

East Orange County Water District

Management Report

June 30, 2008

East Orange County Water District

Management Report

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Board of Directors
East Orange County Water District
Orange, California

Dear Members of the Board:

We have audited the basic financial statements of the East Orange County Water District (the District) as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration on internal control was for the limited period described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be control deficiencies, significant deficiencies and/or material weaknesses, as defined above and noted on the following page.

Summary of Current Year Comments and Recommendations

None Noted

Status of Comments and Recommendations Made in the Previous Year

None Noted

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

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Cypress, California
October 20, 2008

APPENDIX

East Orange County Water District

Audit/Finance Committee Letter

June 30, 2008

Board of Directors
East Orange County Water District
Orange, California

In connection with our audit of East Orange County Water District (District) for the year ended June 30, 2008, this letter sets forth certain matters that we wish to bring to your attention.

The Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America

Our audit of the basic financial statements of the District for the year ended June 30, 2008 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the basic financial statements. We believe that our audit accomplished that objective.

Significant Accounting Policies and Pronouncements

The Board of Directors has the ultimate responsibility of the appropriateness of the accounting policies used by the District. The District did not adopt any new accounting policies and/or pronouncements in fiscal year 2008.

Significant or Extraordinary Transactions

We did not identify any significant or extraordinary transactions or significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Accounting estimates are an internal part of the preparation of basic financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions and future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, such as depreciation of capital assets, and we considered this information in the scope of our audit. There were no particularly sensitive estimates formulated in the basic financial statements.

Significant Audit Adjustments

There were no unrecorded audit adjustments.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit. We appreciate the cooperation extended us by William Redcay, General Manager, Denise Dobson, Office Manager, and Carl Schoonover, District Treasurer/Accountant in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Cypress, California
October 20, 2008