

**IRISH BEACH WATER DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2015**

Rick Bowers, CPA  
A Professional Corporation

# IRISH BEACH WATER DISTRICT

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September 30, 2015

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Certified Public Accountant  
Personal Financial Specialist  
Certified Management Accountant

### **Independent Auditor's Report**

Board of Directors  
Irish Beach Water District  
Manchester, CA

I have audited the accompanying financial statements of the Irish Beach Water District as of and for the year ended September 30, 2015, and the related notes to the 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.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Irish Beach Water District as of September 30, 2015, 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*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages mda be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Rick Bowers, CPA  
Ukiah, California  
May 25, 2017

# IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2015

## IRISH BEACH WATER DISTRICT

### AUDIT REPORT SEPTEMBER 30, 2015

#### MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of the Irish Beach Water District during the fiscal year ended September 30, 2015. Please read this analysis in conjunction with the District's Basic Financial Statements and accompanying Notes immediately following this section.

#### **Overview of the Financial Statements**

The District operates under California Irrigation District Law as a utility enterprise. As such, the District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting, similar to methods used by private sector companies. These financial statements are designed to provide readers with a broad overview of the finances and also present changes in cash balances, and information about both short-term and long-term activities of the District. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes to the Financial Statements. As an enterprise fund, the District's Financial Statements include four components.

- 1) **Statements of Net Position** present information on all of the District's assets and liabilities with the difference between the two reported as net position. The Statements of Net Position provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: Net investment in Capital Assets, Restricted for Capital Projects, and Unrestricted.
- 2) **Statements of Revenues, Expenses, and Changes in Net Position** present information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the District has recovered its costs through water sales (usage charges on water bills and contract water sales), user fees (availability charges on water bills), and other charges.
- 3) **Statements of cash flows** provide information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in three categories: Operating; Capital and Related Financing Activities; and Investing. These statements differ from the Statements of Revenues, Expenses, and Changes in Net Position in that they account only for transactions that result from cash receipts and cash disbursements. As in the past, the Statements of Cash Flows continue to reconcile the reasons why cash from operating activities differ from operating income.

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2015

- 4) **Notes to the Basic Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes are located immediately following the Financial Statements.

**Financial Highlights**

During the year ended September 30, 2015, the District’s operating loss was (\$10,179). This loss is \$3,161 less than the prior year. The difference is the result of operating expenses less by \$9,241 which offset the reduction of operating revenues of \$6,080 leaving net difference of \$3,161

**Financial Analysis of the District**

Statements of Net Position – The District’s net position grew between fiscal years 2013-2014 and 2014-2015, increasing from \$973,594 to \$1,027,546, respectively. The change can be seen in the condensed Statement of Net Position below as a \$53,952 Increase in net position. There was decrease in capital assets of \$11,987; before depreciation of \$-32,003 net increase was \$20,016. Current assets increased by \$31,820. Restricted assets increased \$24,867 which is the current year receipts of capital improvement assessments less any approved uses. Change in current liabilities was \$-372. Long term debt decreased by \$9,435 leaving balance of \$9,378 net of current due. This safe drinking water loan will be paid off by 9/30/2017.

**Condensed Statements of Net Position**

	<b>2015</b>	<b>2014</b>	<b>Difference</b>
Current and Other Assets	\$ 594,897	\$ 500,002	\$ 94,895
Capital assets	<u>731,562</u>	<u>743,549</u>	<u>(11,987)</u>
<b>Total Assets</b>	<b><u>1,326,459</u></b>	<b><u>1,243,551</u></b>	<b><u>82,908</u></b>
Other liabilities: Current & Def Rev	289,535	251,144	38,391
Debt outstanding Net of Current	<u>9,378</u>	<u>18,813</u>	<u>(9,435)</u>
<b>Total liabilities</b>	<b><u>298,913</u></b>	<b><u>269,957</u></b>	<b><u>(28,956)</u></b>
Net investment in capital assets	712,411	715,239	(2,828)
Restricted	199,629	174,762	24,867
Unrestricted	<u>115,506</u>	<u>83,593</u>	<u>31,913</u>
<b>Total net position</b>	<b><u>\$1,027,546</u></b>	<b><u>\$ 973,594</u></b>	<b><u>\$ 53,952</u></b>

## IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2015

Changes in Revenues, Expenses, and Net Position – The District’s income before capital improvement assessments decreased \$2,828 due to decrease operating expenses of \$9,241 offset by decrease in operating revenue of \$6,080. The change in net position that resulted can be seen in the table below, which summarizes the Statement of Revenues, Expenses, and Changes in Net Position.

