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Irish Beach Water District  
P.O. Box 67  
Manchester, CA 95459

July 20, 2009

Wendy S. Boise, CPA  
P.O. Box 2898  
Fort Bragg, CA 95437

In connection with your audit of the financial statements of the Irish Beach Water District as of and for the year ended September 30, 2008 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in retained earnings and cash flows of the Irish Beach Water District (the District) in conformity with generally accepted accounting principles, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for the fair presentation in the financial statements of financial position, changes in retained earnings and cash flows of the District in conformity with generally accepted accounting principles. The financial statements include all properly classified net assets under the organization's control.
2. We have made available to you all ---
  - a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no -
  - a. Irregularities involving management or employees who have significant roles in internal control
  - b. Irregularities involving other employees that could have a material effect on the financial statements
  - c. Communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
5. Related party transactions have been properly recorded or disclosed in the financial statements.

6. There are no -

a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.

c. Transfers or designations of net assets that were not properly authorized and approved that have not been properly reflected in the financial statements or disclosed to you.

7. There has been no--

a. Fraud involving management or employees who have significant roles in internal control.

b. Fraud involving others that could have a material effect on the financial statements.

8. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standard No. 5

9. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

10. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged

11. We have complied with all restrictions on resources that would have a material effect on the financial statements in the event of noncompliance.

12. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates and bases for allocation of indirect costs by function are reasonable in the circumstances.

13. There are no such estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that the *near term* means the period within one year of the date of the financial statements.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signature: \_\_\_\_\_ Title \_\_\_\_\_

Signature: \_\_\_\_\_ Title \_\_\_\_\_

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IRISH BEACH WATER DISTRICT  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

IRISH BEACH WATER DISTRICT  
AUDITED FINANCIAL STATEMENTS

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

707.882.2892

SEPTEMBER 30, 2008

BOARD OF DIRECTORS

Steve Whitaker – Board President

Judy Murray – Treasurer

Donald Jassowski

Don Harley

Kathy Poling

Charles Acker – Operations Manager  
Annette Fromwiller – Office Manager

**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, 2008 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, 2008, 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 July 20, 2009 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 District has elected not to include *Management's Discussion and Analysis* which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

A handwritten signature in cursive script that reads "Wendy J. Boie".

July 20, 2009  
Fort Bragg, California

IRISH BEACH WATER DISTRICT  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 50,478	
Accounts receivable	17,631	
Assessments receivable	<u>750</u>	
Total current assets		\$ 68,859
Prepaid expenses & deposits		4,350
Loan fees, net of amortization		4,603
Property & equipment, net of depreciation		370,503
Investments - unrestricted		72,017
Restricted Assets		
Cash and cash equivalents	74,422	
Investments	<u>312,995</u>	
Total restricted cash and investments		<u>387,417</u>
TOTAL ASSETS		<u>\$ 907,749</u>

LIABILITIES AND NET ASSETS

Current Liabilities (Payable from Unrestricted Current Assets):		
Accounts payable	\$ 789	
Accrued payroll liabilities	<u>300</u>	
Total Current Liabilities (Payable from Unrestricted Current Assets)		\$ 1,089
Current Liabilities (Payable from Restricted Assets)		
Accrued interest on long-term debt	1,821	
Current portion long-term debt	<u>6,312</u>	
Total Current Liabilities (Payable from Restricted Assets)		8,133
Long-Term Liabilities		
Deferred revenue-Mallo Pass	106,386	
Note payable, net of current portion	<u>77,353</u>	
Total Long-term Liabilities		<u>183,739</u>
Total Liabilities		\$ 192,961
Net Assets		
Investment in capital assets	286,838	
Restricted for capital projects	273,395	
Unrestricted	<u>154,555</u>	
Total Net Assets		<u>714,788</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 907,749</u>



IRISH BEACH WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues		
Usage	\$ 29,715	
Availability	132,721	
Other water services	2,079	
Total Operating Revenues	<u>                    </u>	\$ 164,515
 Operating Expenses		
Source of Supply	5,994	
Treatment	24,448	
Transmission & Distribution	16,471	
Accounts	6,908	
General & administrative	82,888	
Other	1,626	
Total Operating Expenses	<u>                    </u>	<u>138,335</u>
 Income from Operations before Depreciation		26,180
 Depreciation		<u>18,238</u>
 Operating Income		7,942
 Non-Operating Revenues (Expenses)		
Reimbursements	-	
Debt service assessments	6,609	
County collection fees	(1,816)	
Investment income	(49,724)	
Interest expense	(4,472)	
Loan fee amortization	(658)	
Facility lease	1,125	
Non-Operating Revenues, Net	<u>                    </u>	<u>(48,936)</u>
 Income Before Contributions and Adjustments		(40,994)
 Capital assessment contributions		84,925
Expended previously deferred		<u>15,617</u>
 Change in Net Assets		59,548
 Total Net Assets, October 1		655,240
Prior period adjustment		-
Total Net Assets, September 30		<u><u>\$ 714,788</u></u>

IRISH BEACH WATER DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2008

Cash Flows from Operating Activities	
Cash received from customers	\$ 165,165
Cash payments to suppliers for operations	(46,358)
Cash payments for general & administrative expense	<u>(91,422)</u>
	\$ 27,385
Cash Flows from Capital and Related Financing Activities	
Acquisition of fixed assets	(62,414)
Repayment of note payable	(6,022)
Capital assessment contributions, net of fees	83,109
Interest payments	<u>(4,189)</u>
	10,484
Cash Flows from Noncapital Financing Activities	
Loan assessments	<u>6,609</u>
	6,609
Cash Flows from Investing Activities	
Interest & dividends received	30,220
Redemp/reinvest/reclass	<u>(86,833)</u>
	<u>(56,613)</u>
Net Decrease in Cash and Cash Equivalents	(12,135)
Cash and Cash Equivalents, October 1	<u>137,034</u>
Cash and Cash Equivalents, September 30	<u>\$ 124,899</u>

