

**DRAFT**

**3/13/2024**

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **\*\*Report/Letter date is TENTATIVE-TBD\*\***

**BOLINAS COMMUNITY PUBLIC UTILITY DISTRICT  
BOARD OF DIRECTORS & MANAGEMENT REPORT**

**For the Year Ended  
JUNE 30, 2023**

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Board of Directors  
Bolin Community Public Utility District  
Bolin, California

In planning and performing our audit of the financial statements of the business-type activities and the major fund of Bolin Community Public Utility District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Bolin Community Public Utility District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bolin Community Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bolin Community Public Utility District'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. 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 and significant deficiencies may exist that have not been identified.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Bolin Community Public Utility District in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Directors, and others within Bolin Community Public Utility District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Bolin Community Public Utility District's staff for its cooperation during our audit.

O'Connor & Company

Novato, California

Board of Directors  
Bolin Community Public Utility District  
Bolin, California

We have audited the financial statements of the business-type activities and the major fund of Bolin Community Public Utility District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 May 23, 2023. 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 Bolin Community Public Utility District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2023.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations  
GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements  
GASB 93 – Omnibus 2022, paragraphs 11-25

##### **Unusual Transactions, Controversial or Emerging Areas**

We noted no transactions entered by Bolin Community Public Utility 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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the financial statements were:

- Accrual and disclosure of compensated absences.
- Capital asset lives and depreciation expense.
- Post-employment health benefits actuarial valuations.
- Fair value of investments and financial instruments.

We have identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowable and fraudulent expenses.

Disclosures - 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 (Audit Adjustments)**

Professional standards require us to accumulate all known and likely potential audit adjustments 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 potential audit adjustments detected because 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.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether 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 our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated [DATE].

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Bolin Community Public Utility 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 Bolin Community Public Utility District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

**Other Matters**

We applied certain limited procedures to the Management’s Discussion and Analysis which is 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 report is intended solely for the information and use of management and the Board of Directors of Bolin Community Public Utility District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Bolinas Community Public Utility District  
BOARD OF DIRECTORS & MANAGEMENT REPORT  
For the Year Ended June 30, 2023

**Current Year Observations**

There were no current year observations.

**Prior Year Observations**

1. Lease Capitalization Policy

Observation:

Bolinas Community Public Utility District (the District) implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which became effective for the year ended June 30, 2022, and had immaterial effects on the financial statements. This new standard requires leases to be capitalized as intangible assets. In compliance with the new accounting statement the District should consider formalizing a capitalization policy for leases similar to their capitalization policy for capital assets.

Recommendation:

We recommend the District consider formalizing a capitalization policy for leases liabilities and right to use assets over \$30,000.

Recommendation:

This recommendation is in the process of being implemented.

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