### Condensed Statements of Revenues, Expenses, and Net Position

	2015	2014	Difference
Operating Revenues:			
Water Usage	\$ 32,313	\$ 38,370	\$(6,057)
Water Availability	160,886	160,402	484
Other Income	<u>806</u>	<u>1,313</u>	<u>(507)</u>
Total Operating Revenues	<u>194,005</u>	<u>200,085</u>	<u>(6,080)</u>
Non-Operating Revenues	<u>7,812</u>	<u>7,503</u>	<u>309</u>
Total Revenues	<u>201,817</u>	<u>207,588</u>	<u>(5,771)</u>
Operating Expenses	204,184	213,425	(9,241)
Non-Operating Expenses	<u>5,056</u>	<u>3,260</u>	<u>1,796</u>
Total Expenses	<u>209,240</u>	<u>216,685</u>	<u>(7,445)</u>
<b>Income (loss) before Contributions</b>	<b><u>(7,423)</u></b>	<b><u>(9,097)</u></b>	<b><u>1,674</u></b>
Capital Contribution Assessments	<u>61,375</u>	<u>58,443</u>	<u>2,932</u>
<b>Change in Net Position</b>	<b><u>53,952</u></b>	<b><u>49,346</u></b>	<b><u>4,606</u></b>

### Economic Factors and Prospective Information

The District’s Board of Directors has been very responsive to changes in economic factors and has increased rates as necessary to ensure that the District’s costs continue to be covered by revenues. Following is a table of approved rates for the last four years.

	11-12	12-13	13-14	14-15	15-16
Assessments	\$216.61	\$222.66	\$228.92	\$235.36	\$242.03
Availability Charge	\$66.49/199	\$66.49/199	66.49/200	\$66.49/200	\$66.49/200
Usage Charge	\$0.39/100g	\$0.44/100g	\$0.46/100g	\$0.49/100g	\$0.51/100g

## IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2015

There are 200 property owners connected to the system who pay all three charges, and 259 additional property owners that only pay the assessment charges.

Availability and Usage rates are based on operating budget approved each year, and may change from year to year. The District, by special election, is authorized to impose a special assessment for capital improvement to the water system. The assessment is levied annually and collected by Mendocino County Treasurer by placing these assessments on the property tax bills at a cost of 2%. The 2% charge which is approximately \$2,000 is recognized as an operating expenditure. Use of the funds are restricted based upon criteria as detailed by the Bartle & Wells Engineered Assessment report dated 2002. The assessment is adjusted for inflation annually but restricted to a maximum 3%. The funds are restricted for 1) Alternate Water Development, 2) replacement of Greater than 40 Year Capital items, 3) System Wide Capital Projects as detailed in the Engineer's Report, and 4) two-thirds of the safe drinking water loan repayment.

The Irish Beach Water District has three developed sources of water: 1) The Upper Diversion on Irish Gulch, 2) the well (Well #9) located east of the main subdivision; and 3) the Lower Diversion on Irish Gulch. Two new wells were drilled in 2008. One was drilled by agreement on a parcel owned by Gordon and Sandra Moores near Tank 2. This well has not been connected to the system because of the current law suit by Wm. Moores preventing the utility connection to that well. A second well was drilled on a deeded easement granted to the District for a well and a water tank (Tank5) in the Unit 9 area. The longtime existing Unit 9 well is on that same easement. The Unit 9 well has been diminishing in production volume. The two new wells were envisioned as a way to provide water to existing parcels and future homes yet to be built. (Ground water can be held in future reserve where surface water cannot.)

The new T5 Well was tested for recovery rate, water quality, and was licensed for use by the State Department of Public Health. More than a year went by before the Wm. Moores lawsuit was filed against the District regarding liability for inverse condemnation for the drilling of the T5 Well. In a decision dated June 20, 2012, the Court ruled against the District. The trial for inverse condemnation was held August 18, 2014, where the District was found liable for \$401,000 in damages. The District is appealing.

