

**PLUMAS EUREKA
COMMUNITY SERVICES DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2018

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

November 2, 2018

To the Board of Directors
Plumas Eureka Community Services District
Blairsden, California

We have audited the financial statements of Plumas Eureka Community Services District as of and for the year ended June 30, 2018. 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 Plumas Eureka Community Services District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Plumas Eureka Community Services 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

Robert W. Johnson, An Accountancy Corporation

1. Financial Analysis:

Operating Results – Enterprise:

	<u>Water</u>		<u>Wastewater</u>	
	June 30,		June 30,	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Operating revenues	\$ 346,062	\$ 352,910	\$ 409,020	\$ 411,462
Operating expenses	<u>307,237</u>	<u>329,522</u>	<u>331,426</u>	<u>362,395</u>
Operating income (loss)	38,825	23,388	77,594	49,067
Other income (expense)	<u>32,575</u>	<u>2,587</u>	<u>(5,051)</u>	<u>(49,364)</u>
Income (loss) before contributions	71,400	25,975	72,543	(297)
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 71,400</u>	<u>\$ 25,975</u>	<u>\$ 72,543</u>	<u>\$ (297)</u>

Observations:

- District invested \$349,496 in capital assets in 17-18. The major capital expenditure was for preliminary work done on the water treatment plant.
- The net pension liability is \$212,821 at June 30, 2018, a \$9,140 increase.

2. Prior Year Recommendations:

A. Reserves:

Recommendation – establish a reserve policy. Annual review by Board at same time as budget preparation.

Follow up – the District had a rate study performed this past year – recommendations for determining reserve account goals and evaluating rate increases were made. Management is researching what can be legally reserved for future reserves.

B. Cost Allocations:

Recommendation – consult time records over a period (3 months) to verify that 15% charge is still accurate.

Follow up – this was done. The charge to fire for administrative salaries was changed to reflect actual time spent.

3. Credit Cards:

Observation – the District has no written credit card policy.

Recommendation – to ensure that District funds are properly accounted for, a written credit card policy should set:

- those to be issued cards
- procedures for reimbursement
- expenditure limits
- monthly reconciliation

4. Internal Controls:

Observation – internal controls principally consist of written policies and oversight of such policies and procedures.

Recommendation – District policies should be written. Organization such as CSDA provide a template for suggested policies.