

**SIERRA VALLEY GROUND WATER
MANAGEMENT DISTRICT**

**Financial Statements
and
Independent Auditor's Report**

For Fiscal Years Ended June 30, 2017 and 2016

**SIERRA VALLEY GROUND WATER
MANAGEMENT DISTRICT**

JUNE 30, 2017 and JUNE 30, 2016

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**SIERRA VALLEY GROUND WATER
MANAGEMENT DISTRICT**

Governing Board of Directors

	<u>Term Expires</u>
Einen Grandi, Chariman	2019
Don Wallace, Vice-Chairman	2021
Paul Roen, Director (Sierra County Supervisor)	2021
Michael Sanchez, Director (Plumas County Supervisor)	2021
Jim Roberti, Director	2021
Greg Ramelli, Director	2019
Tom Rowson, Director	2019

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

Our discussion and analysis of the Sierra Valley Ground Water Management District's financial performance provides an overview of the District's financial activities for the years ended June 30, 2017 and 2016. Please read it in conjunction with the District's basic financial statements, which begin on page 6.

Financial Highlights

The District's net position increase by \$11,850 for fiscal year June 30, 2017 and decreased by \$2,789 for fiscal year June 30, 2016 due to expenses exceeding revenues. For fiscal 2016, increases in the maintenance and professional services expenses were the most significant increases contributing to the deficit.

Financial Analysis of the District

Net Position	24,004	19,663	22.08%
Total Liabilities & Net Position	\$ 32,938	\$ 20,750	58.74%
	June 30, 2016	June 30, 2015	Percent Change
Current and Other Assets	\$ 10,707	\$ 12,449	-13.99%
Capital Assets (Net of Depreciation)	10,043	10,855	-7.48%
Total Assets	20,750	23,304	-10.96%
Liabilities	1,087	852	27.58%
Total Liabilities	1,087	852	27.58%
Net Position	19,663	22,452	-12.42%
Total Liabilities & Net Position	\$ 20,750	\$ 23,304	-10.96%

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

Condensed Statement of Revenues, Expenses and Changes Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	Percent Change
Revenues:			
Service Charges	\$ 30,849	\$ 27,091	13.87%
Interest Income	60	21	185.71%
Other Income/Reimbursement	11,821	4,285	175.87%
Total Revenues	<u>42,730</u>	<u>31,397</u>	<u>36.10%</u>
Expenses:			
Expenditures	<u>38,389</u>	<u>34,186</u>	<u>12.29%</u>
Total Expenditures	<u>38,389</u>	<u>34,186</u>	<u>12.29%</u>
Total Income(Loss)	<u>\$ 4,341</u>	<u>\$ (2,789)</u>	<u>255.65%</u>

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	Percent Change
Revenues:			
Service Charges	\$ 27,091	\$ 30,796	-12.03%
Interest Income	21	21	0.00%
Other Income/Reimbursement	4,285	6,416	-33.21%
Total Revenues	<u>31,397</u>	<u>37,233</u>	<u>-15.67%</u>
Expenses:			
Expenditures	<u>34,186</u>	<u>34,749</u>	<u>-1.62%</u>
Total Expenditures	<u>34,186</u>	<u>34,749</u>	<u>-1.62%</u>
Total Income(Loss)	<u>\$ (2,789)</u>	<u>\$ 2,484</u>	<u>-212.28%</u>

Capital Assets

	<u>Net of Depreciation</u>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	Percent Change
Water Meters	\$ 10,180	\$ 10,180	0.00%
Equipment	49,424	49,424	0.00%
Accumulated Depreciation	<u>(50,373)</u>	<u>(49,561)</u>	<u>1.64%</u>
Total Capital Assets	<u>\$ 9,231</u>	<u>\$ 10,043</u>	<u>-8.09%</u>

	<u>Net of Depreciation</u>		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	Percent Change
Water Meters	\$ 10,180	\$ 10,180	0.00%
Equipment	49,424	49,424	0.00%
Accumulated Depreciation	<u>(49,561)</u>	<u>(48,749)</u>	<u>1.67%</u>
Total Capital Assets	<u>\$ 10,043</u>	<u>\$ 10,855</u>	<u>-7.48%</u>

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2017 and 2016

Capital Debt

The Sierra Valley Ground Water Management District has no Capital Debt during the fiscal years ended June 30, 2017 and June 30, 2016.

