

# CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

## AGENDA

Tuesday, February 15, 2022  
9:00 a.m.

Calaveras County Water District  
120 Toma Court  
San Andreas, California 95249

*This meeting will be virtual only. All members of the public may participate in the meeting via teleconference and will be given the opportunity to provide public comment.*

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## ORDER OF BUSINESS

### CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **PUBLIC COMMENT:** Comments limited to three minutes per person.
2. **APPROVAL OF MINUTES:** For the meeting of January 21, 2022
3. **NEW BUSINESS**
  - 3a. Report on the Monthly Financial Reports for January 2022  
(Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.)
  - 3b. Management Letter Responses and Accounting Changes  
(Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.)
  - 3c. Board Compensation Policy Update\*  
(Michael Minkler, General Manager)

4. **EXTERNAL AFFAIRS MANAGER COMMENTS**
5. **GENERAL MANAGER COMMENTS**
6. **DIRECTOR COMMENTS**
7. **FUTURE AGENDA ITEMS**
8. **NEXT COMMITTEE MEETING**
9. **ADJOURNMENT**

MINUTES  
FINANCE COMMITTEE MEETING  
JANUARY 21, 2022

The following Committee Members were present:

Bertha Underhill	Director
Cindy Secada	Director

Staff Present:

Michael Minkler	General Manager
Jessica Self	Director of External Affairs
Jeff Meyer	Senior Vice President, Hilltop Securities, Inc.
Catherine Eastburn	Accountant II

Public Present:

None

**ORDER OF BUSINESS**

**CALL TO ORDER / PLEDGE OF ALLEGIANCE**

**Meeting called to order at 1:00 p.m., Director Underhill led the Pledge of Allegiance.**

1. Public Comment: None.

2. Approval of Minutes: There were no minutes.

3. New Business:

3a. Report on the Monthly Financial Reports for December 2021:

Mr. Meyer presented the Budget Status Report and stated that he would open up for questions after the presentation. Mr. Meyer said that revenue is currently trending slightly higher than budgeted. There was a discussion regarding water sales and the number of new connections. Mr. Minkler explained that the increase in revenue is generally due to an increase in developer activity and not too many new connections. The population has increased due to more full-time occupancy, which has led to an increase in consumption, but not many new connections. Water revenue is also skewed due to billing the upcountry customers for consumption earlier in the year than in prior years. Director Underhill asked Mr. Minkler to bring back the number of new connections. There was also a discussion regarding the ACWA/JPIA insurance rebate. The Budget Status report is slightly skewed because of a change in some of the account names. The report will be consistent by next month.

Mr. Meyer also reviewed the Capital Improvement Projects (CIP). Damon Wyckoff will review in detail at the first Board meeting in February. Most of the CIP projects are in the Engineering phase at this time.

Mid-year budget will be presented at the second Board meeting in January. Mr. Meyer explained that if the bottom line of each department's Services and Supplies budget was projected to be within budget at year-end, there were no adjustments. There was discussion regarding the items that will need a budget increase. The areas of new or increased expenditures were contributions to the retiree RHS plan, water rights legal fees, computers/technology and the ramp up for the underground utility crew. The Underground utility crew is expected to save on repair expenditures in the long run. Areas of increased

MINUTES  
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revenue were a COVID grant, PARS trust (will have associated expenditures) and projected property taxes.

There was discussion regarding the purchase of a second dump truck. Director Secada expressed concern that the District is planning expenditures for monies not yet received. Director Secada asked that the Dump truck be a separate expenditure request, not part of mid-year.

The 5-year CIP plan includes an increase in cash to continue work that is ahead of schedule in Copper Cove. The overall budget remains the same, but work is progressing more quickly than expected. There will be a CIP presentation at an upcoming Finance Committee meeting.

4. External Affairs Manager Comments:

Ms. Self did not have anything to report.

5. General Manager Comments:

Mr. Minkler stated that the Customer Service area is working on improving the phone tree, and it will be updated my Monday. The District is expecting arrearage funding soon but has not included this in the mid-year budget. There is a redistricting proposal in the Board Agenda packet going out Friday. Brad Arnold did the modeling and statistical data.

Damon Wyckoff noted that the AMI meter project is on track for completion in May.

6. Director Comments:

Director Underhill mentioned that there is still a lot of snow on the ground, and hopefully the water is being replenished, at least in Ebbetts Pass.

Director Secada did not have further comments.

7. Future Agenda Items:

- Update on the number of connections
- Presentation by Urban Futures regarding funding options for the Capital Improvement Projects (Julio Morales)
- Tyler Implementation status

8. Next Committee Meeting:

Tuesday, February 15, 2022, at 1 p.m. (subject to change)

9. Adjournment:

Meeting adjourned at 3:20 p.m.

Respectfully Submitted,

\_\_\_\_\_  
Catherine Eastburn, Accountant II

Approved:

\_\_\_\_\_  
Michael Minkler/General Manager

# Agenda Item

DATE: February 15, 2022  
TO: Finance Committee  
FROM: Jeffrey Meyer, Senior Vice President, Hilltop Securities Inc.  
SUBJECT: Report on the Monthly Financial Reports for January 2022 (PRE-AUDIT)

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## **RECOMMENDED ACTION:**

Receive Report on January 2022 (PRE-AUDIT) Monthly Financial Reports.

## **SUMMARY:**

The following financial reports are for the month ending January 31, 2022 (PRE-AUDIT)

### Budget Status Report

This is a high-level summary of operating revenues and expenditures with analysis points based on historical trends for the same period of reporting (period being the reporting months to date), budget to actual, and overall District and Departmental status.

### Capital Improvement Program Reports

Summary Revenue and Expenditure Report - A summary report of the current year Capital Renovation and Replacement (Capital R&R) program revenue and expenditures with the prior period data.

### Expenditure Report

A detailed report of water and wastewater CIP project costs, cash flow, and expenditures, both prior years and current year.

### Claim Summary

This report was presented and approved by the Board at the February 9, 2022 Board Meeting.

### Monthly Investment Transaction Report

This report will be presented to the Board at the second meeting of each month.

