

**SAN JUAN RIDGE COUNTY
WATER DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

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SAN JUAN RIDGE COUNTY WATER DISTRICT
Annual Financial Report
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

- **List of Officials**

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SAN JUAN RIDGE COUNTY WATER DISTRICT
List of Officials
For the Year Ended June 30, 2019

Board of Directors

Michele Rowe	President
Michael Covert	Vice President
Pat Browning	Director
Sean Henry	Director
Vacant	Director

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Juan Ridge County Water District
North San Juan, California

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund of San Juan Ridge County Water District, California (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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

To the Board of Directors
San Juan Ridge County Water District
North San Juan, California

Basis for Qualified Opinion

As discussed in Note 1H to the financial statements, management has not maintained detailed records of capital assets, accumulated depreciation, or current year depreciation. Capital assets are recorded in the accompanying financial statements at \$15,057. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated. The amount by which this departure would affect the assets, net position, and expenses of the proprietary fund financial statements of the District is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund of the District as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

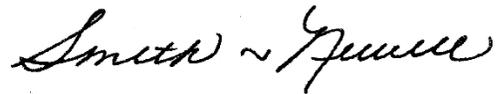
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
San Juan Ridge County Water District
North San Juan, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
August 12, 2021

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Basic Financial Statements

- **Fund Financial Statements**

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SAN JUAN RIDGE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2019

	Operating Fund
ASSETS	
Current Assets:	
Cash and investments	\$ 33,830
Receivables:	
Accounts	2,520
Taxes	21
Total Current Assets	36,371
Noncurrent Assets:	
Capital assets:	
Non-depreciable	15,057
Total Noncurrent Assets	15,057
Total Assets	51,428
LIABILITIES	
Current Liabilities:	
Accounts payable	-
Total Current Liabilities	-
Total Liabilities	-
NET POSITION	
Investment in capital assets	15,057
Unrestricted	36,371
Total Net Position	\$ 51,428

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

SAN JUAN RIDGE COUNTY WATER DISTRICT
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2019

	Operating Fund
OPERATING REVENUES	
Charges for services	\$ 7,168
Other revenues	594
	7,762
Total Operating Revenues	7,762
OPERATING EXPENSES	
Directors fees	940
Insurance	4,124
Licenses and permits	11,160
Memberships	1,016
Miscellaneous expense	308
Office supplies	72
Professional services	1,879
Rents and leases	225
	19,724
Total Operating Expenses	19,724
Operating Income (Loss)	(11,962)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	18,315
Assessments	1,450
Intergovernmental revenues	161
Interest income	658
	20,584
Total Non-Operating Revenues (Expenses)	20,584
Change in Net Position	8,622
Total Net Position - Beginning	42,806
Total Net Position - Ending	\$ 51,428

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

SAN JUAN RIDGE COUNTY WATER DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>Operating Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,407
Cash paid for operations	<u>(20,078)</u>
Net Cash Provided (Used) by Operating Activities	<u>(13,671)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	18,294
Assessments	1,450
Non-operating revenue received	<u>161</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>19,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>658</u>
Net Cash Provided (Used) by Investing Activities	<u>658</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,892
Balances - Beginning of the Year	<u>26,938</u>
Balances - End of the Year	<u><u>\$ 33,830</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (11,962)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Accounts receivable	(1,355)
Increase (decrease) in:	
Accounts payable	<u>(354)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (13,671)</u></u>

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

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

San Juan Ridge County Water District is a special district located in Nevada County, California. The District operates under a Board of Directors form of government and provides irrigation water to customers within the District.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

B. Basis of Presentation

Fund financial statements of the District are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The fund of the District is organized into the proprietary category and is treated as a major fund.

The District reports the following major proprietary fund:

- The Operating fund is an enterprise fund used to account for activity related to providing customers with water for agricultural use.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

For the purposes of the accompanying statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, including their equity in the County Treasurer's investment pool, to be cash equivalents.

