



IRISH BEACH WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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AUDITED FINANCIAL STATEMENTS

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**IRISH BEACH WATER DISTRICT
P.O. BOX 67
MANCHESTER, CA 95459**

707.882.2892

SEPTEMBER 30, 2006

BOARD OF DIRECTORS

Steve Whitaker – Board President

Judy Murray – Treasurer

Donald Jassowski

Russell Pasqualetti

Kathy Poling

**Charles Acker – Operations Manager
Dorothy Cong – Office Manager**

MANAGEMENT DISCUSSION AND ANALYSIS

This Section of the District's annual financial report presents our analysis of the District's financial performance during the Fiscal Year the ended September 30, 2006. Please read it in conjunction with the Financial Statements, which follow this section.

FINANICAL HIGHLIGHTS

- The District's net assets increased by 17%.
- Operating revenues decreased by 1%.
- Operating expenses decreased by 3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Mendocino City Community Services District's basic financial statements. The District's basic financial statements comprise two components: Financial Statements and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be

used to determine whether the District has successfully recovered all its costs through user fees and other charges.

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to such questions as where did cash come from, where was cash dispersed, and what was the change in cash balances during the reporting period.

The District also includes a Statement of Revenues, Expenses and Changes in Net Assets, Actual vs. Budget. This report demonstrates the District's ability to estimate and respond to unforeseeable events.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions answered by the financial analysis of the District is "Is the District better off as a result of the year's activities?" While the change in net assets is one indicator of financial health, other factors need to be considered such as changes in economic factors and government legislation.

NET ASSETS

As indicated earlier the net assets of the District increased by \$71,795. The District has invested in a more diversified portfolio through Edward R. Jones. Income from investments has been increased and is maintained at a reasonable level. As a result of this change, investment income increased by over \$9,000 of which approximately \$6,000 was due to unrealized gains in market value.

LONG TERM DEBT

At year end the District had long-term debt of \$92,595 in the form of a general obligation bond. Details of this bond, including future payments due, can be found in Note F of the Notes to Financial Statements.

One area that demonstrates a District's financial strength and future borrowing capability is seen in its debt coverage ratio, which currently is at 3.49. Standard bond covenants require that the debt coverage ratio must be greater than 1.10.

BUDGETARY HIGHLIGHTS

The final 2005-06 operating revenues were 99% of the 2006 budget, and the final 2005-06 expenses were 97% of budgeted. The greatest variance in non-operating areas was in investment income which was 820% of the budgeted amount.

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. During the most recent year the Board approved the following rate changes:

	03-04	04-05	05-06	06-07
Assessments:	\$179.16	\$183.62	\$188.88	\$194.11
Availability Charge:	43.63 w/179	48.52 /183	56.84/186	56.84/189
Usage Charge:	.24 /100gal	.30/100	.31/100	.31/100

Water rates are based on operating expenditures and may change. There was no increase for the 2006-2007 fiscal year.

The District, by special election, is authorized to impose a special tax for capital improvement to the water system. The tax 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 less than \$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 based upon the inflation factor reflected in the January Engineering News Record Construction Cost Index (20 cities average). The District is restricted to a maximum 3%, but the actual increase in the inflation factor this year was 5.7%. The funds are restricted for: 1) Mallo Pass water diversion project (which is discussed further under the Other Non-Economic Factors portion of this analysis and in Note G of Notes to Financial Statements), 2) replacement of greater than 40 year capital items, 3) system wide projects as detailed in the Engineer's Report, and 4) two-thirds of the loan repayment.

OTHER NON-ECONOMIC FACTORS

Mallo Pass Project

The Irish Beach Water District received a notice from the State Water Resources control Board (SWRCB) Division of Water Rights that it was denying the District's petition for an extension of time on Permit 16622 and that it would issue a notice

of proposed revocation of Permit 16622. The District requested a hearing and has received no response.

The District has engaged Matt Emrick, an attorney who specializes in water rights issues to prepare for our appeal and to develop a new set of facts showing the District has indeed been diligent, could not complete development due to obstacles not under our control; and that the water source can be put to use within a reasonable period of time.

