

AGENDA
East Valley Reclamation Authority
March 7, 2017
2:30 p.m.
150 Civic Center Mall, Indio

- 1. Call to Order and ROLL CALL:** President Glenn Miller (*City of Indio*)
Vice President William Teague (*Valley Sanitary District*)
Secretary Michael Wilson (*City of Indio*)
Treasurer Merritt Wiseman (*Valley Sanitary District*)

2. PLEDGE OF ALLEGIANCE

- 3. PUBLIC COMMENT** *This is the time set aside for public comment on any matter not appearing on the agenda. If you wish to speak, please complete a "request to speak" form and limit your comments to three minutes (forms are located in the lobby of Council Chamber). Please watch the timing device on the podium.*

4. CONSENT CALENDAR:

- a. Minutes of December 6, 2016 (*Holly Gould, EVRA Board Clerk*)
Recommendation: Approve
- b. Warrants **Recommendation: Approve**

5. ADMINISTRATIVE ITEMS:

- a. EVRA Authority Financial/Model Analysis Update (*Joseph Glowitz, General Manager, Valley Sanitary District*) **Recommendation: Receive/File**
- b. Fiscal Year 2015-16 Audited Financial Statements
Recommendation: Receive/File
- c. Recycled Water/Non-Potable Water Strategy Update

6. GENERAL MANAGER'S REPORT:

- a. CASA/ACWA Events in Washington, DC
- b. WateReuse California Annual Conference, March 19-21, 2017

7. AUTHORITY BOARD MEMBER COMMENTS AND/OR QUESTIONS

8. ADJOURN

NEXT MEETING: June 6, 2017

Agenda packets are available on the City's website at www.indio.org and on the Valley Sanitary District website at www.valley-sanitary.org.

Materials related to an item on this Agenda submitted after distribution of the agenda packet are available for public inspection at the front counter of the lobby of the Indio City Hall Administration Building at 100 Civic Center Mall, Indio, during normal City business hours and during the meeting as well as the offices of Valley Sanitary District located at 45500 Van Buren Street Indio.

PUBLIC NOTICE

The Indio City Council Chamber is handicapped accessible. Persons with disabilities can receive the agenda in an alternative format and should call the City Clerk's office at 760-391-4007. Notification 48 hours prior to a meeting will enable the City to make reasonable arrangements to ensure accessibility to that meeting (28 CFR 35.102.35 104 ADA Title 11).

DECLARATION OF POSTING

I, Maria Ysiano, Deputy City Clerk, do hereby declare that the foregoing agenda was posted on the outside entry to the Council Chamber, 150 Civic Center Mall on March 3, 2017.



Maria Ysiano,
Secretary

UNOFFICIAL UNTIL APPROVED BY EVRA

EAST VALLEY RECLAMATION AUTHORITY JOINT POWERS AUTHORITY DECEMBER 6, 2016 MINUTES

President Glenn Miller called to order the meeting of the East Valley Reclamation Authority at 2:35 p.m. in the Valley Sanitary District Board Room located at 45-500 Van Buren Street, Indio, California.

ROLL CALL:

DIRECTORS PRESENT: President Glenn Miller, *City of Indio*
Vice President William Teague, *Valley Sanitary District*
Secretary Michael Wilson, *City of Indio*
Treasurer Merritt Wiseman, *Valley Sanitary District*

STAFF PRESENT: Joseph Glowitz – General Manager, *Valley Sanitary District*
Brian Macy – General Manager, *Indio Water Authority*
Holly Gould – EVRA Clerk of the Board, *Valley Sanitary District*
Dennis Coleman – Manager of Customer Service & Finance, *Indio Water Authority*
Javier Estrada – Senior Accountant, *Indio Water Authority*
Erick Del Bosque – Manager of Engineering & Water Quality, *Indio Water Authority*
Adekunle Ojo – Management Analyst, *Indio Water Authority*

PUBLIC COMMENT - NONE

1. CONSENT CALENDAR

- a. Minutes of June 7, 2016

It was moved by Vice President Teague, seconded by Secretary Wilson and unanimously carried to **ADOPT** the Consent Calendar as submitted.

2. ADMINISTRATIVE ITEMS

- a. Fiscal Year 2016/2017 Second Quarter Budget Report **Receive/File**

Mr. Colman presented the Second Quarter Budget Report for Fiscal Year 2016/2017. He also reported that the audit has concluded and will be presented at the March 7, 2017 meeting.

