

REDWOOD VALLEY COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redwood Valley County Water District
Redwood Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Redwood Valley County Water District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District'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 opinions on these financial statements based on our audit. 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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Valley County Water District as of June 30, 2019, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

Management has omitted the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

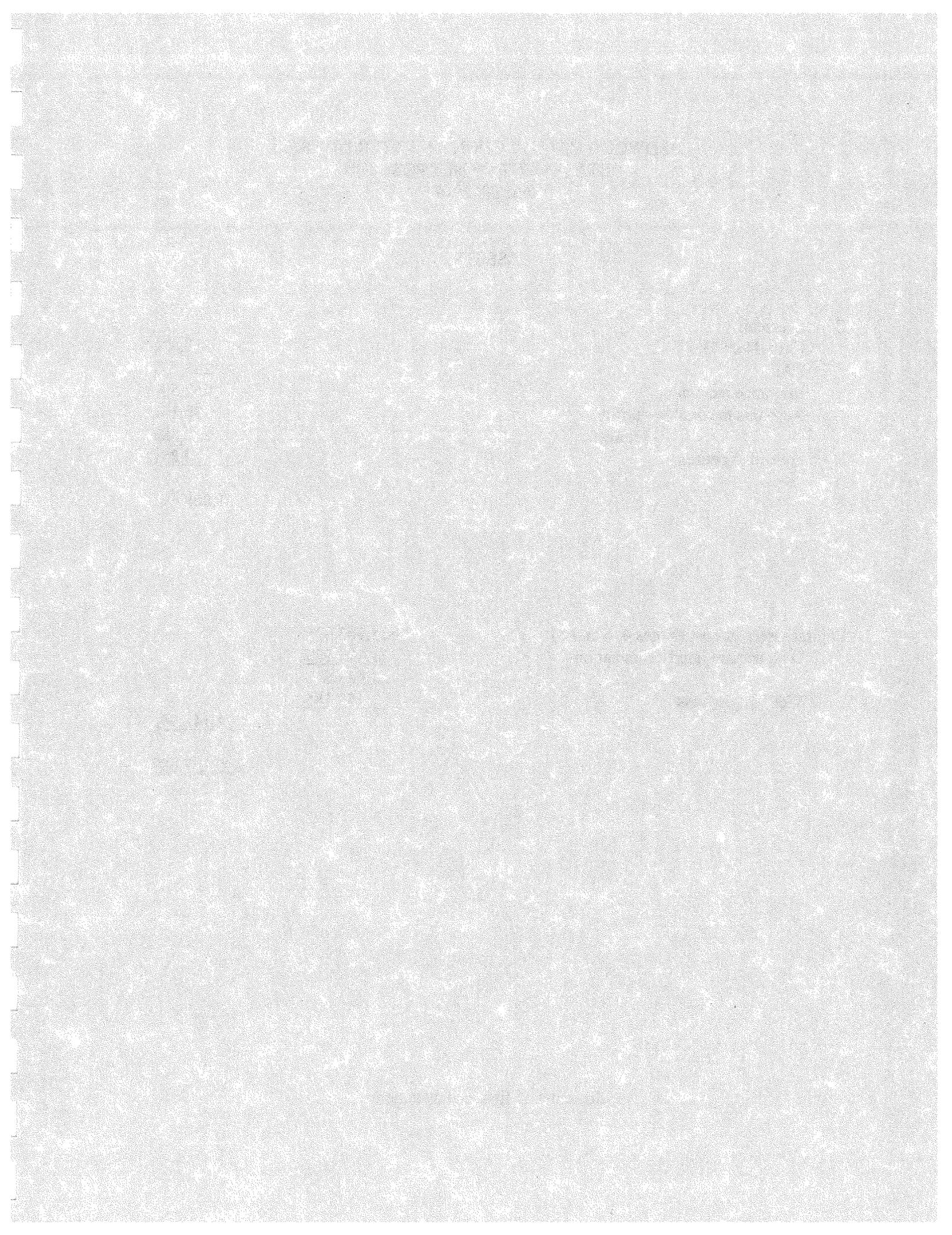
The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019 on our consideration of the District'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 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 District'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 Association's internal control over financial reporting and compliance.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
August 30, 2019



LIABILITIES AND DEFICIENCY

Current liabilities:

Current portion of long-term debt (Note 5)	\$	14,366
Accounts payable		88,123
Customer deposits		39,580
Compensated absences		7,267
Conservation received in advance		<u>1,316</u>

