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INDEPENDENT AUDITORS' 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*

Board of Directors
Rincon del Diablo Municipal Water District
Escondido, California

We have audited, in accordance with the 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, the financial statements of Rincon del Diablo Municipal Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **December XX, 2020**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiency in internal control, finding 2020-01, to be material weaknesses.

Finding 2020-01 - Lack of Supporting Documentation for Certain Donated Capital Assets

During our audit over capital assets and contributed capital, we reviewed the supporting documentation for the recording of the donated Harmony Grove Village Water Reclamation Facility. We noted that the District was not able to support the \$1,746,000 valuation of the land. We also noted that while the Board of Directors did accept the Facility as part of the November 26, 2019 board meeting, the District was not able to provide support showing the Board's approval of the estimated acquisition value.

We recommend that the District maintain adequate supporting documentation for the estimated fair value of all donated assets. We also recommend that the District's Board of Directors accept all donated assets including approving the estimated acquisition value of donated capital assets.

Management's Response:

The amount used for the valuation of the land at the Harmony Grove Village Water Reclamation Facility was calculated as part of a draft 2020 Wastewater Capital Facility Fee Study, performed by a third-party. As the land value was not specified in the 2016 Wastewater Master Plan, a calculation was performed to arrive at a reasonable amount for the land value. It is acknowledged that a more detailed appraisal of the land value could have been conducted, however appraising public land values is typically highly subjective.

The District will ensure that any future donated assets will be brought before the Board of Directors for acceptance and approval of their estimated acquisition values.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Carlsbad, California
December XX, 2020