Teri Jo Barber, Ridge to River Hydrologist has completed Environmental Impact Reports (EIR's) for Mallo Pass and Irish Gulch with negative declarations. This is another positive step completed in the process to develop Mallo Pass water.

Irish Creek Diversion:

The District currently receives water from Irish Creek through an upper diversion and a lower diversion. On November 5, 2002, measurements at the upper and lower diversions on Irish Creek determined that the total flow rate available to the District was 58 gallons per minute. In addition, the District has access to a well with a capacity which has diminished in the last year by about 20% to 10 – 12 gallons per minute. (See Well Sites below) Since the State of California requires that 300 gallons per day be available for each hookup, our current water supply is equivalent to at least 326 homes. The fact that our average usage is approximately 150 gallons per day per hookup provides us with a cushion at this time.

Well Sites:

With our current well showing signs of diminished capacity and thus the need for maintenance, a search for new well sites was begun this year. The District has an easement, and if we drill within the easement, there is no need for any special permission. However, if the District finds it must drill outside the easement, negotiations would be necessary for an additional easement.

Tank Replacement Project:

David Wood, a geologist, was consulted regarding the ground stability of the sites of tanks one and three. Mr. Woods suggested a reduction in size of both tanks that would alleviate the geologic concerns along with erosion controls. Replacing of these two tanks will result in loss of storage which will need to be increased at another site. A new tank #6 is under consideration.

Safety:

In October 2003 the District was the subject of a Special District Risk Management Authority (SDRMA) On-Site Program Review and Hazard Identification Survey. The District is insured through SDRMA. Although no catastrophic safety hazards were identified, the District was presented with a long list of concerns that had to be addressed. At this point in time, all priority one hazards have been cleared with the exception of items related to tanks one and three.

Annexation Update:

Application for reorganization of the Redwood Coast Fire Protection District (RCFPD) and the Irish Beach Water District (IBWD) was complete following a LAFCO meeting held in Ukiah on October 2, 2006. Final agreements pertaining to the lease of the firehouse are being completed. Items being addressed include length of lease for five years with a five year option, amount of lease, and use of firehouse for meetings.

The Irish Beach Water District will no longer contract with RCFPD for emergency services at the rate of \$1,400 per month. Irish Beach property owners will have to pay the previously authorized taxes imposed by the RCFPD on the taxpayers of their District. This tax amounts to \$20 minimum per vacant lot and \$37.50 maximum per year. Homeowners would pay \$80 minimum and \$150 maximum per year.

Wendy S. Boise, CPA



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The Board of Directors of the
Irish Beach Water District

Independent Auditor's Report

I have audited the accompanying basic financial statements of the Irish Beach Water District (the District) as of and for the year ended September 30, 2006 as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above, present fairly, in all material respects, the financial position of the Irish Beach Water District as of September 30, 2006, and its changes in financial position, and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, I have also issued a report dated February 19, 2007 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The information identified in the accompanying table of contents as *Management's Discussion and Analysis* is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information, but I did not audit this information and I express no opinion on it.

February 19, 2007
Fort Bragg, California

IRISH BEACH WATER DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 70,810
Accounts receivable	15,797
Assessments receivable	<u>878</u>

Total current assets \$ 87,485

Prepaid expenses & deposits	4,202
Loan fees, net of amortization	5,919
Property & equipment, net of depreciation	260,716
Investments - unrestricted	66,031

Restricted Assets

Cash and cash equivalents	63,016
Investments	<u>235,640</u>

Total restricted cash and investments 298,656

TOTAL ASSETS \$ 723,009

LIABILITIES AND NET ASSETS

Current Liabilities (Payable from Unrestricted Current Assets):

Accounts payable	\$ 566
Accrued payroll liabilities	<u>-</u>
Total Current Liabilities (Payable from Unrestricted Current Assets)	\$ 566

Current Liabilities (Payable from Restricted Assets)

