

**East Orange County Water District**

**Management Report**

**June 30, 2007**

**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, 2007 and have issued our report thereon dated October 20, 2007. In planning and performing our audit of the basic financial statements, we considered the District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. We have not considered the internal control structure since the date of our report. A material weakness is a condition in which the design or operation of the specific 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 basic 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. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

During our audit we noted certain matters involving the District's internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

**Summary of Current Year Comments and Recommendations**

**None Noted**

**Status of Comments and Recommendations Made in the Previous Year**

**None Noted**

\* \* \* \* \*

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, 2007

**APPENDIX**

**East Orange County Water District**

**Audit/Finance Committee Letter**

**June 30, 2007**

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, 2007, 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, 2007 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 2007.

**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 two (2) audit adjustment and/or reclassification entries, made to the original trial balance presented to us to begin our audit. The overall net effect of these adjustments was to increase the change in net assets of the District by approximately \$6,322. There were no unrecorded audit adjustments. Please see the two (2) audit adjustments/reclassifications attached at the end of this report.

**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, 2007

**East Orange County Water District**  
**June 30, 2007**  
**Journal Entries Report : Adjusting Entries**

<b>Entry #</b>	<b>Status</b>	<b>Account/Code</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
AJE 1	Posted	5138-002-202	Water Purchased		305,237.05
		4110-001-201	Water Sales	305,237.05	
		5144-002-202	Retail Service Connection		6,578.04
		4130-001-201	Retail Service Connections	6,578.04	
		5145-002-202	Tax Recovery Expense		21,222.00
		4122-001-201	WS-Tax Recovery	21,222.00	
		5361-002-202	MET-MWDOC Readiness to Serv Chg		7,354.20
		4131-001-201	Readiness to Serve	7,354.20	
		3016-002-202	TRANSFERS		340,391.29
		3016-001-201	Transfers In (Out) to FA	340,391.29	
		AJE - To eliminate intercompany water sales between WS & RZ			
AJE 2	Posted	1550-001-201	Water-In-Storage	74.14	
		1550-002-202	Water-In-Storage	74.14	
		5138-001-201	WATER PURCHASED		74.14
		5138-002-202	Water Purchased		74.14
		1560-001-201	Materials & Supplies Inventory	3,086.73	
		1560-002-202	Materials & Supply Inventory	3,086.73	
		5313-001-201	Small Tools		3,086.73
		5313-002-202	Small Tools		3,086.73
		AJE - To record current year additions to inventory			
<b>TOTALS</b>				<b>687,104.32</b>	<b>687,104.32</b>