- b. Election of Officers

It was moved by Vice President Teague, seconded by Secretary Wilson, and unanimously carried to maintain the current East Valley Reclamation Authority Board positions for the upcoming year.

- c. Resolution of the Board of Directors of the East Valley Reclamations Authority Appointing the Clerk of the Board

It was moved by Secretary Wilson, seconded by Treasurer Wiseman, and unanimously carried to **APPROVE** Resolution 2016-11 appointing Maria Ysiano of Indio Water Authority as Clerk of the Board of the East Valley Reclamation Authority until December 31, 2017.

- d. Discussion of Federal Grants **Receive/File**

Mr. Glowitz briefed the Board on several Bureau of Reclamation grants as well as potential Proposition 1 funding opportunities.

3. GENERAL MANAGERS' REPORT

Mr. Del Bosque gave an update on the Recycled Water Feasibility Study. The Bureau of Reclamation (BOR) issued a letter outlining concerns of the study. A letter of clarification has been sent to the BOR in response. Staff is now awaiting review of the response letter by BOR. An amendment of the feasibility study will be needed to address the major topics.

Mr. Glowitz updated the Board on Valley Sanitary District's Requa Project night work schedule.

4. AUTHORITY BOARD MEMBER COMMENTS AND/OR QUESTIONS - NONE

ADJOURN

There being no further business to discuss, the meeting **ADJOURNED** at 3:03 p.m.

HOLLY GOULD
EVRA Clerk of the Board

Prepared: 03/02/2017, 11:54:38
Program: GM1791
Bank: 00 IWA Union Bank of California

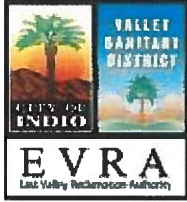
INDIO WATER AUTHORITY
CHECK REGISTER BY FUND

CHECK DATE	CHECK NUMBER	VENDOR NAME	INVOICE	DESCRIPTION	G/L NUMBER	PROJECT	PERIOD/ YEAR	AMOUNT
02/23/2017	7321	223 CITY OF INDIO	64161	2/8 EVRA FY 15-16 AUDIT	050-4711-471.21-20		8/2017	2,925.00
							Total	2,925.00
					1 Checks	** Fund Total		2,925.00

Warrant Register for East Valley Reclamation Authority

Approved by:  _____
Dennis Coleman, Manager of Finance

Date: March 2, _____, 2017



**SUBMITTAL TO THE JOINT POWERS AUTHORITY
EAST VALLEY RECLAMATION AUTHORITY**

Board of Directors Meeting
March 7, 2017

FROM: EVRA JPA Staff

SUBJECT: Fiscal Year 2015-16 Audited Financial Statements

RECOMMENDED MOTION: Receive and File

SUMMARY: The East Valley Reclamation Authority (EVRA) is required to have an independent auditor conduct a financial audit each fiscal year. For the fiscal year ended June 30, 2016, the firm of Lance, Soll & Lunghard LLP conducted the audit. It is their opinion that the annual financial reports present fairly in all material respects, the financial position of EVRA and the reports are in conformity with accounting principles generally accepted in the United States.

Financial Highlights

- Total Net Position for all EVRA funds totaled \$100,183, an increase of \$44,641 from the prior fiscal year.
- Non-Operating revenues totaled \$50,000, equal to the amount from the prior fiscal year.
- Operating expenses totaled \$5,359, an increase of \$987 from the prior fiscal year.

The auditors had no findings for this fiscal year.

Brian Macy

Prepared by:
Brian Macy

	Account Number	Dollars
Costs associated with this action		\$0.00
Current Fiscal Year Budget		\$0.00

Legal Review		N/A
City of Indio Review	Brian Macy	<i>Brian Macy</i>
Valley Sanitary District Review	Joseph Glowitz	<i>Joseph Glowitz</i>

EAST VALLEY RECLAMATION AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2016

EAST VALLEY RECLAMATION AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2016

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CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Valley Reclamation Authority
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the East Valley Reclamation Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





CPAs AND ADVISORS

To the Board of Directors
East Valley Reclamation Authority
Indio, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Valley Reclamation Authority, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Loughard, LLP".