Economic Factors

Interest Revenues increased as a result of a increase in cash account balance.

Budgetary Highlights

June 30, 2017

1. Service charges were less than budget by \$9,214.
2. Salaries and wages expenses were less than budget by \$4,298.
3. Professional services expenses were less than budget by \$10,024.
4. Maintenance Equipment expenses were less than budget by \$9,537.

June 30, 2016

1. Service charges were less than budget by \$12,009.
2. Salaries and wages expenses were less than budget by \$1,970.
3. Professional services expenses more than budget by \$3,260.
4. Maintenance Equipment expenses were less than budget by \$4,745.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sierra Valley Ground Water Management District at P.O. Box 88, Chilcoot, CA 96105.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sierra Valley Ground Water Management District
P.O. Box 88
Chilcoot, CA 96105.

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra Valley Ground Water Management District as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sierra Valley Ground Water Management District, as of June 30, 2017 and June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

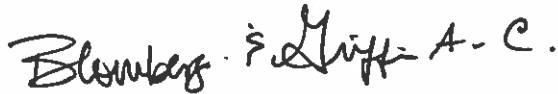
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 and 4 and budgetary comparison schedule on pages 13 and 14 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2018, on our consideration of the Sierra Valley Ground Water Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sierra Valley Ground Water Management District's internal control over financial reporting and compliance.



Blomberg & Griffin A.C.
Stockton, CA
July 25, 2018

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Statement of Net Position

June 30, 2017 and 2016

ASSETS

	June 30, 2017	June 30, 2016
	Business - Type	Business - Type
	Activity	Activity
	<u> </u>	<u> </u>
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 23,133	\$ 8,796
Accounts Receivable	574	917
Prepaid expenses	<u>-</u>	<u>994</u>
Total Current Assets	<u>23,707</u>	<u>10,707</u>
PROPERTY AND EQUIPMENT		
Equipment	10,180	10,180
Water Meter	<u>49,424</u>	<u>49,424</u>
Total Property & Equipment	59,604	59,604
Less Accumulated Depreciation	<u>(50,373)</u>	<u>(49,561)</u>
Total Property and Equipment, Net	<u>9,231</u>	<u>10,043</u>
TOTAL ASSETS	<u>\$ 32,938</u>	<u>\$ 20,750</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	\$ 8,503	\$ 1,087
Accrued Wages	<u>431</u>	<u>-</u>
Total Current Liabilities	<u>8,934</u>	<u>1,087</u>
NET POSITION		
Investment in Fixed Assets	9,231	10,043
Unrestricted	<u>14,773</u>	<u>9,620</u>
Total Net Position	<u>24,004</u>	<u>19,663</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 32,938</u>	<u>\$ 20,750</u>

The accompanying notes are an integral part of the financial statements.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016
	Business - Type	Business - Type
	Activity	Activity
	<u> </u>	<u> </u>
OPERATING EXPENSES		
Salaries and Wages	\$ 2,625	\$ 10,715
Payroll Taxes	201	866
Group Insurance	2,810	1,350
Communications	884	1,193
Insurance	4,794	5,666
Maintenance Equipment	1,463	116
Professional Services	23,366	7,894
Office Rent	-	1,750
Office Expense	299	2,067
Travel	1,085	1,513
Other	50	244
Depreciation	812	812
	<u> </u>	<u> </u>
Total Operating Expenses	<u>38,389</u>	<u>34,186</u>
OPERATING INCOME		
Service Charges	<u>30,849</u>	<u>27,091</u>
	<u> </u>	<u> </u>
Total Operating Income	<u>30,849</u>	<u>27,091</u>
	<u> </u>	<u> </u>
Net Income (Loss) from Operations	<u>(7,540)</u>	<u>(7,095)</u>
NON-OPERATING INCOME (EXPENSES)		
Interest Income	60	22
Other Income/Reimbursements	<u>11,820</u>	<u>4,285</u>
	<u> </u>	<u> </u>
Total Non-Operating Income	<u>11,880</u>	<u>4,307</u>
CHANGE IN NET POSITION	4,340	(2,788)
Net Position - Beginning of Year	<u>19,664</u>	<u>22,452</u>
NET POSITION - END OF YEAR	<u>\$ 24,004</u>	<u>\$ 19,664</u>

