

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
PRINCIPAL OFFICIALS**

**BOARD OF DIRECTORS**

at

December 31, 2009

Board Members	Title
Brenda Haynes	President
Shawn Kreps	Vice President
J.D. Leitaker	Member
Robert Blankenship	Member
Jason Munson	Member

**GENERAL MANAGER/SECRETARY**

at

December 31, 2009

Stan Wangberg

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Anderson-Cottonwood Irrigation District  
Anderson, California

We have audited the accompanying financial statements of the business type activities of Anderson-Cottonwood Irrigation District (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

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 District, as of December 31, 2009, and their respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Anderson-Cottonwood Irrigation District  
Anderson, California

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson-Cottonwood Irrigation District's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Fechter & Company, CPAs

Sacramento, CA  
March 9, 2010

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2009**

The following discussion and analysis of the Anderson-Cottonwood Irrigation District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the financial statements, which begin on page 8 of this report.

**FINANCIAL HIGHLIGHTS**

- The District's net assets decreased by \$344,932 due to an operational loss.
- During the year the operating revenues of \$988,817 were \$1,174,326 less than operating expenses of \$2,163,143. Total operating revenues increased \$37,060 compared to the prior year, while operating expenses increased by \$263,779. Revenue from water sales remained unchanged, while revenues for water transfer sales provided most of the increase in operating revenue.
- Budgeted non-operating revenues (principally taxes and interest income) were \$806,000, which resulted in a favorable variance of \$182,817. Non-budgeted capital contributions, principally from grants, totaled \$433,258, and resulted in a total favorable variance to non-operating revenues of \$400,235.
- Absent depreciation, all 2009 revenues and expenses (operating and non-operating combined) resulted in an unfavorable variance of \$339,630.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows provide information about the activities of the District and a long-term view of the District's finances.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2009**

**CONDENSED FINANCIAL INFORMATION**

The difference between assets and liabilities is one way to measure the District's financial health. Over time, increases or decreases in net assets are an indication of whether its financial health is improving or deteriorating.

The District's net assets decreased from \$12,693,409 a year ago to \$12,768,762 this year, a decrease of \$344,932. In contrast, last year's assets increased by \$15,127 from the prior year.

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2)

**Table 1  
Net Assets (in dollars)**

	<u>2008</u>	<u>2009</u>
<b>Assets</b>		
Current and other assets	\$ 2,512,792	\$ 2,851,365
Capital assets	10,322,905	9,917,397
<b>Total assets</b>	<u>\$ 12,835,697</u>	<u>\$ 12,768,762</u>
<b>Liabilities</b>		
Current liabilities	\$ 142,288	\$ 420,285
<b>Total liabilities</b>	<u>142,288</u>	<u>420,285</u>
<b>Net Assets</b>		
Invested in capital assets, net of debt	10,324,905	9,917,397
Restricted	5,000	5,000
Unrestricted	<u>2,365,504</u>	<u>2,426,080</u>
<b>Total net assets</b>	<u>\$ 12,693,409</u>	<u>\$ 12,348,477</u>

Net assets of the District's activities decreased by \$344,932. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by legal requirements or District restrictions increased from \$2,365,504 on December 31, 2008 to \$2,426,080 at the end of the current year.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2009**

**Table 2  
Changes in Net Assets (in dollars)**

	<u>2008</u>	<u>2009</u>
Total operating revenues	\$ 951,757	\$ 988,817
Total operating expenses	<u>1,899,364</u>	<u>2,163,143</u>
Net operating income	(947,607)	(1,174,326)
Total Non-operating revenues (expenses)	<u>833,894</u>	<u>436,268</u>
Net income (loss) before capital contributions	(113,713)	(738,058)
Capital contributions, principally grants	<u>128,840</u>	<u>397,225</u>
Increase (decrease)in net assets	<u>\$ 15,127</u>	<u>\$ (340,833)</u>

Compared to a year ago, operating revenues increased from \$951,757 to \$988,817, or approximately 4 percent, mostly as a result of increased water transfer sales.

