

Board of Directors  
Crescenta Valley Water District  
La Crescenta, California

We have audited the financial statements of the Crescenta Valley Water District (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 20, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

#### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crescenta Valley Water District are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2016-17.

We noted no transactions entered into by the entity 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*

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 accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of its capital assets and the related period of depreciation which is based on historic knowledge of the assets and the frequency with which capital assets must be replaced;
- Management's estimate of the fair value of investments based upon relevant information about similar investments held in managed portfolios and used to determine the probable market value of the investments;

- Management's estimate of pension liabilities and postemployment benefits based upon actuarial assumptions; and
- Management's estimate of unbilled revenues which is based on the revenue cycle of the water system and expected usage of water using historic information.

We evaluated the key factors and assumptions used to develop the sensitive accounting estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

#### ***Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### ***Corrected Misstatements***

The following material misstatement detected as a result of audit procedures was corrected by management:

- Record current year fair value adjustment to properly report investments at their fair value as of June 30, 2017. This resulted in an increase to net position of \$77,852.

#### ***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 auditors' report. No such disagreements arose during our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 20, 2017.

***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 the entity’s financial statements or a determination of the type of auditors’ 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.

***Significant Issues Discussed With Management Prior To Engagement***

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

***Other Audit Findings or Issues***

Audit standards require that we communicate to you any internal control related matters and any other audit findings or issues that are, in our professional judgment, significant and relevant to those charged with governance in overseeing the financial reporting process. We have discussed this matter with management and are communicating this finding to you.

We noted during our audit procedures that there was no systematic method to ensure complete monthly closing procedures take place and reconciliations are performed. A lack of specific closing procedures and multiple accounts that are not regularly reconciled may ultimately cause significant errors in the financial records and statements as well as allow possible irregularities including fraud, to exist and continue without notice. We noted that there are no formal procedures for monthly close activities or regular account reconciliations for multiple accounts. Specifically, the accounts receivable balance, and the accounts payable balance were not reconciled to the general ledger. In addition, the detailed fixed asset listing was not reconciled to the general ledger.

We discussed this with management and recommended that the District establish a system of consistent monthly reconciliations and closing procedures in order to provide more accurate financial statements. In addition, we recommended that the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. Management has begun implementing a monthly close procedure which includes a monthly close schedule and checklist and monthly reconciliations of all accounts.

***Other Information in Documents Containing Audited Financial Statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI.

We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 20, 2017.

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



**CliftonLarsonAllen LLP**  
Glendora, California  
December 20, 2017