## **FINANCIAL CONSIDERATIONS:**

None

*Attachment: Budget Status Report – January 2022  
Capital Improvement Program Reports – January 2022*

## January 2021 Budget Status Report (Pre-Audit)

The Budget Status Report represents a standard of analysis to identify material issues with the understanding that line-item variances are normal, and the areas of concern are isolated to **Account Types** that fall short of budget and historical trends or Account Types that are at or significantly over the benchmark.

Analysis has been done to evaluate 4-year trends related to revenues and operating expenses. Most importantly, comparing like periods across multiple fiscal years compares high front cost line items (i.e. memberships, insurance, supply costs, etc. that occur in the first part of the year) and eliminates them as an issue when they trend in line with prior year amounts. Additionally, a comparison of Year-to-Date activity versus budget further identifies if there are any impending issues.

These amounts are subject to change pending the District's annual audit.

### All District Revenues

This table includes operating, capital, expansion, and reserve funds:

Revenue YTD Totals Account Type	Fiscal Year				Current Budget	Remaining Balance	Benchmark
	2019	2020	2021	2022			58% Of Budget
W01-Sales & Charges	10,379,023	10,650,222	11,184,254	11,300,394	14,008,395	2,708,001	80.67%
W02-Water/Sewer Fees	8,835	15,259	22,622	19,328	30,000	10,672	64.43%
W03-Misc. Operating Revenue	89,610	70,737	200,034	133,104	113,000	(20,104)	117.79%
X01-Property Tax/Assmt Rev	1,479,269	1,523,026	1,659,617		2,852,819	2,852,819	0.00%
X02-Grant Revenue	1,492,871	134,665	211,584	614,314	-	(614,314)	0.00%
X03-Interest Income	202,191	230,662	44,283	30,597	13,500	(17,097)	226.64%
X05-Power Sales	420,934	465,198	418,119	376,064	710,655	334,591	52.92%
X06-Other Revenue	522,573	287,355	519,675	375,754	987,476	611,722	38.05%
X30-Transfers In	880,299	4,401,654	941,659	77,155	1,973,125	1,895,970	3.91%
Grand Total	15,475,604	17,778,777	15,201,847	12,926,710	20,688,970	7,762,260	62.48%

The table above includes all funds, including those without budgeted revenues. This table is not indicative of the District's revenue performance. The District's operating funds contain the majority of the District's budgeted revenue. As a result, budget vs actual analysis is significantly impacted when additional funds are included in the table above. The subsequent table(s) provide a better representation of the District's revenue performance.

## District Operating Revenues

These revenues are isolated to operating funds for water, sewer and general:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
W01-Sales & Charges	7,628,139	7,908,198	8,349,905	8,486,220	14,008,395	5,522,175	60.58%
W02-Water/Sewer Fees	8,835	15,259	22,622	19,328	30,000	10,672	64.43%
W03-Misc. Operating Revenue	67,452	67,675	186,872	133,104	113,000	(20,104)	117.79%
X01-Property Tax/Assmt Rev	1,479,269	1,523,026	1,659,617		2,852,819	2,852,819	0.00%
X02-Grant Revenue				50,014	-	(50,014)	0.00%
X03-Interest Income	101,963	127,022	5,964	19,289	13,500	(5,789)	142.88%
X05-Power Sales	420,934	465,198	418,119	376,064	710,655	334,591	52.92%
X06-Other Revenue	87,123	120,027	(1,926,120)	375,754	987,476	611,722	38.05%
X30-Transfers In	880,299	4,200,856	892,849	77,155	1,973,125	1,895,970	3.91%
<b>Grand Total</b>	<b>10,674,014</b>	<b>14,427,260</b>	<b>9,609,828</b>	<b>9,536,928</b>	<b>20,688,970</b>	<b>11,152,042</b>	<b>46.10%</b>

Analysis of District Revenues identifies the following six accounts to note:

- Water/Sewer Fees
- Misc. Operating Revenue
- Grant Revenue
- Interest Income
- Other Revenue
- Transfers In

Also of note, the first Tax Apportionment was received in January in the amount of \$2,199,100. Discussions on how to book the COVID Arrearage Grant delayed distribution of the property tax apportionment. This will be distributed to the proper funds in February.

### Water/Sewer Fees

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
W02-Water/Sewer Fees	8,835	15,259	22,622	19,328	30,000	10,672	64.43%
44300-Install Water Meter	8,835	13,259	22,622	17,028	30,000	12,972	56.76%
48100-Concept Approval Fees		2,000		2,300	-	(2,300)	0.00%

44300: Revenue generated from the installation of new water meters and is dependent on customer activity.

### Misc Operating Revenue:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
<b>W03-Misc. Operating Revenue</b>	<b>67,452</b>	<b>67,675</b>	<b>186,872</b>	<b>133,104</b>	<b>113,000</b>	<b>(20,104)</b>	<b>117.79%</b>
42000-Inspection Fees	1,907	3,469	7,762	710	8,000	7,290	8.88%
42000-Water Inspection Fee	122				-	-	0.00%
44200-Backflow Certification Testing	2,700	3,050	2,465	366	4,000	3,634	9.15%
44500-Repair Labor/Materials	13,016	34,307	44,830	37,058	44,000	6,942	84.22%
44510-Misc Operating Revenue	320				-	-	0.00%
44510-Reimbursable Expense	10,751	27,049	32,638	66,912	33,000	(33,912)	202.77%
44900-Other Water/Sewer Charges	(195)	(225)	(145)	(435)	-	435	0.00%
48130-Rental Revenue	38,831				76,957	76,957	0.00%
48190-Miscellaneous Operating Rev		25	99,322	25,191	24,000	(1,191)	104.96%
54610-Miscellaneous Income				3,301	-	(3,301)	0.00%

42000: Inspection Fees for utility customers are lower than anticipated, however inspection fees for developer projects have increased.

44200: Backflow Certification Testing is performed by a third party. Work performed is based on the schedule agreed upon by the utility department and the vendor.

