

**IRISH BEACH WATER DISTRICT
ANNUAL FINANCIAL REPORT
With
INDEPENDENT AUDITOR'S REPORT THEREON

SEPTEMBER 30, 2022 AND 2021**

**IRISH BEACH WATER DISTRICT
ANNUAL FINANCIAL REPORT**

SEPTEMBER 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Irish Beach Water District
Manchester, California

Opinions

We have audited the accompanying financial statements of the business-type activities of the Irish Beach Water District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Irish Beach Water District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and 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 Opinions

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 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 audit opinions.

Other Matters

The financial statements of Irish Beach Water District as of September 30, 2021, were audited by other auditors whose report dated January 23, 2023, expressed an unmodified opinion on those statements.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Sacramento, California
November 4, 2024

**IRISH BEACH WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021**

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, 2022 and 2021. 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.

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. Overtime, 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

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.

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
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021**

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 years ended September 30, 2022 and 2021, the District's operating income was \$153,119 and (\$15,914) respectively. Net income in the current year vs net losses in the prior years, demonstrating the results if the Board's actions of increasing user fee and maintaining cost control. Occurrence of leaks and repairs to our aging water system continue. The District Board asked voters for another Prop 218 Capital Projects Assessment which would be assessed on all 459 home and lot owners to begin in fiscal year 21-22. However, the measure failed by a narrow margin. Another prop 218 capital project assessment is planned for fiscal year 22-23. This time with special benefit assessment to the 207 developed lots. The increase of revenue from availability charges and user charges reflects continued rate increases as reflected in chart on page 4.

Financial Analysis of the District

Statements of Net Position - The District's net position increased between fiscal year ended September 30, 2021 and 2022 from \$935,384 to \$1,088,503. The change can be seen in the condensed Statement of Net Position below as a \$153,119 increase in net position. There was an increase in capital assets of \$84,138 which can be explained by approximately \$35,000 depreciation expense offset by construction in process of \$119,138 funded with grant revenues. Current assets increased by \$61,642. Restricted assets increased 4,966 which is the due to expenditure of replacement reserve funds. Current liabilities decreased by 2,372.

Condensed Statements of Assets, Liabilities, and Net Position

	2022	2021	Change
Current Assets	\$ 194,296	\$ 132,654	\$ 61,642
Restricted assets	595,040	590,074	4,966
Capital assets	793,488	709,350	84,138
Total Assets	<u>1,582,824</u>	<u>1,432,078</u>	<u>150,747</u>
Current liabilities	180,717	183,089	(2,372)
Deferred revenues	313,605	709,350	(395,745)
Total liabilities	<u>494,322</u>	<u>892,439</u>	<u>(398,117)</u>
Net investment in capital assets	793,488	709,350	84,138
Restricted	276,469	276,469	-
Unrestricted	<u>18,546</u>	<u>(50,435)</u>	<u>68,981</u>
Total net position	<u>\$ 1,088,503</u>	<u>\$ 935,384</u>	<u>\$ 153,119</u>

**IRISH BEACH WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021**

Changes in Revenues, Expenses, and Net Position - The District's income before capital improvement assessments increased \$169,035 as a result of a \$105,958 grant, and increase of \$41,338 of non-operating revenues offset by a slight increase of \$28,302 of expenses.

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 and Expenses

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating Revenues:			
Water Usage	\$ 41,715	\$ 52,479	\$ (10,764)
Water Availability	265,929	206,127	59,802
Grant revenues	105,958	-	105,958
Late Fees	2,933	3,620	(687)
Meter connections	750	500	250
Total Operating Revenues	<u>417,285</u>	<u>262,726</u>	<u>154,559</u>
Non-Operating Revenues	<u>48,148</u>	<u>6,810</u>	<u>41,338</u>
Total Revenues	<u>465,433</u>	<u>269,536</u>	<u>195,897</u>
Operating Expenses	<u>310,189</u>	<u>281,886</u>	<u>28,303</u>
Non-Operating Expenses	<u>2,125</u>	<u>3,564</u>	<u>(1,439)</u>
Total Expenses	<u>312,314</u>	<u>285,450</u>	<u>26,864</u>
Income (loss) before Contributions	153,119	(15,914)	169,033
Capital Contribution Assessments	-	-	-
Change in Net Position	<u>\$ 153,119</u>	<u>\$ (15,914)</u>	<u>\$ 169,033</u>