Accrued interest on long-term debt	-
Current portion long-term debt	<u>2,907</u>
Total Current Liabilities (Payable from Restricted Assets)	2,907

Long-Term Liabilities

Deferred revenue-Mallo Pass	129,939
Note payable, net of current portion	<u>89,688</u>
Total Long-term Liabilities	<u>219,627</u>

Total Liabilities \$ 223,100

Net Assets

Investment in capital assets	168,121
Restricted for capital projects	168,717
Unrestricted	<u>163,071</u>

Total Net Assets 499,909

TOTAL LIABILITIES AND NET ASSETS \$ 723,009

IRISH BEACH WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2006

Operating Revenues	
Usage	\$ 21,515
Availability	128,061
Other water services	<u>1,812</u>
Total Operating Revenues	\$ 151,388
Operating Expenses	
Source of Supply	1,596
Treatment	35,235
Transmission & Distribution	14,158
Accounts	6,471
General & administrative	60,661
Other	<u>879</u>
Total Operating Expenses	<u>119,000</u>
Income from Operations before Depreciation	32,388
Depreciation	<u>17,252</u>
Operating Income	15,136
Non-Operating Revenues (Expenses)	
Reimbursements	2,224
Debt service assessments	6,492
County collection fees	(1,684)
Investment income	14,631
Interest expense	(4,599)
Loan fee amortization	(658)
Facility lease	<u>1,362</u>
Non-Operating Revenues, Net	<u>17,768</u>
Income Before Contributions and Adjustments	32,904
Capital assessment contributions	79,483
Unexpended restricted assessments	<u>(39,210)</u>
Change in Net Assets	73,177
Total Net Assets, October 1	428,114
Prior period adjustment	<u>(1,382)</u>
Total Net Assets, September 30	<u><u>\$ 499,909</u></u>

IRISH BEACH WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2006

Cash Flows from Operating Activities	
Cash received from customers	\$ 150,363
Cash payments to suppliers for operations	(54,670)
Cash payments for general & administrative expense	<u>(63,160)</u>
	\$ 32,533
Cash Flows from Capital and Related Financing Activities	
Acquisition of fixed assets	(12,839)
Repayment of note payable	(8,322)
Capital assessment contributions	79,125
Interest payments	<u>(6,996)</u>
	50,968
Cash Flows from Noncapital Financing Activities	
Loan assessments	<u>6,492</u>
	6,492
Cash Flows from Investing Activities	
Interest & dividends received	9,411
Redemptions & reclassifications	<u>(298,039)</u>
	(288,628)
Net Increase in Cash and Cash Equivalents	(198,635)
Cash and Cash Equivalents, October 1	<u>332,461</u>
Cash and Cash Equivalents, September 30	<u><u>\$ 133,826</u></u>

IRISH BEACH WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
ACTUAL VS. BUDGET
YEAR ENDED SEPTEMBER 30, 2006

	Actual	Budget	Variance
Operating Revenues			
Usage	\$ 21,515	\$ 25,277	\$ (3,762)
Availability	128,061	126,876	1,185
Other income	1,812	600	1,212
Total Operating Revenues	<u>151,388</u>	<u>152,753</u>	<u>(1,365)</u>
Operating Expenses			
Source of Supply	1,596	3,156	(1,560)
Treatment	35,235	32,959	2,276
Transmission & Distribution	14,158	9,509	4,649
Accounts	6,471	5,478	993
General & administrative	60,661	71,823	(11,162)
Other	879	275	604
Total Operating Expenses	<u>119,000</u>	<u>123,200</u>	<u>(4,200)</u>
Income from Operations before Depreciation	32,388	29,553	2,835
Depreciation	<u>17,252</u>	<u>19,161</u>	<u>(1,909)</u>
Operating Income	<u>15,136</u>	<u>10,392</u>	<u>4,744</u>
Non-Operating Revenues (Expenses)			
Reimbursements	2,224	-	2,224
Debt service assessments	6,492	6,473	19
County collection fees	(1,684)	(1,673)	11
Investment income	14,631	1,784	12,847
Interest expense	(4,599)	(4,729)	130
Loan fee amortization	(658)	-	(658)
Facility lease	1,362	1,362	-
Non-Operating Revenues, Net	<u>17,768</u>	<u>3,217</u>	<u>14,551</u>
Income Before Contributions and Adjustments	32,904	13,609	19,295
Assessment Contributions	79,483	79,072	411
Unexpended Restricted Assessments	<u>(39,210)</u>	<u>-</u>	<u>(39,210)</u>
Change in Net Assets	73,177	92,681	(19,504)
Total Net Assets, October 1	428,114	428,114	-
Prior period adjustments	(1,382)	-	(1,382)
Total Net Assets, September 30	<u>\$ 499,909</u>	<u>\$ 520,795</u>	<u>\$ (20,886)</u>

