

**COACHELLA VALLEY WATER DISTRICT
PALM DESERT, CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2019

COACHELLA VALLEY WATER DISTRICT

Single Audit Report

June 30, 2019

Table of Contents

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards	3 - 5
<u>Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs</u>	
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 10
Summary Schedule of Prior Audit Findings	11

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
Coachella Valley Water District
Palm Desert, California

We have audited, in accordance with 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 each major fund and the aggregate remaining fund information of the Coachella Valley Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2019.

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 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.

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. *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. 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.

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.

White Nelson Dick Evans LLP

Irvine, California
November 20, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Coachella Valley Water District
Palm Desert, California

Report on Compliance for Each Major Federal Program

We have audited the Coachella Valley Water District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 20, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Dick Evans LLP

Irvine, California

March 16, 2020 (except for the date of the schedule of expenditures of federal awards, as to which the date is November 20, 2019)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

COACHELLA VALLEY WATER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

<u>Federal Grantor / Pass - Through Grantor / Program / Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
<u>United States Department of Agriculture</u>				
Direct Assistance:				
Water and Waste Disposal Loans and Grants (Section 306C)	10.770	N/A	<u>1,774,772</u>	<u>-</u>
Total United States Department of Agriculture			<u>1,774,772</u>	<u>-</u>
<u>United States Department of Interior</u>				
Direct Assistance:				
Water SMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	N/A	870	-
Water Conservation Field Services	15.530	N/A	<u>570,964</u>	<u>-</u>
Total United States Department of Interior			<u>571,834</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,346,606</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COACHELLA VALLEY WATER DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Coachella Valley Water District (the District) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial statements of the District. The District's reporting entity is defined in Note 1 of the notes to the District's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting, which is described in Note 1 of the notes to the District's financial statements. Expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. CONTINGENCIES

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

COACHELLA VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? ___ yes x no
- Significant deficiency identified? ___ yes x none reported

Noncompliance material to financial statements noted: ___ yes x no

Federal Awards:

Internal control over major programs:

- Material weakness identified? ___ yes x no
- Significant deficiency identified? ___ yes x none reported

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?

 x yes ___ no

See Finding 2019-001

Identification of major programs:

CFDA Number

10.770

Name of Federal Program or Cluster

Water and Waste Disposal Loans and Grants
(Section 306C)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

___ yes x no

COACHELLA VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs (Continued)
For the year ended June 30, 2019

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding Number 2019-001

Major Program

United States Department of Agriculture. Water and Waste Disposal Loans and Grants (Section 306C). CFDA 10.770.

Criteria

Uniform Guidance section 200.320 requires the following for procurement: (a) micro-purchases (\$3,500 or less) may be awarded without soliciting competitive quotations, (b) small purchases (\$3,500 to \$150,000) require price or rate quotations from an adequate number of qualified sources, and (c) sealed bids required for purchases in excess of \$150,000.

Condition

The District's purchasing policy is less restrictive than the Uniform Guidance in that the policy only requires one quote for expenses over \$3,500 but under \$5,000, which is higher than the \$3,500 threshold required by the Uniform Guidance. No issues were noted as a result of testing, only that the policy is not in compliance with the Uniform Guidance.

Cause

The District was unaware of the procurement rules of the Uniform Guidance.

Effect

The District was not in compliance with the requirements of the Uniform Guidance for written procedures.

Questioned Cost

There is no questioned cost related to this finding.

Perspective Information

Not applicable.

COACHELLA VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs (Continued)
For the year ended June 30, 2019

**3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED)**

Finding Number 2019-001 (Continued)

Recommendation

We recommend the District revise the purchasing policy for federal expenses to be in line with the Uniform Guidance for procurement with federal funding.

Management's Response

The District Procurement Policy, last revised and adopted on March 2018, is in compliance with the requirements of Title 2 of the CFR, Part 200. Although small purchases for federally funded expense is not specifically enumerated in the procurement policy, the District strictly follows all the guidance for federal grant funded expenses in practice. The District did not violate any provisions of Title 2 of the CFR, Part 200. The District will update the procurement policy to reflect compliance with items related to small purchases.

COACHELLA VALLEY WATER DISTRICT
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2019

There was no single audit required for fiscal year 2017-2018.