The accompanying notes are an integral part of the financial statements.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Statement of Cash Flows

For the Years Ended June 30, 2017 and June 30, 2016

	<u>June 30, 2017</u> <u>Business - Type</u> <u>Activity</u>	<u>June 30, 2016</u> <u>Business - Type</u> <u>Activity</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 31,192	\$ 28,732
Cash Payments for Operating Expenses	<u>(28,736)</u>	<u>(33,114)</u>
Net Cash Provided by (used for) Operating Activities	<u>2,456</u>	<u>(4,382)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
Purchase of Capital Assets	<u>-</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Cash and Investments	60	22
Reimbursements	<u>11,821</u>	<u>4,285</u>
Net Cash Provided by Investing Activities	<u>11,881</u>	<u>4,307</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,337	(75)
Cash and Cash Equivalents at Beginning of Year	<u>8,796</u>	<u>8,871</u>
Cash and Cash Equivalents at End of Year	<u>\$ 23,133</u>	<u>\$ 8,796</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (7,540)	\$ (7,095)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	812	812
CHANGE IN ASSETS AND LIABILITIES		
Accounts Receivable	343	1,641
Prepaid Expenses	994	25
Accounts Payable	7,416	846
Accrued Expenses and Other Liabilities	<u>431</u>	<u>(611)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 2,456</u>	<u>\$ (4,382)</u>

The accompanying notes are an integral part of the financial statements.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Notes to Financial Statements
June 30, 2017 and June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization & Description of the District:

The District was organized in 1980 for the purpose of groundwater management within the Sierra Valley Groundwater Basin. The Board of Supervisors of the County of Plumas and County of Sierra by a joint power agreement formed the District for the common benefit of the Sierra Valley water users. This District operates under authority of the State of California as a California Special District.

The Reporting Entity:

The District's government-wide financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Government Accounting Standards Boards (GASB) *Codification of Government Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separated (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Sierra Valley Ground Water Management District has no component units. The District has one fund which is the general fund, a business-type activity.

The general fund records all activity of the District.

Basis of Accounting:

The financial statements of the District are presented on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred. Service charges are recognized when the special assessments are collected by the counties and added to the District's account.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Notes to Financial Statements
June 30, 2017 and June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget:

The District develops and adopts an annual budget; once approved, the budget is submitted to the County Auditor-Controller for recording in the District's accounts.

Source of Revenue:

The District's other source of revenue is derived from service charge to District's landowners based on a per acre charge. Charges are added to the Counties property tax rolls due in two equal installments on November 1 and February 1 of the following year. Delinquent dates are December 10th and April 10th of the following year. All funds collected are left on deposit with the Treasurer of Plumas County. The District's obligations are paid out of these funds only upon properly verified warrants drawn by the District.

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingencies, assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Capital Assets:

Capital assets are purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is calculated on the straight-line basis over the estimated useful lives of the assets.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Notes to Financial Statements
June 30, 2017 and June 30, 2016

NOTE 2 **CASH AND INVESTMENTS**

A. Deposits:

GASB 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pool's require that investments be carried at fair value with unrealized changes being recorded in the statements of revenues, expenditures and changes in net position.

The District's cash is held in an agency capacity by the County of Plumas Treasurer. The County operates the pooled cash fund for all of its District's funds. The carrying amount, as of June 30, 2017, of cash held by the County of Plumas is \$23,133 and \$8,796 as of June 30, 2016.

The approved investment in the pool is carried at cost, which approximates market value and may be liquidated as needed. The investment pool has not been assigned a risk category since the District is not issued any securities, but rather owns an undivided beneficial interest in the assets of this pool. The fund is not registered with the SEC. Financial statements for the investment pool can be obtained by writing the County of Plumas, Auditors-Controller's Office, 520 Main St., Room 205, Quincy, CA 95971

B. Custodial Credit Risk:

Financial instruments that potentially subject the District to concentration of credit risk consist of temporary cash investments held in an agency capacity at the County of Plumas Treasurer. The County of Plumas places its temporary cash investments with financial institutions to limit the credit exposure to any one financial institution.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Notes to Financial Statements
June 30, 2017 and June 30, 2016