44500: Repair Labor/Materials is customer driven and is running below budget at this time.

44510: Reimbursable expense is based on developer project work which has increased substantially this fiscal year.

48190: In October the District received the ACWA/JPIA rebate in the amount of \$21,969.20.

### Interest Income:

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
<b>X03-Interest Income</b>	<b>101,963</b>	<b>127,022</b>	<b>5,964</b>	<b>19,289</b>	<b>13,500</b>	<b>(5,789)</b>	<b>142.88%</b>
51100-Interest Income/CCWD Invest	101,963	127,022	5,964	19,289	13,500	(5,789)	142.88%
51700-Net Mark to Market Value				(0)	-	0	0.00%

51100: Chandler Asset Management investments are earning higher than expected interest.

### Power Sales

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
<b>X05-Power Sales</b>	<b>420,934</b>	<b>465,198</b>	<b>418,119</b>	<b>376,064</b>	<b>710,655</b>	<b>334,591</b>	<b>52.92%</b>
54300-Power Sales-North Fork	333,470	342,004	345,350	318,492	589,655	271,163	54.01%
54400-Power Sales-New Hogan	87,464	123,194	72,769	57,572	121,000	63,428	47.58%

54400 The billing for power sales for New Hogan was delayed due to the December Storm and subsequent COVID closure.



## Other Revenue

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
<b>X06-Other Revenue</b>	<b>87,123</b>	<b>120,027</b>	<b>(1,926,120)</b>	<b>375,754</b>	987,476	611,722	38.05%
48130-Rental Revenue		46,438	44,698	47,399	76,957	29,558	61.59%
52420-Standby Fees	71,430	72,089	72,177		131,000	131,000	0.00%
54600-Other Non-Op Revenue			5,075		-	-	0.00%
54600-Other Non-Operating Revenue		1,500	(2,048,070)	328,355	779,519	451,164	42.12%
54605-Misc Developer Reimbursements	15,693				-	-	0.00%

54600: Revenue is on track with budget. As previously mentioned, if a budget item does not have a current year revenue amount, it will not display – this skews the overall percentage total.

## Transfers In

							Benchmark
Revenue YTD Totals	Fiscal Year				Current	Remaining	58%
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget
<b>X30-Transfers In</b>	<b>880,299</b>	<b>4,200,856</b>	<b>892,849</b>	<b>77,155</b>	1,973,125	1,895,970	3.91%
59100-Transfer In From Funds		4,200,856	892,849	77,155	1,973,125	1,895,970	3.91%
59100-Transfers In	214,169				-	-	0.00%
59100-Transfers In From Funds	666,130				-	-	0.00%

59100: Transfer In is used for Debt Service Reclassifications, and miscellaneous interfund transfers. A transfer of \$1 million from LAIF is not reflected in the 2022 actual number.

## District Operating Expenses

Expenses at the end of December are below the 58% benchmark. Please note that amounts will track low at the start of the year as invoices are accrued into the prior year. This report is pre-audit and amounts are subject to change.

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y01-Sal/Wage/Benefits	5,385,386	5,235,094	5,244,790	5,448,112	10,502,357	5,054,245	51.88%	
Y02-Utility Service	568,518	561,368	605,635	621,907	1,186,636	564,729	52.41%	
Y03-Materials/Supplies	638,355	680,201	763,601	699,442	1,244,726	545,284	56.19%	
Y04-Outside Services	252,052	390,614	474,803	460,563	1,075,703	615,140	42.82%	
Y05-Professional Services	7,791	17,429	210,487	268,864	1,003,286	734,422	26.80%	
Y06-Vehicle/Equipment	277,666	402,875	226,064	207,537	376,720	169,183	55.09%	
Y07-Office Expenses	13,710	13,817	135,588	142,684	156,396	13,712	91.23%	
Y08-Travel/Training	22,881	19,036	19,001	14,353	97,458	83,105	14.73%	
Y10-Purchased Water	505	517		3,766	506,628	502,862	0.74%	
Y11-Retired Employee			340,558	413,365	608,295	194,930	67.95%	
Y12-Bad Debts	31,034	20,259	34,091	17,585	52,000	34,415	33.82%	
Y13-Misc Op Expenses	191,533	281,481	1,019,804	982,481	1,499,222	516,741	65.53%	
Y15-Director Costs	58,666	62,545	62,186	69,544	170,327	100,783	40.83%	
Y16-Legal			123,164	100,232	330,000	229,768	30.37%	
Z02-Debt Repayment	1,048,059	1,095,839	1,150,467	396,352	2,103,112	1,706,760	18.85%	
Z03-Capital Equipment	84,737	304,418	335,825	171,782	934,368	762,586	18.38%	
Z04-Misc Non Operating			15,862	1,910	37,720	35,810	5.06%	
Z30-Transfers Out		19,100,335	48,810	2,487	-	(2,487)	0.00%	
<b>Grand Total</b>	<b>8,580,892</b>	<b>28,185,829</b>	<b>10,810,735</b>	<b>10,022,966</b>	<b>21,884,954</b>	<b>11,861,988</b>	<b>45.80%</b>	

The Account Type to note is:

- Office Expenses
- Retired Employee
- Misc Op Expenses

## Office Expenses

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y07-Office Expenses	13,710	13,817	135,588	142,684	156,396	13,712	91.23%	
60700-Forms and Supplies			527	138	3,350	3,212	4.13%	
60710-Permits and Licenses	9,591	5,839	6,708	8,616	10,800	2,184	79.77%	
60720-Postage			7,061	4,573	15,950	11,377	28.67%	
60730-Publications/Subscriptions			7	659	1,250	591	52.68%	
60732-Memberships and Dues	4,118	7,978	121,261	128,640	124,046	(4,594)	103.70%	
60760-Recording/Title Reports			24	59	-	(59)	0.00%	

60710: Permits and Licenses are renewed throughout the year, but the majority of them are earlier in the year.

60732: Memberships are paid throughout the year, but there are a few larger dues that are expensed in the first months of the year, such as Mountain Counties Water Resources, UMRWA, and the Groundwater Sustainability Plan.

