

Bighorn Desert View Water Agency

Management Report

June 30, 2021



Fedak & Brown LLP
Certified Public Accountants

Bighorn Desert View Water Agency

Management Report

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Board of Directors
Bighorn Desert View Water Agency
Yucca Valley, California

Dear Members of the Board:

We have audited the basic financial statements of the Bighorn Desert View Water Agency (Agency) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency's internal control.

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 a 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Our other observations, comments and recommendations, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the Agency are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the Agency as of June 30, 2021.

Summary of Prior Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the Agency are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the Agency as of June 30, 2020.

* * * * *

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 7, 2021

APPENDIX

Bighorn Desert View Water Agency

Audit/Finance Committee Letter

June 30, 2021



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Board of Directors
Bighorn Desert View Water Agency
Yucca Valley, California

We have audited the basic financial statements of the Bighorn Desert View Water Agency (Agency) for the year ended June 30, 2021, and have issued our report thereon dated December 7, 2021. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Agency's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated February 26, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the Agency's external financial reporting process or any other processes.

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to the board and management in our Audit Engagement Letter date February 26, 2021.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Agency during fiscal year 2021 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the position in the basic financial statements are:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of net pension liability is based on an actuarial valuation conducted by a third-party actuary. We evaluated the basis, and actuarial methods and assumption to calculate the net pension liability for the Agency to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the Agency's net pension liability in Note 7 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were nine (9) audit adjustment and/or reclassification entries, made to the original trial balance presented to us to begin our audit. Five (5) of the journal entries that were prepared by the Auditor and four (4) journal entries were prepared by the Agency. Four (4) of the entries were related to the seventh year implementation of GASB 68. (See a listing of those entries attached on pages 4 through 5 of this report).

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 the application of an accounting principal to the Agency’s basic 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 the Agency’s auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit of the Agency.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated December 7, 2021.

Conclusion

We appreciate the cooperation extended us by Marina West, General Manager and the rest of the Agency staff in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.



Fedak & Brown LLP
Cypress, California
December 7, 2021

**Bighorn Desert View Water Agency
 Schedule of Audit Adjusting Journal Entries
 June 30, 2021**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
CPE - To record unbilled AR at June 30, 2021.			
01-00-137130	A/R WATER UNBILLED FYE	86,092.01	
01-00-137130	A/R WATER UNBILLED FYE	6,509.11	
01-00-411000	INCOME METERED WATER		49,242.78
01-00-411000	INCOME METERED WATER		6,509.11
01-00-413000	BASIC SERVICE CHARGE		36,849.23
Total		<u>92,601.12</u>	<u>92,601.12</u>
Adjusting Journal Entries JE # 2			
CPE - To record June invoices at 6/30/21.			
01-00-564000	OTHER ADMINISTRATIVE EXPENSES	57.42	
01-00-564000	OTHER ADMINISTRATIVE EXPENSES	45.00	
01-00-564000	OTHER ADMINISTRATIVE EXPENSES	53.73	
01-00-564000	OTHER ADMINISTRATIVE EXPENSES	19.00	
01-01-560110	TELEPHONE/FAX/INTERNET/WEB	130.00	
01-01-560110	TELEPHONE/FAX/INTERNET/WEB	68.00	
01-01-560120	MAILING EXPENSE	221.85	
01-01-560180	DUES & SUBSCRIPTIONS	9.50	
01-01-560180	DUES & SUBSCRIPTIONS	52.99	
01-01-560300	OFFICE SUPPLIES/PRINTING	46.32	
01-05-541090	FIELD MATERIALS & SUPPLIES	37.71	
01-05-541090	FIELD MATERIALS & SUPPLIES	116.64	
01-05-541140	WATER SYSTEM REPAIRS	180.62	
01-00-227000	ACCOUNTS PAYABLE		1,038.78
Total		<u>1,038.78</u>	<u>1,038.78</u>
Adjusting Journal Entries JE # 3			
CPE - To record June invoices at 6/30/21.			
01-00-226001	PORTAL BLUEFIN/SB CC FEES	837.39	
01-00-226001	PORTAL BLUEFIN/SB CC FEES	73.53	
01-01-560200	POWER/PROPANE OFFICES & YARDS	569.70	
01-05-541030	UNIFORMS	81.42	
01-05-541030	UNIFORMS	201.03	
01-05-541070	VEHICLE EXPENSE-FUEL	3,139.25	
01-05-541070	VEHICLE EXPENSE-FUEL	3,575.25	
01-05-541190	COMMUNICATIONS EXPENSE	321.71	
01-05-541250	POWER WELLS & PUMPS	5,117.65	
01-05-541250	POWER WELLS & PUMPS	5,759.38	
01-00-227000	ACCOUNTS PAYABLE		19,676.31
Total		<u>19,676.31</u>	<u>19,676.31</u>
Adjusting Journal Entries JE # 4			
CPE - To record June invoices at 6/30/21.			
01-00-593000	EXPENSE / INCOME MISC	100.00	
01-05-541090	FIELD MATERIALS & SUPPLIES	19.62	
01-10-562000	ANNEX 631-071-12 (Napa@Kuna)	15.65	
01-10-562001	ANNEX 631-051-28 (550 Landers)	14.59	
01-00-227000	ACCOUNTS PAYABLE		149.86
Total		<u>149.86</u>	<u>149.86</u>

