



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

GOVERNANCE LETTER

To the Board of Trustees
Reclamation District 2035
Woodland, California

We have audited the financial statements of the Reclamation District 2035 (the District) for the year ended June 30, 2021, and have issued our report thereon dated May 12, 2022. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated June 29, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Material weaknesses in internal control are discussed in a separate report.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated June 29, 2017.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by the 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 financial statements were: depreciable lives and method used to depreciate capital assets. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 disclosure affecting the financial statements was the following:

- Transactions with related parties are discussed in Note I of the financial statements, representing transactions and amounts outstanding with Conaway Preservation Group.

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 trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole. In addition, two adjustments were made during the audit process consisting of the following:

- True-up net investment in capital assets
- True-up current portion of capital lease

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 auditor's 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 May 12, 2022.

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 the 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 Items

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 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.

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

Richardson & Company, LLP

May 12, 2022

RECLAMATION DISTRICT 2035
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED JUNE 30, 2021

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:					
	Total Assets	Total Liabilities	Net Position	Revenue	Exepnse	Change in Net Position
Grant revenue to reimburse expenses incurred from 2/19 to 5/1/2020 were not accrued at 6/30/2020, and is therefore reflected in fiscal year 20/21				\$ 23,951		\$ 23,951
Revenue and receivable for fiscal year 19/20 reimbursable expenses for the DMP 2017-2021 grant was not accrued	\$ (8,532)		\$ (8,532)			8,532
Net Unadjusted Audit Differences - This Year	(8,532)	-	(8,532)	23,951	-	32,483
Financial Statement Caption Totals	\$ 40,320,497	\$ 501,003	\$ 39,819,494	\$ 2,053,981	\$ 2,116,522	\$ (62,541)
Net Audit Differences as % of Financial Statement Captions	-0.02%	0.00%	-0.02%	1.17%	0.00%	-51.94%