## Retired Employee

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<b>Y11-Retired Employee</b>			<b>340,558</b>	<b>413,365</b>	608,295	194,930	67.95%	
61200-Retired Employee Costs			340,558	382,335	608,295	225,960	62.85%	
61200-Retired Employee Cost				31,031	-	(31,031)	0.00%	

61200: With the recension of the CalPERS Retiree Health Vesting Schedule, the District is issuing payments directly to the retirees for the retiree's share of the medical premium. These payments are issued at the end of the month for the following month's premium.

## Misc Op Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<b>Y13-Misc Op Expenses</b>	<b>191,533</b>	<b>281,481</b>	<b>1,019,804</b>	<b>982,481</b>	1,499,222	516,741	65.53%	
61315-Rate Assistance Program	5,390	31,134	31,879	35,338	60,000	24,662	58.90%	
61409-Unemployment Claims			-	735	2,000	1,265	36.75%	
61410-Insurance			228,998	280,267	255,163	(25,104)	109.84%	
61420-State Water and Sewer Fees	186,143	208,408	203,223	231,457	218,770	(12,687)	105.80%	
61435-State/Federal/County Fees			500,520	58,306	95,700	37,394	60.93%	
61450-Mandated Plans			12,630	20,686	65,000	44,314	31.82%	
61455-Water Conservation			1,975	4,038	4,000	(38)	100.95%	
61485-Third Party Payment Processing		41,938	40,579	45,462	83,989	38,527	54.13%	
61430-Federal Dam and Admin Fees				306,193	714,600	408,407	42.85%	

61410: Insurance costs are higher than expected. The budget was developed prior to receiving the insurance rates. However, the District received a rebate for 2020-2021 \$21,969.20 in October.

61420 State water and Sewer Fees

61455 Water Conservation

DEPARTMENTAL EXPENSE REPORTS

Dept 50 – Non-Departmental

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y02-Utility Service			9,148	16,237	39,831	23,594	40.76%	
⊕ Y03-Materials/Supplies			19,155	12,028	45,945	33,917	26.18%	
⊕ Y04-Outside Services			22,095	45,120	53,100	7,980	84.97%	
⊕ Y11-Retired Employee			340,558	370,857	608,295	237,438	60.97%	
⊕ Y13-Misc Op Expenses			228,998	280,267	255,163	(25,104)	109.84%	
⊕ Z02-Debt Repayment	1,048,059	1,095,839	1,150,467	396,352	2,103,112	1,706,760	18.85%	
⊕ Z04-Misc Non Operating			12,982	17	30,220	30,203	0.06%	
<b>Grand Total</b>	<b>1,048,059</b>	<b>1,095,839</b>	<b>1,783,402</b>	<b>1,120,878</b>	<b>3,160,666</b>	<b>2,039,788</b>	<b>35.46%</b>	

Analysis shows Department 50’s expenses are on target to benchmark. There are three account types to note:

- Outside Services
- Misc Operating Expenses

Outside Services

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y04-Outside Services			22,095	45,120	53,100	7,980	84.97%	
60400-Outside Services			4,567	31,146	12,200	(18,946)	255.30%	
60402-Spraying - Weeds & Insects				390	-	(390)	0.00%	
60410-Service Maintenance Contracts			2,681	2,235	7,680	5,445	29.10%	
60430-Claims/Damages			1,302	11,350	5,000	(6,350)	226.99%	
60440-Janitorial Services			13,545		23,220	23,220	0.00%	

60400: Answering service fees were abnormally high during the Tyler implementation timeframe.

60430: A utility customer’s account was hacked due to a fraudulent/phishing email that appeared to be from the District. A claim, in the amount of \$10,950.64, was paid for the customer’s losses related to the fraudulent bank wire.

Misc Op Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y13-Misc Op Expenses			228,998	280,267	255,163	(25,104)	109.84%	
61410-Insurance			228,998	280,267	255,163	(25,104)	109.84%	

61410: Insurance costs are higher than expected. The budget was developed prior to receiving the insurance rates. However, the District received a rebate for 2020-2021 \$21,969.20 in October.

## Dept. 54 - Utility Services

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y01-Sal/Wage/Benefits	3,719,236	3,604,180	3,822,091	3,910,533	7,114,104	3,203,571	54.97%	
Y02-Utility Service	568,518	561,368	596,486	605,671	1,146,805	541,134	52.81%	
Y03-Materials/Supplies	638,201	680,127	727,205	633,716	1,146,327	512,611	55.28%	
Y04-Outside Services	252,052	390,614	365,936	324,424	791,702	467,278	40.98%	
Y05-Professional Services	7,791	17,429	49,592	1,865	100,710	98,845	1.85%	
Y06-Vehicle/Equipment	277,666	402,875	226,064	207,537	376,720	169,183	55.09%	
Y07-Office Expenses	13,710	13,817	19,373	22,224	24,300	2,076	91.45%	
Y08-Travel/Training	22,881	19,036	13,527	7,611	35,183	27,572	21.63%	
Y10-Purchased Water	505	517		766	11,000	10,234	6.96%	
Y13-Misc Op Expenses	186,143	208,408	203,223	231,457	218,770	(12,687)	105.80%	
Z03-Capital Equipment	84,737	304,418	335,825	171,782	909,368	737,586	18.89%	
Z04-Misc Non Operating			-	119	-	(119)	0.00%	
<b>Grand Total</b>	<b>5,771,438</b>	<b>6,202,790</b>	<b>6,359,321</b>	<b>6,117,704</b>	<b>11,874,989</b>	<b>5,757,285</b>	<b>51.52%</b>	

Analysis shows Department 54's overall expenses are on target to benchmark. One account to note is:

- Office Expenses

### Office Expenses

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y07-Office Expenses	13,710	13,817	19,373	22,224	24,300	2,076	91.45%	
60710-Permits and Licenses	9,591	5,839	6,708	8,398	10,800	2,402	77.76%	
60730-Publications/Subscriptions				18	500	482	3.50%	
60732-Memberships and Dues	4,118	7,978	12,666	13,808	13,000	(808)	106.22%	

60710: Permits and Licenses are renewed throughout the year, but the majority of them are earlier in the year.