**Well Moratorium** – The District continues to enforce a new well drilling moratorium. However, two requests for exemption have recently been approved in the acreage parcels known as the Nichols Ranch.

**Projects in Process** – The upper diversion pipe is scheduled to be replaced. Tank 2 is on the list for replacement. Finding and repairing leaks in the distribution system is a constant challenge due to the age and inferior quality of the work and materials when originally built.

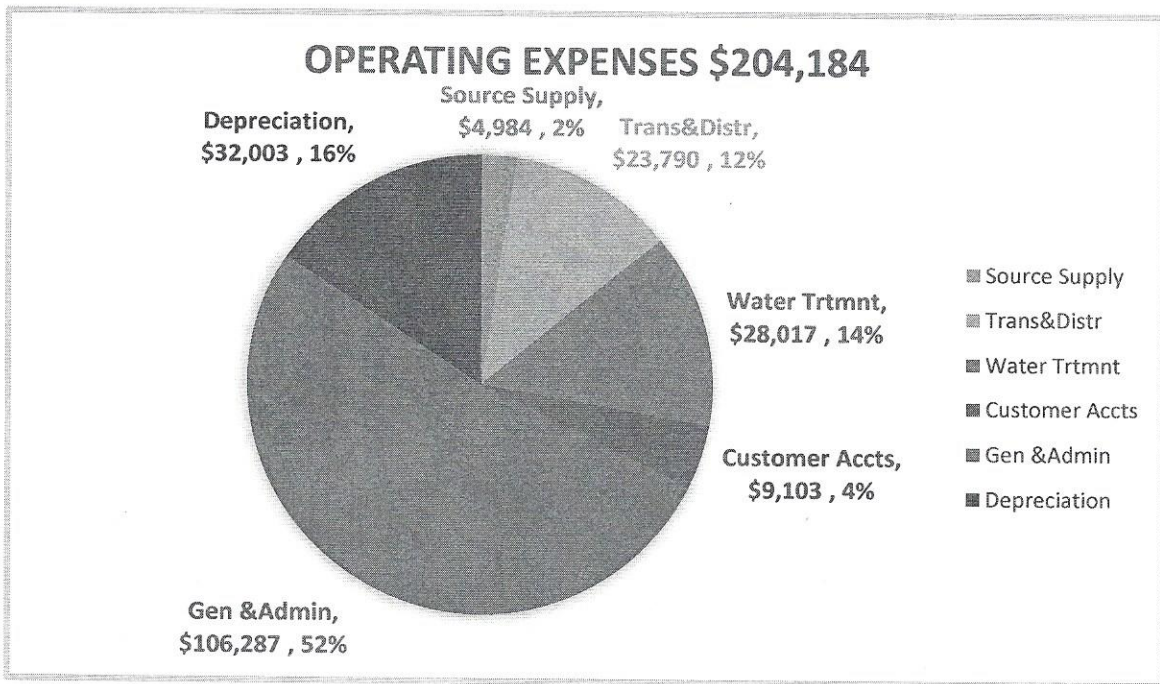
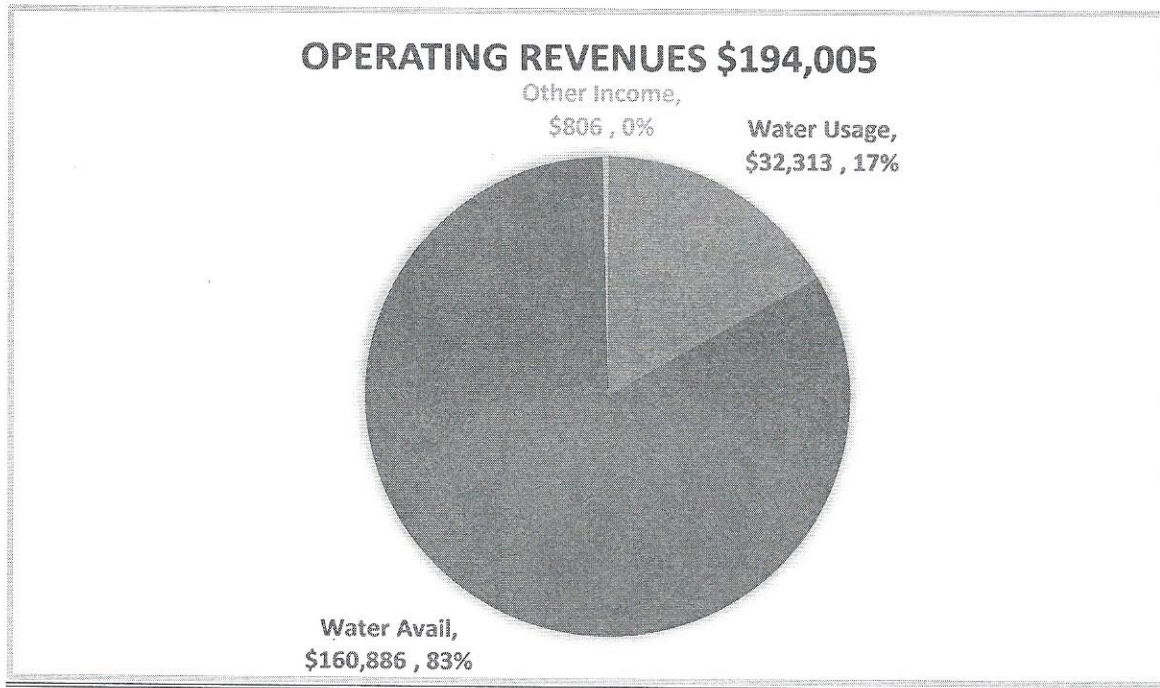
### Contacting the District's Management

