

LAS GALLINAS VALLEY SANITARY DISTRICT
SAN RAFAEL, CALIFORNIA

SINGLE AUDIT REPORT ON FEDERAL AWARDS

Fiscal year ended June 30, 2012

LAS GALLINAS VALLEY SANITARY DISTRICT

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Fiscal year ended June 30, 2012

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Las Gallinas Valley Sanitary District

We have audited the financial statements of the business-type activities of Las Gallinas Valley Sanitary District as of and for the fiscal year ended June 30, 2012, which collectively comprise the Las Gallinas Valley Sanitary District's basic financial statements and have issued our report thereon dated October 30, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Las Gallinas Valley Sanitary District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Las Gallinas Valley Sanitary District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Las Gallinas Valley Sanitary District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Las Gallinas Valley Sanitary District's financial statements are free of 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.

We noted certain matters that we reported to management of Las Gallinas Valley Sanitary District in a separate letter dated October 30, 2012.

Las Gallinas Valley Sanitary District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Las Gallinas Valley Sanitary District's response and, accordingly, we express no opinion on it.

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

Burr Pilger Mayer, Inc.

San Jose, California
October 30, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL
OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Las Gallinas Valley Sanitary District

Compliance

We have audited Las Gallinas Valley Sanitary District'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 Las Gallinas Valley Sanitary District's major federal programs for the fiscal year ended June 30, 2012. Las Gallinas Valley Sanitary District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Las Gallinas Valley Sanitary District's management. Our responsibility is to express an opinion on Las Gallinas Valley Sanitary 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 Las Gallinas Valley Sanitary 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 Las Gallinas Valley Sanitary District's compliance with those requirements.

In our opinion, Las Gallinas Valley Sanitary 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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of Las Gallinas Valley Sanitary 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 Las Gallinas Valley Sanitary 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 Las Gallinas Valley Sanitary 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. 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.

Las Gallinas Valley Sanitary District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Las Gallinas Valley Sanitary District's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures and Federal Awards

We have audited the financial statements of the business-type activities of Las Gallinas Valley Sanitary District as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Las Gallinas Valley Sanitary District's basic financial statements. The schedule of expenditures of federal awards is presented for 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors, management of the Las Gallinas Valley Sanitary District, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burr Pilger Mayer, Inc.

San Jose, California
October 30, 2012

LAS GALLINAS VALLEY SANITARY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal year ended June 30, 2012

	<u>Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Program Expenditures</u>
U.S. Department of the Interior			
Pass-through from the Sonoma County Water Agency			
Water Reclamation and Reuse Program	15.504	R10AC20093	\$ 335,119
Water Reclamation and Reuse Program - ARRA	15.504	R10AC20R87	846,756
Subtotal U.S. Department of the Interior			<u>1,181,875</u>
Total expenditures of federal awards			<u><u>\$ 1,181,875</u></u>

See accompanying note to schedule of expenditures of federal awards.

LAS GALLINAS VALLEY SANITARY DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year ended June 30, 2012

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 Las Gallinas Valley Sanitary District that are reimbursable under the programs of federal agencies providing financial assistance. For the purposes of this schedule, financial assistance includes 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 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 modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the District 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.

LAS GALLINAS VALLEY SANITARY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal year ended June 30, 2012

A. Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no significant deficiencies or material weaknesses in internal control over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements of the auditee.
4. There were no instances of audit findings that were significant deficiencies and no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed one audit finding required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was as follows:
 - Department of the Interior – Water Reclamation and Reuse Program - ARRA – CFDA #15.504
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee was considered a low risk auditee for the fiscal year ended June 30, 2012 for the purposes of determining major programs.

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

There were no findings.

C. Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There were no audit findings as defined in Paragraph .510(a) of OMB Circular A-133.

LAS GALLINAS VALLEY SANITARY DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal year ended June 30, 2012

There were no prior audit findings from the previous audit reports requiring follow up during the year ended June 30, 2012.