IRISH BEACH WATER DISTRICT
Notes to Financial Statements
September 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The district was formed in 1967 under the provisions of the Water Code for the State of California. Fire protection services were added by legislation in 1978 but have subsequently been taken over by the Redwood Coast Fire Protection District as part of an annexation of that department. As the annexation has now been formally completed, the Fire Department information is no longer treated as a component unit of the District, per GASB Statement No. 39.

The purpose of the District is to provide water to residents and businesses within the District's boundaries which include the subdivision known as Irish Beach, located along the coast in southern Mendocino County.

2. Basic Financial Statements

The basic financial statements (i.e. Statement of Net Assets, the Statement of Revenues Expenses and Changes in Net Assets, and the Statement of Cash Flows) report information on the enterprise activities of the District.

3. Measurement focus, basis of accounting and financial statement presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water operations. The principal operating revenues of the District are derived from charges to customers for availability and usage of water. Operating expenses include the cost of sales and service, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions in the form of assessments are reported separately in the Statement of Revenues, Expenses and Changes in Net Assets.

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

4. Cash and cash equivalents

The District considers all amounts in demand accounts held by financial institutions, investments with initial maturities of 90 days or less, and investments in "liquid CDs" to be cash and cash equivalents.

5. Receivables

Accounts receivable represents amounts owed to the District by customers. Management believes all of the receivables to be collectible therefore no allowance for doubtful accounts has been estimated. Amounts deemed to be uncollectible are expensed when recognized.

6. Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

7. Assessments

By special election, the District has imposed special assessments for capital improvements to, and future development of the water system. The assessments are levied by the county on the property tax bills. The county charges a 2% collection fee for this service. In accordance with GASB Statement No. 33 the assessments for general capital improvements or replacements are recognized as revenue when levied. Amounts assessed for specific projects are recorded as deferred revenues when levied and recorded as revenue and expense or capital acquisition when expended for the assessed purpose. By resolution of the board the 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.

8. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

B. INVESTMENTS

In an attempt to augment the earnings in restricted and operating reserves, the District moved its liquid reserves from lower earning savings accounts into individual accounts (which are based on the restricted or reserve purpose) held by an investment representative through Edward Jones. The investments consist of insured certificates of deposit, AAA rated bonds and highly rated publicly traded mutual funds. The District has established an investment policy that considers, among other things, their cash flow needs and acceptable level of risk.

C. RESTRICTED FUNDS

The District has established separate investment accounts for special assessments funds and maintains separate ledgers for each segment of the assessment. All these funds are considered to be restricted and not available for general operations. As discussed in note A-7, only the Mallo Pass Water Source assessment is specifically restricted enough to warrant being shown as deferred revenue. Balances and activity for the restricted funds as of, and for the year ended, September 30, 2006 are as follows:

	System-wide Capital Improvements	Mallo Pass Water Source Development	Capital Replacements	Total
Beginning Balances	\$ 76,567	\$ 90,729	\$ 49,820	\$ 217,116
Increases:				
Assessments	29,135	32,400	17,948	79,483
Investment income	3,240	6,809	2,061	12,110
Decreases:				
Transfers for capital imp.	(10,054)	0		(10,054)
Ending Balances	\$ 98,888	\$ 129,938	\$ 69,830	\$ 298,565

