



# DUBLIN SAN RAMON SERVICES DISTRICT EAST BAY MUNICIPAL UTILITY DISTRICT RECYCLED WATER AUTHORITY

JUNE 30, 2019

SINGLE AUDIT REPORT

Focused  
on YOU



DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT RECYCLED  
WATER AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2019

DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT RECYCLED  
WATER AUTHORITY

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
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 the Uniform Guidance .....	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2019.....	6
Notes to the Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2019.....	8
Summary Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2018.....	10



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  
Dublin San Ramon Services District/  
East Bay Municipal Utility District Recycled Water Authority  
Oakland, 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 basic financial statements of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. 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. We consider Finding No. 201-001 described in the accompanying schedule of findings and questioned costs to be significant deficiency.



To the Board of Directors  
Dublin San Ramon Services District/  
East Bay Municipal Utility District Recycled Water Authority  
Oakland, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
September 20, 2019



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 THE UNIFORM GUIDANCE

To the Board of Directors  
Dublin San Ramon Services District/  
East Bay Municipal Utility District Recycled Water Authority  
Oakland, California

**Report on Compliance for Each Major Federal Program**

We have audited the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority's (Authority) 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 Authority's major federal programs for the year ended June 30, 2019. The Authority'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 Authority'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 Authority'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 Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority, 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.





To the Board of Directors  
Dublin San Ramon Services District/  
East Bay Municipal Utility District Recycled Water Authority  
Oakland, California

### **Report on Internal Control over Compliance**

Management of the Authority 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 Authority'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 Authority'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 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 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.

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

We have audited the financial statements of the Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated September 20, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted 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.



To the Board of Directors  
Dublin San Ramon Services District/  
East Bay Municipal Utility District Recycled Water Authority  
Oakland, 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.

*Lance, Solt & Lughard, LLP*

Sacramento, California  
March 27, 2020 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated September 20, 2019)

DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT  
 RECYCLED WATER AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed-Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<u>U.S Environmental Protection Agency</u>				
Passed through State Water Resources Control Board:				
<b>Clean Water State Revolving Fund Cluster</b>				
Capitalization Grants for Clean Water State Revolving Funds*	66.458	80-83-21913/ D17-01035	\$ -	\$ 2,500,000
<b>Total Clean Water State Revolving Fund Cluster</b>			<b>-</b>	<b>2,500,000</b>
<b>Total Environmental Protection Agency</b>			<b>-</b>	<b>2,500,000</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 2,500,000</b>

\* Major Program

<sup>1</sup> There were no federal awards expended in the form of noncash assistance and insurance in effect during the fiscal year.

**DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT  
RECYCLED WATER AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**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 Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority, 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 Authority 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 expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**b. Basis of Accounting**

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

DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT  
RECYCLED WATER AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

---

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  none reported
  - Material weaknesses identified?  yes  no
- Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

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

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:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between type A and type B program

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT  
RECYCLED WATER AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001: Prior Period Grant Receivable (Significant Deficiency)**

**Criteria**

The Authority's grant expenses impact grant revenues (such as in cost reimbursement grants), therefore grant revenues must be compared and reconciled to grant expenses. Additionally, the Authority should determine that all material revenues, receivables, and related amounts are properly recorded and covered at each fiscal year-end.

**Condition**

As a result of our audit procedures, it was noted that the Authority recorded \$2.5 million in fiscal year 2018-19 as capital contributions, when in fact \$2,340,302 represented reimbursement for costs incurred in previous years.

**Cause**

The Authority did not properly reconcile grant expenses to grant revenues and was not able to determine that all material revenues, receivables, and related amounts were recorded and covered as of June 30, 2018.

**Effect of Condition**

The June 30, 2018 receivable and capital contribution amounts required adjustment to correct the June 30, 2019 beginning net position.

**Recommendation**

We recommend that the Authority implement reconciliation procedures to ensure they are reviewing all grant agreements and reimbursements to ensure revenue and receivables are recorded in the proper period.

**Management's Response and Corrective Action:** The Authority will review all grant agreements and reimbursements to ensure that future revenues and receivables are recorded in the appropriate period.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



*DSRSD • EBMUD Recycled Water Authority*  
*PARTNERS IN WATER RECYCLING*

---

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.