

Water District No. 63

FINANCIAL STATEMENTS

Year Ended December 31, 2014

Gary Merkle, PLLC
CERTIFIED PUBLIC ACCOUNTANT



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CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Directors
Water District No. 63
Star, Idaho 83669

Report on the Financial Statements

I have audited the accompanying financial statements of the major fund of Water District No. 63 (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions 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 *Government 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Water User's District No. 63 as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 23, 2015, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results 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* in considering the District's internal control over financial reporting and compliance.



Boise, Idaho
November 23, 2015

BASIC FINANCIAL STATEMENTS

Water District No. 63
Statement Of Net Position
December 31, 2014

Assets

Current Assets

Cash And Investments	388,285	

Total Current Assets		388,285

Noncurrent Assets

Depreciable Capital Assets, Net	22,303	

Total Noncurrent Assets		22,303

Total Assets		\$410,588

Liabilities

Current Liabilities

Accounts Payable	2,796	

Total Current Liabilities	2,796	

Total Liabilities		2,796

Net Position

Net invested In Capital Assets		22,303
Unrestricted		385,489

Total Net Position		407,792

Total Liabilities and Net Position		\$410,588
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See accompanying notes to financial statements

Water District No. 63
Statement Of Revenues, Expenses And Changes In Net Position
Year Ended December 31, 2014

Operating Revenues		
Assessments	86,622	
Water Bank fees	359,060	
Boise River Automation Grant	30	

Total Operating Revenues		445,712
Operating Expenses		
Auto fuel and repairs	9,661	
Boise River automation	3,747	
Business items	463	
Depreciation	7,434	
Directors expense	200	
Education and training	6,507	
Flood Control districts	200	
Gage Station	11,759	
Insurance <i>Health</i>	10,547	
Insurance <i>Auto</i>	1,069	
Insurance <i>Workers Comp</i>	2,546	
Intern program	2,559	
Miscellaneous items	481	
Office expense	6,229	
Office rent	2,700	
Payroll taxes	7,224	
Professional services	10,540	
Reconciling items	(902)	
Retirement <i>Idaho PERS</i>	7,006	
Telephone	1,335	
Wages	61,388	
Water Bank Fees	114,547	

Total Operating Expenses		267,240

Operating Income/(Loss)		178,472
Nonoperating Revenues/(Expenses)		
Interest income	817	
Gain on sale of vehicle	10,149	

Change In Net Position		189,438
Net Position - <i>Beginning</i>		218,354

Net Position - <i>Ending</i>		\$407,792

See accompanying notes to financial statements

Water District No. 63
Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows From Operations

Received From Customers	445,712	
Payments To Suppliers For Goods And Services	(181,392)	
Payments For Personnel Services	(75,618)	

Cash Provided/(Used) By Operating Activities		188,702

Cash Flows From Financing

Cash Provided/(Used) By Sale of Vehicle	15,000	
Cash Provided/(Used) By Purchase of Vehicle	(29,736)	

Cash Provided/(Used) By Financing		(14,736)

Cash Flows From Investments

Interest Received	817	

Cash Provided/(Used) By Investments		817

Change In Cash And Investments		174,783

Cash And Cash Equivalents - <i>Beginning</i>		213,502

Cash And Cash Equivalents - <i>Ending</i>		\$388,285
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Reconciliation Of Operating Income To Net Cash Provided By Operations

Operating Income/(Loss)	178,472
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***Adjustments To Reconcile Operating Income To
Net Cash Provided/(Used) By Operations***

Depreciation	7,434
(Increase)/Decrease In Prepaid Expenses	0
Increase/(Decrease) In Accounts Payable	2,796

Cash Provided/(Used) By Operating Activities	\$188,702

See accompanying notes to financial statements

Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2014

NOTE A – Summary of Significant Accounting Policies

Reporting Entity

Water District No. 63 (the District) was created by order of the Director of Water Resources in the State of Idaho in 1909 under Volume 8, Title 42 of the Idaho Code. Administration of the District is vested in a Watermaster, Board of Directors, Chairman and a Secretary, all of which are elected annually. The District was created for the purpose of distributing natural flow and storage water to the water right holders of the "Stewart Decree" and the "Bryant Decree" located in Boise, Idaho.

Basic Financial Statements

The financial transactions of the District are reported in a single proprietary (enterprise) fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flow. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The financial statements follow both governmental accounting standards board pronouncements and financial accounting standards board pronouncements issued through November 30, 1989. The District's financial statements also follow financial accounting standards board pronouncements issued subsequent to this date that do not conflict with or contradict those of the government accounting standards board. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

Basis Of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The District's financial statements are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Cash And Investments

Investments include monies invested in the local government investment pool and diversified bond fund and are stated at fair value using either quoted market price or best available estimate. The reported value of the local government investment pool and diversified bond fund is materially the same as the fair value of its shares.

For purposes of cash flows, the District considers all investments (including restricted investments) available for immediate withdrawal or with maturities of three months or less to be cash and cash equivalents (referred to as cash and investments).

