

RIVER PINES PUBLIC UTILITY DISTRICT

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2017

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
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December 8, 2017

To the Board of Directors
River Pines Public Utility District
River Pines, California

We have audited the financial statements of River Pines Public Utility District as of and for the year ended June 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of River Pines Public Utility District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered River Pines Public Utility District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

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

Sincerely,

Robert W. Johnson, An Accountancy Corporation

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1. Comparison of Operating Results:

	June 30		Favorable (Unfavorable) Variance
	<u>2017</u>	<u>2016</u>	
Revenues	\$ 292,606	\$ 285,954	\$ 6,652
Expenses	<u>325,434</u>	<u>325,641</u>	<u>207</u>
Operating income (loss)	(32,828)	(39,687)	6,859
Other revenues (expenses)	(<u>26,379</u>)	<u>38,228</u>	(<u>64,607</u>)
Net income (loss)	\$(<u>59,207</u>)	\$(<u>1,459</u>)	\$(<u>57,748</u>)
Cash	\$ <u>388,639</u>	\$ <u>381,668</u>	\$ <u>6,971</u>

Observations:

- operating revenues and expenses were approximately the same for 2017 and 2016.
- the \$57,748 increase of loss is largely explained by:
 - grant surplus of \$20,000 in 2016.
 - \$43,000 bad debt writeoff in 2017.

2. Prior Year Recommendations:

A. Ethics Training:

Recommendation – assign a responsible person to maintain the record of Directors’ attendance at mandatory State ethics training.

Follow up – all Board members current with training requirement.

B. Budget:

Recommendation – in addition to the operating budget, it is recommended that the District prepare a capital budget to forecast future property needs, including the source of funding.

Follow up – still in progress.

C. Accounts Receivable:

Recommendation – have Board of Directors consider writing off uncollectible accounts as bad debts.

Follow up – as an alternative to direct write-off of accounts, consider “provision for doubtful accounts.”

D. Account Numbers:

Recommendation – assign all general ledger account numbers; will facilitate accurate posting of revenues and expenses.

Follow up – still in progress.

E. Policies:

Recommendation – complete updating of aforementioned bylaws and policies. Written policies encourage adherence to Board supervision and are a valuable employee training tool.

Follow up – an employee handbook was produced. By-laws and District policies are currently being redone.

3. Administrative:

Observation – the District CPA firm has performed audits of the District's accounting records for the past 6 years. During this period the following improvements were noted:

- the Board has updated and implemented effective policies and procedures.
- accurate internal financial statements are provided to the Board on a regular basis.
- the auditors are provided year-end schedules and staff assistance thereby ensuring an efficient financial audit.