

HEBER PUBLIC UTILITY DISTRICT REPORT TO THE BOARD OF DIRECTORS

MEETING DATE: March 20, 2014

FROM: Laura Fischer, General Manager
Prepared by: Graciela López, Finance Manager

SUBJECT: Approve the Amendment to the Single Audit Report for FY2011-2012 Schedule of Federal Awards as Requested by the State Controller's Office.

ISSUE:

Shall the Heber Public Utility Board of Directors approve the amendment to the Single Audit Report Schedule of Federal Awards FY 2011-2012 to include the pass through agency identification number and to amend the amount in the schedule from: \$1,570,430 to \$1,933,085?

GENERAL MANAGER RECOMMENDATION:

Approve the amendment to the Single Audit Report for FY2011-2012 Schedule of Federal Awards as requested by the State Controller's Office.

FISCAL IMPACT:

No Fiscal Impact derived from this amendment.

DISCUSSION:

The State Controllers' Office requested that HPUD amend the Single Audit Report for FY 2011-2012, to include the pass through agency identification number and to amend the amount in the Schedule of Federal Awards Schedule from \$1,570,430 to \$1,933,085.

The difference, \$362,655, represents the Federal share of payment request number 9 for expenditures occurred during May of 2012. HPUD issued a request for reimbursement to the State Revolving Fund and set up an accounts receivable for that amount. The payment was received early in Fiscal Year 2013, and was recorded in our bookkeeping system correctly, however the Federal Awards Schedule included the payment in 2012. HPUD's Single Audit Report must match the Federal Award Schedule.

The Financial Statements do not required an amendment since the expenditures were properly recorded. The federal monies were in transit and received by July 11, 2012.

CONCLUSION:

To comply with the funding agencies and the covenant that federal award monies must be included in the Schedule of Federal Awards of the Single Audit Reports in the Fiscal Year when the expenditures occur and funds have been requested, HPUD must modify our FY 2011-12 Single Audit Report.

Staff recommends approval of modifications to the Single Audit Report Schedule of Federal Awards FY 2011-2012 to include the pass through agency identification number and to amend the amount in the schedule from: \$1,570,430 to \$1,933,085.

ALTERNATIVES:

- a) Not approve the amendment of the FY2011-2012 Single Audit Schedule of Federal Awards. This action will result in a non-compliance with the State Controllers' Office and the California State Water Resources Control Board as the funding agency.

Respectfully Submitted,

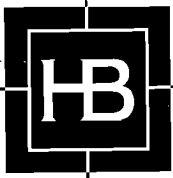
Laura Fischer, General Manager

Attachments:

Original Schedule of Expenditures of the Single Audit Report for FY2011-2012.
Amended Schedule of Expenditures of the Single Audit Report for FY2011-2012, and
Auditor's cover letter.

HEBER PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012

<u>Federal Grant/ Program Title</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through California State Water Resources Control Board			
Clean Water State Revolving Fund	66.458	11-826-550	<u>\$ 1,933,081</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,933,081</u>



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Heber Public Utility District
Heber, California

Compliance

We have audited Heber Public Utility's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Heber Public Utility District's major federal program for the year ended June 30, 2012. Heber Public Utility District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Heber Public Utility District's management. Our responsibility is to express an opinion on Heber Public Utility District's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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 Heber Public Utility 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. Our audit does not provide a legal determination of Heber Public Utility District's compliance with those requirements.

In our opinion, Heber Public Utility District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Heber Public Utility District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Heber Public Utility District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 Heber Public Utility 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Heber Public Utility District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, Board Members, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

December 28, 2012

HEBER PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

HEBER PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012

<u>Federal Grant/ Program Title</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Expenditures</u>
<u>CLEAN WATER STATE REVOLVING FUND</u>			
Clean Water Act	66.458	N/A	\$ <u>1,570,430</u>
		Subtotal 66.458	<u>1,570,430</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,570,430</u>

HEBER PUBLIC UTILITY DISTRICT

**NOTES OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012**

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Heber Public Utility District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.