**Bighorn Desert View Water Agency
 Schedule of Audit Adjusting Journal Entries
 June 30, 2021**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 5			
GASB 68 Entry #1 - To reclassify 2020 contributions to NPL at June 30, 2021.			
01-00-223100	NET PENSION LIABILITY	142,936.00	
01-00-151000	DOR - PENSION CONTRIBUTIONS		142,936.00
Total		<u>142,936.00</u>	<u>142,936.00</u>
Adjusting Journal Entries JE # 6			
GASB 68 Entry #2 - To reclassify 2021 contributions to Deferred Outflows of Resources at June 30, 2021.			
01-00-151000	DOR - PENSION CONTRIBUTIONS	310,344.00	
01-01-560085	GASB 68 EXP (INC)		155,172.00
01-05-560085	GASB EXP (INC)		155,172.00
Total		<u>310,344.00</u>	<u>310,344.00</u>
Adjusting Journal Entries JE # 7			
GASB 68 Entry #3 - To record changes in pension liability during FY19/20 at June 30, 2021.			
01-00-153000	DOR - PENSION RELATED	11,188.00	
01-00-153000	DOR - PENSION RELATED	50,186.00	
01-00-153000	DOR - PENSION RELATED	39,475.00	
01-00-225000	DIR - PENSION RELATED	21,534.00	
01-00-225000	DIR - PENSION RELATED	13,195.00	
01-00-225000	DIR - PENSION RELATED	12,233.00	
01-00-225000	DIR - PENSION RELATED	15,975.00	
01-01-560085	GASB 68 EXP (INC)	38,241.00	
01-05-560085	GASB EXP (INC)	38,241.00	
01-00-153000	DOR - PENSION RELATED		21,534.00
01-00-153000	DOR - PENSION RELATED		13,195.00
01-00-153000	DOR - PENSION RELATED		12,233.00
01-00-153000	DOR - PENSION RELATED		15,975.00
01-00-223100	NET PENSION LIABILITY		145,529.00
01-00-225000	DIR - PENSION RELATED		1,434.00
01-00-225000	DIR - PENSION RELATED		30,368.00
01-00-111350	FA LAND		
Total		<u>240,268.00</u>	<u>240,268.00</u>
Adjusting Journal Entries JE # 8			
GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY19/20 at June 30, 2021.			
01-00-225000	DIR - PENSION RELATED	1,723.00	
01-01-560085	GASB 68 EXP (INC)	31,207.00	
01-05-560085	GASB EXP (INC)	31,207.00	
01-00-153000	DOR - PENSION RELATED		19,827.00
01-00-153000	DOR - PENSION RELATED		17,093.00
01-00-153000	DOR - PENSION RELATED		2,107.00
01-00-225000	DIR - PENSION RELATED		25,108.00
01-00-225000	DIR - PENSION RELATED		2.00
01-00-111400	FA BUILDINGS		
Total		<u>64,137.00</u>	<u>64,137.00</u>

**Bighorn Desert View Water Agency
 Schedule of Audit Adjusting Journal Entries
 June 30, 2021**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 9			
AJE - To adjust prepaids to actual per auditor reviewed schedule at June 30, 2021.			
01-00-144025	PREPAID EXPENSES	142.56	
01-00-562000	OFFICE EQUIPMENT EXPENSE	1,031.95	
01-00-144025	PREPAID EXPENSES		1,031.95
01-01-560140	CONTRACTUAL SERV - OTHER		142.56
Total		1,174.51	1,174.51
	Total Adjusting Journal Entries	872,325.58	872,325.58
	Total All Journal Entries	872,325.58	872,325.58

Legend

CPE	Client Prepared Audit Adjusting Journal Entry
GASB 68	Seventh Year GASB 68 Audit Adjusting Journal Entry
AJE	Audit Adjusting Journal Entry