

**CITY OF COACHELLA
SINGLE AUDIT REPORTS
ON FEDERAL AWARDS PROGRAM**

Year Ended June 30, 2012



**Sonnenberg & Company CPAs
A Professional Corporation**



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Leonard C. Sonnenberg, CPA

City of Coachella Single Audit Reports On Federal Award Programs June 30, 2012

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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

City Council
City of Coachella
Coachella, California

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 the City of Coachella (the City), California as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 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 the City's internal control over financial reporting as a basis for designing our audit 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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 business of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 the City'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 the City in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of the City Council, management, others within the City, 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.

December 10, 2012


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Independent Auditor's 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

City Council
City of Coachella
Coachella, California

Compliance

We have audited the City of Coachella's (the City) 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 the City's major federal programs for the year ended June 30, 2012. The City'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 the City's management. Our responsibility is to express an opinion on the City'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 Nonprofit 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 the City'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 on the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City'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 the City'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, each major fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the City's basis 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 records and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the 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 taken as a whole.

This report is intended solely for the information and use of the City Council, management, others within the City, 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.

December 10, 2012


Sonnenberg & Company, CPAs

CITY OF COACHELLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2012

Program Title	Federal CFDA Number	Grant/Contract Number	Expended Federal Expenditures
U.S. Department of Housing and Urban Development: Neighborhood Stabilization Program	14.264	09-NSP01-6300	\$ 56,192
<i>Passed-through State of California Department of Housing and Community Development:</i> Healthcare Feasibility Study	14.228	09-PTAG-6524	<u>17,623</u>
Total U.S. Department of Housing and Urban Development			73,815
U.S. Department of Transportation: Checkpoint	20.608	SC11 082	35,891
<i>Passed-through State of California Department of Transportation:</i> <i>Highway Planning and Construction Program:</i> Dillon Road Grade Separation	20.205	08-925010	32,554
Ave 52 Grade Separation	20.205	CML 5294(007)	880,796
Safe Routes to School	20.205	SR2SL-5294(008)	88,080
SRTS Cycle 8	20.205	SRTSL-5294(009)	<u>3,776</u>
Total U.S. Department of Transportation			1,041,097
U.S. Department of Agriculture ARRA-Ave 54 Wastewater Treatment Plant Expansion Loan	10.XXX		2,575,022
U.S. Department of Energy Replace Traffic Signal Lights	81.128	DE-EE0001948	<u>214,234</u>
TOTAL FEDERAL AWARDS			\$ <u><u>3,904,168</u></u>

See Auditor's Report

City of Coachella
Notes to the Schedule of Expenditures of Federal Awards
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 (and related awards received) by the City of Coachella that are reimbursable or loaned under 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 City of Coachella from a non-federal agency or other organization. Only the portion of the program expenditures reimbursable or loaned 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 City of Coachella becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had two major programs for the year ended June 30, 2012, consisting of a loan from the U.S. Department of Agriculture, Avenue 54 Wastewater Treatment Plant Expansion which had total expenditures of \$2,575,022, and the U.S. Department of Transportation, Highway Planning and Construction Program which had total expenditures of \$1,005,206. Total major program expenditures calculate to 92% of the total disbursements from federal awards.

d) Federally Funded Loan Program

The Coachella Sanitary District received a grant for the expansion of the sewer treatment plant for up to \$3,000,000. The loan is to be paid in annual installments commencing twenty years from completion of construction. Loan proceeds for the year ended June 30, 2012, were \$2,575,022 and are included in the Schedule.

City of Coachella
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? No

Significant Deficiency(ies) Identified not Considered
to be Material Weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified? No

Significant Deficiency(ies) Identified not Considered
to be Material Weaknesses No

Type of Auditors' Report Issued on Compliance for
Major Programs: Unqualified

Any Audit Findings Disclosed that are Required to be Reported
in Accordance With OMB Circular A-133, Section .510(a)? No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.XXX	U.S. Department of Agriculture – ARRA-Ave 54 Wastewater Treatment Plant Expansion Loan
20.205	U.S. Department of Transportation – Highway Planning and Construction Program

Dollar Threshold used to Distinguish Between Type A and
Type B Programs? \$300,000

Auditee Qualified as Low-Risk Auditee? No

Section II – Financial Statement Findings

No findings were reported.

Section III – Federal Award Findings and Questioned Costs

No findings were reported.

City of Coachella
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2012

No findings were reported in the prior year.