Operating expenses increased by \$263,779, or approximately 14 percent. As noted earlier in this report, the increase in operating expenses was almost entirely due to additional water purchases and increased legal fees for water rights protection (+\$31,000) compared to the prior year.

The increase in non-operating revenues was due primarily to the recovery of amounts related to an accident which damaged District property. Other non-operating revenues for future years, principally taxes and interest income, should be relatively stable with minor year-to-variations. State raids of property tax income and reduced interest income resulting from federal rate adjustments are the most likely sources of reduced non-operating revenues in future years.

### **BUDGETARY HIGHLIGHTS**

The District's 2009 operating budget was discussed and approved at the Board of Directors regular meeting in December 2008.

Comparing actual revenue and expenses with budgeted revenues and expenses shows an unfavorable variance of \$418,510 as shown in Table 3.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2009**

**Table 3  
Actual Compared to Budget (in dollars)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance + or (-)</u>
Operating revenues	\$ 806,000	\$ 988,817	\$ 182,817
Operating expenses	1,240,461	2,163,143	(922,682)
Net Operating income	433,258	833,493	400,235
Net budgeted income (loss)	<u>\$ (1,203)</u>	<u>\$(340,833)</u>	<u>\$ (339,630)</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2009, the District had \$9,917,397 invested in capital assets. This amount represents a net decrease of \$405,508 from the prior year; depreciation taken in 2009 was \$455,871 and that accounts for the decrease in capital assets.

The District has no current plans to issue debt to finance capital improvements to the system, but is currently implementing two projects funded by State and Federal grants that include a local cost share. These projects contain various levels of local share and are in various stages of development. At least some of these costs will be accrued in 2009.

**Debt**

The District has no outstanding bonds, loans, or certificates of participation.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Factors considered in preparation of the 2010 operating budget included:

- Salaries and benefits, including increases pursuant to the 2008 Collective Bargaining Agreement with the Teamsters.
- Water rights protection costs, specifically the defense of litigation filed in Federal court by the National Resources Defense Council challenging the District's Settlement Contract and right to divert.
- The Cottonwood Creek siphon improvement project, partially funded by the U.S. Fish & Wildlife Service.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2009**

- Confirmed and expected revenue from water transfer sales.
- Decline of interest revenue due to low rates.
- Decline of assessment revenue due to State borrowing of property tax revenue and property value reassessments.

The Cottonwood Creek siphon improvement project will represent the single largest cash payout for 2010; although \$130,000 has been provided by the U.S. Fish & Wildlife Service, total project cost is projected at \$280,000 – \$300,000. This project will ensure the structural viability of the streambed portion of the siphon, and eliminate a potential fish passage impediment to listed anadromous fish species.

**CONTACTING THE DISTRICT**

This financial report is designed to provide the public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at 2810 Silver Street, Anderson, California, 96007; or call (530) 365-7329.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 1,103,086
Investments	1,181,331
Accounts receivable - other	361,277
Assessments receivable	183,947
Inventory	16,418
Prepaid expenses	5,306
	<hr/>
Total current assets	2,851,365

## Non-current assets

Capital assets - net	9,917,397
	<hr/>
Total assets	<u>\$ 12,768,762</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	\$ 378,572
Accrued payroll	17,759
Accrued vacation	23,954
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Total current liabilities	420,285

**NET ASSETS**

Investment in capital assets, net of related debt	9,917,397
Restricted assets	5,000
Unrestricted:	
Designated	665,631
Undesignated	1,760,449
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Total net assets	12,348,477
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Total liabilities and net assets	<u>\$ 12,768,762</u>

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**OPERATING REVENUES**

Water sales	\$ 596,890
Water transfer sales	378,098
Penalty revenue	4,982
Other	<u>8,847</u>
Total operating revenues	<u>988,817</u>