IRISH BEACH WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
ACTUAL VS. BUDGET  
YEAR ENDED SEPTEMBER 30, 2008

	Actual	Budget	Variance
Operating Revenues			
Usage	\$ 29,715	\$ 21,960	\$ 7,755
Availability	132,721	132,141	580
Other income	2,079	450	1,629
Total Operating Revenues	<u>164,515</u>	<u>154,551</u>	<u>9,964</u>
Operating Expenses			
Source of Supply	5,994	5,121	873
Treatment	24,448	29,556	(5,108)
Transmission & Distribution	16,471	19,920	(3,449)
Accounts	6,908	9,480	(2,572)
General & administrative	82,888	68,167	14,721
Other	1,626	1,500	126
Total Operating Expenses	<u>138,335</u>	<u>133,744</u>	<u>4,591</u>
Income from Operations before Depreciation	26,180	20,807	5,373
Depreciation	<u>18,238</u>	<u>-</u>	<u>18,238</u>
Operating Income	<u>7,942</u>	<u>20,807</u>	<u>(12,865)</u>
Non-Operating Revenues (Expenses)			
Reimbursements	-	-	-
Debt service assessments	6,609	6,610	(1)
County collection fees	(1,816)	(1,803)	(13)
Investment income	(49,724)	13,757	(63,481)
Interest expense	(4,472)	(4,189)	(283)
Loan fee amortization	(658)	-	(658)
Facility lease	1,125	1,362	(237)
Non-Operating Revenues, Net	<u>(48,936)</u>	<u>15,737</u>	<u>(64,673)</u>
Income Before Contributions and Adjustments	(40,994)	36,544	(77,538)
Assessment Contributions	84,925	84,928	(3)
Reserve & capital expenses	-	(15,850)	15,850
Unexpended Restricted Assessments	<u>15,617</u>	<u>-</u>	<u>15,617</u>
Change in Net Assets	59,548	105,622	(46,074)
Total Net Assets, October 1	655,240	655,240	-
Prior period adjustments	-	-	-
Total Net Assets, September 30	<u>\$ 714,788</u>	<u>\$ 760,862</u>	<u>\$(46,074)</u>

IRISH BEACH WATER DISTRICT  
Notes to Financial Statements  
September 30, 2008

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, 2008 are as follows:

	System-wide Capital Improvements	Mallo Pass Water Source Development	Capital Replacements	Total
Beginning Balances	\$128,857	\$ 129,639	\$ 95,920	\$ 354,416
Increases:				
Assessments	31,936	33,016	19,973	84,925
Investment income	-14,404	-20,937	-10,080	-45,421
Decreases:				
Transfers for capital imp.	-	(7,097)	594	-
Ending Balances	\$146,389	\$ 134,621	\$ 106,407	\$ 347,417

D. PROPERTY, PLANT AND EQUIPMENT

Beginning balance	\$ 757,444
Additions	62,414
Retirements	<u>0</u>
Total cost	819,858
Less accumulated depreciation	<u>(449,355)</u>
Total net book value	<u>\$ 370,503</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, 2008, the unrealized portion of the District's investment return was a loss of \$79,982.

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

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 revoked the permit.

The District retained legal counsel for this issue and, after numerous appeals and discussions, it appears that the revocation will stand. This unfavorable outcome could result in the monies collected for the project from parcel owners having 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. However, the District is exploring the possibility of requesting permission to apply the funds toward the development of an alternate water source, as this was the intention of the Mallo Pass project.

**Wendy S. Boise, CPA**



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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, 2008, 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. Payments for the principal portion of the Safe Drinking Water Loan should be posted to the actual loan account (acct 211.10) rather than the long-term debt offset account (acct 223.10). This comment is continued from last year
2. The expenses for restricted Mallo Pass project are properly being offset by transfers from the restricted accounts to the general operating account. There also needs to be an adjustment, at least at year end, to the deferred revenue account offset by an entry into the Equity Available (Unrestricted Net Assets) account. It would also be useful to users of the financial statements to show the revenue transfer as a separate expense offset. As



it stands now, the expense accounts are just zeroed out and it is difficult to ascertain what activity occurred during the year. This comment is continued from last year

3. Given the revocation of the Mallo Pass permit, 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. This comment is continued from last year.
4. When it becomes obvious during the year that certain expenditures are going to be far outside of the amount budgeted the District should consider amending the budget for the new information.
5. When clearing the capital expense accounts to the appropriate assets accounts care should be taken to over adjust the expense accounts. This can be accomplished by double checking the expense accounts balances after the yearend adjustments have been made.
6. Any time there is a correction or adjustment that impacts two different fiscal years care should be taken to not impact a prior year that has already been adjusted and closed. This creates confusion when trying to balance one year to the next. It is better to make the entire correction/adjustment in the current year, unless the prior year needs to be restated as a result of the change. For this year there was a check re-issued to the new Fire District that showed up as a disbursement in the current year and reduction of disbursements in the prior year. It would have been better to show the entire correction in the current year as that would have been a "wash" with no confusion.
7. 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 Annette Fromwiller and Judy Murray for their assistance and providing me with such complete information. It is especially efficient to have all of your information in digital form.

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.



July 20, 2009