

October 22, 2018

Board of Directors  
Las Gallinas Valley Sanitary District  
300 Smith Ranch Road  
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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 4, 2018. 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. As described in Note 2 to the financial statements, Las Gallinas Valley Sanitary District changed accounting policies related to Other Postemployment Benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position.

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 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 prior period adjustment disclosure in Note 2. An adjustment of \$1,808,764, which decreased beginning net position. This was the result of the implementation of GASBS. No. 75
- 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 2017 Revenue Bond disclosure found in Note 8E to the financial statements. This includes important information regarding bond provisions.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. See 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 October 22, 2018.

### *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.

We were not engaged to report on the introductory or statistical sections of the Comprehensive Annual Financial Report (CAFR), which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**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

Draft 10-23-18

Client: SD - Las Gallinas Valley Sanitary District  
 Engagement: SD - Las Gallinas Valley Sanitary District 2018  
 Trial Balance: TB 00 - Trial Balance  
 Workpaper: TB 02 - Adjusting Journal Entries Report

10/23/2018  
 5:13 PM

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>N 02.1</b>		
Client entry to book GASB 75 per email 9/20/18				
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB		463.00	
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB		23,115.00	
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB		77,776.00	
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB		196,002.00	
3000	Opening balance equity		2,183,890.00	
5163	5163 → Deferred Outflows of Resources: OPEB		217,518.00	
5163	5163 → Deferred Outflows of Resources: OPEB		375,999.00	
6662	6662 → Net OPEB Liability		59,176.00	
6662	6662 → Net OPEB Liability		219,673.00	
6662	6662 → Net OPEB Liability		375,126.00	
6668	6668 → OPEB		1,037.00	
6668	6668 → OPEB		67,720.00	
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB			1,037.00
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB			59,176.00
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB			67,720.00
1001.1509.5	1001 → Employee Costs:1001.2 → Employee Benefits:1509 → Health Insurance:1509.5 → GASB 75 OPEB			217,518.00
3000	Opening balance equity			375,126.00
5163	5163 → Deferred Outflows of Resources: OPEB			23,115.00
5163	5163 → Deferred Outflows of Resources: OPEB			219,673.00
6662	6662 → Net OPEB Liability			463.00
6662	6662 → Net OPEB Liability			77,776.00
6662	6662 → Net OPEB Liability			196,002.00
6662	6662 → Net OPEB Liability			2,096,715.00
6662	6662 → Net OPEB Liability			463,174.00
6668	6668 → OPEB			
<b>Total</b>			<b>3,797,495.00</b>	<b>3,797,495.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>L 03.1</b>		
Client entry YE18-21				
1001.1009	1001 → Employee Costs:1001.2 → Employee Benefits:1009 → Vacation/Sick Accrual		11,056.09	
1001.1404	1001 → Employee Costs:1001.2 → Employee Benefits:1404 → Social Security Expense		845.79	
6150	6150 → Accrued Paid Time Off			11,056.09
6157	6157 → Payroll Tax Liability			845.79
<b>Total</b>			<b>11,901.88</b>	<b>11,901.88</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>TB</b>		
Client entry to book utility payable per email				
2535.2535	2535.1 → Utilities:2535 → Utility Power		2,524.78	
6001	6001 → Accrued Expenses			2,524.78
<b>Total</b>			<b>2,524.78</b>	<b>2,524.78</b>