

MERCED IRRIGATION DISTRICT

SINGLE AUDIT REPORT ON FEDERAL AWARDS

For the 15 month period ended March 31, 2013

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MERCED IRRIGATION DISTRICT
SINGLE AUDIT REPORT ON FEDERAL AWARDS
For the 15 month period ended March 31, 2013

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Merced Irrigation District
Merced, California

We have audited the financial statements of the Merced Irrigation District (the District), as of and for the fifteen month period ended March 31, 2013, and have issued our report thereon dated June 25, 2013. 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

Management of the District is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 the 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 the internal control 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 District in a separate letter dated June 25, 2013.

This report is intended solely for the information and use of management, others within the District, the Board of Directors, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Burr Pilger Mayer, Inc.

San Jose, California
June 25, 2013

**INDEPENDENT AUDITORS' 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**

To the Board of Directors
Merced Irrigation District
Merced, California

Compliance

We have audited Merced Irrigation District's (the District) 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 the District's major federal program for the fifteen month period ended March 31, 2013. The District's major federal program is identified in the summary of auditors' 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 the District's management. Our responsibility is to express an opinion on the District'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 the District'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 the District's compliance with those requirements.

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 its major federal program for the fifteen month period ended March 31, 2013.

Internal Control Over Compliance

Management of the District 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 District'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 Merced Irrigation District (the District) as of and for the fifteen month period ended March 31, 2013 and have issued our report thereon dated June 25, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements of the District. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other recorded 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 financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of management, others within the District, the Board of Directors, 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.

Burr Pilger Mayer, Inc.

San Jose, California
June 25, 2013

MERCED IRRIGATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the 15 month period ended March 31, 2013

	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
U.S. Department of the Interior			
Bureau of Reclamation:			
California Water Security and Environmental Enhancement	15.533	R09AP20058	\$ 742,334
California Water Security and Environmental Enhancement	15.533	R11AP20139	<u>1,000,000</u>
Subtotal U.S. Department of the Interior			<u>1,742,334</u>
 Total expenditures of federal awards			 <u><u>\$ 1,742,334</u></u>

See accompanying notes to schedule of expenditures of federal awards.

MERCED IRRIGATION DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the 15 month period ended March 31, 2013

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 by Merced Irrigation District (the District) that are reimbursable under the programs of federal agencies providing financial assistance. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are incurred when the District becomes obligated for payment as a result of the receipt of the related goods and services.

c) Change in Accounting Period

The District changed its financial year end from December 31 to March 31 to better reflect the operating and construction cycles of the District. Accordingly, the schedules of expenditures of federal awards presented reflect the 15 month period ended March 31, 2013.

MERCED IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the 15 month period ended March 31, 2013

Section I: Summary of Audit Results

Financial Statements

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Merced Irrigation District (the District).
2. Internal control over financial reporting:
 - Material weaknesses identified:
None
 - Significant deficiencies identified that are not considered to be material weaknesses:
None
3. No instances of noncompliance material to the financial statements of the District were noted.

Federal Awards

4. Internal control over major programs:
 - Material weaknesses identified:
None
 - Significant deficiencies identified that are not considered to be material weaknesses:
None
5. The Auditors' Report on compliance for major programs expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section II of this schedule.
7. The programs tested as major include the following:
 - U.S. Department of the Interior – Bureau of Reclamation
- California Water Security and Environmental Enhancement – CFDA #15.533
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The District did not qualify as a low risk auditee for the fifteen month period ended March 31, 2013.

MERCED IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the 15 month period ended March 31, 2013

Section II: Financial Statement Findings

No matters were reported.

Section III: Federal Award Findings and Questioned Costs

No matters were reported.

Section IV: Status of Prior Year Findings

Financial Statement Findings

No matters were reported.