

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

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2022**

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**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2022**

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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, 2022**

**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 Audit of the Financial Statements****Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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.

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

### **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, 2022, 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.

### **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.

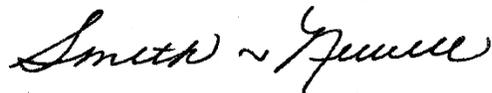
### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2023, 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  
October 11, 2023

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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, 2022**

	<u>Operating Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 44,041
Receivables:	
Accounts	<u>2,390</u>
<b>Total Current Assets</b>	<u>46,431</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable	<u>15,057</u>
<b>Total Noncurrent Assets</b>	<u>15,057</u>
<b>Total Assets</b>	<u>61,488</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	5,051
Prepaid sales	<u>1,423</u>
<b>Total Current Liabilities</b>	<u>6,474</u>
<b>Total Liabilities</b>	<u>6,474</u>
<b>NET POSITION</b>	
Investment in capital assets	15,057
Unrestricted	<u>39,957</u>
<b>Total Net Position</b>	<u>\$ 55,014</u>

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, 2022**

	<b>Operating Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,176
<b>Total Operating Revenues</b>	3,176
<b>OPERATING EXPENSES</b>	
Directors fees	1,350
Insurance	5,260
Licenses and permits	16,235
Memberships	2,123
Miscellaneous expense	433
Office supplies	100
Professional services	12,325
<b>Total Operating Expenses</b>	37,826
<b>Operating Income (Loss)</b>	(34,650)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Property taxes	20,112
Assessments	1,500
Intergovernmental revenues	145
Interest income	497
<b>Total Non-Operating Revenues (Expenses)</b>	22,254
<b>Change in Net Position</b>	(12,396)
<b>Total Net Position - Beginning</b>	67,410
<b>Total Net Position - Ending</b>	\$ 55,014

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, 2022**

	<u>Operating Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,176
Cash paid for operations	<u>(31,810)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(28,634)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	20,112
Assessments	1,500
Non-operating revenue received	<u>145</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>21,757</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>497</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>497</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(6,380)
<b>Balances - Beginning of the Year</b>	<u>50,421</u>
<b>Balances - End of the Year</b>	<u><u>\$ 44,041</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (34,650)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Accounts receivable	(15)
Increase (decrease) in:	
Accounts payable	4,608
Prepaid services	<u>1,423</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (28,634)</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, 2022**

**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.

**Component Units**

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.

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, 2022**

**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, 2022**

**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, 2022, 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, 2022, 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, 2022**

**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. 87, Leases.** This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.** This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

**Statement No. 92, Omnibus 2020.** This Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature.

**Statement No. 93, Replacement of Interbank Offered Rates.** The objective of this Statement is to address implications of GASB Statement No. 53 and GASB Statement No. 87 and other accounting and financial reporting implications that result from the replacement of an IBOR.

**Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.** The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

**O. Future Accounting Pronouncements**

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 91 "Conduit Debt Obligations" The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)

**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Future Accounting Pronouncements (Continued)**

Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2022, 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>43,966</u>
Total Investments	<u>43,966</u>
Total Cash and Investments	<u>\$ 44,041</u>

**B. Cash**

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

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. As of June 30, 2022, the entire amount of the District’s deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments**

The District does not have a formal investment policy. At June 30, 2022, 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, 2022, 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>43,966</u>			
Total Investments	<u>\$ 43,966</u>			

**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**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, 2022, 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. The County's investment policy of the County contain limitations on the amount that can be invested in any one issuer. As of June 30, 2022, 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, 2022**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2022</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, 2022**

**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, 2022 through October 11, 2023, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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## **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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2023.

**Report on 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) as a basis for designing 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. (2022-001)

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. (2022-002 and 2022-003)

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

### **Report on Compliance and Other Matters**

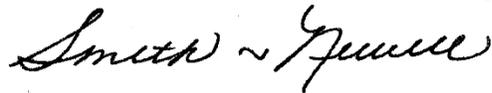
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Government Auditing Standards requires the auditor to perform limited procedures on 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  
October 11, 2023

**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2022**

**2022-001 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, 2022.

**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 2021-001.

**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, 2022**

**2022-002 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 2021-002.

**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, 2022**

**2022-003 Expenses (Significant Deficiency)**

**Criteria**

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

**Condition**

During fieldwork, we noted that the District was missing four of the 12 selected for testing.

**Cause**

The District did not provide adequate supporting documentation for all expenses.

**Effect**

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

**Questioned Cost**

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

**Context**

We randomly selected ten expenses to test the process of transactions.

**Repeat Finding**

This is a repeat of prior year finding 2021-003.

**Recommendation**

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

**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, 2022**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
<b>2021-001</b>	<p><b>Capital Assets</b></p> <p><b>Recommendation</b></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><b>Status</b></p> <p>Not Implemented</p>
<b>2021-002</b>	<p><b>Policies and Procedures</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District develop written policies and procedures for all current financial processes.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>2021-003</b>	<p><b>Cash Disbursements</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District maintain adequate documentation to support all payments.</p> <p><b>Status</b></p> <p>Not Implemented</p>

**SAN JUAN RIDGE COUNTY WATER DISTRICT**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2022**

**Finding 2022-001      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 with the finding.

Responsible Individual:      Michele Rowe and Cynthia Nulph

Corrective Action Plan:      We will try to find documentation of assets and develop a list and a policy.

Anticipated Completion Date:    6/1/2024

**Finding 2022-002      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 with the finding.

Responsible Individual:      Michele Rowe

Corrective Action Plan:      The District will develop written policies and procedures for all current financial processes.

Anticipated Completion Date:    3/1/2024

**Finding 2022-003      Expenses (Significant Deficiency)**

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

Management's Response:      The District concurs with the finding.

Responsible Individual:      District Board Members and Cynthia Nulph

Corrective Action Plan:      The District will investigate and find missing invoices.

Anticipated Completion Date:    In progress

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