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 2016</u>
Capital Assets being				
Depreciated:				
Equipment	\$ 10,180	\$ -	\$ -	\$ 10,180
Water Meters	49,424	-	-	49,424
Accumulated Depreciation	<u>(48,749)</u>	<u>(812)</u>	<u>-</u>	<u>(49,561)</u>
Net Capital Assets	<u><u>\$ 10,855</u></u>	<u><u>\$ (812)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,043</u></u>

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 2017</u>
Capital Assets being				
Depreciated:				
Equipment	\$ 10,180	\$ -	\$ -	\$ 10,180
Water Meters	49,424	-	-	49,424
Accumulated Depreciation	<u>(49,561)</u>	<u>(812)</u>	<u>-</u>	<u>(50,373)</u>
Net Capital Assets	<u><u>\$ 10,043</u></u>	<u><u>\$ (812)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,231</u></u>

NOTE 4 INSURANCE COVERAGES

The District maintained the following major insurance coverages for the fiscal years ended June 30, 2017 and 2016:

General Liability - Each Occurrence/aggregate	\$ 1,000,000
Property Coverage	Repair or Replacement Costs

NOTE 5 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2018, the date these financial statements were available for release and determined no additional disclosures were necessary.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT
Statement of Revenues and Expenses Compared to Budget
For The Year Ended June 30, 2017

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
REVENUES			
Service Charges	\$ 40,063	\$ 30,849	\$ (9,214)
Interest	10	60	(1,022)
Other Income/Reimbursements	<u>12,000</u>	<u>11,821</u>	<u>(179)</u>
Total Revenue	<u>\$ 52,073</u>	<u>\$ 42,730</u>	<u>\$ (10,415)</u>
SALARIES AND FRINGE BENEFITS			
Salaries & Wages	\$ 6,923	\$ 2,625	\$ 4,298
Payroll Taxes	913	201	712
Compensation Insurance	<u>1,800</u>	<u>2,810</u>	<u>(1,010)</u>
Total Salaries & Fringe Benefits	<u>9,636</u>	<u>5,636</u>	<u>4,000</u>
SERVICE AND SUPPLIES			
Communications	2,291	884	1,407
Insurance	5,815	4,794	1,021
Maintenance Equipment	11,000	1,463	9,537
Memberships	20	-	20
Professional Services	33,390	23,366	10,024
Depreciation Expense	-	812	(812)
Office Expense	619	299	320
Travel	300	1,085	(785)
Special Department Expense	4,296	-	4,296
Contingencies	8,400	-	8,400
Loan Repayment	<u>3,000</u>	<u>50</u>	<u>2,950</u>
Total Service and Supplies	<u>69,131</u>	<u>32,753</u>	<u>36,378</u>
Total Expense	<u>\$ 78,767</u>	<u>\$ 38,389</u>	<u>\$ 40,378</u>

The accompanying notes are an integral part of the financial statements.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT

Statement of Revenues and Expenses Compared to Budget

For The Year Ended June 30, 2016

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>Variance</u>
REVENUES			
Service Charges	\$ 39,100	\$ 27,091	\$ (12,009)
Interest	1,043	22	(1,021)
Other Income/Reimbursements	<u>141</u>	<u>4,285</u>	<u>4,144</u>
Total Revenue	<u><u>\$ 40,284</u></u>	<u><u>\$ 31,398</u></u>	<u><u>\$ (8,886)</u></u>
SALARIES AND FRINGE BENEFITS			
Salaries & Wages	\$ 12,685	\$ 10,715	\$ 1,970
Payroll Taxes	971	866	105
Compensation Insurance	<u>1,800</u>	<u>1,350</u>	<u>450</u>
Total Salaries & Fringe Benefits	<u>15,456</u>	<u>12,931</u>	<u>2,525</u>
SERVICE AND SUPPLIES			
Communications	1,200	1,193	7
Insurance	5,402	5,666	(264)
Maintenance Equipment (1)	4,861	116	4,745
Professional Services	4,634	7,894	(3,260)
Office Rent	3,520	1,750	1,770
Depreciation Expense	-	812	(812)
Office Expense	739	2,067	(1,328)
Travel	1,389	1,707	(318)
Contingencies	<u>-</u>	<u>50</u>	<u>(50)</u>
Total Service and Supplies	<u>21,745</u>	<u>21,255</u>	<u>490</u>
Total Expense	<u><u>\$ 37,201</u></u>	<u><u>\$ 34,186</u></u>	<u><u>\$ 3,015</u></u>