Receivables

Receivables are reported net of any estimated uncollectible amounts.

**Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2014**

NOTE A – Summary of Significant Accounting Policies - *continued*

Capital Assets And Depreciation

Capital assets include property and equipment. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property and equipment is depreciated using the straight-line method over 3 to 10 years

Compensated Absences

The District does not have a policy to pay accumulated vacation or sick pay benefits when an employee separates from service. There is therefore no liability for unpaid accumulated vacation or sick leave amounts.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets-net of related debt, are capital assets net of accumulated depreciation and reduced by any outstanding debt related to the financing of those assets. Restricted net assets are net assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net assets are reported as unrestricted.

Fund Balance Classifications

Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that are not expected to be converted into cash. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Assigned fund balance classifications are not actively used by the entity. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the District first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the District first utilizes committed resources.

**Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2014**

NOTE A – Summary of Significant Accounting Policies - *continued*

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Concentrations Of Credit Risk

The District maintains its cash at insured financial institutions excepting for that portion on deposit with the local government investment pool.

Risk Management

The District is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance.

Subsequent Events

Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE B – Cash and investments

At December 31, 2014, the District's cash and investments consisted of the following:

Funds On Deposit-

Checking Account	7,368
Money Market Account	332,953

Investments

Local Gov't Investment Pool	47,964
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Total	\$ 388,285
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Deposits

The year end carrying amounts of the District's deposits were \$388,285 and the bank balances were \$389,220. Of the bank balances, \$250,000 was insured.

Investments

The District's policy allows for investment of idle funds consistent with Idaho Code 67-1210 and 67-1210A. Idaho Code limits investments to the following general types:

- Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.
- Time deposit accounts, tax anticipation and interest-bearing notes.

**Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2014**

NOTE B – Cash and Investments - *continued*

- Bonds, treasury bills, debentures, or other similar obligations of the United States government and United States government agencies.
- Repurchase agreements secured by the above.

The statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the insurer or other counterparty, interest rate risk, resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The District's investment policy complies with these state statutes.

The Local Government Investment Pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit ratings, concentrations of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. These investments include insured or registered investments or investments for which the securities are held by the District or its agent in the District's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

NOTE C – Capital Assets

Changes to fixed assets are summarized as follows:

	<i>Dec 31, 2013</i>	<i>Added</i>	<i>Deleted</i>	<i>Dec 31, 2014</i>
Office And Field Equipment	4,563			4,563
Vehicle	29,109	29,737	(29,109)	29,737
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	33,672	29,737	(29,109)	34,300
Accumulated Depreciation	28,820	7,434	(24,257)	11,997

Capital assets, net of accumulated depreciation				22,303

**Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2014**

NOTE D – Related Party Transactions

The District has not been involved in any related party transactions that would violate the Idaho Code or applicable federal statutes.

NOTE E – Contingencies

The District is party to various legal proceedings that normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District. In addition, the District carries commercial insurance for pending or threatened litigation.

NOTE G – Retirement Plan

The Public Employee Retirement System of Idaho (PERS), a cost sharing multiple-employer public retirement system, was created by the Idaho State legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERS. Financial reports for the plan are available from PERS upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the District and its employees are established and may be amended by the PERS board of Trustees. For the year ended December 31, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members. The employer rate as a percentage of covered payroll was 11.32% for general members. The District's contributions required and paid were \$7,006, \$6,911 and \$5,937 for the three years ended December 31, 2014 and 2013 and 2012, respectively.

OTHER REPORTS AND SCHEDULES

Gary Merkle, PLLC

CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's 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 Directors
Water District No. 63
Star, Idaho 83669

I have audited, in accordance with the 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, the financial statements of the major fund of Water District No. 63 (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. See 2014-1.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Water District No. 63's Response to Finding

The District's response to the finding identified in my audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boise, Idaho
November 23, 2015

**Water District No. 63
Schedule Of Findings And Responses
Year Ended December 31, 2014**

SECTION I - Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal Control over financial reporting:

Material weakness identified	No
Significant Deficiencies	Yes
Noncompliance material to financial statements noted	No

SECTION II - Financial Statement Audit Findings

2014-01

Condition

Although implementing various checks and balances in internal control to the degree possible, the District lacks a proper segregation of duties over assets due to limited size and staff.

Criteria

A proper system of internal control of assets would entail a complete segregation of duties.

Cause

This situation is common to small Idaho municipalities and is a direct result of the cost/benefit of staffing.

Effect

This lack of control may increase the risk that a loss of assets would not be detected and prevented in a timely manner during the normal course of business operations.

Recommendation

The District should re-examine the cost/benefit of implementing internal controls over a more complete segregation of duties.

Response And Action Plan Of Management

The District agrees that having an internal control system which includes a complete segregation of duties is an important part of the overall internal control process. The District has concluded that resources are not presently available to implant the necessary changes at this time. The District will work toward implementation in the future.