

WATER DISTRICT NO. 65

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998**

PRIOR AUDIT FINDING:

Not applicable - this is the first year the District has had its financial statements audited.

WATER DISTRICT NO. 65

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

REPORTABLE CONDITIONS (continued)

1. Segregation of Duties (continued)

RECOMMENDATION:

It is simply requested that the District take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with a district this size; however, the cost and resultant benefit of substantial changes relating to the hiring of additional personnel to accomplish an effective segregation of duties may not be warranted.

WATER DISTRICT NO. 65

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the District.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standard. The condition is reported as a material weakness.
3. No instances of noncompliance material to the general purpose financial statements of the District were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

1. Segregation of Duties

CONDITION:

The District experiences a lack of segregation of duties over cash and the reporting of transactions in this account.

CRITERIA:

Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

EFFECT:

The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

CAUSE:

The above noted situation is common for a district this size and is the direct result of staffing limitations necessitated by budget constraints.

AUDIT FINDINGS

SCANNED

MAR 07 2005

To the Advisory Committee and Watermaster
Water District No. 65
January 8, 1999
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements in amounts that would be material in relation to the 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider item B-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

This report is intended for the information of the management and the Legislative Services Office. However, this report is a matter of public record and its distribution is not limited.

Tennant J. Fulmer CPA, CMAA, P.C.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

January 8, 1999

To the Advisory Committee and Watermaster
Water District No. 65
Payette, Idaho

I have audited the financial statements of Water District No. 65 as of and for the year ended December 31, 1998 and have issued my report thereon dated January 8, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs in Section B.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL

SCANNED

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WATER DISTRICT NO. 65

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

6. COMPUTER SYSTEMS STATUS - YEAR 2000 TRANSITION

The District's computer systems are relatively new and are considered Year 2000 (Y2K) compliant, and will be tested in 1999 for compliance. The District is also planning to install, in 1999, the Windows98 operating system (also Y2K compliant).

7. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded budgeted amounts by \$23,660. Excess expenditures were substantially offset by actual revenues exceeding budgeted revenue amounts.

WATER DISTRICT NO. 65

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

2. CASH AND INVESTMENTS (continued)

Fair Values of Financial Instruments

The District's financial instruments, none of which are held for trading purposes, include cash and investments. The District estimates that the fair value of all financial instruments at December 31, 1998, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and investments reported in the financial statements approximate fair values because of the short maturities (when applicable) of those instruments.

3. GENERAL FIXED ASSETS

A summary of General Fixed Assets is as follows:

	<u>Balance 1/1/98</u>	<u>Additions (net of cost-share)</u>	<u>Retirements</u>	<u>Balance 12/31/98</u>
Field Equipment	\$10,122			\$10,122
Office Equipment	11,490	\$ <137>	\$670	10,683
Vehicles		26,798		26,798
Totals	<u>\$21,612</u>	<u>\$26,661</u>	<u>\$670</u>	<u>\$47,603</u>

4. OFFICE PREMISES

The District rents, on a monthly basis, its office premises from the Payette River Irrigation Office, Inc.

5. EMPLOYEE BENEFITS

The District contributes 10% of gross wages for its qualified employee under a SEP-IRA (Simplified Employee Pension - Individual Retirement Account) plan.

WATER DISTRICT NO. 65

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

2. CASH AND INVESTMENTS (continued)

Investments (continued)

The Joint Exercise of Powers Act Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Statement 3 of the Government Accounting Standards Board requires government entities disclose the level of risk assumed on deposit and investment balances.

Category 1 includes insured or registered investments or investments for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, with securities held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

Other investments not required to be categorized at December 31, 1998 are as follows:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<u>Investments not required to be categorized due to their nature:</u>		
Investments in State of Idaho Joint Exercise of Powers Act Investment Pool	<u>\$286,942</u>	<u>\$286,942</u>

WATER DISTRICT NO. 65

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

Cash for all funds consisted of the following at December 31, 1998:

Cash - Checking	\$ <44>
Cash - Rental Pool CD's	120,451
Investments	<u>286,942</u>
TOTAL	<u>\$407,349</u>

Deposits with financial institutions include bank demand deposits as authorized by Idaho statutes. At December 31, 1998, the carrying amounts of the District's deposits were \$120,407 and the bank balances were \$121,762. Of the bank balances, \$101,311 was covered by federal depository insurance, and \$20,451 was uninsured and uncollateralized. Idaho statutes prohibit collateralizing deposits.

Investments

Idaho statutes authorize districts to invest in obligations of the United States Treasury, agencies and instrumentalities of the United States, repurchase agreements, interest-bearing bonds of any city, county, school district or municipality in Idaho, tax anticipation notes, time deposit accounts in state depositories, accounts in financial institutions, and the State of Idaho's Joint Exercise of Powers Act Investment Pool. The District's investment policy complies with state statutes.