**IRISH BEACH WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021**

Economic Factors and Prospective Information

The District's Board of Directors has increased rates as necessary to ensure that the District's costs be covered by revenues. Following is a table of approved rates for the last seven years. 2017-18 is last year for collections of prop 218 assessments. Availability and Usage rates are based on operating budgets approved each year, and may change from year to year. The Court ordered the Mallo Pass portion of the assessment discontinued in 16-17. The increase in availability charges in November of 2021 was for the purpose, in part, of building an unrestricted Board Reserve for unfunded capital improvements and contingencies.

Economic Factors and Prospective Information

Year Ended September 30:	Assessments	Availability Charge	Usage Charge
2016	\$ 242.03	\$66.49/200	\$0.51/100gal
2017	\$ 157.90	\$66.49/202	\$0.51/100gal
2018	\$ -	\$66.49/202	\$0.51/100gal
2019	\$ -	\$73.14/202	\$0.57/100gal
2020	\$ -	\$78.87/202	\$0.58/100gal
2021	\$ -	\$85.50/202	\$0.65/100gal
2022	\$ -	\$108.56/207	\$0.67/100gal
2023			

The District, by way of the Proposition 218 balloting process, was authorized to impose a special assessment for capital improvement to the water system. The assessment was levied annually and collected by Mendocino County Treasurer by placing these assessments on the property tax bills at a cost of 2%. Unfortunately, the 2002 assessment ended in fiscal year 2016/17 and voters (parcel owners) have not approved a new capital projects assessment.

Until 2008, the Irish Beach Water District had three developed sources of water: 1) The Upper Diversion on Irish Gulch, 2) Well #9 located east of the main subdivision; and 3) the Lower Diversion on Irish Gulch. Over the years, the Unit 9 well has been diminishing in production volume. Two new wells were drilled in 2008 to provide additional water source capacity to existing parcels and future homes yet to be built. (Ground water can be held in future reserve where surface water cannot.). One was drilled, by agreement on a parcel owners, near Tank 2. This well has not been connected to the system because of current litigation preventing the utility connection to that well. A second well was drilled on an easement granted to the District near Tank 5 in the Unit 9 area. The existing Unit 9 well is on that same easement.

The new T5 Well was tested for recovery rate, water quality, and was licensed for use by the State Department of Public Health. In 2009, Willam and Tonya Moores filed suit against the District in Superior Court regarding liability for inverse condemnation for the drilling of the T5 Well. The court ruled against the District as to liability for inverse condemnation as to the T5 Well in a decision dated June 20, 2012. In a second phase of the litigation in 2015, the court found that the Moores' were entitled

**IRISH BEACH WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 and 2021**

to \$401,000 in compensation and \$734,000 in attorney fees and costs. The district appealed this judgement and in 2021 to the Court of Appeal of the State of California reversed these lower court's findings with respect to compensation and related costs. The case was remanded back to the Superior Court to determine an appropriate value for the inverse condemnation of the small plot of land where the well was drilled.

The third phase of this litigation sought to invalidate certain prop 218 assessments, seek damages for road maintenance and an alleged breach of a 2002 settlement agreement. The trial court ruled that, after adjusting for certain disallowed expenditures, the remaining balance of the Mallo Pass assessment fund and the Systemwide assessment fund be returned to parcel owners and that that fund ceiling of Capital Replacement Assessment Fund be lowered. The adjustment of the Capital Replacement Assessment Fund was also appealed Court of Appeal of the State of California and the Superior Court Judgment was overturned. Actions regarding the disposition of the Mallo Pass and Systemwide funds are pending court's final judgment, expected in late 2023 or early 2024.

Well Moratorium -The District continues to enforce a new well drilling moratorium. However, exemptions from the moratorium are considered on case-by-case basis by board of directors.

