

REQUIRED COMMUNICATIONS

February 13, 2023

Board of Directors and Management
Stinson Beach County Water District

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Stinson Beach County Water District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 August 18, 2022. 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 Stinson Beach County Water District are described in Note 1 to the financial statements. The District adopted Statement of Governmental Accounting Standards (GASB Statement No. 87, *Leases*, however, the District was neither a lessor or a lessee for the year being audited, therefore, this change in accounting principal did not affect the financial statements. We noted no transactions entered into by Stinson Beach County Water 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 District's financial statements were:

- Management's estimate of the deferred inflows, outflows, OPEB expense, and net OPEB liability is based on an actuarial valuation and the standards set forth in GASB Statement No. 75. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the deferred inflows, outflows, pension expense, and net pension liability is based on an actuarial valuation and the standards set forth in GASB Statement No. 68. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management’s estimate of the depreciation expense is based on the estimated useful lives of the associated assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the 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 disclosure of information about the retirement plan in Note 6 to the financial statements. The information was derived from an actuarial valuation, District documents, and the CalPERS’ website.
- The disclosure of information regarding Other Post-Employment Benefits in Note 7 to the financial statements. The information was derived from an actuarial valuation, District documents, and the CalPERS’ website.

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. The attached list of Adjusting Journal Entries shows material misstatements detected as a result of audit procedures that were corrected by management.

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. 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 January 17, 2023.

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 Stinson Beach County Water District’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.

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 Stinson Beach County Water 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 Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, the Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Stinson Beach County Water 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

Material entries that *should be entered* into QuickBooks

Engagement:	Stinson Beach 2022				
Current Period:	06/30/2022				
Workpaper:	2022 AJE Report				
Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE 01					
AH: To correct balances per GASB 75 valuation					
300-1920	Deferred Outflows of Resources - OPEB		0.00	2,960.00	
300-2521	Deferred Inflows - OPEB		6,818.00	0.00	
300-2515	OPEB Net Obligation		83,526.00	0.00	
300-5144	OPEB Health Insurance Cost		0.00	87,384.00	
Total			<u>90,344.00</u>	<u>90,344.00</u>	<u>87,384.00</u>
AJE 02					
Book change in pension per actuary					
300-2132	CalPERS Unfunded Accr. Pension		607,855.00	0.00	
300-5805	Pension expense (income)		314,200.00	0.00	
300-2520	Deferred Inflows of Resources		0.00	898,135.00	
300-1919	Deferred Outflows of Resources		0.00	23,920.00	
Total			<u>922,055.00</u>	<u>922,055.00</u>	<u>(314,200.00)</u>
AJE 03					
KPK - to balance net position to agree to PY FS					
300-2101	Due To/Due From		14,229.00	0.00	
400-2101	Due To/Due From		16,995.00	0.00	
300-3500	Retained Earnings		0.00	14,229.00	
400-3500	Retained Earnings		0.00	16,995.00	
Total			<u>31,224.00</u>	<u>31,224.00</u>	<u>0.00</u>
GRAND TOTAL			<u>1,043,623.00</u>	<u>1,043,623.00</u>	<u>(226,816.00)</u>