Brea, California
January 12, 2017

EAST VALLEY RECLAMATION AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2016

Assets:

Current assets:

Cash and investments \$ 100,798

Total current assets 100,798

Total assets **100,798**

Liabilities:

Current liabilities:

Accounts payable 615

Total current liabilities 615

Total liabilities **615**

Net Position:

Unrestricted 100,183

Total Net Position **\$ 100,183**

EAST VALLEY RECLAMATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

Operating expenses:

General and administrative	\$ 5,359
Total Operating Expenses	<u>5,359</u>
Operating Income (Loss)	<u>(5,359)</u>

Nonoperating revenues:

Contributions from member agencies	<u>50,000</u>
Total nonoperating revenues	<u>50,000</u>

Change in net position 44,641

Net position at beginning of fiscal year 55,542

Net position at end of fiscal year **\$ 100,183**

EAST VALLEY RECLAMATION AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:

Cash paid for general and administrative costs \$ (5,589)

Net cash used by operating activities (5,589)

Cash flows from non-capital financing activities:

Contributions from member agencies 50,000

Net cash provided by non-capital financing activities 50,000

Net increase in cash and cash equivalents 44,411

Cash and cash equivalents at the beginning of the year 56,387

Cash and cash equivalents at the end of the year \$ 100,798

**Reconciliation of operating income to net cash used
by operating activities:**

Operating loss \$ (5,359)

**Adjustments to reconcile operating loss to net cash
used by operating activities**

Decrease in accounts payable (230)

Net cash used by operating activities \$ (5,589)

EAST VALLEY RECLAMATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies

a. Organization

The East Valley Reclamation Authority (EVRA) was created in December 2013 by a Joint Exercise of Powers Agreement (Agreement) between the Valley Sanitary District (VSD) and the City of Indio through the Indio Water Authority (IWA).

The purpose of the EVRA is to develop and implement a planning, programming, funding, construction, and operation strategy for a joint reclaimed/recycled water facility which will provide either recycled water for non-potable use or treated water for groundwater replenishment, and to engage in any other transactions authorized by the Agreement.

According to the agreement, the VSD is responsible for wastewater treatment of municipal sewage as required by permit issued by the California Regional Water Quality Control Board and the IWA is responsible for the conveyance, distribution, and treatment of water necessary to comply with standards for potable use and groundwater replenishment.

The Board of Directors (Board) consists of four members. Two members are appointed by the legislative body of the VSD and two members are appointed by the legislative body of the IWA. Only currently active members of the legislative bodies of the City and VSD may be appointed to the Board. The Board is authorized to exercise those powers necessary or reasonably convenient to carry out the purposes of the Agreement. The President of the Board is selected from among the members of the Board and alternate each calendar year between VSD and the City. The President of the Board is the ex officio member of all standing committees and has the general powers and duties of management of the EVRA.

The Board may adopt, from time to time, such policies, procedures, bylaws, rules and regulations for the conduct of the EVRA's affairs as deemed necessary. The Agreement shall remain in effect unless the Board approves the dissolution of the EVRA. However, the Agreement may not be terminated, and no Member Agency may withdraw its membership until all outstanding obligations of the EVRA have been paid in full or provision has been made for payment in full. In the event of dissolution or termination of the EVRA, the assets of the EVRA shall be distributed to the Members in such manner as shall be determined by the Board.

The books and records for EVRA are maintained by the Indio Water Authority Finance Department at 83101 Avenue 45, Indio, CA 92201.

b. Measurement Focus and Basis of Accounting

EVRA reports its activities as an enterprise fund, which is used to account for operations that are financed and conducted in a manner similar to a private business enterprise, wherein the intent of EVRA is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The user charges will primarily consist of charges for operation and maintenance costs which will also include any ongoing costs to lease or purchase real property to accommodate the reclaimed/recycled water facility.

An enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reflects revenues in the accounting period in which they are earned and expenses are recognized in the period incurred.

EAST VALLEY RECLAMATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability.

c. Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and may include amounts based on estimates and assumptions by management. Actual results could differ from those amounts reported.

d. Capital Assets

Capital assets are recorded at cost where historical records are available and at estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

The following schedule summarizes capital asset useful lives:

Machinery, equipment and vehicles	3-20 years
Improvements	40 years
Infrastructure	40 years
Water walls and pumps	70 years

Depreciation is computed using the straight-line method over the estimated useful life of the asset in the financial statements.

e. Net Position

Governmental Accounting Standards Board (GASB) Statement No. 63 adds the concept of Net Position, which is measured on the full accrual basis.