The accompanying notes are an integral part of the financial statements.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Sierra Valley Ground Water Management District
Sierra Valley, CA

We have audited the financial statements of the business-type activities as of and for the years ended June 30, 2017 and 2016, which collectively comprise the Sierra Valley Ground Water Management District basic financial statements and have issued our report thereon dated July 25, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sierra Valley Ground Water Management District's internal control over financial reporting 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 Sierra Valley Ground Water Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sierra Valley Ground Water Management District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sierra Valley Ground Water Management District ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sierra Valley Ground Water Management District financial statements that is more than inconsequential will not be prevented or detected by the Sierra Valley Ground Water Management District's internal control.

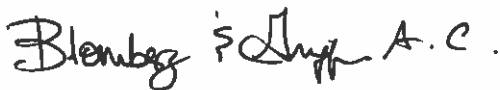
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sierra Valley Ground Water Management District.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described on pages 20-21 of this report and labeled Independent Auditor's Findings.

Compliance and Other Matters

As part of obtaining a reasonable assurance about whether Sierra Valley Ground Water Management District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described on pages 18-19 of this report and labeled Independent Auditor's Findings.

This report is intended solely for the information and use of management, and the Plumas County Auditor/Controller and is not intended to be and should not be used by anyone other than these specified parties.



Blomberg & Griffin A.C.
Stockton, CA
July 25, 2018

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT
Independent Audit of Financial Statements Year's Ended June 30, 2017 and June 30, 2016
Independent Auditor's Findings and District Responses

Internal Control Over Financial Reporting

Finding 2017-01: Fixed Assets:

The District should adopt a fixed asset policy to record, track and depreciate (if applicable) all fixed assets in excess of a board designated amount. All fixed assets should be labeled "Property of the Sierra Valley Ground Water Management District". The methods used in recording and tracking fixed assets purchased or otherwise acquired should be described in the District's policies and procedures manual. Fixed assets purchased should be recorded at their cost while fixed assets donated should be recorded at the fair value at date donated.

District Response: Implemented.

Findings 2017-02: District's Policy Manual:

We recommend, as an addition to existing District policies or as a separate document adding procedures to include annual filing requirements of the County Auditors/Controller's Office and filing requirements of the State Controller's Office. Procedures should state enough detail to meet the filing requirements in a timely manner. The fine for late or incomplete filing is as much as \$5,000.

In addition to the above, we recommend including in the procedures manual detailed bookkeeping steps, mail handling, invoice processing, approval and payment procedures.

District Response: Implementation is in progress.

Finding 2017-03: District's Revenues:

District revenues/direct charges should cover expenses including adequate reserves. During this audit periods, expenditures have exceeded revenues resulting in a significant reduction of cash balances. The District should review direct charge revenues procedures and/or expenditures to insure amounts billed will cover revenue delinquencies, expenditures and provide for adequate reserves.

District Response: Implemented.

Finding 2017-04: Minutes of District's board meetings:

Minutes of the District's board meetings should be retained in District's files. At the times of our audit, minutes for the year 2017 could not be located. We recommend minutes be maintained in a permanent file and an electronic copy be maintained for efficient use.

District Response: Implemented.

SIERRA VALLEY GROUND WATER MANAGEMENT DISTRICT
Independent Audit of Financial Statements Year's Ended June 30, 2017 and June 30, 2016
Independent Auditor's Findings and District Responses

Finding 2017-05: District's disbursements journal:

The disbursements journal should include information to facilitate the comparison of entries to the original source document and to entries on the books prepared by the County Auditor/Controller. District should add columns to the disbursement journal for date paid and reference number. In addition, such totals should be included to disclose the amounts allocated to different accounts.

District's Response: Implemented.

Finding 2017-06: Revenue/Receipts Journal:

The District should prepare and maintain a revenue/receipts journal to record all revenue invoiced. Direct charges could be entered in a single line item while invoices for reimbursements should be entered separately for each invoice issued. Entries on journal should include customer name, date of invoices, description of charges, account code and dollar amount.

District's Response: Implemented.