60732: Memberships and dues are running slightly higher than budgeted and will be reviewed at mid-year.

### Misc Op Expenses

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
Y13-Misc Op Expenses	186,143	208,408	203,223	231,457	218,770	(12,687)	105.80%	
61420-State Water and Sewer Fees	186,143	208,408	203,223	231,457	218,770	(12,687)	105.80%	

61420 Annual permit fees were paid during January.

Dept 56 – General Management

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	390,591	369,694	371,310	372,409	654,498	282,089	56.90%	
⊕ Y03-Materials/Supplies			1,066	6,849	6,800	(49)	100.73%	
⊕ Y04-Outside Services			12,690	8,086	15,050	6,964	53.73%	
⊕ Y05-Professional Services			57,257	51,932	84,300	32,368	61.60%	
⊕ Y07-Office Expenses			44,137	45,958	47,695	1,737	96.36%	
⊕ Y08-Travel/Training			1,369	4,548	23,450	18,902	19.39%	
⊕ Y11-Retired Employee				42,508	-	(42,508)	0.00%	
⊖ Y13-Misc Op Expenses			-	735	2,000	1,265	36.75%	
61409-Unemployment Claims			-	735	2,000	1,265	36.75%	
⊕ Y16-Legal			53,103	28,721	145,000	116,279	19.81%	
<b>Grand Total</b>	<b>390,591</b>	<b>369,694</b>	<b>540,933</b>	<b>561,747</b>	<b>978,793</b>	<b>417,046</b>	<b>57.39%</b>	

Analysis shows Department 56’s overall expenses are on target to benchmark. Three accounts to note are:

- Materials/Supplies
- Office Expenses

Materials/Supplies

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y03-Materials/Supplies			1,066	6,849	6,800	(49)	100.73%	
60310-Materials and Supplies			1,066	6,808	2,800	(4,008)	243.15%	
60320-Safety Material and Supplies				41	4,000	3,959	1.03%	

60310: Materials are running high, but include imprinted supplies for the entire year.

Office Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y07-Office Expenses			44,137	45,958	47,695	1,737	96.36%	
60730-Publications/Subscriptions			7	641	150	(491)	427.35%	
60732-Memberships and Dues			44,130	45,317	46,745	1,428	96.95%	

60730: A non-budgeted publication was purchased. This will be reviewed at mid-year.

60732: Memberships and dues – see page 5.

Dept 57 – Board of Directors – nothing to report on

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<b>Y15-Director Costs</b>	<b>58,666</b>	<b>62,545</b>	<b>62,186</b>	<b>69,544</b>	170,327	100,783	40.83%	
<b>Grand Total</b>	<b>58,666</b>	<b>62,545</b>	<b>62,186</b>	<b>69,544</b>	170,327	100,783	40.83%	

Because all Director costs are under account type Y15, below is a table with details:

								Benchmark
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
<b>Y15-Director Costs</b>	<b>58,666</b>	<b>62,545</b>	<b>62,186</b>	<b>69,544</b>	170,327	100,783	40.83%	
60000-Salaries/Wages	15,960	16,080	15,000	14,760	43,200	28,440	34.17%	
60100-Benefits	42,706	46,465	45,133	46,597	101,577	54,980	45.87%	
60102-Medical Reimbursement				400	-	(400)	0.00%	
60102-Medical Reimbursements			561		1,800	1,800	0.00%	
60310-Materials and Supplies			31	118	3,750	3,632	3.14%	
60810-Training Conf and Travel			672	5,205	17,500	12,295	29.74%	
60820-Other Travel Costs			789	2,464	2,500	36	98.56%	
<b>Grand Total</b>	<b>58,666</b>	<b>62,545</b>	<b>62,186</b>	<b>69,544</b>	170,327	100,783	40.83%	

- 60820: Travel costs are high for the year, but all other costs are in line. Will continue to monitor but no adjustment is required at this time.

Dept 58 – Engineering

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	383,102	476,186	295,442	373,337	1,223,450	850,113	30.52%	
⊕ Y03-Materials/Supplies	155	74		6,163	7,800	1,637	79.01%	
⊕ Y04-Outside Services			16,351	18,338	13,000	(5,338)	141.06%	
⊕ Y05-Professional Services			23,388	5,343	210,000	204,658	2.54%	
⊕ Y07-Office Expenses			24	277	1,800	1,523	15.38%	
⊕ Y08-Travel/Training				118	28,275	28,157	0.42%	
<b>Grand Total</b>	<b>383,257</b>	<b>476,260</b>	<b>335,204</b>	<b>403,574</b>	<b>1,484,325</b>	<b>1,080,751</b>	<b>27.19%</b>	

Analysis shows Department 58’s overall expenses are on target to benchmark. Two accounts to note are:

- Materials/Supplies
- Outside Services

Materials/Supplies

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y03-Materials/Supplies	155	74		6,163	7,800	1,637	79.01%	
60310-Materials and Supplies	155	74		5,179	7,000	1,821	73.99%	
60390-Admin. Technologies/Comm.				983	-	(983)	0.00%	

60310: An engineering laptop was purchased.

Outside Services

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y04-Outside Services			16,351	18,338	13,000	(5,338)	141.06%	
60400-Outside Services				11,874	-	(11,874)	0.00%	
60410-Service Maintenance Contracts			16,351	6,464	13,000	6,536	49.72%	

60400: This expense will be reimbursed by a developer.