E. Cash and Investments

The District pools all cash and investments, other than imprest cash, with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants.

F. Receivables

Receivables consist mainly of amounts due from customers for water charges. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Inventories are recorded as expenses at the time inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are to be valued at historical cost or estimated historical cost if actual historical cost is unavailable. Donated capital assets are to be valued at their estimated fair market value at the date of donation. Major outlays for capital assets and improvements are to be capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capitalized value.

Capital assets used in operations are to be depreciated or amortized using the straight-line method over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-20 years
Structures and improvements	10-20 years

The District has not maintained detailed historical cost records for capital assets, accumulated depreciation or current year depreciation expense.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Maintenance and repairs are to be charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are to be capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are to be removed from the respective accounts and any resulting gain or loss is to be included in the results of operations.

I. Property Tax

Nevada County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Nevada up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property taxes are due on March 1, and become delinquent, if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

J. Compensated Absences and Other Postemployment Benefits

The District has no employees. Services are provided by contract or volunteers. Therefore, there are no compensated absences or other postemployment benefits.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2019, the District did not have any deferred inflows of resources.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Assessment Revenue

The District levies special assessments on the property owners within the District boundaries. The special assessments are collected by the District. The District charges a special assessment of \$50 twice a year for the dam assessment to help cover costs.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

N. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 83, Certain Asset Retirement Obligations (AROs). This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements. This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2019, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ <u>75</u>
Total Cash	<u>75</u>
Investments:	
Nevada County Treasurer's Pool	<u>33,755</u>
Total Investments	<u>33,755</u>
Total Cash and Investments	<u>\$ 33,830</u>

B. Cash

At year end, the District had cash on hand of \$75.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2019, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- U.S. Treasury and Agency Obligations
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Bankers Acceptances
- Money Market Funds
- Commercial Paper
- Medium Term Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Certificates of Deposit
- Pass-Through Securities
- Local Agency Investment Fund (LAIF)
- California Asset Management Program (CAMP)
- Supranational

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2019, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>33,755</u>			
Total Investments	<u>\$ 33,755</u>			

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2019, the District's investments were all held with the County of Nevada Treasury which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. As of June 30, 2019, all investments of the District are in the Nevada County investment pool which contains a diversification of investments.

D. Investments in External Pool

The Nevada County Pooled Investment fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Nevada County Pooled Investment fund are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller's office at 950 Maidu Avenue, Nevada City, CA 95959.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 15,057	\$ -	\$ -	\$ 15,057
Total Capital Assets, Not Being Depreciated	<u>15,057</u>	<u>-</u>	<u>-</u>	<u>15,057</u>
Capital Assets, Being Depreciated:				
Equipment	<u>2,497</u>	<u>-</u>	<u>-</u>	<u>2,497</u>
Total Capital Assets, Being Depreciated	<u>2,497</u>	<u>-</u>	<u>-</u>	<u>2,497</u>
Less Accumulated Depreciation For:				
Equipment	(2,497)	<u>-</u>	<u>-</u>	(2,497)
Total Accumulated Depreciation	<u>(2,497)</u>	<u>-</u>	<u>-</u>	<u>(2,497)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 15,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,057</u>

The District has not maintained detailed records of capital assets, recorded accumulated depreciation, or current year depreciation expense.

NOTE 4: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases coverage from a commercial carrier. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 6: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2019 through August 12, 2021, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Findings and Recommendations**
- **Management's Corrective Action Plan**

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

To the Board of Directors
San Juan Ridge County Water District
North San Juan, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the proprietary fund of San Juan Ridge County Water District, North San Juan, California (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 and have issued our report thereon dated August 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2019-001)

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies (2019-002 and 2019-003).

