
TOWN OF APPLE VALLEY, CALIFORNIA
SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS
FISCAL YEAR ENDED JUNE 30, 2020

TOWN OF APPLE VALLEY, CALIFORNIA
JUNE 30, 2020
TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	01
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	03
Schedule of Expenditures of Federal Awards	06
Notes to the Schedule of Expenditures of Federal Awards	08
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	12

**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**

The Honorable Town Council
Town of Apple Valley
Apple Valley, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Apple Valley (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 statement. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshwal & Company LLP

**Oakland, California
May 31, 2021**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

The Honorable Town Council
Town of Apple Valley
Apple Valley, California

Report on Compliance for Each Major Federal Program

We have audited the Town of Apple Valley's 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 Town's major federal programs for the year ended June 30, 2020. The Town'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 Town'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, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and 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 Town'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 Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Apple Valley, 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, 2020.

Report on Internal Control Over Compliance

Management of the Town 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 Town'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 Town'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. 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Apple Valley, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated May 31, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

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.

Harshwal & Company LLP

**Oakland, California
May 31, 2021**

TOWN OF APPLE VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Program Expenditures</u>	<u>Amount Provided to Sub- Recipients</u>
<u>U.S. Department of Transportation</u>			
Pass-through California Department of Transportation: Highway Planning and Construction	20.205	\$ 295,924	\$ -
Total U.S. Department of Transportation		<u>295,924</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Assistance:			
Community Development Block Grant	14.218	431,344	86,504
Community Development Block Grant	14.218	5,119	-
Neighborhood Stabilization Program (NSP-3)	14.218	6,119	-
		<u>442,582</u>	<u>86,504</u>
HOME Investment Partnership Program	14.239	42,227	-
Total Department of Housing and Urban Development		<u>484,809</u>	<u>86,504</u>
<u>U.S. Department of Justice</u>			
BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	58,791	-
Passed through the California Board of State and Community Corrections:			
Youth Gang Prevention	16.544	7,173	-
Total Department of Justice		<u>65,964</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Management Agency			
Passed through the San Bernardino County			
Fire Protection District:			
Homeland Security Grant	97.067	25,366	-
Homeland Security Grant Program - FY17 HSGP	97.067	17,510	-
		<u>42,876</u>	<u>-</u>
Passed Through the San Bernardino County Fire Protection District			
Emergency Management Performance Grant - FY 2017	97.042	16,984	-
Emergency Management Performance Grant - FY 2018	97.042	17,007	-
Emergency Management Performance Grant - FY 2019	97.042	3,563	-
		<u>37,554</u>	<u>-</u>
Total Department of Homeland Security		<u>80,430</u>	<u>-</u>

TOWN OF APPLE VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	Federal CFDA Number	Program Expenditures	Amount Provided to Sub- Recipients
<u>U.S. Department of the Interior</u>			
Bureau of Reclamation			
Apple Valley Desert Water Reuse Project	15.514	299,000	-
		<u>299,000</u>	<u>-</u>
<u>U. S. Department of Treasury</u>			
Passed Through the State of California, Department of Finance			
State Coronavirus Relief Funding Allocation to Cities	21.019	596,956	-
Passed Through the County of San Bernardino			
CARES Act Coronavirus Relief Funds for Local Government Spending	21.019	441,952	-
Passed Through the County of San Bernardino			
CARES Act Coronavirus Relief Funds for Local Government Infrastructure Projects	21.019	13,223	-
CARES Act Coronavirus Relief Funds for Local Government Infrastructure Projects	21.019	13,750	-
		<u>1,065,881</u>	<u>-</u>
Total Federal Expenditures		<u>\$ 2,292,008</u>	<u>\$ 86,504</u>

TOWN OF APPLE VALLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the Town of Apple Valley that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received from pass-through entities by the Town of Apple Valley. 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 the 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 Town of Apple Valley 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. The Town did not elect to use the 10% de minimis cost rate as covered in Section 200.414 Indirect (F & A) costs.

C. Subrecipient Expenditures

During the fiscal year ended June 30, 2020, the Town of Apple Valley made payments to subrecipients which consisted of the following:

Assistance League of Victor Valley	\$ 10,000
AV Police Activities League	6,805
Fair Housing	9,974
Family Assistance League	9,974
Feed My Sheep Ministries	20,541
Rolling Start Sanctuary	3,210
HD Homeless Services	10,000
Victor Valley Community Services Council	8,000
Cedar House Life Change Center	<u>8,000</u>
	<u>\$ 86,504</u>

D. Prior Period adjustment

Town is a subrecipient of Emergency Management Performance Grant Program (CFDA # 97.042) funds passed through from the U. S. Department of Homeland Security/Federal Emergency Management Agency, passed through the Governor's Office of Emergency Services (CalOES), which is passed through the San Bernardino County Fire Protection District, which is reported on the Schedule at \$40,167; this amount includes \$17,007 and \$16,984 for the fiscal years ended June 30, 2019 and 2018, respectively not previously reported.

TOWN OF APPLE VALLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS - CONT'D

E. Major Programs

The Town had a major program for the year ended June 30, 2020, the Coronavirus Relief Fund which had total disbursements of \$1,065,881, this amount calculates to 47% of the total disbursements from federal awards.

**TOWN OF APPLE VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	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 programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

**TOWN OF APPLE VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS - NONE

**TOWN OF APPLE VALLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001: Expenditures in Excess of Adopted Budget

Current Status: Corrective Action has been taken.

2018-003: Vendor Contracts

Current Status: Corrective Action has been taken.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - NONE