Projects in Process - On May 2, 2022, the District accepted a \$400,000 grant from the California Department of Water Resources to renovate Tank 2, activate Well 2, and replace the temporary Tank 5 with a permanent bolted steel tank. Construction activities commenced in May 2002 by the end of fiscal year 2021/2022, the grading and drainage site preparation, concrete work and framing for the structures secure ozonator/filter enclosure at Well 2 and the secure appurtenance enclosure at Tank 2 were complete. The custom metal cover for Tank 2 had been ordered and scheduled for installation by the end of the calendar year.

The District requested reimbursement for a total of \$113,444.09 for grant project related costs during the period May 2022 through August 2022, and had incurred another \$6,882.33 in grant-related costs for September 2022. At the end of fiscal year 2021/2022 the District was awaiting reimbursement from the State and had not yet received any grant funds.

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.

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

IRISH BEACH WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash in banks	\$ 14,514	\$ 80,856
Accounts receivable	63,769	36,737
Taxes receivable	-	5,006
Grants receivable	105,958	
Prepaid insurance	10,055	10,055
Total Current Assets	194,296	132,654
Restricted Assets		
Cash and cash equivalents	478,592	466,913
Interest receivable	44	761
Due from operations	116,404	122,400
Total Restricted Assets	595,040	590,074
CAPITAL ASSETS		
Property, plant and equipment - net	793,488	709,350
Total Assets	1,582,824	1,432,078
LIABILITIES		
Current Liabilities		
Accounts payable	1,121	4,265
Accrued Payroll and Taxes	1,846	11,735
Due to Restricted Assets	116,404	122,400
Due to Redwood Coast Fire	61,345	44,689
Total Current Liabilities	180,716	183,089
Long-term Liabilities		
Deferred revenue -Water Source Development	313,605	313,605
Total Liabilities	494,321	496,694
NET POSITION		
Net Investment in Capital Assets	793,488	709,349
Restricted for Capital Projects	276,469	276,469
Unrestricted Deficit	18,546	(50,434)
TOTAL NET POSITION	\$ 1,088,503	\$ 935,384

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, 2022 and 2021

	2022	2021
Operating Revenues		
Water Usage	\$ 41,715	\$ 52,479
Water Availability	265,929	206,127
Late Fees	2,933	3,620
Meter connections	750	500
	311,327	262,726
Operating Expenses		
Source of Supply	4,888	9,976
Transmission and Distribution	30,686	39,552
Water Treatment	45,224	54,494
Customer Accounts	6,133	6,407
General and Administrative	122,559	105,170
Legal Fees	65,699	31,399
Depreciation	35,000	34,888
	310,189	281,886
Operating Income (Loss)	1,138	(19,160)
Non-Operating Revenues (Expenses)		
Investment Earnings	4,922	6,810
Grant Revenue	105,958	-
Other Revenue, Fund Transfer	43,226	-
Interest Expense	(1,520)	(2,407)
Other Expense	(605)	(1,157)
	151,981	3,246
Change in Net Position	153,119	(15,914)
Net Position - Beginning of Year	935,384	951,298
Net Position - End of Year	\$ 1,088,503	\$ 935,384

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS
For the Years Ended
September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 284,295	\$ 259,419
Payments to Suppliers	(221,797)	(110,836)
Payments for Employees and Taxes	(49,769)	(87,245)
Net Cash Provided by Operating Activities	12,729	61,338
Cash Flows from Capital and Related Financing Activities		
Capital Expenditures	(119,138)	(40,101)
Interest Expense	(1,520)	(2,407)
Other Revenue (Expense)	47,627	(1,157)
Net Cash Used by Capital and Related Financing Activities	(73,031)	(43,665)
Cash Flows from Investing Activities		
Investment Income	5,639	6,050
Net Increase (Decrease) in Cash and cash equivalents	(54,663)	23,723
Cash and Cash Equivalents - Beginning	547,769	524,046
Cash and Cash Equivalents - End of Year	\$ 493,106	\$ 547,769
Components of Cash and Cash Equivalents		
Cash in Checking and Savings	\$ 14,514	\$ 80,856
Restricted Cash and Cash Equivalents:		
Capital Asset Assessments -		
Redwood Credit Union	478,592	466,913
Mendocino County		
Total Cash and Cash Equivalents	\$ 493,106	\$ 547,769
Reconciliation of Operating Loss to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 1,138	(19,161)
Depreciation and Amortization	35,000	34,888
Net Changes in Assets and Liabilities:		
Accounts Receivable	(27,032)	(3,307)
Prepaid Insurance	-	122
Accounts Payable	(3,144)	3,410
Accrued Payroll and Taxes	(9,889)	2,777
Due to Redwood Coast Fire	16,656	42,609
Net Cash Provided (Used) by Operating Activities	\$ 12,729	\$ 61,338

