



COACHELLA VALLEY WATER DISTRICT, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2024 SINGLE AUDIT REPORT

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COACHELLA VALLEY WATER DISTRICT, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

COACHELLA VALLEY WATER DISTRICT, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

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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

To the Board of Directors
Coachella Valley Water District
Coachella, 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 each major fund, and the aggregate remaining fund information of Coachella Valley Water District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2024.

Report on 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) as a basis for designing 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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be material weaknesses.

Report on 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 financial statements. 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*.



To the Board of Directors
Coachella Valley Water District
Coachella, California

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

LSL, LLP

Irvine, California
December 23, 2024



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

To the Board of Directors
Coachella Valley Water District
Coachella, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Coachella Valley Water District, (the "District")'s compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance



To the Board of Directors
Coachella Valley Water District
Coachella, California

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



To the Board of Directors
Coachella Valley Water District
Coachella, California

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 each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 23, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions 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.

LSL, LLP

Irvine, California

March 31, 2025 (Except for the *Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*, which is dated December 23, 2024)

COACHELLA VALLEY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<u>U.S. Department of Agriculture</u>			
<i>Direct Programs</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 160,489
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	10,095,884
Subtotal - Assistance Listing Number 10.760			10,256,373
Water and Waste Grants and Loans and Loan Guarantees *	10.770	N/A	1,319,900
Total Department of Agriculture			11,576,273
 <u>U.S. Bureau of Reclamation</u>			
<i>Direct Programs</i>			
Title XVI Water Reclamation and Reuse *	15.504	N/A	9,991,577
Total U.S. Bureau of Reclamation			9,991,577
 <u>U.S. Department of Treasury</u>			
<i>Passed through the State of California</i>			
Coronavirus State and Local Fiscal Recovery Funds *	21.027	NUDGYLBB4S99	2,529,635
Coronavirus State and Local Fiscal Recovery Funds *	21.027	NUDGYLBB4S99	673,968
Coronavirus State and Local Fiscal Recovery Funds *	21.027	NUDGYLBB4S99	122,818
Subtotal - Assistance Listing Number 21.027			3,326,421
Total Department of Treasury			3,326,421
 <u>U.S. Department of Health and Human Services</u>			
<i>Passed through the Office of Community Services</i>			
Low Income Household Water Assistance Program	93.499	F4LGDJEVBFK4	55,157
Total Department of Health and Human Services			55,157
Total Expenditures of Federal Awards			\$ 24,949,428

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

² The amount provided to subrecipients during the year was \$0.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COACHELLA VALLEY WATER DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Coachella Valley Water District, California (the District), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting

The expenses included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenses are incurred when the District becomes obligated for payment as a result of the receipt of the related goods and services. Expenses reported included any property or equipment acquisitions incurred under the federal program. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COACHELLA VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none identified

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none identified

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.770	Water and Waste Grants and Loans and Loan Guarantees
15.504	Title XVI Water Reclamation and Reuse
21.027	Coronavirus State Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number

2024-001

Evaluation of Finding

Material Weakness on Financial Reporting

Condition

During the audit, we found the following conditions that resulted in significant adjustments to the financial statements.

The year-end closing process was not thorough and did not ensure that account balances were reconciled and accurate in advance of the audit requiring a significant number of adjusting journal entries to correct the final financial statements. It appears these errors were primarily caused by the trial balance being prepared from data that was not always complete, contained errors and appropriate year-end reconciliations had not been performed.

Capital Assets

Internal controls would indicate that due to the amount of project activity within the District, the current method of maintaining capital asset projects is inadequate to detect potential errors. Due to manual adjustments, worksheets and significant activity, an opportunity exists for assets or adjustments to go undetected and uncorrected. Adjustments were made to correct assets including CIP (construction in progress) activity that was detected after closing and trial balance provided.

Grants

The District had adjustments in the Schedule of Federal Expenditures and general ledger. There were reconciling items based on the type of federal awards as well as updates from the program administrators on grant activity. This caused adjustments to the grant's reconciliation and possible changes to testing completed.

Criteria

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Cause of Condition

Due to the significant volume and detail of general ledger transactions of the District, some processes were not fully executed and reflected in the District trial balance prior to being furnished to the auditors. It was determined that the error was caused due to significant staffing changes, oversight during the year-end closing process which affected the Districts closing processes due to the tight turnaround during the fiscal year.

Effect or Potential Effect of Condition

Due to the items noted above, there is a potential for significant misstatements to be present in the initial trial balance that is provided to the auditors. Significant audit adjustments have been reports and posted by the District.

Recommendation

We recommend the District implement a more timely reconciliation of the capital asset subledger including a process for tracking throughout the year. There should be a fixed asset count to ensure the capital asset module is accurate and ties to the general ledger. Additionally, we recommend a process be implemented for tracking of grant activity to ensure all federal funding is properly tracked and monitored.

COACHELLA VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS
(CONTINUED)

Client Response

We appreciate the opportunity to respond to the audit observations and acknowledge the areas for improvement in our internal controls and processes. It is important to note that the District identified and disclosed these issues during our internal review, ensuring transparency with the auditors. Below is our response to the findings:

Year-End Closing Process

- *Response:* We recognize the importance of a thorough and accurate year-end closing process. The District has updated its procedures to include enhanced checks and balances, ensuring all items are reviewed and adjusted in a timely manner. These updates were implemented to address the issues we identified internally, reinforcing our commitment to maintaining accurate financial records.

Capital Assets

- *Response:* While prior challenges were influenced by staffing transitions, the District proactively identified and corrected discrepancies in capital asset reporting. We have improved our processes by implementing real-time tracking of capital asset activity, conducting quarterly reviews of the subledger, and performing an annual physical inventory to ensure alignment with the general ledger. To mitigate future risks, we have cross-trained staff to step in as needed during transitions or vacancies. This approach, combined with internal promotions and ongoing staff training, creates continuity and ensures additional resources are available to assist during critical times.

Grants

- *Response:* The District identified and disclosed the need for adjustments to the Schedule of Federal Expenditures and grant reconciliations, ensuring these issues were addressed promptly. To prevent similar occurrences, we have standardized our processes for tracking grant activity, including regular reconciliations and closer coordination with program administrators. Cross-training within the team has also been prioritized, allowing staff to cover these responsibilities seamlessly during transitions.

Action Plan

To address the identified issues and further strengthen our internal controls:

1. Staff Stability and Continuity: With cross-trained employees the District is better equipped to maintain operational continuity and provide additional resources when needed.
2. Process Enhancements: Improvements in capital asset tracking and grant management processes ensure accuracy and timeliness.
3. Proactive Year-End Procedures: Updated closing processes, informed by our internal review, include additional checks and balances to minimize errors and improve audit readiness.

The District remains committed to maintaining transparency, improving processes, and ensuring the reliability of our financial reporting. We value the partnership with our auditors and look forward to demonstrating progress in the next fiscal year.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



COACHELLA VALLEY WATER DISTRICT

Established in 1918 as a public agency

GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

CLERK OF THE BOARD
Sylvia Bermudez

ASSISTANT GENERAL MANAGER
Dan Charlton

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

No matters were reported.