D. PROPERTY, PLANT AND EQUIPMENT

Beginning balance	\$ 658,463
Additions	12,839
Retirements	<u>0</u>
Total cost	671,203
Less accumulated depreciation	<u>(410,586)</u>
Total net book value	<u>\$ 235,640</u>

E. INVESTMENTS AND INVESTMENT INCOME

As discussed in Note B, the District has diversified how it holds restricted and reserve funds. Previously, the District's investment income consisted solely of interest earned, but now includes interest, dividends capital gain distributions on mutual funds, and unrealized changes in market value. For the year ended September 30, 2006, the unrealized portion of the District's investment return was \$6,420.

F. LONG-TERM DEBT

The District has a Safe Drinking Water loan through the California Statewide Communities Development Authority, secured by a pledge of water revenues. The loan is payable in semi annual principal and interest payments. Interest is amortized at 4.75%. While the required payments were reduced due the current year refinancing, the District continues to make annual payments of \$10,212 as per the higher interest rate schedule. Therefore they should be able to pay off the loan completely in 2018, three years earlier than originally scheduled.

G. COMMITMENTS AND CONTINGENCIES

a. Fire department annexation

The annexation of the Fire Department to the Redwood Coast Fire Protection District (RCFPD) has been, as of October 2, 2006, completed. Therefore, no supplemental information regarding the operations of the Fire Department are included with these financial statements.

b. Mallo Pass Project

The District has 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 have been granted by the SWRCB. Due to litigation and other factors, the project is not yet complete, and the SWRCB has denied an additional extension and is threatening to revoke the permit.

The District has retained legal counsel for this issue and, while the matter is underway, it is far too early in the process to make a determination as to the probable outcome. It is estimated that additional legal costs, depending on whether litigation results, could range from \$25,000 to \$50,000. An unfavorable outcome could also result in the monies collected for the project from parcel owners might have to be repaid. As these funds have always been maintained and recorded separately, the amount is readily determinable and can be found in NOTE B – Restricted Funds.

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To the Board of Directors and Management
Irish Beach Water District

In planning and performing my audit of the financial statements of the Irish Beach Water District (the District) as of and for the year ended September 30, 2006, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with assertions of management and applicable laws.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be considered to be material weaknesses as defined above. I noted no conditions that I believe to be material weaknesses.

Noted during my audit were conditions which I consider to be neither material weaknesses nor reportable conditions as defined by the American Institute of Certified Public Accountants. I believe, however that these comments are worth mentioning as they may help improve the efficiency and effectiveness of District in its overall internal controls and financial reporting.

1. It would be useful, from a reviewing standpoint, to maintain a separate ledger or spreadsheet for the restricted amounts. I realize that they are held in separate accounts, but amounts used for the particular purpose aren't always easily ascertainable. Transfers made to reimburse the operating funds should be very clearly indicated.
2. Given the tenuous nature of the Mallo Pass project, the District may wish to re-evaluate its investment policy concerning those particular funds so that there is no concern about maintaining liquidity should the outcome be unfavorable.

3. When making payments for items for which restricted dollars have been set aside, or may be properly used, set aside dollars should be used first. If unrestricted dollars are used then the unrestricted account should be “reimbursed” by the restricted account. This comment goes along with maintaining clear schedules for restricted or reserved amounts.
4. There were a number of checks that were processed with only one signature. It’s understandable that it would be difficult to always be able to find a second signer considering the rural a location in which we live, however, it is a policy to have two signatures and is an important policy in aiding the safeguarding of assets when a perfect segregation of duties isn’t possible. Also, when checks are voided, it’s a good idea to destroy the signature section of the check, either by removing it or clearly marking “Void” over the signature section. This reduces the possibility of someone with fraudulent intentions getting hold of one of your checks and using it improperly.
5. In any public organization, but especially in one as small as the Irish Beach Water District, it is impossible to fully implement a perfect system of internal controls that includes a complete segregation of duties. Therefore, it is imperative that the Board remain actively involved in the oversight of District operations.