Total current liabilities 150,652

Long-term debt, net of current portion (Note 5) 8,699,505

Total liabilities 8,850,157

Deficiency (Note 9):

Net investment in capital assets	\$4,126,847	
Restricted	-	
Unrestricted (deficiency)	<u>(7,819,317)</u>	
		<u>(3,692,470)</u>
		\$ <u>5,157,687</u>

REDWOOD VALLEY COUNTY WATER DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 for the year ended June 30, 2019

Operating revenues:		
Sales - domestic		\$ 553,107
- irrigation		177,234
Meter fees - domestic		324,960
- irrigation		99,890
Other service charges		<u>35,750</u>
Total operating revenues		1,190,941
Operating expenses:		
Source of supply	\$ 188,427	
Pumping	210,801	
Water treatment	134,409	
Transmission and distribution	272,492	
Customer accounts	27,090	
Administrative and general	340,720	
Depreciation	<u>315,076</u>	
Total operating expenses		<u>1,489,015</u>
Operating loss		(298,074)
Non-operating income (expense):		
Property taxes	29,040	
Interest income	18,131	
Fire expense (\$316,399 cost and recovery)	-	
Interest expense	(1,157)	
Consolidation expense	<u>(3,200)</u>	
		<u>42,814</u>
Income (loss) before contributions (carried forward)		(255,260)

See notes to financial statements

REDWOOD VALLEY COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued
for the year ended June 30, 2019

Income (loss) before contributions (brought forward)	\$(255,260)
Capital contributions	<u> -</u>
Change in net position	(255,260)
Total net position:	
Beginning (deficiency) (Note 12)	<u>(3,437,210)</u>
Ending (deficiency)	<u>\$(3,692,470)</u>

See notes to financial statements

REDWOOD VALLEY COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2019

Cash flows from operating activities:		
Receipts from customers and other		\$ 832,104
Payments to suppliers		(956,867)
Payments to employees		<u>(45,928)</u>
Net cash provided to operating activities		(170,691)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income	\$ 29,040	
Other expense	<u>(3,200)</u>	25,840
Cash flows from capital and related financing activities:		
Purchase of capital assets	(682,012)	
Principal paid on capital debt	(16,075)	
Interest paid on capital debt	<u>(1,157)</u>	(699,244)
Cash flows from investing activities:		
Interest income		<u>18,131</u>
Net decrease in cash and cash equivalents		(825,964)
Cash and cash equivalents:		
Beginning of year		<u>1,429,722</u>
End of year		<u>\$ 603,758</u>

See notes to financial statements

REDWOOD VALLEY COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2019

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss		\$(298,074)
Prior year adjustment		125,595
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 315,076	
Changes in operating assets and liabilities:		
Receivables	(356,879)	
Prepaid insurance	(1,958)	
Accounts payable	29,763	
Compensated absences	2,662	
Customer deposits	13,124	
Advance - conservation	<u> -</u>	
		<u>1,788</u>
Net cash provided to operating activities		<u>\$(170,691)</u>
Supplementary information:		
Cash paid for interest		<u>\$ 1,157</u>

See notes to financial statements

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Redwood Valley County Water District (the "District") was formed January 16, 1964, in accordance with the State of California water code. The Mendocino County Board of Supervisors approved the formation in Resolution 63-367 on January 14, 1964.

The District is governed by a Board of Directors consisting of five directors, each of whom is elected for a specified term.

The District supplies drinking water to approximately 1350 customers that are primarily single family homes. In addition, the District supplies irrigation and frost protection water to 200 customers, most of whom grow wine grapes.

2. Summary of Significant Accounting Policies:

The basic financial statements of Redwood Valley County Water District have been prepared in conformity with generally accepted accounting principles as applied to government units. 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 District's accounting policies are described below.

Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets represent the amount available for future operations.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

Operating revenues and expenses, such as water sales along with water expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks, deposits in the State of California Local Agency Investment Fund (LAIF) and deposits with fiscal agents are considered to be cash and cash equivalents.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Depreciation and Amortization

Property and equipment is recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated using the straight-line method over the estimated useful asset lives.