See accompanying notes to financial statements

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 and 2021**

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, 2022 and 2021**

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, 2022 and 2021**

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 Equipment and Vehicles

Office Equipment and Furniture

20 - 40 years

5 - 15 years

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, 2022 and 2021**

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at September 30, 2022 and 2021:

	2022	2021
Checking Accounts	\$ 14,514	\$ 80,856
Restricted- Money Market	\$ 478,592	\$ 466,913
Total	\$ 493,106	\$ 547,769

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.

NOTE 3 CAPITAL ASSETS

Following is a summary of changes in capital assets for the years ended September 30, 2022 and 2021:

September 30, 2022

	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	559,911	119,139	-	-	679,050
Depreciating assets:					
Buildings and improvements	378,758	-	-	-	378,758
Equipment	22,208	-	-	-	22,208
Vehicles	585,903	-	-	-	585,903
Total depreciating assets at cost	986,869	-	-	-	986,869
Accumulated depreciation	(837,431)	(35,000)	-	-	(872,431)
Net depreciating assets	149,438	(35,000)	-	-	114,438
Net capital assets	\$ 709,349	\$ 84,139	\$ -	\$ -	\$ 793,488

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 and 2021**

NOTE 3 CAPITAL ASSETS (continued)

	September 30, 2020	Additions	Disposals	Reclassifications	September 30, 2021
Non-depreciating assets:					
Land	\$ 519,810	\$ -	\$ -	\$ -	\$ 519,810
Construction in progress	-	40,100	-	-	40,101
Total non-depreciable assets	<u>519,810</u>	<u>40,100</u>	<u>-</u>	<u>-</u>	<u>559,911</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	(802,543)	(34,888)	-	-	(837,431)
Net depreciating assets	<u>184,326</u>	<u>(34,888)</u>	<u>-</u>	<u>-</u>	<u>149,438</u>
Net capital assets	<u>\$ 704,136</u>	<u>\$ 5,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,349</u>

Depreciation expense for the years ended September 30, 2022 and 2021 is \$35,000 and \$34,888, respectively..

NOTE 4 DEFERRED REVENUE

Water Source Development deferred revenue represents with a balance of \$313,605 represents assessments through September 30, 2016. The Court ordered a stop to collection of assessments for future water development. It is anticipated that when any appeals are final, the full amount of the water development funds will be returned to the property owners. See commitments and contingencies below for continued discussion.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Alternate Water Source Development and Litigation

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 large part because the District cannot control rate of development needed to support the project.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 COMMITMENTS AND CONTINGENCIES (continued)

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 was challenged in a legal suit filed in 2009. A landowner in the District brought this action among numerous causes of action, and included the District's four Proposition 218 Assessments.

Proposition 218, which was approved by the voters in November 1996, amended Article 13 of the State Constitution, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the recent court decision of *Bighorn-Desert View Water Agency vs. Virgil* which states "an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority" of the affected property owners. In addition, the District's ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain its current level of service due to slow development rate.

The Court found that the District's Mallo Pass I 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 is appealing the judgement, but anticipates returning the full funding. Total legal expenses paid out of the Mallo Pass I Alternative Water Supply Assessment of \$80,810 that were not allowed by the court ruling were paid back out of operating cash.

Continued 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 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, 2022 and 2021 were \$65,699 and \$31,399, respectively. The ultimate outcome of this litigation cannot presently be determined. Judgements are being appealed. Accordingly, adjustments, if any, that might result from the resolution of these matters have not been reflected in these financial statements .

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic. The spread of COVID-19, and the resulting work and travel restrictions, have not negatively impacted the District from its primary business of supplying water to local residences and businesses within its jurisdiction.

NOTE 7 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2024, which is the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2022 that would require recognition or disclosure in the financial statements.