

January 6, 2021

Board of Directors
Las Gallinas Valley Sanitary District
San Rafael, California

We have audited the financial statements of the business-type activities of Las Gallinas Valley Sanitary District for the year ended June 30, 2020 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Las Gallinas Valley Sanitary District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by Las Gallinas Valley Sanitary District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most *sensitive estimates* affecting the District's financial statements were:

- Management's estimate of the pension related deferred inflows, deferred outflows, net pension liability, and pension expense is based on actuarial valuation and the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. We evaluated the key factors and assumptions used to develop the pension related estimates in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the OPEB related deferred inflows, deferred outflows, net OPEB liability, and OPEB expense is based on actuarial valuation and the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We evaluated the key factors and assumptions used to develop the OPEB related estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management’s estimate of the depreciation expense is based on the District capitalization policy, judgment about which items represent routine maintenance and repairs, as well as the estimated useful lives of underlying assets. We evaluated the key factors and assumptions used to develop the estimate of the depreciation expense and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most *sensitive disclosures* affecting the financial statements were:

- The Defined Benefit Pension Plan disclosure in Note 11 to the financial statements, including disclosures regarding deferred inflows, deferred outflows, net pension liability, and pension expense.
- Note 12 to the financial statements regarding Other Post-Employment Benefits (OPEB), which describes the District’s postretirement benefit policies.
- Commitments for ongoing projects found in Note 10 to the financial statements describing expected future expenses.
- The iBank loan disclosure found in Note 8F to the financial statements. This includes important information regarding loan provisions, including the disclosure that the \$12 million note is not included on the Statement of Net Position because it would gross up both accounts receivable and loans payable. Instead, the principal payment of \$349,134 is included in the short-term loan payable balance of \$2.5 million, and that payment actually decreases the long-term portion of notes payable because the District is paying principal on money it has not yet received.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management. These entries consist of adjusting journal entries numbers 3 and 5 on the attached adjusting journal entry listing.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 6, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Las Gallinas Valley Sanitary District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Las Gallinas Valley Sanitary District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Proportionate Share of Net Pension Liability, Schedule of the District’s Pension Plan Contributions, Schedule of Change in the Net OPEB Liability, and the Schedule of the District’s OPEB Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Las Gallinas Valley Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California

Client: LAS GALLINAS VALLEY SANITARY DISTRICT
Engagement: Las Gallinas Valley Sanitary District 2020
Current Period: 06/30/2020
Workpaper: Adjusting Journal Entries

Account	Description	Debit	Credit
Audit 1			
To book changes in pension, per actuarial valuation			
5161	5160 - Deferred Outflow of Resources: 5161 - Pension plan	9,318.00	0.00
6661	6660 - Net Pension and OPEB Liability: 6661 - Pension Liability	0.00	307,994.00
6665	6665 - Deferred Inflows of Resources: 6667 - Pension Plan	0.00	38,766.00
1001.1508	1001 - Employee Costs: 1001.2 - Employee Benefits: 1506 - Pension Expense: 1508 - GASB Pension Expense	<u>337,442.00</u>	<u>0.00</u>
Total		<u>346,760.00</u>	<u>346,760.00</u>
Audit 2			
To book changes in OPEB, per actuarial valuation			
5163	5160 - Deferred Outflow of Resources: 5163 - OPEB	430,755.11	0.00
6662	6660 - Net Pension and OPEB Liability: 6662 - OPEB Liability	0.00	276,352.00
6668	6665 - Deferred Inflows of Resources: 6668 - OPEB	0.00	88,964.00
1001.1509.5	1001 - Employee Costs: 1001.2 - Employee Benefits: 1509 - Health Insurance: 1509.5 - GASB 75 OPEB	<u>0.00</u>	<u>65,439.11</u>
Total		<u>430,755.11</u>	<u>430,755.11</u>
Audit 3			
To back out iBank funds not yet received - commitment only			
6460	6299 - Long Term Debt: 6460 - Loan - I-Bank	12,000,000.00	0.00
5125	5125 - Long-term Receivables	<u>0.00</u>	<u>12,000,000.00</u>
Total		<u>12,000,000.00</u>	<u>12,000,000.00</u>
Audit 4			
To allocate account 9100 per prior years			
9100	9100 - Reimb. for Lateral Repairs	23,364.17	0.00
2400.2135	2400 - General and Administrative: 2135 - Bank Charges	0.00	120.00
5148	5148 - PSL - Current Portion	2,663.32	0.00
5145	5145 - Lateral Assistance Programs	0.00	16,551.73
9200.9211	9200 - Interest Income: 9211 - PSL Program	<u>0.00</u>	<u>9,355.76</u>
Total		<u>26,027.49</u>	<u>26,027.49</u>

Audit 5

To move interest earned on bond funds to offset interest expense and correct input error of SRF

9200.9204	9200 - Interest Income: 9204 - Interest on Bond Funds	627,444.07	0.00
2400.9781	2400 - General and Administrative: 9781 - Interest Expense	0.00	627,444.07
6452	6452 - Interest Payable	29,650.27	0.00
2400.9781	2400 - General and Administrative: 9781 - Interest Expense	<u>0.00</u>	<u>29,650.27</u>
Total		<u>657,094.34</u>	<u>657,094.34</u>

Client 1

To book changes between receipt of TB and 11/3/2020

2400.9781	2400 - General and Administrative: 9781 - Interest Expense	25,344.60	0.00
4000.433	4000 - Construction Projects: Treatment Plant Improvements: 4330 - Solar Phase II	0.00	5,850.00
4200.4488	4200 - Capacity and Effluent Quality: Treatment Plant Improvements: 4488 - All Plant Vehicles	415.00	0.00
5162	5162 - Deferred Outflow of Resources: 5162 - Refunding of debt	0.00	9,467.40
6000	6000 - Accounts Payable	53,185.64	0.00
6050	6299 - Long Term Debt: 6050 - Current Maturities of LTD	96,365.19	0.00
6303	6299 - Long Term Debt: 6303 - State Revolving Fund Loan 2010	29,827.28	0.00
6350	6350 - Current Portion Long Term Debt	0.00	2,139,127.38
6450	6299 - Long Term Debt: 6450 - Certificate of Participation	555,000.00	0.00
6452	6452 - Interest Payable	0.00	472,128.52
6455	6299 - Long Term Debt: 6455 - Bank of Marin Recycled Water	211,129.24	0.00
6456	6299 - Long Term Debt: 6456 - Bank of Marin Recycled Water \$2m	215,233.68	0.00
6460	6299 - Long Term Debt: 6460 - Loan - I-Bank	329,134.45	0.00
6600	6299 - Long Term Debt: 6600 - 2017 Revenue Bond	990,000.00	0.00
6600.6101	6299 - Long Term Debt: 6600 - 2017 Revenue Bond: 6101 - Bond Premium	121,353.22	0.00
9000.9004	9000 - Property Tax Revenue: 9004 - Prior Secured Redemption	3,679.24	0.00
9280	9280 - HOPTR	0.00	3,679.24
9773	9773 - Miscellaneous Income	0.00	415.00
9880	9880 - Recycled Water	51,637.13	0.00
9881	9881 - MMWD Reimbursement	<u>0.00</u>	<u>51,637.13</u>
Total		<u>2,682,304.67</u>	<u>2,682,304.67</u>
GRAND TOTAL		<u>16,142,941.61</u>	<u>16,142,941.61</u>