Property Taxes

The District receives property taxes from Mendocino County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Compensated Absences

Vested or accumulated vacation and sick leave (sick leave is vested at 50%) that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, 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 this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Investments

Investments consist of LAIF (State of California pooled investment fund). Investments are stated at fair value. Such investment is within the State statutes and the District's investment policy.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Cash Equivalents:

Deposits:

At year-end the carrying amount of the District's deposits was \$359,821 and the total of the bank balance was \$465,232. Of the bank balance, \$250,000 was covered by Federal depository insurance; the remaining \$215,232 was covered by collateral held in the pledging bank's trust department as mandated by state law.

	<u>Balance, June 30, 2019</u>
Petty cash	\$ 200
Checking	154,996
Payroll	2,195
Money market (3)	<u>202,430</u>
	<u>\$ 359,821</u>

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 - Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

	<u>Carrying Amount</u>	<u>Market Value</u>
Balance, June 30, 2019, Local Agency Investment Fund	<u>\$ 243,937</u>	<u>\$ 243,937</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2019 are as follows:

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2019</u>
Land	\$ 62,925	\$ -	\$ -	\$ 62,925
Pumping plant	1,741,146	509,963	-	2,251,109
Treatment plant	2,035,044	115,907	-	2,150,951
Transmission and distribution	10,201,991	50,067	-	10,252,058
Buildings	190,712	1,275	-	191,987
Operating equipment	<u>254,006</u>	<u>-</u>	<u>-</u>	<u>254,006</u>
	<u>\$14,485,824</u>	<u>\$ 677,212</u>	<u>\$ -</u>	<u>\$15,163,036</u>
	Balance July 1, <u>2018</u>	<u>Additions</u>	Transfers/ <u>Disposals</u>	Balance June 30, <u>2019</u>
Work in progress – Scada upgrade	<u>\$ 154,385</u>	<u>\$ 4,800</u>	<u>\$ -</u>	<u>\$ 159,185</u>

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-Term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2019:

	<u>2018</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2019</u>	<u>Current Portion</u>
U.S. Bureau of Reclamation:					
Principal	\$7,255,000	\$ -	\$ -	\$7,255,000	\$ -
Interest	1,436,722	-	-	1,436,722	-
DWR	12,571	-	2,356	10,215	2,432
Excavator loan	<u>25,654</u>	<u>-</u>	<u>13,720</u>	<u>11,934</u>	<u>11,934</u>
	<u>\$8,729,947</u>	<u>\$ -</u>	<u>\$ 16,076</u>	<u>\$8,713,871</u>	<u>\$ 14,366</u>

U.S. Bureau of Reclamation loan

The District received a loan from the United States Bureau of Reclamation in the original amount of \$7,313,000. The loan was to be repaid by the District in 35 annual payments, beginning January 1, 1983.

Following the original principal payment of \$58,000, the District postponed further payments on the loan. In June 2008, the District paid \$360,000 for the successful completion of a consulting services agreement towards loan postponement legislation. That legislation allows the District to enter into such additional non-federal obligations as are necessary to finance procurement of dedicated water rights and improvements necessary to store and convey those rights to provide for the District's water needs.

Per the legislation, the Secretary of the Interior shall reschedule the payments due under this loan, and said payments shall commence when such additional obligations have been financially satisfied by the District.

The date of the initial payment owed by the District to the United States upon rescheduling shall be regarded as the start of the District's repayment period, and the time upon which any interest shall first be computed and assessed.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-Term Debt, continued:

U.S. Bureau of Reclamation loan, continued

Amounts presented as accrued interest of \$1,436,722 include interest and penalties that had been accrued through June 30, 1988. These amounts are unchanged from amounts presented in the June 30, 1988 financial statements. Due to the uncertainty of the final resolution of this accrued interest, these amounts have been adjusted from current liabilities to long-term debt.

DWR loan

During the 1992-93 fiscal year, the District received a loan from the Department of Water Resources in the amount of \$52,000. The loan carries interest at 3.2205%, and is payable in semi-annual installments of \$1,371 over thirty years. The loan was made in conjunction with a \$400,000 grant from the Department of Water Resources, and was used to finance the construction of three water main extensions.

Excavator Loan

The District entered into a loan agreement in May 2015 to purchase a Kubota KX040 Excavator in the amount of \$67,256. The monthly payments of \$1,208 are payable through April 2020. The loan carries an interest rate of 3.070%.

