



**FECHTER
& COMPANY**
Certified Public Accountants

**IRISH BEACH WATER DISTRICT
ANNUAL FINANCIAL REPORT
With
INDEPENDENT AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2023 AND 2022**

**IRISH BEACH WATER DISTRICT
ANNUAL FINANCIAL REPORT**

SEPTEMBER 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Irish Beach Water District
Manchester, California

Qualified Opinion

We have audited the accompanying basic financial statements of the business-type activities of the Irish Beach Water District (District), as of and for the year ended September 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Irish Beach Water District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Irish Beach Water District, as of September 30, 2023, the respective 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.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of the Irish Beach Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

The District's accounting records include capital assets with a net carrying value of approximately \$1,032,214 as of September 30, 2023. The District was unable to provide a complete and accurate capital asset listing or related depreciation schedule that supports the amounts recorded in the general ledger. As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether adjustments might be necessary to capital assets, accumulated depreciation, depreciation expense, or the related elements of net position as of and for the year ended September 30, 2023.

Other Matters

The basic financial statements of Irish Beach Water District as of and for the year ended September 30, 2022, were audited by our firm, and we expressed an unmodified opinion on those basic financial statements in our report dated November 4, 2024. We have not performed any auditing procedures with respect to those basic financial statements since that report was issued.

Management has elected to omit the management’s discussion and analysis, which 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. Our opinion on the basic financial statements is not affected by this omission.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Irish Beach Water District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

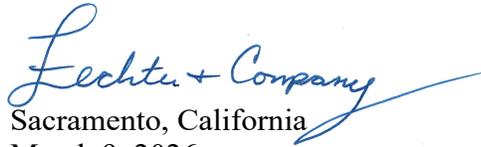
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Irish Beach Water District’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Irish Beach Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Fechter & Company
Certified Public Accountants


Sacramento, California
March 9, 2026

IRISH BEACH WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

	2023	2022 (Restated)
ASSETS		
Current Assets		
Cash in banks	\$ 32,098	\$ 14,514
Accounts receivable	81,961	79,921
Taxes receivable	6,024	-
Grants receivable	114,166	105,958
Prepaid insurance	12,882	8,934
Total Current Assets	247,131	209,327
Restricted Assets		
Cash and cash equivalents	510,093	478,592
Interest receivable	44	44
Due from operations	91,805	116,404
Total Restricted Assets	601,942	595,040
Capital Assets		
Property, plant and equipment - net	1,032,214	795,730
Total Assets	1,881,287	1,600,097
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	58,065	61,345
Accrued payroll and taxes	15,326	12,873
Accrued lawsuit settlement	313,605	-
Due to restricted assets	91,805	116,404
Total Current Liabilities	478,801	190,622
Long-term Liabilities		
Deferred revenue - Water Source Development	-	313,605
Total Long-term Liabilities	-	313,605
Total Liabilities	478,801	504,227
NET POSITION		
Net Investment in Capital Assets	1,032,214	795,731
Restricted for Capital Projects	196,532	276,469
Unrestricted	173,740	23,670
Total Net Position	\$ 1,402,486	\$ 1,095,870

See accompanying notes to financial statements.

IRISH BEACH WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
Operating Revenues		
Water Usage	\$ 40,200	\$ 41,715
Water Availability	264,823	265,929
Late Fees	4,649	2,933
Meter connections	-	750
Total Operating Revenues	<u>309,672</u>	<u>311,327</u>
Operating Expenses		
Source of Supply	4,049	4,888
Transmission and Distribution	38,744	30,686
Water Treatment	42,321	45,224
Customer Accounts	14,912	6,133
General and Administrative	81,892	82,334
Legal Fees	66,022	65,699
Depreciation	35,000	35,000
Total Operating Expenses	<u>282,940</u>	<u>269,964</u>
Operating Income (Loss)	26,732	41,363
Non-Operating Revenues (Expenses)		
Investment Earnings	3,508	4,922
Grant Revenue	258,503	105,958
Other Revenue	14,606	-
County Special District Augumentation Funds	45,277	43,226
Transfer to Fire Department	(39,833)	(40,225)
Interest Expense	(634)	(1,520)
Other Expense	(1,543)	(605)
Total Non-Operating Revenues (Expenses)	<u>279,884</u>	<u>111,756</u>
Change in Net Position	306,616	153,119
Net Position - Beginning of Year	<u>1,095,870</u>	<u>942,751</u>
Net Position - End of Year	<u>\$ 1,402,486</u>	<u>\$ 1,095,870</u>

See accompanying notes to financial statements.

