



**United Water Conservation District
Single Audit Report
Year Ended June 30, 2022
with Independent Auditor's Report**



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**Independent Auditor's 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 Honorable Board of Directors
United Water Conservation District**

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 United Water Conservation District (the District), which comprise the statement of net position as of June 30, 2022, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, 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 5, 2022.

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 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.

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 or significant deficiencies may exist that were not identified.



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*.

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.

**Glendale, California
December 5, 2022**



**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control Over Compliance, and on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

**To the Board of Directors
United Water Conservation District**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Water Conservation District 's (the District) 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, 2022. 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 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, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 provision of contracts or 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 and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 GAAS, *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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-001 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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, 2022, and have issued our report thereon dated December 5, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Glendale, California

March 17, 2023, except for the Schedule of Expenditures of Federal Awards, as to which the date is December 5, 2022

**United Water Conservation District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022**

<u>Assistance Listing Program Title</u>	<u>Assistance Listing Number (ALN)</u>	<u>Award or Pass-through Number</u>	<u>Grant Term</u>	<u>Federal Award</u>	<u>*Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Department of Defense						
<i>Direct Program:</i>						
Defense Community Infrastructure Pilot Program (1)	12.600	HQ00052110077	09/01/2021 - 08/31/2023	\$ 4,230,133	\$ 4,230,133	\$ -
Total Department of Defense				<u>4,230,133</u>	<u>4,230,133</u>	<u>-</u>
Department of Homeland Security - Federal Emergency Management Agency						
<i>Direct Program:</i>						
Hazard Mitigation Grant Program (1)	97.039	FEMA-4407-DR-CA, Project #PJ0042, FIPS #111-91040	10/23/2020 - 03/26/2022	838,903	838,903	-
Total Department of Homeland Security - Federal Emergency Management Agency				<u>838,903</u>	<u>838,903</u>	<u>-</u>
Department of Agriculture - Forest Service						
<i>Passed through NFWS:</i>						
Bird Surveys, Habitat Mapping, and Non-Native Cowbird Removal in Los Padres National Forest (CA)	10.683	806.20.067709	04/01/2020 - 07/31/2023	75,732	62,077	-
Total Department of Agriculture - Forest Service				<u>75,732</u>	<u>62,077</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ 5,144,768</u>	<u>\$ 5,131,113</u>	<u>\$ -</u>

(1) Denotes major program

* The Federal Expenditures for Hazard Mitigation Grant Program from FEMA include \$74,100, which include retention of \$7,410 incurred during the fiscal year 2021. The expenditures were only approved and reported in the Schedule of Expenditures of Federal Awards in the fiscal year 2022. FEMA has approved and paid \$838,903 during the fiscal years 2021, 2022, and 2023 for the District's final claim and retention for the project. As of the date of this report, FEMA has approved all submitted claims.

See accompanying notes to schedule of expenditures of federal awards

NOTE 1 BASIS FOR PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) summarizes the federal awards activity of United Water Conservation District (the District) under programs of the federal government for the year ended June 30, 2022. The information in the SEFA 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 SEFA presents only a selected portion of the operations of the District, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the District as of and for the year ended June 30, 2022.

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the SEFA are recognized on the accrual basis of accounting. Such 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.

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards reported on the SEFA does not agree with total grants and contributions revenue on the Statement of Revenues, Expenses and Changes in Net position as presented in the District's audited financial statements as of and for the year ended June 30, 2022.

**United Water Conservation District
Schedule of Findings and Questioned Costs
Year ended June 30, 2022**

Section I – Summary of Auditor's Result

Financial Statements

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes – Finding 2022-001
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	None

Identification of major programs:

<u>Assistance Listing Number (ALN)</u>	<u>Assistance Listing Program Title</u>
12.600	Defense Community Infrastructure Pilot Program
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

**United Water Conservation District
Schedule of Findings and Questioned Costs
Year ended June 30, 2022**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2022.

Section III – Federal Award Findings

Finding No. 2022-001 – Schedule of Expenditures of Federal Awards (SEFA)

Criteria or Specific Requirement

The SEFA, which is prepared by the auditee and considered supplementary information to the financial statements, is a key part of the reporting package required by the Uniform Guidance. The SEFA also serves as the primary basis that auditors use to determine which programs will be audited as part of the single audit. Therefore, the auditee’s responsibility for preparing an accurate and complete SEFA is critical.

Specifically, §200.510(b) of the Uniform Guidance requires the auditee to prepare a SEFA for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with §200.502 of the Uniform Guidance, “Basis for Determining Federal Awards Expended.”

The auditee’s responsibility to prepare a complete and accurate SEFA is the foundation for a smooth audit. If the SEFA includes errors or omissions, it will surely result in audit inefficiencies, duplicate audit efforts by auditors and revision of the risk assessment process in order to determine major programs, the potential for audit restatement, and/or additional audit costs.

Condition

As discussed above, the SEFA is expenditure driven as opposed to revenue driven. The District initially reported the federal expenditures for ALN 12.600 - Defense Community Infrastructure Pilot program and ALN 97.039 – Hazard Mitigation Grant program based on the federal funds received as opposed to expenditures incurred during the fiscal year 2022. The following material adjustments were made to the SEFA to comply with the Uniform Guidance:

Program Name	Original Reported Amount	Adjustments Made	Revised Expenditures
ALN 12.600 – Defense Community Infrastructure Pilot	\$643,635	\$3,586,498	\$4,230,133
ALN 97.039 – Hazard Mitigation Grant	\$583,020	\$255,883	\$838,903

Cause and Effect

The potential causes for the above errors are as follows:

- Lack of training.
- Lack of controls to ascertain that all federal expenditures are properly included in the SEFA.

Questioned Costs

Not applicable.

Recommendation

We recommend the District revisit its current SEFA preparation process and develop a detailed SEFA preparation checklist to comply with the Uniform Guidance requirements. The District should consider incorporating the SEFA preparation checklist within the monthly and year-end closing process. This will help ensure the completeness and accuracy of the SEFA and help monitor compliance with federal guidelines.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the recommendation and will establish an evaluation process to ensure the SEFA is complete and accurate.

**United Water Conservation District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2022**

There were no prior year findings reported during the fiscal year ended June 30, 2021.



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