**OPERATING EXPENSES**

Source of supply	249,393
Pumping	111,995
Transmission and distribution	1,049,472
General and administrative	296,412
Depreciation	<u>455,871</u>
Total operating expenses	<u>2,163,143</u>

Operating income	<u>(1,174,326)</u>
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**NON-OPERATING REVENUES**

Property assessments	404,868
Interest income	28,463
Other income	<u>2,937</u>
Total non-operating revenues	436,268

**INCOME (LOSS) BEFORE CONTRIBUTIONS**

Capital contributions	<u>397,225</u>
Change in net assets	<u>(340,833)</u>

<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>12,693,409</u>
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Prior period adjustment	<u>(4,099)</u>
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<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 12,348,477</u></u>
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**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	988,817
Payments to suppliers	(1,029,836)
Payments to employees and benefits	<u>(411,734)</u>
Net cash provided by (used in) operating activities	(452,753)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

Receipts from property taxes	426,802
Other	<u>2,937</u>
Net cash provided by non-capital financing activities	429,739

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of fixed assets	(50,362)
Capital contributions	<u>395,140</u>
Net cash provided by (used in) capital and related financing activities	344,778

**CASH FLOWS FROM INVESTMENT ACTIVITIES:**

Interest revenues	<u>42,459</u>
Increase (decrease) in cash and cash equivalents	<u>364,223</u>

<b>CASH BEGINNING BALANCE</b>	<u>1,920,194</u>
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<b>CASH ENDING BALANCE</b>	<u><u>\$ 2,284,417</u></u>
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**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**Reconciliation of Operating Income to Net cash Provided by Operating Activities:**

Operating income	\$ (1,174,326)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	455,871
(Increase) decrease in inventory	(10,344)
(Increase) decrease in prepaid expenses	(1,951)
Increase (decrease) in accounts payable	259,676
Increase (decrease) in accrued payroll	18,321
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Total adjustments	721,573
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Net cash provided by (used in) operating activities	<u>\$ (452,753)</u>

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1: ORGANIZATION**

The Anderson-Cottonwood Irrigation District (the "District") was formed in 1914 and provides irrigation water to residents of the District. The District encompasses approximately 32,000 acres in Shasta and Tehama Counties. District irrigation facilities include the main canal diversion dam on the Sacramento River in Redding, a pump station to serve the Churn Creek Bottom area, and approximately 120 miles of canals and pipelines. The District is governed by a Board of Directors which is elected by the residents of the District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Anderson-Cottonwood Irrigation District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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.

**FUND ACCOUNTING**

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self balancing set of accounts.

The District uses a Proprietary Fund type (Enterprise Fund) to account for its operations. An enterprise fund is used because the District finances and conducts its operations in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund allows for the periodic determination of revenues earned, expenses incurred and/or net income. The Board considers this to be appropriated for capital maintenance, public policy, management control, and accountability and are all necessary or useful to sound financial administration.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**MEASUREMENT FOCUS**

The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on the Districts' activities as a whole. Measurement focus is the accounting convention that determines:

1. Which assets and liabilities are included on an entity's statement of net assets, and
2. Whether its operating statements present "financial flow" information (revenues and expenditures) or "economic resources" information (revenues and expenses).

All proprietary funds are accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and liabilities associated with their activities, whether current or non-current, are included on their statement of net assets.

**BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied. Enterprise funds utilize the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water services. Operating expenses for the District include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reporting as non-operating revenues and expenses.

**INVENTORY**

Inventories have been valued at the lower of cost (first-in, first-out) or market.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Vehicles and Equipment	3-10 Years
Furniture and Fixtures	3-20 Years
Structure and Improvements	5-50 Years

**CASH AND CASH EQUIVALENTS**

For purposes of the statements of Cash Flows, the District considers all restricted and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**INVESTMENTS**

Investments consist of LAIF (State of California pooled investment fund). Investments are stated at market value. Such investment is within the State statutes and the District's investment policy.