To the Board of Directors
San Juan Ridge County Water District
North San Juan, California

Compliance and Other Matters

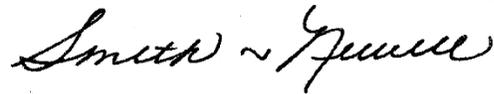
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Smith & Newell CPAs
Yuba City, California
August 12, 2021

SAN JUAN RIDGE COUNTY WATER DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-001 Capital Assets (Material Weakness)

Criteria

Good internal control over capital assets requires that a current detailed listing of capital assets with complete historical costs and accumulated depreciation be maintained and that assets be capitalized in accordance with an approved capitalization policy.

Condition

The District did not maintain a detailed list of capital assets, accumulated depreciation, or current year depreciation at June 30, 2019.

Cause

The District does not have a capitalization policy, a detailed listing of capital assets, or a depreciation schedule.

Effect

The District receives a qualified opinion on the annual financial report. In addition, the risk of errors or irregularities occurring and not being detected in a timely manner is increased when a detailed listing of capital assets is not maintained.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2018-001.

Recommendation

We recommend that the District adopt a capitalization policy and that a detailed listing of capital assets including depreciation be developed and maintained for all capital assets owned by the District.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-002 Policies and Procedures (Significant Deficiency)

Criteria

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved District policy.

Condition

We noted written policies and procedures for all current financial processes, including cash and investments, receivables, payables, capital assets and fund balance, have not been developed or approved by the Board of Directors.

Cause

The District has not developed written policies and procedures for all current financial processes.

Effect

Without written procedures, tasks may not be performed in a consistent manner. Written procedures are helpful if someone else has to perform duties that he/she normally would not perform.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2018-002.

Recommendation

We recommend that the District develop written policies and procedures for all current financial processes.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

2019-003 Cash Disbursements (Significant Deficiency)

Criteria

Good internal controls requires that all payments have proper supporting documentation.

Condition

During testing of controls over cash disbursements we noted that the District was missing supporting documentation for 2 of the 10 items selected.

Cause

The District did not provide adequate supporting documentation for all cash disbursements.

Effect

The District did not provide adequate supporting documentation to verify payments.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

We randomly selected 10 cash disbursements to verify the accuracy of payments and supporting documentation. Sampling was a statistically valid sample.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the District maintain adequate documentation to support all payments.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

SAN JUAN RIDGE COUNTY WATER DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2019

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
2018-001	<p>Capital Assets</p> <p>Recommendation</p> <p>We recommend that the District adopt a capitalization policy and that a detailed listing of capital assets, including depreciation, be developed and maintained for all capital assets owned by the District.</p> <p>Status</p> <p>Not Implemented</p>
2018-002	<p>Policies and Procedures</p> <p>Recommendation</p> <p>We recommend that the District develop written policies and procedures for all current financial processes.</p> <p>Status</p> <p>Not Implemented</p>

SAN JUAN RIDGE COUNTY WATER DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2019

Finding 2019-001 Capital Assets (Material Weakness)

We recommend that the District adopt a capitalization policy and that a detailed listing of capital assets, including depreciation, be developed and maintained for all capital assets owned by the District.

Management's Response: The District concurs.

Responsible Individual: Bookkeeper

Corrective Action Plan: The District will develop and maintain a depreciation schedule.

Anticipated Completion Date: September 30, 2021

Finding 2019-002 Policies and Procedures (Significant Deficiency)

We recommend that the District develop written policies and procedures for all current financial processes.

Management's Response: The District concurs.

Responsible Individual: Bookkeeper is ultimately under the supervision of the Board. All financial reports, requests for money to be paid, and cash deposits are verified at each Board meeting.

Corrective Action Plan: Develop policies and procedures for current financial processes.

Anticipated Completion Date: As soon as possible

Finding 2019-003 Cash Disbursements (Significant Deficiency)

We recommend that the District maintain adequate documentation to support all payments.

Management's Response: The Board concurs.

Responsible Individual: Board of Directors

Corrective Action Plan: Will watch for significant deficiency through the year.

Anticipated Completion Date: September 30, 2021

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