Dept 59 – Administrative Services

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊕ Y01-Sal/Wage/Benefits	696,330	671,344	647,275	686,620	1,325,070	638,450	51.82%	
⊕ Y03-Materials/Supplies			16,175	40,372	37,354	(3,018)	108.08%	
⊕ Y04-Outside Services			57,732	64,594	202,851	138,257	31.84%	
⊕ Y05-Professional Services			47,192	161,828	305,371	143,543	52.99%	
⊕ Y07-Office Expenses			8,048	4,711	19,395	14,684	24.29%	
⊕ Y08-Travel/Training			3,380	1,306	5,800	4,494	22.51%	
⊕ Y12-Bad Debts	31,034	20,259	34,091	17,585	52,000	34,415	33.82%	
⊕ Y13-Misc Op Expenses	5,390	73,073	74,433	84,838	147,989	63,151	57.33%	
⊕ Z04-Misc Non Operating			2,881	1,773	7,500	5,727	23.64%	
⊕ Z30-Transfers Out		19,100,335	48,810	2,487	-	(2,487)	0.00%	
<b>Grand Total</b>	<b>732,754</b>	<b>19,865,012</b>	<b>940,018</b>	<b>1,066,114</b>	<b>2,103,330</b>	<b>1,037,216</b>	<b>50.69%</b>	

Analysis shows Department 59’s expenses are on target to benchmark. One account to note is:

- Materials/Supplies

Materials/Supplies

							Benchmark	
Expense YTD Totals	Fiscal Year				Current	Remaining	58%	
Account Type	2019	2020	2021	2022	Budget	Balance	Of Budget	
⊖ Y03-Materials/Supplies			16,175	40,372	37,354	(3,018)	108.08%	
60310-Materials and Supplies			(0)	259	4,250	3,991	6.09%	
60353-Computers/peripherals				13,186	-	(13,186)	0.00%	
60390-Admin. Technologies/Comm.			16,175	26,928	33,104	6,176	81.34%	

60353 & 60390: New equipment, software and phone system purchases required a budget adjustment of \$13,104, which was approved at mid-year (January 26).

Dept 60 – Water Resources

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="button" value="▼"/>				Current	Remaining	58%	
Account Type <input type="button" value="▼"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y01-Sal/Wage/Benefits	196,127	113,690	108,671	105,213	185,235	80,022	56.80%	
<input checked="" type="checkbox"/> Y03-Materials/Supplies				314	500	186	62.76%	
<input checked="" type="checkbox"/> Y05-Professional Services			33,058	47,896	302,905	255,009	15.81%	
<input checked="" type="checkbox"/> Y07-Office Expenses			64,006	69,515	63,206	(6,309)	109.98%	
<input checked="" type="checkbox"/> Y08-Travel/Training			725	770	4,750	3,980	16.21%	
<input checked="" type="checkbox"/> Y10-Purchased Water				3,000	495,628	492,628	0.61%	
<input checked="" type="checkbox"/> Y13-Misc Op Expenses			513,150	385,185	875,300	490,115	44.01%	
<input checked="" type="checkbox"/> Y16-Legal			70,061	71,512	185,000	113,488	38.65%	
<b>Grand Total</b>	<b>196,127</b>	<b>113,690</b>	<b>789,672</b>	<b>683,405</b>	<b>2,112,524</b>	<b>1,429,119</b>	<b>32.35%</b>	

A mid-year budget increase of \$20,000 was approved for Legal Services on January 26. Although Water Resources is under budget there is one account to note:

- Office Expenses

Office Expenses

							Benchmark	
Expense YTD Totals	Fiscal Year <input type="button" value="▼"/>				Current	Remaining	58%	
Account Type <input type="button" value="▼"/>	2019	2020	2021	2022	Budget	Balance	Of Budget	
<input checked="" type="checkbox"/> Y07-Office Expenses			64,006	69,515	63,206	(6,309)	109.98%	
60732-Memberships and Dues			64,006	69,515	63,206	(6,309)	109.98%	

60732: As mentioned previously, several memberships are paid at the beginning of the year, and these include the Groundwater Sustainability Plan, and UMRWA for this department.

**CALAVERAS COUNTY WATER DISTRICT**  
**Capital Improvement Program**  
**Summary Revenue and Expenditures**  
**Year -to-Date through 01/31/2022**

	CURRENT YEAR		JULY 2013 - JUNE 2021	
	Water Fund 125	Sewer Fund 135	Water Fund 125	Sewer Fund 135
<b>Revenue:</b>				
Capital R&R Rates	1,582,413	537,202	23,948,037	8,688,505
Interest Income	4,806	2,854	599,216	204,785
Grant Revenues	40,503	-	4,203,602	187,817
Other/Misc Revenue	-	-	1,841,425	-
Loan Proceeds	-	-	6,622,000	2,300,001
	1,627,722	540,056	37,214,280	11,381,108
<b>Expenditures:</b>				
Project Costs	1,629,921	664,795	27,105,418	3,994,719
Loan Payments	-	-	4,847,565	2,581,714
	1,629,921	664,795	31,952,983	6,576,433
<b>Operating Loss/(Gain)</b>	2,199	124,739	(5,261,297)	(4,804,675)

**CALAVERAS COUNTY WATER DISTRICT**  
**Capital Improvement Program**  
**Expenditure Report - Water Projects**  
**Year-to-Date through 01/31/2022**