**COMPENSATED ABSENCES**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability. Sick leave hours accrued in excess of 200 hours are paid off at \$1 for each \$2 accrued on December 1 of each year.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BAD DEBT**

Uncollectible accounts are written off upon determination that the account is no longer collectible.

**NET ASSETS**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

**NOTE 3: CASH AND CASH EQUIVALENTS**

At year-end the carrying amount of the District's deposits was \$1,102,886 and the bank balance was \$1,112,483. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by State law. The District's balances held in bank accounts exceeded federally insured amounts by \$862,483.

Checking accounts	\$ 850,792
Certificates of Deposits	252,094
Petty Cash	200
	<u>\$ 1,103,086</u>

**Investments:**

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 3: CASH AND CASH EQUIVALENTS – continued**

	<u>Carrying Amount</u>	<u>Market Value</u>
LAIF Balance, 12/31/2009	<u>\$1,181,331</u>	<u>\$1,181,331</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

**NOTE 4: CHANGES IN CAPITAL ASSETS**

A schedule of changes in capital assets for year ended December 31, 2009:

	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2009</u>
<b>Capital Assets not Being Depreciated:</b>				
Land	\$ 18,885	\$ -	\$ -	\$ 18,885
Total Capital Assets not Being Depreciated	<u>18,885</u>	<u>-</u>	<u>-</u>	<u>18,885</u>
<b>Capital Assets Being Depreciated</b>				
Transmission and distribution	2,460,463	36,870	-	2,497,333
Machinery	316,975	1,328	(1,917)	316,386
Pumps	236,595	-	-	236,595
Autos and trucks	129,938	-	-	129,938
Buildings	56,885	-	-	56,885
Yard improvements	14,697	-	-	14,697
Furniture and fixtures	17,519	12,165	-	29,684
Fish screens	5,575,575	-	-	5,575,575
Fish ladders	5,575,575	-	-	5,575,575
Scada equipment	136,865	-	-	136,865
Groundwater program	300,000	-	-	300,000
Total Capital Assets Being Depreciated	<u>14,821,087</u>	<u>50,362</u>	<u>(1,917)</u>	<u>14,869,533</u>
Less Accumulated Depreciation	<u>(4,517,067)</u>	<u>\$ (455,871)</u>	<u>\$ 1,917</u>	<u>(4,971,021)</u>
Net Depreciable Assets	<u>10,304,020</u>			<u>9,898,512</u>
Total Capital Assets	<u>\$10,322,905</u>			<u>\$ 9,917,397</u>

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 5: RETIREMENT PLAN**

The District offers its employees a non-contributory deferred compensation plan created in accordance with IRC Section 457. The plan, available to all District employees, permits them to defer a portion of their current salary until future years. Deferred compensation benefits are not available to the employees until termination, retirement, death, or unforeseeable emergency.

District employees (except for the General Manager) are covered by a pension plan through their collective bargaining agreement with the General Teamsters Local #137. Total District contributions for the year totaled \$28,213.

**NOTE 6: RISK OF LOSS**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. The District purchased certain commercial insurance coverages to provide for these risks.

**NOTE 7: LITIGATION**

The District is involved in various claims and litigation arising in the ordinary course of business. District management is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

**NOTE 8: NET ASSETS**

The District net assets consist of the following:

Investment in capital assets		\$ 9,917,397
Restricted:		
Creekside Subdivision		5,000
Unrestricted:		
Board Designated:		
Capital improvement	\$ 76,644	
Drainage fund	196,354	
Water right protection	180,784	
Equipment reserve	211,849	665,631
Undesignated		1,760,449
Total Net Assets		<u>\$ 12,348,477</u>

**SUPPLEMENTAL INFORMATION**

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BUDGET VS. ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**OPERATING REVENUES**