Net Position is divided into three captions under GASB Statement No. 63. These captions apply only to Net Position as determined at the government-wide and proprietary fund level, and are described below:

Net Investment in Capital Assets describes the portion of net position, which is represented by the current net book value of the EVRA's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the EVRA cannot unilaterally alter. These principally include charges for services and contribution from members received for use on capital projects and debt service requirements.

Unrestricted describes the portion of net position which is not restricted as to use.

EAST VALLEY RECLAMATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: EVRA Project and Financing

The EVRA was created to develop and implement a planning, programming, funding, construction, and operation strategy for a joint reclaimed/recycled water facility which will provide either recycled water for non-potable use or treated water for groundwater replenishment.

The EVRA is currently in the planning stages of the reclaimed/recycled water facility project, and is focusing on joining a recycled water association for increased collaboration and a reclaimed water project, and seeking grant funding for future projects. The IWA and the VSD are each responsible for 50% of the EVRA's costs and expenses, except that VSD is responsible for 100% of the costs and expenses associated with the design and construction of facilities for VSD's compliance with any permit terms. There are currently no ongoing projects or budgets for projects.

Note 3: Cash and Investments

EVRA's funds are included as part of the City of Indio Water Authority's cash. EVRA currently does not have any investments. Future EVRA investments may be deposited within the City of Indio's investment portfolio and will be subject to the City's investment policy. Disclosures regarding the City's investment portfolio are included in the City's Comprehensive Annual Financial Report.

Note 4: Member Contributions

Members paid the following amounts during the fiscal year ended June 30, 2016:

<u>Member</u>	<u>Contributions from Member Agencies</u>
City of Indio through the Indio Water Authority	\$ 25,000
Valley Sanitary District	25,000
Totals	<u>\$ 50,000</u>

Note 5: Commitments and Contingencies

In the normal course of operations, the members have been subjected to certain routine litigation matters which are relevant to EVRA. The ultimate outcome of these lawsuits is not presently determinable; however, in the opinion of management, the amount of losses that might be sustained, if any, would not materially affect the financial position of EVRA.



CPAs AND ADVISORS

January 12, 2017

To the Board of Directors
East Valley Reclamation Authority
Indio, California

We have audited the financial statements of the East Valley Reclamation Authority (the Authority) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our presentation to you dated October 4, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.



7 Page ANNY ADVISORS

To the Board of Directors
East Valley Reclamation Authority
Indio, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

New Auditing Standard No. 130

This new auditing standard is effective for financial periods ending on or after December 15, 2016; for most California municipalities it is effective for the period July 1, 2016 through June 30, 2017 and future periods thereafter. The standard allows CPA firms to issue an opinion on the financial statements conformity with generally accepted accounting principles, as well as an opinion on the operating effectiveness of internal controls over financial reporting through an integrated audit. This standard does not change the objectives of a financial statement audit, it only enhances the value and scope of a financial statement audit and increases the level of assurance provided by CPA firms on financial controls. Municipalities should look to perform an integrated audit for more assurance on the operating effectiveness of internal controls over financial reporting.



To the Board of Directors
East Valley Reclamation Authority
Indio, California

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2015-2016 audit:

GASB Statement No. 72, *Fair Value Measurement and Application*.

GASB Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments*.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2016-2017

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

GASB Statement No. 77, *Tax Abatement Disclosures*.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14*.

GASB Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73*.

Fiscal year 2017-2018

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 81, *Irrevocable Split Interest Agreements*.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the East Valley Reclamation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brea, California



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
East Valley Reclamation Authority
Indio, 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 financial statements of the East Valley Reclamation Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 12, 2017.

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. 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.

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*.





CPAs AND ADVISORS

To the Board of Directors
East Valley Reclamation Authority
Indio, California

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.

Lance, Solt & Loughard, LLP

Brea, California
January 12, 2017

EAST VALLEY RECLAMATION AUTHORITY

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

SECTION I – CURRENT YEAR FINDINGS

No matters were reported.

SECTION II – PRIOR YEAR FINDINGS

No matters were reported.