



**Santa Clara Valley Water District
Single Audit Report
Year Ended June 30, 2024
With Independent Auditor's Report**



**Santa Clara Valley Water District
Single Audit Report
*Year Ended June 30, 2024
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***

Board of Directors
Santa Clara Valley Water District
San Jose, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara 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 20, 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. 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.

Vasquez & Company LLP

Glendale, California

January 15, 2025



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

**Board of Directors
Santa Clara Valley Water District
San Jose, California**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Santa Clara Valley Water 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, 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 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 (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 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 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

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.

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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, 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 20, 2024, 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 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 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.

Vasquez & Company LLP

Glendale, California

January 15, 2025, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is December 20, 2024.

**Santa Clara Valley Water District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2024**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number (ALN)	Program Identification Number	Pass- Through Entity/ Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
MAJOR PROGRAMS					
<u>U.S. Department of the Interior Bureau of Reclamation</u>					
Direct Assistance:					
Title XVI Water Reclamation and Reuse Program - South Santa Clara County Recycled Water Project (South County Project) Phases 1B and 2A	15.504	R16AP00206	N/A	\$ -	\$ 812,674
	Total for ALN 15.504			-	812,674
<u>U.S. Environmental Protection Agency</u>					
Direct Assistance:					
San Francisco Bay Area Water Quality Improvement Fund for the Calabazas/San Tomas Aquino Creek- March Connection Project	66.126	98T55101	N/A	-	321,437
San Francisco Bay Area Water Quality Improvement Fund for the Nine Creek Cleanup Project in Santa Clara County	66.126	98T61001	N/A	-	553,282
	Total for ALN 66.126			-	874,719
	Total Major Programs			-	1,687,393
NON-MAJOR PROGRAMS					
<u>U.S. Department of the Interior Bureau of Reclamation</u>					
Direct Assistance:					
USBR Drought Response Plan	15.514	R21AC10055	N/A	-	8,683
	Total for ALN 15.514			-	8,683
<u>Federal Emergency Management Agency (FEMA)</u>					
Direct Assistance:					
FEMA-4683-DR-CA, Lenihan Log Boom	97.036	715867	N/A	-	4,533
FEMA-4683-DR-CA, CAT A DEBRIS	97.036	741039	N/A	-	4,077
FEMA-4683- DR-CA, Chesbro	97.036	737976	N/A	-	4,914
FEMA-4683- DR CA, CAT D_SAN FRANCISQUITO	97.036	737976	N/A	-	20,490
	Total for FEMA			-	34,014
	Total Non-Major Programs			-	42,697
				\$ -	\$ 1,730,090

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the federal award activity of Santa Clara Valley Water District (the District) under programs of the federal government for the year ended June 30, 2024. For purposes of this Schedule, financial awards include federal awards received directly from federal agencies, as well as federal funds received indirectly by the District from non-federal agencies or other organizations. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying Schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying Schedule.

The information in this Schedule 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 Schedule 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 position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures reported on the Schedule are reported on the accrual basis of accounting except that the lending of certain federal award monies and acquisition of capital assets are reported as expenditures of federal funds. 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 not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2024, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 4 RELATIONSHIP TO ANNUAL COMPREHENSIVE FINANCIAL REPORT

Amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the District's Annual Comprehensive Financial Report.

**Santa Clara Valley Water District
Schedule of Findings and Questioned Costs
Year ended June 30, 2024**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance with respect to major federal 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 Federal Programs:

<u>Assistance Listing Number (ALN)</u>	<u>Name of Federal Program or Cluster</u>
15.504	Title XVI Water Reclamation And Reuse Program
66.126	San Francisco Bay Water Area Quality Improvement Fund

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

Section II – Financial Statement Findings

There were no financial statement findings for the fiscal year ended June 30, 2024.

Section III – Federal Award Findings

There were no federal award findings for the fiscal year ended June 30, 2024.

Santa Clara Valley Water District
 Summary Schedule of Prior Audit Findings
 Year ended June 30, 2024

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>Finding FS 2023-001</p> <p>Improve Internal Control in the Preparation of the Schedule of Expenditures of Federal Awards (SEFA)</p>	<p>Condition</p> <p>During our audit of the fiscal year 2023 SEFA submitted by the District, we noted that the schedule includes federal expenditures for the South Santa Clara County Recycled Water Project which was incurred in 2022. The information for these expenditures was included in the fiscal year 2023 SEFA since these were claimed for reimbursement in March 2023. The total amount of expenditures was \$980,932 which exceeded the threshold for a single audit. Because of these conditions, the 2022 single audit was not performed.</p> <p>The expenditures were included in the 2023 SEFA and the program was considered a major program in the 2023 single audit.</p> <p>Management's Response and Action Plan</p> <p>The construction for this project was delayed from FY2015 and there were no contract services expenses incurred until FY2022, fourth quarter. The Grants and Claims Management Unit was not informed until November 2022 (FY2023, second quarter) that the District had incurred construction costs, which led to the reimbursement claim in FY2023 to include both FY2022 and FY2023 expenditures.</p> <p>The District has been monitoring and reporting expenditures accurately and timely on all active grants. It was a one-time issue and the District still has an overall solid internal control process in place. The District has since taken action and corrected the issues related to this finding.</p>	<p>Fully implemented</p>	<p>N/A</p>

**Santa Clara Valley Water District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2024**

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>The Grants and Claims Management Unit implemented additional controls over the year-end close processes to ensure that all expenditures are accrued for year-end and included in the SEFA. The District is now running a general ledger report quarterly for grants with semi-annual reporting requirements to ensure expenditures are captured within the fiscal year regardless of when construction activity has begun. In addition, the year-end checklist has been updated to ensure that the year-end expenditure review is completed by the project management team for each grant.</p> <p>The Finance department will provide more training and frequent communication with the project management team to ensure that all grant expenditures during the year are accounted for. The department will also continue to proactively enforce the existing policies and procedures requiring departments to complete expenditure reporting.</p>		
<p>Finding SA 2023-001</p> <p>Noncompliance with the Single Audit Reporting Requirements</p>	<p>Condition</p> <p>The District failed to report federal expenditures amounting to \$980,932 in FY 2022. Since the FY 2022 expenditures exceeded the \$750,000 threshold, the District failed to comply with the compliance audit requirements of the Uniform Guidance in FY 2022 and the single audit report submission with the Federal audit Clearinghouse.</p> <p>Management's Response and Action Plan</p> <p>The District has been monitoring and reporting expenditures accurately and timely on all active grants. It was a one-time issue and the District still has an overall solid internal control process in place. The District has since taken action and corrected the issues related to this finding.</p>	Fully implemented	N/A

**Santa Clara Valley Water District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2024**

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>The Grants and Claims Management Unit implemented additional controls over the year-end close processes to ensure that all expenditures are accrued for year-end and included in the SEFA. The District is now running a general ledger report quarterly for grants with semi-annual reporting requirements to ensure expenditures are captured within the fiscal year regardless of when construction activity has begun. In addition, the year-end checklist has been updated to ensure that the year-end expenditure review is completed by the project management team for each grant.</p> <p>The Finance department will provide more training and frequent communication with the project management team to ensure that all grant expenditures during the year are accounted for. The department will also continue to proactively enforce the existing policies and procedures requiring departments to complete expenditure reporting.</p>		



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