

May 21, 2025

To the Board of Directors and Management  
Crestline Village Water District  
Crestline, California

In planning and performing our audit of the financial statements of the Crestline Village Water District (the District) as of and for the year ended April 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated May 21, 2025 on the financial statements of the District. 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 intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows.

**Observation**

As of year-end, Negotiable Certificates of Deposit represented 52% of the District's cash and investments, exceeding the 30% maximum authorized by California Government Code Section 53601(h). Although CDs carry low investment risk, this concentration technically violates the District's Investment Policy.

**Recommendation**

Strengthen investment oversight to ensure CD holdings remain at or below the 30% limit. For example, the District could (a) implement periodic policy refresher training for investment staff, (b) establish automated alerts for approaching policy limits, and (c) perform quarterly internal reviews of portfolio allocations.

## **Management's Response**

The District was made aware of this by Mark Edleman, their financial advisor, and after talking they realized that the Negotiable Certificates of Deposit reaching term that same month would put the District back below the 30% threshold. The District discussed it at the Board level and have adjusted investments to avoid this in the future.

We believe that the implementation of these recommendations will provide the District with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you at your convenience.

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

Very truly yours,

*Rogers, Anderson, Malody & Scott, LLP.*