

Elsinore Valley Municipal Water District
Lake Elsinore, California

Single Audit Report on Federal Awards
(As reissued)

Year Ended June 30, 2018

Elsinore Valley Municipal Water District

SINGLE AUDIT REPORT ON FEDERAL AWARDS (AS REISSUED) Year Ended June 30, 2018

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**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**

Independent Auditor's Report

To the Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, 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 the Elsinore Valley Municipal Water District (the District), as of and for the year ended June 30, 2018, 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, 2018.

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.

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 20, 2018



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE: AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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To the Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, California

Report on Compliance for Each Major Federal Program

We have audited the Elsinore Valley Municipal Water District (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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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.

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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, 2018.

Emphasis of Matter

As more fully described in Note 4 to the Schedule of Expenditures of Federal Awards (SEFA), the District has revised and reissued the SEFA previously reported on December 21, 2018, due to the restatement of the SEFA to remove certain *Capitalization Grants for Clean Water State Revolving Fund* - Project No's. D17-01018, D17-01019 (CDFA #66.458) amounts totaling \$237,646. These amounts were mistakenly reported as a federal grant expenditures. The previously issued auditor's report dated December 21, 2018, is not to be relied upon due to the restatement of the SEFA. Our audit opinion is not modified with respect to the matters.

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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the District as of and for the year ended June 30, 2018, 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, 2018, which contained an unmodified opinion 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

December 21, 2018, (except for our report on internal controls which is November 20, 2018)

Elsinore Valley Municipal Water District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (AS REISSUED) Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number or Grant #	Federal Financial Assistance Expenditures
<u>U.S. Department of the Interior</u>			
<i>Bureau of Reclamation</i>			
Direct assistance:			
Water Conservation Field Services	15.530	R15AP00026	\$ 39,193
Total - U.S. Department of the Interior			39,193
<u>U.S. Environmental Protection Agency</u>			
<i>Passed Through the State of California, State Water Resources Control Board</i>			
Capitalization Grants for Clean Water State Revolving Fund*	66.458	D16-01009	3,452,922
Capitalization Grants for Clean Water State Revolving Fund*	66.458	D17-01018	1,898,864
Capitalization Grants for Clean Water State Revolving Fund*	66.458	D17-01019	2,304,590
Total - U.S. Environmental Protection Agency			7,656,376
Total expenditures of federal awards			\$ 7,695,569

* = Major Program

See accompanying notes to schedule of expenditures of federal awards.

Elsinore Valley Municipal Water District

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (AS REISSUED) Year Ended June 30, 2018

(1) *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Elsinore Valley Municipal Water District (the District) under programs of the federal government for the year ended June 30, 2018. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized in the period incurred. In addition, such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

The District did not elect to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

(3) *Subrecipients*

There were no disbursements of federal awards to subrecipients during the fiscal year ended June 30, 2018.

(4) *Restated Schedule of Federal Awards*

Subsequent to the issuance of our report dated December 21, 2018, the District discovered that amounts related to the *Capitalization Grants for Clean Water State Revolving Fund* - Project No's. D17-01018, D17-01019 (CDFA #66.458) were previously reported in the SEFA as a federal program expenditures were actually a state funded expenditures. The amounts totaled \$237,646. The District revised the Schedule of Expenditures of Federal Awards previously reported to reflect correction of this error. The restatement did not result in the performance of any additional audit procedures. Our audit opinion is not modified as a result of this change.

Elsinore Valley Municipal Water District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (AS REISSUED) Year Ended June 30, 2018

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	_____ X _____	No
Significant deficiencies 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 deficiencies identified?	_____	Yes	_____ X _____	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____	Yes	_____ X _____	No
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
66.458	Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	_____	Yes	_____ X _____	No
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Elsinore Valley Municipal Water District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (AS REISSUED)

Year Ended June 30, 2018

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters to report.

SECTION III: FEDERAL AWARDS FINDINGS

No matters to report.

Elsinore Valley Municipal Water District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (AS REISSUED)

Year Ended June 30, 2018

CURRENT STATUS OF PRIOR YEAR FINDINGS:

No matters to report.