<b>Project No.</b>	<b>Description</b>	<b>Estimated Cost</b>	<b>FY 21-22 Cash Flow</b>	<b>Prior Years Expenditures</b>	<b>FY 21-22 Expenditures</b>	<b>FY 21-22 Remaining Balance</b>
10029	Slurry Line Improvements	80,000	80,000	31,564	-	80,000
11083C	Clearwell & Tank B / Repair & Paint	1,159,804	500,000	11,196	2,940	497,060
11083J	Clearwell #2 / Repair & Paint	199,471	-	16,625	-	-
11083L	Larkspur Tank / Repair & Paint	576,522	-	23,478	-	-
11083S	Sawmill/Hunter's Tanks / Repair & Paint	1,799,345	-	10,751	-	-
11083W	Wallace Tanks / Repair & Paint	1,493,076	-	7,020	-	-
11088	Jenny Lind Tank A-B Trans Line	6,678,690	-	31,407	4,946	(4,946)
11095	EP Redwood Tanks Replacement	3,307,527	1,500,000	877,762	517,448	982,552
11096	WP AMR/AMI Meter Program	4,742,570	5,000,000	1,193,172	152,473	4,847,527
11099	Meadowmont P/S Improvement	204,121	100,000	84,169	71,938	28,062
11100	Wallace SCADA System Improvements	64,763	-	-	-	-
11101	District Corp Yard	1,121,391	900,000	292,665	370,065	529,935
11103	Hunter's Raw Water Pumps Renovation	2,071,548	210,000	10,136	12,769	197,231
11104	Lake Tulloch Submerged Water Line Cross	6,250,000	-	-	-	-
11106	West Point Backup Water Filter	2,194,922	1,200,000	37,728	141,391	1,058,609
11107	WP SCADA Improvements	109,566	-	434	-	-
11108	Big Trees Pump Stations 1, 4 & 5 Repl	1,499,893	-	203	-	-
11109	White Pines Tule Removal/Spillway	100,000	100,000	-	3,285	96,715
11110	Reeds Turnpike Pump Station Repl	494,784	25,000	5,311	-	25,000
11111	Copper Cove Tank B Pump Station Renov	1,264,893	-	107	-	-
11112	White Pines Dam/Blanket Drain Rehab	35,918	35,918	29,082	1,209	34,709
11115	EP Larkspur Pump Station Rehab	750,000	-	-	-	-
11116	EP Pinebrook Tank Rehab	400,000	-	-	-	-
11118	JL Filters 3/4/5 Rehab/Coating	658,487	450,000	408,282	200,152	249,848
11119	JL Tanks A,B,E,F Rehab	2,000,000	-	-	-	-
11120	JL Raw Water Intake Structure	4,000,000	-	-	-	-
11121	JL Tank C Replacement	1,000,000	-	-	-	-
11122	CC Zone B-C Trans Pipeline & Pump Stn	9,000,000	-	-	-	-
11123	West Point Acorn Pump Station/Trans Ppln	2,010,000	-	-	-	-
11124	West Point Middle Fork Pump Station	1,610,000	-	-	-	-
11125	Sheep Ranch Water Plant Replacement	800,000	-	-	3,500	(3,500)
11126	Sheep Ranch Distribution System Replacement	6,000,000	200,000	-	22,414	177,586

11127	Sheep Ranch Clearwell Rehab/ Repair and Paint	350,000	-	1,760	95,481	(95,481)
various	Misc Road Repairs / CalOES	16,499	60,000	-	29,911	30,089
	West Point Regulator Reapir/Tule Removal	100,000	-	-	-	-
	EP Hunters WTP Clearwell Rehab/Coating	-	-	-	-	-
	Copper Cove O'Byrnes Water Line Extension	110,000	110,000	-	-	110,000
<b>TOTALS</b>		<b>64,253,790</b>	<b>10,470,918</b>	<b>3,072,853</b>	<b>1,629,921</b>	<b>8,840,997</b>

**CALAVERAS COUNTY WATER DISTRICT  
Capital Improvement Program  
Expenditure Report - Wastewater Projects  
Year-to-Date through 01/31/2022**

<b>Project No.</b>	<b>Description</b>	<b>Estimated Cost</b>	<b>FY 21-22 Cash Flow</b>	<b>Prior Years Expenditures</b>	<b>FY 21-22 Expenditures</b>	<b>FY 21-22 Remaining Balance</b>
15076	CC L/S #6, 8 & Force Main Bypass	4,239,755	250,000	292,244	5,461	244,539
15080	CC L/S #15 & 18 Renovations	3,230,407	250,000	305,980	7,304	242,696
15087	Wallace Treatment Plant Renovations	189,207	175,000	111,155	96,437	78,563
15091	West Point/Wilseyville Consol Constr	5,471,126	500,000	173,557	303,872	196,128
15094	CC Secondary/Tertiary/UV Improvements	14,970,625	150,000	29,567	13,661	136,339
15095	Arnold Secondary Clarifier	3,417,172	550,000	98,992	139,692	410,308
15097	LC Biolac, Clarifier & UV Improvements	3,999,046	250,000	1,146	-	250,000
15099	Vallecito/Douglas Flat Headworks Screen	250,000			226	
15101	LaContenta Spray Fields	989,350	-	13,100	91,229	(91,229)
15102	Arnold Tertiary Filter Rehab	250,000	-	-	-	-
15103	Arnold Effluent Storage Tank Rehab	250,000	-	-	-	-
15104	Arnold L/S 2&3 Improvements	2,000,000	-	-	-	-
15106	FM UV Disinfection System Replacement	300,000	300,000	-	928	299,072
15107	Sludge Tank & Belt Press Improvements				758	
15108	Regional Biosolids/Sludge Handling	1,500,000	-	-	-	-
15109	Collection System Rehab and I&I Mitigation	150,000	50,000	-	4,457	45,543
15110	Sequoia Woods Leach Field Rehab	150,000	-	-	-	-
15111	Vallecito WWTP System Improvements	130,000	130,000	10,800	-	130,000
15112	Copper Cove Pond 6	TBD	200,000		770	
	LaContenta Sand Filter Rehab	-	50,000	-	-	50,000
	CCWWTP Tertiary Filter	1,400,000	-	-	-	-
	CC Lift Station Rehab - General	5,000,000	-	-	-	-
<b>TOTALS</b>		<b>47,886,688</b>	<b>2,855,000</b>	<b>1,036,541</b>	<b>664,795</b>	<b>1,991,959</b>

# Agenda Item

DATE: February 15, 2022  
TO: Finance Committee  
FROM: Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.  
SUBJECT: Management Letter Responses and Accounting Changes

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## **RECOMMENDED ACTION:**

Discussion and direction on the District's response to the Management Letter prepared by Richardson and Company as part of the Financial Audited Statements for the Fiscal Year ending June 30, 2021.

## **SUMMARY:**

As part of the audit of the District's FY 2020-21 financial statements the auditors tested some but not all of the District's internal controls to see if there were any deficiencies, such as a material weakness or a significant deficiency, which is less severe than a material weakness. The auditors did not identify any internal control deficiencies that were considered material weaknesses.