	Budget	Actual	Variance
Water sales	590,500	\$ 596,890	\$ 6,390
Water transfer sales	205,000	378,098	173,098
Penalty revenues	5,000	4,982	(18)
Other	5,500	8,847	3,347
	<hr/>	<hr/>	<hr/>
Total operating revenues	806,000	988,817	182,817

**OPERATING EXPENSES**

Source of supply			
Permit fees	-	14,129	(14,129)
Water purchase/other costs	158,000	168,232	(10,232)
Water rights protection	40,000	43,054	(3,054)
Local cost share	-	23,978	(23,978)
	<hr/>	<hr/>	<hr/>
Total source of supply	198,000	249,393	(51,393)
Pumping			
Pump maintenance	7,000	10,286	(3,286)
Utilities	105,000	101,709	3,291
	<hr/>	<hr/>	<hr/>
Total pumping	112,000	111,995	5
Transmission and distribution			
Salaries	295,665	291,716	3,949
Retirement	16,250	16,618	(368)
Payroll taxes	23,842	27,779	(3,937)
Workers compensation	33,600	30,366	3,234
Health insurance	88,000	86,831	1,169
Fuel	28,000	19,025	8,975
Equipment rental	3,000	2,023	977
Vehicle expenses	5,000	5,411	(411)
Monitoring and fish passage projects	-	472,778	(472,778)
Maintenance	16,500	14,483	2,017
Personal supplies	1,000	164	836
Chemicals	18,000	13,708	4,292
Utilities	15,000	10,806	4,194
Small tools/equipment	9,200	7,510	1,690
Professional services	68,000	50,254	17,746
	<hr/>	<hr/>	<hr/>
Total transmission and distribution	621,057	1,049,472	(428,415)

**ANDERSON-COTTONWOOD IRRIGATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BUDGET VS. ACTUAL (continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General and administrative			
Salaries	151,040	151,173	(133)
Retirement	12,205	12,959	(754)
Payroll taxes	12,114	12,173	(59)
Workers compensation	1,100	660	440
Health insurance	31,200	29,751	1,449
Utilities			-
Travel and training expenses	3,000	2,554	446
Medical supplies	500	1,344	(844)
Office supplies	8,500	10,054	(1,554)
Association dues	11,700	15,217	(3,517)
Legal fees	20,000	11,974	8,026
County taxes	7,000	5,620	1,380
Audit	6,500	6,000	500
Office equipment maintenance	2,000	600	1,400
Other	1,500	697	803
Public notices	500	321	179
Election expenses	3,000	1,284	1,716
Liability insurance	27,545	25,303	2,242
Vehicle insurance	10,000	8,728	1,272
	<u>309,404</u>	<u>296,412</u>	<u>12,992</u>
Depreciation	<u>-</u>	<u>455,871</u>	<u>(455,871)</u>
TOTAL OPERATING EXPENSES	<u>1,240,461</u>	<u>2,163,143</u>	<u>(922,682)</u>
OPERATING INCOME (LOSS)	<u>(434,461)</u>	<u>(1,174,326)</u>	<u>1,105,499</u>
NON-OPERATING REVENUES			
Assessments	388,258	404,868	16,610
Interest income	45,000	28,463	(16,537)
Other income	-	2,937	2,937
Capital contributions	-	397,225	397,225
	<u>433,258</u>	<u>833,493</u>	<u>400,235</u>
NET INCOME	<u>\$ (1,203)</u>	<u>\$ (340,833)</u>	<u>\$ (339,630)</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Anderson-Cottonwood Irrigation District  
Anderson, California

We have audited the financial statements of the business type activities of the Anderson-Cottonwood Irrigation District (the District) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

Board of Trustees  
Anderson-Cottonwood Irrigation District  
Anderson, California

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 by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we have reported to management of Anderson-Cottonwood Irrigation District, in a separate letter dated March 9, 2010.

This report is intended solely for the information and use of management, the audit committee, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Fechter & Company, CPAs

Sacramento, CA  
March 9, 2010