



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Auditor

• **Single Audit Report for the Fiscal Year Ended June 30, 2011**

Summary

Single Audit Report for the Fiscal Year Ended June 30, 2011

Detailed Report

The Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, requires state or local government units that expend \$500,000 or more of federal financial assistance in any one-year to have an audit conducted for that year. Metropolitan's accrual basis financial statements are audited annually by the firm of KPMG, in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accounts (AICPA). In the event that a so-called "Single Audit" is required to be conducted for a particular year, the cost of such an audit is included as part of the required audit services provided by that firm under its agreement with Metropolitan.

Auditors, who conduct audits pursuant to the Single Audit Act, are required to comply with Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book), as well as requirements of the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. These standards require that the external auditor, in addition to the traditional auditor report on the entity general-purpose financial statements, issue various reports. The AICPA has established authoritative guidance on the form and content of the reports required by the Single Audit Act.

Due to the magnitude of federal sources, moneys expended during the fiscal year ended June 30, 2009; Metropolitan was required to have a Single Audit performed. Staff from KPMG performed the necessary additional auditing procedures and the firm issued the required audit reports. Copies of these audit reports will be transmitted to the agencies that require such reports, namely:

- U.S. Bureau of the Census
- The State Controller of California

A copy of the required Single Audit Report from KPMG is **attached** to this letter for information purposes.

Attachment - Single Audit Report for the Fiscal Year Ended June 30, 2011



**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Single Audit Reports

Year ended June 30, 2011

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Table of Contents

	Page
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>	1
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each of the Major Programs and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

**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 Board of Directors
The Metropolitan Water District of Southern California:

We have audited the financial statements of The Metropolitan Water District of Southern California (Metropolitan) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. 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 Metropolitan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metropolitan's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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 Metropolitan'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*.



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

KPMG LLP

October 18, 2011



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each of the Major Programs and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
The Metropolitan Water District of Southern California:

Compliance

We have audited The Metropolitan Water District of Southern California's (Metropolitan) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Metropolitan's major federal program for the year ended June 30, 2011. Metropolitan's major federal program is 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 its major federal program is the responsibility of Metropolitan's management. Our responsibility is to express an opinion on Metropolitan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metropolitan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metropolitan's compliance with those requirements.

In our opinion, The Metropolitan Water District of Southern California complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

The management of Metropolitan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metropolitan'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 Metropolitan'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 Metropolitan as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 management, Metropolitan's board of directors, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 21, 2012, except as to
the paragraph relating to the
Schedule of Expenditures of
Federal Awards, which is as of
October 18, 2011.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Contract number</u>	<u>Federal expenditures</u>
Research and Development Cluster:			
U.S. Environmental Protection Agency:			
Congressionally Mandated Projects: Biological Treatment for Perchlorate Removal from Groundwater	66.202	XP-96992301	\$ 378,520
Science to Achieve Results Program: Detecting Pathogens in Water by Ultrafiltration and Microarray Analysis	66.509	RD-83300401	<u>140,782</u>
Total Research and Development Cluster			<u>519,302</u>
U.S. Bureau of Reclamation:			
Water Conservation Field Services Program	15.530	06FC350206	<u>59,602</u>
Total U.S. Bureau of Reclamation			<u>59,602</u>
Federal Emergency Management Agency (FEMA):			
Passed through California Emergency Management Agency (CalEMA):			
California Winds and Wildfires, November 2008	97.036	DR1810	<u>191,181</u>
Total Federal Emergency Management Agency			<u>191,181</u>
Total federal awards			\$ <u><u>770,085</u></u>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance with requirements that could have a direct and material effect on each of the major programs and on internal control over compliance in accordance with OMB Circular A-133.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) General

The accompanying schedule of expenditures of federal awards (SEFA) presents all of the activity of federal financial assistance programs of The Metropolitan Water District of Southern California (Metropolitan) for the year ended June 30, 2011.

(2) Basis of Accounting

The SEFA is presented using the accrual basis of accounting, whereby grant revenues are recognized when they are earned and expenses are recognized when they are incurred.

(3) Grant Expenses

There are no indirect costs included in grant expenses on the accompanying SEFA for the year ended June 30, 2011.

(4) Subrecipients

Of the federal expenditures presented on the SEFA, Metropolitan provided federal awards to various subrecipients in the amounts of \$378,520 under the Congressionally Mandated Projects: Biological Treatment for Perchlorate Removal from Groundwater (CFDA No. 66.202)

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

(a) Financial Statements

Type of auditors' report issued on the financial statements:

Unqualified opinion.

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance that is material to the financial statements noted?

yes no

(b) Federal Awards

Internal control over major program:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major program:

Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

Identification of major program:

CFDA numbers	Name of federal program or cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?

yes no

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Relating to Federal Awards

None noted.