However, the auditors did identify a significant deficiency related to the auditors having to post 40 closing entries and audit adjustments as part of closing out the fiscal year. The auditors recommended:

*"The District start the closing process earlier to ensure all closing entries are posted prior to the start of the audit, including pension and other postemployment benefit entries, and add additional review procedures to identify entries posted during the audit that are included on the adjustment list provided to management."*

The District agrees with this recommendation and will implement the necessary procedures and review processes.

Additionally, the following matters were identified with a corrective action response:

### Policies and Procedures

#### Finding 1: Payroll Disbursements

We continue to recommend entry of new employees in the payroll system be protected

with password approval by someone other than employees that process the payroll as a control to prevent the entry of fictitious employees.

#### Corrective Action Response 1:

The District continues to research alternative HR/Payroll systems to allow for more oversight and reporting capabilities. The District currently uses ADP to process payroll, which is both cumbersome and lacks ease of creating reports.

#### Finding 2: Capital Asset Policy

The District should consider adopting or enhancing a capital asset policy that defines useful lives to use for depreciation and that discusses when a project represents maintenance that should be expensed or a betterment that should be capitalized.

#### Corrective Action Response 2:

The District agrees with this recommendation and will continue its work on this policy. It is anticipated to have the Capital Asset Policy completed and adopted in FY 2021-22.

#### Finding 3: Customer Billing Reconciliation

We recommend the Customer Service Manager periodically produce and review a system report that shows active versus billed accounts and should investigate any discrepancies.

#### Corrective Action Response 3:

The District has been migrating to a new billing system. As we get closer to full implementation segregation of duties will be easier and reporting capabilities will be available to complete this task.

#### Finding 4: Desktop Procedures

We recommend detailed payable and wire/bank transfer procedures be documented to provide new staff information necessary to take over accounting duties in case of staff turnover.

#### Corrective Action Response 4:

The District agrees with this recommendation and will continue work on these desktop procedures and have them completed by the end of FY 2021-22.

#### Other Items

The District recently closed Fund 101 used for most joint costs into the Water and Sewer Fund. Funds 104 and 108 are still used for joint resources and are split for financial reporting. We recommend the District create separate Water and Sewer sub-funds for the activities reported in these funds to avoid manually splitting the funds during the audit.



Splitting the funds would allow the District to track the use of the resources by the Water and Sewer Fund more easily, which will provide decision useful information.

We currently have to manually sum amounts on debt amortization schedules to tie the schedules to the balance sheet and have to post entries to true-up current portion of debt and compensated absences. We recommend the District add all the amortization schedules to one excel file with each debt on a separate tab and add the computation of the interest expense, accrued interest payable, current, and noncurrent portion of debt with subtotals by fiscal year and show the split of joint debt by fund on the schedule that ties directly to the balance sheet. Each year should be shown separately so it may be re-sorted into 5-year increments each year. The current portion of debt and compensated absences should be posted as a closing entry rather than leaving it for the auditor to post.

Corrective Action Response to Other Items:

Correction 1:

Work to close out Funds 104 and 108 and move the balances to the Water and Sewer Funds will be completed in FY 2021-22.

Correction 2:

Work continues building the long-term debt schedules to better align with the balance sheets and build out for 5-year increments. Compensated absences, along with any other year end conversions will be posted to the general ledger prior to releasing the trial balance to the auditor.

**FINANCIAL CONSIDERATIONS:**

None currently.

*Attachments: CCWD Management Letter 2021*



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## MANAGEMENT LETTER

To the Board of Directors and Management  
Calaveras County Water District  
San Andreas, California

In planning and performing our audit of the financial statements of the business-type activities, major funds and fiduciary funds of the Calaveras County Water District (the District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the first 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 were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiency in internal control to be a significant deficiency:

We posted 40 closing entries and audit adjustments during the audit. This is an indication that a deficiency in internal control over financial reporting exists. We recommend the District start the closing process earlier to ensure all closing entries are posted prior to the start of the audit, including pension and other postemployment benefit entries, and add additional review procedures to identify entries posted during the audit that are included on the adjustment list provided to management.

In addition, the following matters have been included in this letter for your consideration:

### Policies and Procedures

We continue to recommend entry of new employees in the payroll system be protected with password approval by someone other than employees that process the payroll as a control to prevent the entry of fictitious employees.

The District should consider adopting or enhancing a capital asset policy that defines useful lives to use for depreciation and that discusses when a project represents maintenance that should be expensed or a betterment that should be capitalized.

We recommend the Customer Service Manager periodically produce and review a system report that shows active versus billed accounts and should investigate any discrepancies.

We recommend detailed payable and wire/bank transfer procedures be documented to provide new staff information necessary to take over accounting duties in case of staff turnover.

We understand procedures are being developed that will address these recommendations.

#### Other Items

The District recently closed fund 101 used for most joint costs into the Water and Sewer Fund. Funds 104 and 108 are still used for joint resources and are split for financial reporting. We recommend the District create separate Water and Sewer sub-funds for the activities reported in these funds to avoid manually splitting the funds during the audit. Splitting the funds would allow the District to track the use of the resources by the Water and Sewer Fund more easily, which will provide decision useful information. It will also reduce the reconciliation time spent to make the funds balance for reporting in the financial statements.

We currently have to manually sum amounts on debt amortization schedules to tie the schedules to the balance sheet and have to post entries to true-up current portion of debt and compensated absences. We recommend the District add all of the amortization schedules to one excel file with each debt on a separate tab and add the computation of the interest expense, accrued interest payable, current and noncurrent portion of debt with subtotals by fiscal year and show the split of joint debt by fund on the schedule that ties directly to the balance sheet. Once the debt amortization schedules are in this format, a tab may be added for future minimum payments that has each debt agreement in a column with subtotals for the water fund and sewer fund with each year in a row like the footnote and a total column that matches the total in the debt footnote. Each year should be shown separately so it may be re-sorted into 5-year increments each year. The current portion of debt and compensated absences should be posted as a closing entry rather than leaving it for the auditor to post. That takes additional time and takes our focus away from more important audit procedures.

\* \* \* \* \*

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Richardson & Company, LLP*

December 24, 2021