**IRISH BEACH WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended
September 30, 2023 and 2022**

	2023	2022 (Restated)
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 307,632	\$ 284,295
Payments to Suppliers	(154,130)	(221,797)
Payments for Employees and Taxes	(98,585)	(49,769)
Net Cash Provided by Operating Activities	54,917	12,729
 Cash Flows from Capital and Related Financing Activities		
Capital Expenditures	(271,484)	(119,138)
Interest Expense	(634)	(1,520)
Other Revenue (Expense)	266,286	47,627
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,832)	(73,031)
 Cash Flows from Investing Activities		
Investment Income	-	5,639
 Net Increase (Decrease) in Cash and cash equivalents	49,085	(54,663)
Cash and Cash Equivalents - Beginning	493,106	547,769
Cash and Cash Equivalents - End of Year	\$ 542,191	\$ 493,106
 Components of Cash and Cash Equivalents		
Cash in Checking and Savings	\$ 32,098	\$ 14,514
Restricted Cash and Cash Equivalents:		
Capital Asset Assessments - Redwood Credit Union	510,093	478,592
Total Cash and Cash Equivalents	\$ 542,191	\$ 493,106
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 26,732	\$ 1,138
Depreciation and Amortization	35,000	35,000
Net Changes in Assets and Liabilities:		
Accounts Receivable	(2,040)	(27,032)
Accounts Payable	(3,280)	13,512
Prepaid Insurance	(3,948)	-
Accrued Payroll and Taxes	2,453	(9,889)
Net Cash Provided by Operating Activities	\$ 54,917	\$ 12,729

See accompanying notes to financial statements.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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.

The District started providing Fire protection services in 1978 which 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.

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.

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. Enterprise, or 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 business entities 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.

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.

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

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 are considered uncollectible, losses are recognized when the amounts become determinable.

Prepaid Expenses

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

Restricted Assets

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

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.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 accumulated depreciation, and reduced by any 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 the net amount of assets and liabilities that is not included in the determination of the net investment in capital assets or restricted components of net position. Prepaid insurance is considered a non-spendable net position.

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.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at September 30, 2023 and 2022:

	2023	2022
Checking Accounts	\$ 32,098	\$ 14,514
Restricted cash and cash equivalents		
Restricted - Money Market	68,689	43,163
Held in County of Mendocino Treasury	441,404	435,429
Total restricted	510,093	478,592
Total	\$ 542,191	\$ 493,106

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. California law requires that deposits of public funds be fully insured or collateralized by the financial institution holding the deposits.

At September 30, 2023 and 2022, the District held \$100,787 and \$57,677, respectively, in deposits at a credit union. These deposits were fully insured by the National Credit Union Share Insurance Fund (NCUSIF), which insures deposits up to \$250,000 per depositor, and therefore were not exposed to custodial credit risk.

The District also maintains cash with the County of Mendocino Treasury, where funds are pooled with those of other local agencies and invested in accordance with applicable state laws. Cash held by the County Treasury is not exposed to custodial credit risk related to bank deposits.

NOTE 3 CAPITAL ASSETS

Following is a summary of changes in capital assets for the years ended September 30, 2023 and 2022:

	September 30, 2022	Prior Period Adjustment	Restated September 30, 2022	Additions	Disposals	Reclassifications	September 30, 2023
Non-depreciating assets:							
Land	\$ 519,810	\$ -	\$ 519,810	\$ -	\$ -	\$ -	\$ 519,810
Construction-in-progress	159,240	2,242	161,482	271,484	-	-	432,966
Total non-depreciable assets	679,050	2,242	681,292	271,484	-	-	952,776
Depreciating assets:							
Buildings and improvements	378,758	-	378,758	-	-	-	378,758
Equipment	22,208	-	22,208	-	-	-	22,208
Vehicles	585,903	-	585,903	-	-	-	585,903
Total depreciating assets at cost	986,869	-	986,869	-	-	-	986,869
Accumulated depreciation	(872,431)	-	(872,431)	(35,000)	-	-	(907,431)
Net depreciating assets	114,438	-	114,438	(35,000)	-	-	79,438
Net capital assets	\$ 793,488	\$ 2,242	\$ 795,730	\$ 236,484	\$ -	\$ -	\$ 1,032,214