The future annual maturities of all long-term borrowings as of June 30, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 14,366	\$ 478	\$ 14,844
2021	2,512	230	2,742
2022	2,593	149	2,742
2023	2,678	65	2,743
Undetermined	<u>8,691,722</u>	-	<u>8,691,722</u>
Total	<u>\$8,713,871</u>	<u>\$ 922</u>	<u>\$8,714,793</u>

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Deferred Compensation Plan:

The District offers its employees a deferred compensation plan under the provisions of Internal Revenue Code Section 457. Under the plan, employees may elect to defer a portion of their salaries, and any related income tax, until the funds are withdrawn. After five years of employment, the District matches the employee's contributions to the plan. Funds may be withdrawn only upon termination, retirement, death, or unforeseeable emergency.

The District's share of expense for 2019 was \$8,700.

7. Water Supply:

The District is currently under a court ordered moratorium for domestic connections and a Board initiated moratorium for irrigation connections. The domestic moratorium is a result of a lack of a firm water right. The irrigation moratorium, in addition to the lack of water rights, is a result of irrigation water distribution deficiencies.

The District diverts water from Lake Mendocino under Permit 17593 from November through the end of March when permit conditions of water storage and river flows are met. When conditions are not met and outside the season of diversion, the District relies primarily on surplus water available under the terms of the Stipulated Judgment with the Mendocino County Russian River Flood Control and Water Conservation Improvement District (Flood Control). Upon notification by Flood Control that no water supply is available, the District has in the past purchased surplus water from the Sonoma County Water Agency (SCWA). That contract with SCWA expired in 2011 and has not been renewed by SCWA.

During late 2014, the District constructed an intertie pump station to receive additional water supplies from Millview CWD, wheeled through Calpella CWD. Since January 2015 the District has received the majority of its domestic supply through the intertie. Any supply available from Flood Control has been delivered, untreated to agricultural customers. The District operates the treatment plant to produce drinking water when demand exceeds the capacity of the intertie.

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. Projects:

The District completed a significant upgrade of its SCADA hardware and software in FY 2018-19. In October 2017, the Redwood Valley Fire destroyed 187 customer residences and the District's Tomki Pumping Station. ACWA JPIA property insurance, a FEMA grant, and a CalOES grant have each provided compensation for the losses, including a pipeline rehabilitation grant to be administered by the County of Mendocino from 2018-2020.

9. Net Position (Deficiency):

Net Position consists of:

	<u>June 30, 2019</u>
Net investment in capital assets	\$ 4,126,847
Restricted	-
Unrestricted	
Board designated	
- Sinking fund	\$ 22,314
Undesignated	<u>(7,841,631)</u>
	<u>(7,819,317)</u>
	<u>\$ (3,692,470)</u>

REDWOOD VALLEY COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

10. Subsequent Events:

Management has evaluated subsequent events through August 30, 2019, the date these June 30, 2019 financial statements were available to be issued.

11. District Consolidation:

The District continues to operate within the framework of the URRWA with Calpella and Millview County Water Districts and Russian River Flood Control. Each district continues to maintain its own Board and rate structure. However, a rate study is underway in cooperation with Millview CWD to determine the appropriate water revenue levels to improve the District's financial position and provide a defensible rate structure. The URRWA expects to adopt a cost sharing structure to develop a Plan for Services, LAFCO application and legislative act of the State to dissolve individual districts and consolidate as a single agency.

12. Prior Period Adjustment:

Beginning equity (deficit) as originally reported	\$(3,562,805)
Add, prior period entry to correct customer accounts receivable and deposits	<u>125,595</u>
Beginning equity (deficit) as restated	<u>\$(3,437,210)</u>

SUPPLEMENTAL DATA

REDWOOD VALLEY COUNTY WATER DISTRICT
PRINCIPAL OFFICIALS
June 30, 2019

Board of Directors:

Granville Pool

President

Tom Schoeneman

Ken Todd

Jeff Basili

Marvin Talso

Management:

David Redding

General Manager

Paula Berezay

Office Manager

**REPORT ON INTERNAL CONTROLS
AND COMPLIANCE**



Robert W. Johnson
an accountancy corporation

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**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***

Independent Auditor's Report

To the Board of Directors
Redwood Valley County Water District
Redwood Valley, 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 and the State Controller's Minimum Audit Requirements for California Special Districts, the financial statements of Redwood Valley County Water District as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Redwood Valley County Water District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Redwood Valley County Water District'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*.

We noted certain other minor matters that we reported to management of the Redwood Valley County Water District in a separate letter dated August 30, 2019.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert W. Johnson, An Accountant

Citrus Heights, California
August 30, 2019