I would like to thank Dorothy Cong and Judy Murray for their continued assistance and rapid response to my queries.

This report is intended solely for the information and use of the Board of Directors and management of the Irish Beach Water District. This restriction is not intended to limit distribution of this report, which is a matter of public record.

February 19, 2007

Sept. 9 '06

JOURNAL ENTRY RECORD

CRICKET CF 1840

Name I B W D

Dine

Date Sept '06

No.

	ACCOUNT - EXPLANATION	GENERAL LEDGER			
		ACCT NO	✓	DEBIT	CREDIT
1/1	Capital	300.10		373447 02	
	Transfer of Funds (clear transfers balances)	596.10			373447 02
2	Safe during water loan	211.10		2839 44	
	Int exp	591.00		2266 50	
	A/P	2000.			5106 00
	(adj payment made posted to A/P w/o bill)				
3	Loan interest payable	225.10		2396 77	
	Int exp	591.00			2396 77
	(clear payable balance (11/06 payment pd 9/06))				
4	Less current portion	223.10		2906 88	
	Current portion LTD	205			2906 88
	record / correct presentation of LTD				
5	Loan fees	592		658 00	
	Loan fees-net	140			658 00
	(record annual loan fees amortization)				
6	Fund equity - available	311.1		31497 93	
	Def'd rev Mallo Pass	230.20			31497 93
	(adj prin balance of Mallo Pass)				
7	Fund equity available	311.1		428 00	
	Accumulated depr.	115.10			428 00
	(prin per adj to A/B)				
8	A/S	500		1909 00	
	depreciation	115.1			1909 00
9	Projects in process	112.000		4561 50	
	PPE - trans / dist	111.6			4561 50
	tank replacement project				

This year depreciation is 16,245 - or 1353.75 / month

Irish Beach Water District
Journal Adjustments per Auditor at End of Year
September 30, 2006

<u>Date</u>	<u>Num</u>	<u>Memo</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
09/30/2006	Sept 9	Capital - trans of funds (Auditor adjustment)	300.10 · Opening Bal Equity	373,447.02	
		Capital - trans of funds (Auditor adjustment)	596.100 · Transfer of Funds		373,447.02
		Int loan payable (auditor adjustment)	225.10 · Loan Interest Payable	2,396.77	
		Int loan payable (auditor adjustment)	591.000 · Interest / Long Term Debt		2,396.77
				<u>375,843.79</u>	<u>375,843.79</u>
09/30/2006	Sept 10	Record correct presentation of LTD (auditor adjustment)	223.10 · Less Current Portion LTD	2,906.88	
		Record correct presentation of LTD (auditor adjustment)	205.00 · Current Portion Long Term Debt		2,906.88
				<u>2,906.88</u>	<u>2,906.88</u>
09/30/2006	Sept 11	Loan fee amortization (auditor adjustment)	592.00 · Loan Fees	658.00	
		Loan fee amortization (auditor adjustment)	140.00 · Loan Fees-net of amortization		658.00
		Adj prior bal of Mallo Pass (auditor adjustment)	311.1 · Fund Equity - Available	31,497.93	
		Adj prior bal of Mallo Pass (auditor adjustment)	230.20 · Deferred revenue Mallo Pass		31,497.93
		Prior per adj (auditor adjustment)	311.1 · Fund Equity - Available	428.00	
		Prior per adj (auditor adjustment)	115.10 · PPE - Accumulated Depreciation		428.00
		Depreciation adjustment (auditor adjustment)	800.000 · Depreciation Expense	1,909.00	
		Depreciation adjustment (auditor adjustment)	115.10 · PPE - Accumulated Depreciation		1,909.00
		Tank replacement project (auditor adjustment)	112.000 · Projects in progress	4,561.50	
		Tank replacement project (auditor adjustment)	111.60 · PPE - Transmission/Distribution		4,561.50
				<u>39,054.43</u>	<u>39,054.43</u>
				<u>#REF!</u>	<u>#REF!</u>