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 3 CAPITAL ASSETS (continued)

	September 30, 2021	Additions	Disposals	Reclassifications	September 30, 2022
Non-depreciating assets:					
Land	\$ 519,810	\$ -	\$ -	\$ -	\$ 519,810
Construction-in-progress	40,101	119,139	-	-	159,240
Total non-depreciable assets	<u>559,911</u>	<u>119,139</u>	<u>-</u>	<u>-</u>	<u>679,050</u>
Depreciating assets:					
Buildings and improvements	378,758	-	-	-	378,758
Equipment	22,208	-	-	-	22,208
Vehicles	585,903	-	-	-	585,903
Total depreciating assets at cost	<u>986,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>986,869</u>
Accumulated depreciation	<u>(837,431)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(872,431)</u>
Net depreciating assets	<u>149,438</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>114,438</u>
Net capital assets	<u>\$ 709,349</u>	<u>\$ 84,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,488</u>

Depreciation expense for the years ended September 30, 2023 and 2022 is \$35,000 and \$35,000, respectively.

NOTE 4 PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2023, the District identified errors in the previously issued financial statements for the year ended September 30, 2022 related to the recording of payroll accruals and the capitalization of related fixed assets. As a result of these errors, fixed assets and accrued payroll were understated and equity was overstated in the previously issued financial statements.

In addition, during the year ended September 30, 2023, the District identified an error in which previously written-off bad debt totaling \$16,150 was deducted from accounts receivable more than once. Consequently, accounts receivable and equity were understated by \$16,150 in the previously issued financial statements.

These errors have been corrected through the restatement of the prior period financial statements. The effect of these corrections on the District's financial statements is as follows:

Account	Previously Reported	Adjustment	Restated
Capital assets	\$ 793,488	\$ 2,243	\$ 795,731
Accounts receivable	63,770	16,150	79,920
Accrued payroll and taxes	1,848	11,026	12,873
Net position, September 30, 2022	<u>\$ 1,088,503</u>	<u>\$ 7,367</u>	<u>\$ 1,095,870</u>

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 5 DEFERRED REVENUES

At September 30, 2022, the District reported \$313,605 in deferred revenue related to Water Source Development assessments collected through September 30, 2016. These funds were the subject of litigation and a court ordered that the funds be returned to property owners. In 2023, the funds were reclassified to a lawsuit settlement liability account pending completion of the appeals process. Subsequent to September 30, 2023, the District refunded the full balance to the affected property owners. See Note 6 – Commitments and Contingencies for additional information regarding the litigation.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Alternate Water Source Development and Litigation

The Court found that the District's Mallo Pass/Alternative Water Supply Assessment ended in 2009 when the Mallo Pass permit was rescinded. The entire fund was ordered by the Court to be refunded to all landowners in the District. The District appealed the judgement, but determined to return the entire Mallo Pass/Alternative Water Supply Fund to landowners. Total legal expenses paid out of the Mallo Pass/Alternative Water Supply Assessment of \$80,810 that were not allowed by the court ruling were paid back out of operating cash.

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 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 various refunds of the District's Proposition 218 assessment funds totaling an amount greater than \$2,000 in the aggregate. This judgement has also been appealed.

To date the District has incurred over \$695,000 in legal fees on these and other issues. Legal fees for the years ended September 30, 2023 and 2022 were \$66,022 and \$65,699, respectively.

Ultimately, the District prevailed on Appeal in 2021 as to nearly all issues arising out of the 2009 litigation. The District settled the inverse condemnation claim for \$25,000. The Final Judgement against the District which included the inverse condemnation settlement was entered in February 2024 and the Trial Court awarded Plaintiffs \$48,614 in attorney's fees on July 8, 2024 for a total of \$112,265 compared to the \$3.2 million originally sought against the District by the Plaintiff. All court ordered fees, refunds, and settlement costs were paid prior to December 15, 2025, and the matter is closed.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022**

NOTE 7 SPECIAL DISTRICT AUGMENTATION FUNDS

In 1997 the County implemented a special district augmentation fund (SDAF) as part of the \$1.00 County tax rate. The District was awarded funds in support of the volunteer fire department. When the fire department was consolidated with Redwood Coast Fire District these funds are transferred to Redwood Coast Fire Department after reduction for the amount necessary to maintain the fire station.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2026, which is the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2023 that would require recognition or disclosure in the financial statements.