

KANAWHA WATER DISTRICT

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

December 31, 2024

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
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March 15, 2025

To the Board of Directors
Kanawha Water District
Willows, California

In planning and performing our audit of the financial statements of the business-type activities of Kanawha Water District as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Kanawha Water 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 may exist that have not been identified. We have enclosed other recommendations for your consideration.

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

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
Citrus Heights, California
March 15, 2025

1. Operating Results:

	<u>Year Ended</u>		
	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>Favorable/</u> <u>(Unfavorable)</u>
Operating revenues	\$ 1,984,730	\$ 1,816,699	\$ 168,031
Operating expenses	<u>2,286,181</u>	<u>2,995,555</u>	<u>709,374</u>
Operating income (loss)	(301,451)	(1,178,856)	877,405
Other revenue (expense)	511,745	495,146	16,599
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	\$ <u>210,294</u>	\$ <u>(683,710)</u>	\$ <u>894,004</u>
Cash	\$ <u>2,261,036</u>	\$ <u>2,398,573</u>	\$ <u>(137,537)</u>

Observations:

- The District's bottom line improved greatly in 2024. This improvement (increase in net income of almost \$900,000) was primarily due to a reduction in 2024 operating expenses. Specifically, in 2023 almost \$650,000 in landowner refunds were paid out. Additionally, there were some unexpected pipe repairs in 2023.
- Cash declined by 6% in 2024.

2. Prior Year Recommendation:

Capital Assets Policy:

Recommendation:

We recommended that the Board of Directors adopt a capital assets policy to establish uniform guidelines for the accounting and reporting of capital (long-lived, depreciable) assets. The goal is to provide control and accountability over the fixed assets of the District. Best practice in the industry is to have such a policy as part of the District's set of financial policies.

Follow up:

This was not done.

3. Long Range Planning:

Observation:

The District's \$296,996 in board designated reserves (See note 7 to the Financial Statements, Net Position) has not changed in some years.

Recommendation:

The District could benefit from long range planning, including capital budgeting and target goal setting to plan for, and, ultimately boost financial reserves. Although recent drought years have been challenging, Board and District Management may consider doing a long term (5-10+ year) financial forecast and budgeting, to supplement the annual operating budget which is short term in nature.