This financial report is designed to provide our citizens, rate payers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional information, please contact the District or our Certified Public Accountant.

Irish Beach Water District	Charles Acker	Judy Murray	Rick Bowers, CPA
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IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2015



**IRISH BEACH WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
September 30, 2015

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 88,718
Accounts Receivable	28,612
Assessments Receivable	733
Prepaid Insurance	3,301

**Total Current Assets** 121,364

**Restricted Assets**

Cash and Cash Equivalents	473,533
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**Capital Assets**

Property, Plant and Equipment - Net of Accumulated Depreciation	664,920
Projects in Progress	66,642

**Total Net Capital Assets** 731,562

**TOTAL ASSETS** 1,326,459

**LIABILITIES**

**Current Liabilities**

Accounts Payable	2,860
Accrued Payroll Taxes and Benefits	2,998
Payable From Restricted Assets:	
Current Portion Long Term Debt	9,431
Accrued Interest	342

**Total Current Liabilities** 15,631

**Long-Term Liabilities**

Deferred Revenue - Water Source Development	273,904
Long Term Debt - Net of Current Portion	9,378

**Total Long Term Liabilities** 283,282

**TOTAL LIABILITIES** 298,913

**NET POSITION**

Net Investment in Capital Assets	712,411
Restricted for Capital Projects	199,629
Unrestricted	115,506

**TOTAL NET POSITION** \$ 1,027,546

The accompanying notes are an integral part of these financial statements.

**IRISH BEACH WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
For The Year Ended September 30, 2015

<b>Operating Revenues</b>	
Water Usage	\$ 32,313
Water Availability	160,886
Other Income	806
	<u>194,005</u>
<b>Total Operating Revenues</b>	
<b>Operating Expenses</b>	
Source of Supply	4,984
Transmission and Distribution	23,790
Water Treatment	28,017
Customer Accounts	9,103
General and Administrative	106,287
Depreciation	32,003
	<u>204,184</u>
<b>Total Operating Expenses</b>	<b>204,184</b>
<b>Operating Income (Loss)</b>	<b><u>(10,179)</u></b>
<b>Non-Operating Revenues (Expenses)</b>	
Debt Service Assessments	6,535
Refunds and Reimbursements	148
Investment Income	1,129
Interest Expense	(1,064)
County Collection Fees	(3,337)
Loan Fees Amortization	(655)
	<u>2,756</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,756</b>
Capital Contributions Assessment	<u>61,375</u>
<b>Change in Net Position</b>	<b>53,952</b>
<b>Net Position - Beginning of Year</b>	<b><u>973,594</u></b>
<b>Net Position - End of Year</b>	<b><u><u>\$ 1,027,546</u></u></b>

The accompanying notes are an integral part of these financial statements.

