



State of Idaho

DEPARTMENT OF WATER RESOURCES

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Governor

DAVID R. TUTHILL, JR.
Director

MARCH 26, 2008

JON WINEGARNER
ADVISORY COMMITTEE CHAIRMAN
WATER DISTRICT NO. 72-A
P.O. BOX 910
CHALLIS, ID 83226-0910

RE: PAYMENT OF WATER DISTRICT EXPENSES

Dear Jon:

Tim Luke has asked me to provide this letter in response to your letter to him dated March 18, 2008 and conversations you have had with Department staff and with Mr. Phil Rassier of the Office of the Attorney General. In your letter and previous conversations, you have described your concern that expenses submitted to Water District No. 72-A (WD72A) by the former watermaster exceed the amount budgeted last year, and did not appear to be included in the budget for this year. Citing a concern that payment of the expenses will adversely impact the WD72A operating budget for this season, you have asked for written clarification from the Department regarding water district budgets and payment for watermaster services as it pertains to payment of Mr. Challis' expenses. This letter provides a brief overview of water district budgets and a brief analysis of the 2007 and 2008 WD72A budgets that may be of help in your upcoming advisory committee meeting.

Title 42, Chapter 6 of the Idaho Code provides for the creation and operation of water districts. That chapter provides that the watermaster, prior to the expiration of his term, is to prepare an estimate of the district operating expenses for the ensuing year.¹ Two parts generally comprise this proposed budget. The first is any money from the previous year the district is expected to have at the time of the next annual meeting. This would include any carry-over funds from the previous year, less any outstanding debts. The second part is the amount of money that must be collected from the users through assessments to provide the remaining funds necessary to operate the district.² The proposed budget is to be considered by the users at the next annual meeting for adoption and/or modification. The adopted budget (the assessments and any carry-over money) is the total amount of money available for the water district to spend until the users approve additional funds at either the next annual meeting, or at a special meeting of the users called by the Director of IDWR.

¹ In the normal course of events, users adopt a budget once a year (at the annual meeting), so the term "ensuing year" must be interpreted to mean the time period from one annual meeting until the next. As such, in preparing the proposed budget, the watermaster must estimate the funds required to operate the water district during the period from the upcoming annual meeting until the following annual meeting.

² The proposed budget may, and probably should, include some contingency funds in the event actual expenses exceed the estimated expenses.

The amount of money to be collected from the users in order to provide the necessary budget is generally offset by any funds remaining in the district accounts. However, it appears that in WD72A, the distinction may not have been made between the adopted budget and the amount of money to be collected. The WD72A adopted budget for 2007 was reported to IDWR as \$11,950.³ This amount is the amount of money to be collected through assessments, but is not the total budget in that it does not represent the total amount of money available to fund the district.

After payment of outstanding expenses from the previous year, the district had a carry-over cash balance (unspent money from 2006) of \$6,253.47 and approximately \$50 in petty cash. This means the district had a total budget of \$18,253.47 as this is the amount available to operate the district until the annual meeting in 2008. Expense records indicate the district spent \$17,271.24 prior to the 2008 annual meeting. Because approximately \$834.10 in assessments do not appear to have been paid, the remaining funds are less than \$150, rather than \$982 as would be expected.

The expenses submitted by Mr. Challis for materials, mileage, and labor related to watermaster and secretary/treasurer activities in January 2008 total \$1,350.92. These expenses bring the total district expense to \$18,622.16 for the period between the 2007 and 2008 annual meetings. This amount exceeds the amount available following the 2007 annual meeting by \$368.69. The adopted budget was based on an estimate of operating expenses. In this case, the estimate fell short of the actual expenses by \$368.69. You had expressed a concern that payment to Mr. Challis would adversely affect the operating budget for WD72A. Assuming the \$834.10 in unpaid 2007 dues are collected, paying Mr. Challis affects the 2008 budget by less than \$400.

You have indicated that WD72A intends to pay Mr. Challis, but you feel that the users should meet to consider these expenses and whether the 2008 WD72A budget should be augmented. You have indicated that a WD72A Advisory Committee meeting is scheduled for Monday, March 31, 2008 to discuss this matter and decide whether or not to petition the Director of IDWR to call a special meeting of water users, as provided for in Idaho Code 42-605(11). The advisory committee may find the table below useful as they summarize the 2007 budget and expenses and the anticipated 2008 available funds.

Table 1. 2007 Budget Summary

2007 Assumed petty cash balance	\$	50.00	
2007 Beginning account balance	\$	6,253.47	
2007 Budget	\$	11,950.00	
2007 Highline budget	\$	6,370.78	
Theoretical total available for 2007	\$	24,624.25	
	\$	(834.10)	Unpaid dues
Actual amount available for 2007	\$	23,790.15	
	\$	(6,370.78)	Highline Expenses
	\$	(17,271.24)	District Expenses (through 12/07)
Net 2007 balance	\$	148.13	

³ This figure and the following discussion exclude (to the extent possible) funds collected and spent by WD72A from Highline Canal users for Highline Canal maintenance.

Mr. Jon Winegarner
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Table 2. 2008 Budget Summary

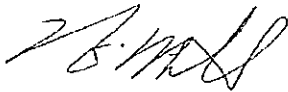
2008 Assumed petty cash balance	\$	50.00	
2008 Beginning account balance	\$	98.13	
2008 Budget	\$	15,791.93	
2008 Highline budget	\$	-	
Collection of unpaid 2007 dues	\$	834.10	
Theoretical total available for 2008	\$	16,774.16	
	\$	(1,350.92)	Payment of 2007 Expenses
Actual amount available for 2008	\$	15,423.24	

Based on the information in the tables above, after payment to Mr. Challis, WD72A is expected to have approximately \$15,400 available to operate in 2008. This amount is approximately \$3,200 less than what was spent for the 2007 year. The advisory committee should review the 2007 expenses and anticipated 2008 expenses in forming their decision whether to request a special meeting to collect additional funds for 2008.

The table above does not consider cash flow. You had expressed a concern that Mr. Challis cannot be paid now because the district holds less than \$150 in the accounts. However, a review of the "2007 72-A Income & Expense Break down" indicates that most of the 2007 billings were received by WD72A by the second week in April. Furthermore, the same document indicates that Mr. Challis was paid no wages for watermaster services until September of 2007. This may indicate that Mr. Challis might be willing to wait until the end of April to be paid, by which time WD72A will have received many of the assessment payments.

I trust this letter provides the clarification you had asked for and is useful to you and the WD72A Advisory Committee in resolving this matter. If you have further questions, please feel free to contact me at (208)-287-4956 or Tim Luke at (208)-287-4959.

Sincerely,



Nick Miller, P.E.
Staff Engineer,
Water Distribution Section, IDWR

c:
Tim Luke, IDWR
Phil Rassier, Deputy Attorney General for IDWR