen County and California State Lands Commission

EXHIBITS:

- A. Site Map
- B. Location Map

PERMIT STREAMLINING ACT DEADLINE:

February 1, 2004

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT A MITIGATED NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE SPALDING COMMUNITY SERVICES DISTRICT AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

ADOPT THE MITIGATION MONITORING PROGRAM, WHICH IS ON FILE AT THE SACRAMENTO OFFICE OF THE CALIFORNIA STATE LANDS COMMISSION.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

CALENDAR ITEM NO. C71 (CONT'D)

AUTHORIZATION:

AUTHORIZE THE AMENDMENT OF LEASE PRC 8155.9, A GENERAL LEASE – PUBLIC AGENCY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE AUGUST 1, 2003, TO REVISE THE AUTHORIZED IMPROVEMENTS AND INCORPORATE, CONSISTENT WITH SECTION 2 (SPECIAL PROVISIONS) AND SECTION 3 (SITE MAP), OF THE LEASE TO AUTHORIZE TWO BOAT LAUNCH RAMPS WITH COURTESY MOORING FLOATS, CHANNEL DREDGING OF A MAXIMUM OF 2,500 CUBIC YARDS OF MATERIAL FOR THE INSTALLATION OF THE BOAT LAUNCH RAMPS; 15 REMOVABLE/PERMANENT DOCKS, AS SPECIFIED, WITH A MAXIMUM CAPACITY OF 320 BERTHS/SLIPS, INCLUDING ONE DOCK FOR PUBLIC COURTESY MOORING; TWO FLOATING BREAKWATERS; ONE FISHING ACCESS PIER WITH FISHING PLATFORM; A SEASONAL SWIM AREA WITH A SWIMMING PLATFORM; FOUR MOORING BUOYS, AND ROCK SLOPE PROTECTION; LESSEE WILL REMOVE THE MOORING BUOYS AND REMOVABLE DOCKS FROM THE LEASE PREMISES NO LATER THAN DECEMBER 1 OF EACH YEAR DURING THE LEASE TERM; CONSIDERATION FOR THE CHANNEL DREDGING OF 2,500 CUBIC YARDS OF MATERIAL FOR THE INSTALLATION OF BOAT LAUNCH RAMPS, SHALL THE PUBLIC HEALTH AND SAFETY AND THE PUBLIC USE AND BENEFIT, THE DREDGED MATERIAL WILL BE USED FOR THE SHORE EMBANKMENT PROTECTION ALONG THE MARINA; A ROYALTY \$0.25 PER CUBIC YARD WILL BE CHARGED FOR ANY DREDGED MATERIAL USED FOR PRIVATE BENEFIT OR COMMERCIAL SALE PURPOSES; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

LOCATION MAP

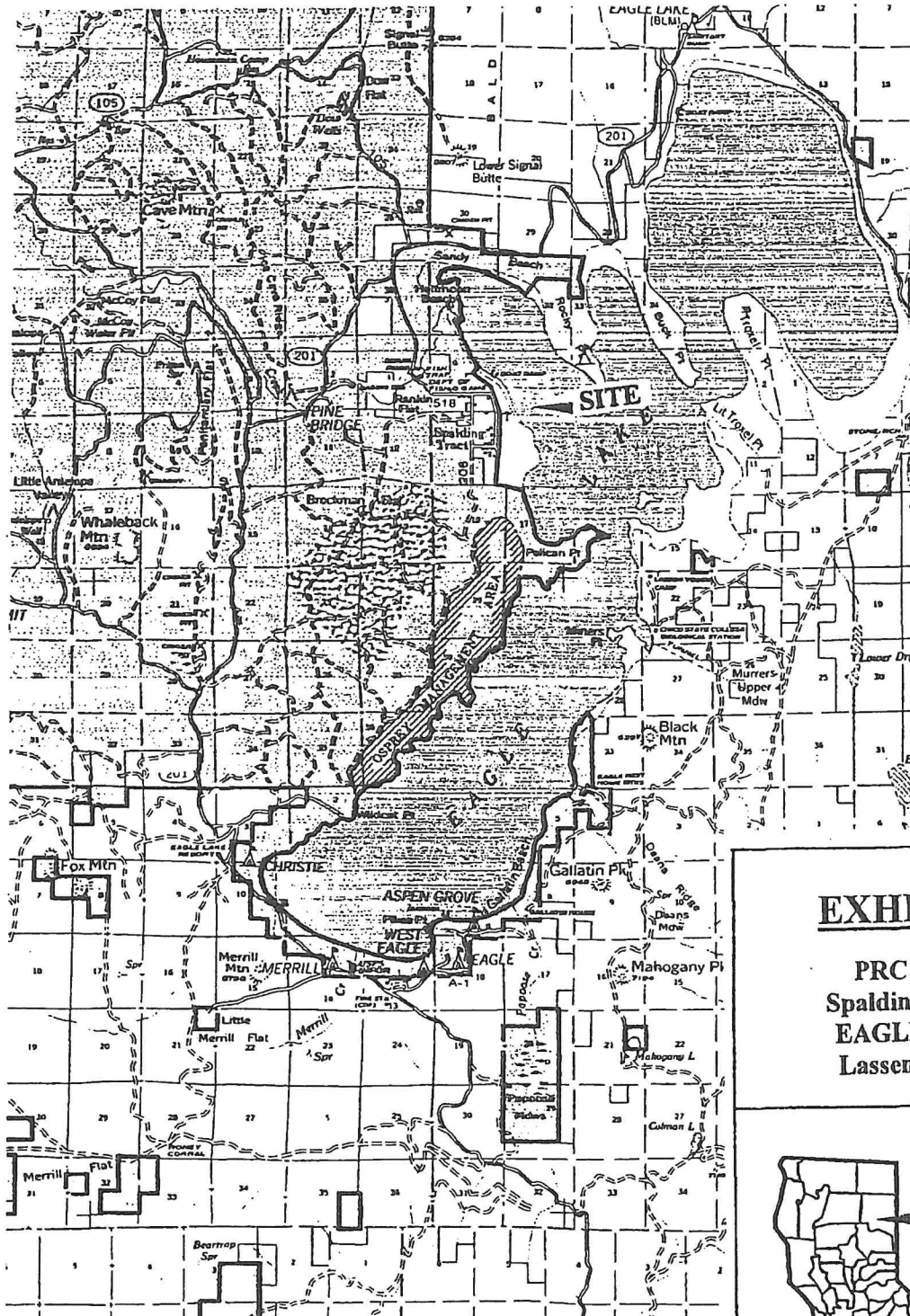


EXHIBIT B

PRC 8155.9
 Spalding Marina
 EAGLE LAKE
 Lassen County



This exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by lessee or other parties, and is not intended to be, nor shall it be construed to be, a waiver or limitation of any state interest in the subject or any other property.