**IRISH BEACH WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended September 30, 2015

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 189,693
Payments to Suppliers	(73,567)
Payments for Employees and Taxes	<u>(91,161)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>24,965</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Debt Service Assessments	6,535
Capital Contribution Assessments	101,226
Acquisition of Capital Assets	(20,017)
Principal Paid on Long Term Debt	(9,007)
Interest Paid on Long Term Debt	<u>(1,216)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>77,521</u>
<b>Cash Flows from Investing Activities</b>	
Investment Income	<u>1,129</u>
<b>Net Increase in Cash and Cash Equivalents</b>	103,615
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>458,636</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 562,251</u></u>
<b>Components of Cash and Cash Equivalents</b>	
Cash in Checking and Savings	\$ 88,718
Restricted Cash and Cash Equivalents:	
Capital Asset Assessments - Savings	115,313
County Treasury	<u>358,220</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 562,251</u></u>
<b>Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (10,179)
Depreciation and Amortization	32,658
Miscellaneous Revenues	148
Miscellaneous Expenses	(3,337)
Net Changes in Assets and Liabilities:	
Accounts Receivable	(4,312)
Assessments Receivable	988
Insurance Reimbursement	11,165
Prepaid Insurance	224
Accounts Payable	(1,398)
Accrued Payroll Taxes	<u>(992)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 24,965</u></u>

The accompanying notes are an integral part of these financial statements.

**IRISH BEACH WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

The Irish Beach Water District (the District) was formed in 1967 under the provisions of the Water Code of the State of California for the purpose of providing water to properties within the District, which include the subdivision known as Irish Beach along the southern Mendocino County coast line.

Fire protection services were added by legislation in 1978 but were subsequently taken over by the Redwood Coast Fire Protection District as part of an annexation of that department. The fire department is not a component unit of the District.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

Criteria used in determining the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The reporting entity consists of the District as the primary, and sole, reporting entity.

**b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America, as defined by the Government Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The District's reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

**IRISH BEACH WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2015**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from services for usage and availability of water, and related activities. Operating expenses include all expenses applicable to the furnishing of these activities. Non-operating revenues and expenses include revenues and expenses not associated with the District's normal business of providing water services. Capital contribution assessments are reported separately in the Statement of Revenues, Expenses and Changes in Net Position.

When both restricted and unrestricted resources are available or use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**c. Budgetary Accounting**

An annual budget is adopted by the Board of Directors each fiscal year. The budget may be revised during the year to reflect unanticipated revenues or expenses. The budget is used for operating management and internal accounting control purposes, and is prepared on the modified cash basis of accounting.

**d. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and with the county treasury, as well as short-term highly liquid investments with maturities of three months or less. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

**e. Accounts Receivable**

Accounts receivable represent amounts due for water services. All amounts are considered to be collectible, and no allowance for doubtful accounts has been recorded. Liens are placed on properties with outstanding balances. If accounts receivable do result in losses they are recognized when the amounts become determinable.

**f. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

**g. Restricted Assets**

Assessments for capital improvements are considered restricted because their use is limited to future developments within the water system.

**IRISH BEACH WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2015**

**h. Capital Assets**

Capital assets are recorded at cost. Major improvements and additions are charged to the related capital asset accounts. Improvements and additions which do not significantly improve or extend the life of the asset are charged against earnings in the period incurred. Donated capital assets are recorded at their estimated fair market value on the date received.

**i. Depreciation**

Depreciation is charged to expense for all capital assets; except land, right of ways, and any projects in progress. Projects in progress are considered depreciable upon completion of the related project.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Improvements and Infrastructure	20 - 40 years
Equipment and Vehicles	5 - 15 years
Office Equipment and Furniture	5 - 10 years

**j. Net Position**

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

*Net Investment in Capital Assets* – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted Net Position* – Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

*Unrestricted Net Position* – Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

**k. Water System Special Assessments**

Section 37203 of the *California Water Code*, by special election, allows a California Water District to impose special assessments that are levied and collected by the county for capital improvements, future development of the water system, and debt service.

**IRISH BEACH WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2015**

The county charges a 2% collection fee for this service. The assessments for general capital improvements or replacements and debt service are recognized as revenue when levied. Amounts assessed for special projects are recorded as deferred revenue and recognized upon completion of the project. By resolution of the Board of Directors, the capital contributions assessment cannot increase by more than 3% each year and will cease when the amount collected reaches 10% of the replacement value of the assets with estimated lives greater than 40 years.

**l. Measurement Uncertainty**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**m. Subsequent Events**

Management has evaluated subsequent events through May 25, 2017, which is the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2015 that would require recognition or disclosure in the financial statements.

**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of the following at September 30, 2015:

Checking Accounts -	JP Morgan Chase	\$ 12,654
	Redwood Credit Union	59,143
Money Market -	Redwood Credit Union	358,220
County Treasury -	Mendocino County	<u>132,234</u>
	Total	<u>\$ 562,251</u>

District deposits are fully insured or collateralized with securities held by the District or its agent in the District's name. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.



**IRISH BEACH WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2015**

**NOTE 3. CAPITAL ASSETS**

Following is a summary of changes to capital assets for the fiscal year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Improvements and Infrastructure	\$ 1,196,719	\$ 46,449	\$ -	\$ 1,243,168
Equipment	8,419	25,830		34,249
Office Equipment	<u>13,789</u>			<u>13,789</u>
Totals	<u>\$ 1,218,927</u>	<u>\$ 72,279</u>	<u>\$ -</u>	<u>\$ 1,291,206</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Property, Plant and Equipment	\$ 1,218,927	\$ 72,279	\$ -	\$ 1,291,206
Accumulated Depreciation	<u>(594,283)</u>	<u>( 32,003)</u>		<u>(626,286)</u>
Total Net Capital Assets	<u>\$ 624,644</u>			<u>\$ 664,920</u>

Projects in Progress	\$ <u>118,905</u>	\$ <u>-</u>	\$ <u>52,263</u>	\$ <u>66,642</u>
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Work in progress consists of tank projects and well.

**NOTE 4. LONG-TERM DEBT**

Long-term debt at September 30, 2015 consists of the following:

Safe Drinking Water loan through the California Statewide Communities Development Authority, secured by a pledge of water revenues. The loan was refinanced with WestAmerica Bank on November 1, 2003. The note is payable in semi-annual installments in May and November at \$5,106, which includes interest at 4.75%.

Future minimum principal and interest payments on long-term debt are as follows, for the fiscal year ended:

	<u>Principal</u>	<u>Interest</u>
September 30, 2016	\$ 9,431	\$ 781
2017	<u>9,378</u>	<u>329</u>
Total	18,809	\$ <u>1,110</u>
Less: Current Portion	<u>9,431</u>	
Long-Term Debt	<u>\$ 9,378</u>	

**IRISH BEACH WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
September 30, 2015**

**NOTE 5. COMMITMENTS AND CONTINGENCIES**

**Alternate Water Source Development**

The District had a permit from the State Water Resources Control Board (SWRCB) to divert surface water from Mallo Pass Creek. The permit was originally issued to an individual in 1974 and was assigned to the District by that individual in 1988.

The permit was issued with a requirement that the project be completed within a specified period of time, to which several extensions had been granted by the SWRCB. Due to litigation and other factors the project was not completed, and the SWRCB has denied any additional extensions and revoked the permit. The District retained legal counsel for this issue, and, after numerous appeals and discussions, it was determined that the revocation will stand.

In November of 2008 the District passed a resolution officially abandoning the project. It was determined by the District that the funds originally accumulated for this project could be held as restricted for other water source developments. This contention is being challenged in a legal suit. If the court deems that the funds cannot be used for another alternative water source they are subject to return. Amounts are being accrued as deferred revenue.

**Litigation**

In addition to the above, additional combined actions by the same plaintiff have been brought against the District for (1) inverse condemnation, (2) various allegations surrounding alleged violations of a 2002 settlement agreement and (3) deficiencies in the District's share of road maintenance fees. On August 18, 2014, the trial for inverse condemnation was held and the District was found liable for \$401,000 in damages. The District has appealed, and the Plaintiffs are currently seeking approximately \$734,000 in attorney's fees and costs. The District presently believes there is a good likelihood of prevailing on appeal.

The third phase of this trial was completed in 2016. In this third phase of trial, Plaintiffs alleged the invalidity of certain of the District's assessments, seek damages for alleged road maintenance issues, and allege the District breached a 2002 Settlement Agreement between the parties. The trial resulted in an award of breach of contract against the District for \$133,649. The Court also ordered the various refunds of the District's assessment funds totaling an amount greater than \$2,000 in the aggregate.

To date the District has spent over \$320,000 in legal fees on these issues. The ultimate outcome of this litigation cannot presently be determined. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.