WATER DISTRICT NO. 65

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

G. Inventories (continued)

Material inventories on hand at year end are reflected as assets and are fully reserved in fund equity indicating the inventories are unavailable for appropriation even though they are a component of reported assets. Inventory balances at December 31, 1998 were immaterial and, accordingly, are not recorded on these financial statements.

H. General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them; instead, capital acquisition and construction are reflected as expenditures in a governmental fund type, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair market value on the date received. Some capital outlay expenditures include costs of assets which are below the District's capitalization limit; therefore, such assets are not capitalized in the General Fixed Assets Account Group.

Assets in the General Fixed Assets Account Group are not depreciated.

I. Encumbrances

Encumbrance accounting methods were not used in the preparation of the District's financial statements. Uncommitted appropriations lapse at year-end and commitments are reappropriated in the next year's budget.

J. Fund Balance Reserves and Designation

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

WATER DISTRICT NO. 65

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assessments

Water user assessment procedures are governed under Idaho Code Sections 42-612 through 618. Assessments are approved at the annual meeting. A date (June 1st) is fixed by resolution upon which the amount payable becomes due. Delinquent assessments are charged interest at the rate of 8% per annum until paid. In accordance with Idaho Code Section 42-618, the District (rather than the County) collects assessments directly from the water users.

F. Water Rental Pool - Leases and Rentals

The purpose of the water rental pool is to provide a process whereby stored water may be made available to users needing additional water, to provide incentives to those owning reservoir space and having stored water which is surplus to their needs, to establish and maintain a system whereby water supplies can be located, identified and subsequently rented, and to provide a source of revenue to the District to make improvements in water distribution and conservation. The watermaster acts as the manager of the rental pool.

All leases to, and rentals from the pool are for a term of one year. All the stored water attributed to space leased to the pool before July 1 is rented before any stored water leased to the pool after July 1. Priority rules apply to lessors and renters in accordance with the Water Supply Bank Rules and the regulations of the IWRB. In accordance with Idaho Code Section 42-613A, pool monies are retained in a separate interest-bearing account. Accrued interest is distributed on a pro-rata basis at the time payments are made to the lessors.

G. Inventories

Supplies are stated at invoice cost. Inventory items are charged to expenditures at the time of purchase (purchase method).

WATER DISTRICT NO. 65

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

D. **Budget**

The District follows this procedure in establishing the budget reflected in the financial statements:

Thirty days prior to the annual meeting, the watermaster prepares and files with the Department of Water Resources a proposed budget for the succeeding year. The proposed budget is also distributed to the water users for consideration. Upon review and approval at the annual meeting, the budget is adopted. The budget was not amended for the year ended December 31, 1998.

The District prepares this budget on the modified accrual basis.

WATER DISTRICT NO. 65

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. **Reporting Entity (continued)**

In the evaluation of how to define the District, for the financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made using criteria set forth in GAAP. All funds, account groups, and activities of Water District No. 65 are included in the financial statements. Using the above criteria, the District has no component units.

B. **Fund Accounting**

The District uses funds and account groups 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 activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, by contrast, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following fund types and account groups are used by the District:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

ACCOUNT GROUPS

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District.

WATER DISTRICT NO. 65

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Water District No. 65 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to water districts. The significant accounting policies of the District are described below.

A. Reporting Entity

Water District No. 65 administers the delivery of water from natural flow and storage within the Payette River Basin as authorized by Section 42 of the Idaho Code. It also manages water rental pool leases and rental agreements pursuant to Idaho Code Section 42 and Rule 6 of the Water Supply Bank Rules and Regulations of the Idaho Water Resource Board (IWRB), as well as administering cost share programs for facility upgrades approved by its users.

Factors used in determining the reporting entity were as follows; Water District No. 65 was established under Idaho Code Section 42-604 as an instrumentality of the State of Idaho for the purpose of performing the essential governmental function of distribution of water. At the annual meeting, the water users elect a watermaster who, upon appointment by the director of water resources, is responsible for distribution of water within the District. At the annual meeting, the water users may adopt resolutions to assure or improve water distribution, and may by resolution authorize the watermaster to acquire, hold and dispose of real and personal property in the name of the District as necessary for the proper distribution of water. An Advisory Committee, including the chairman, vice-chairman, secretary and treasurer are chosen at the annual meeting to serve as advisors to the watermaster and the director of water resources and to serve as the rental pool committee. An annual budget is adopted at the annual meeting, and the watermaster is authorized to operate the District, collect assessments, and pay expenses.

The conclusion of the above criteria is that Water District No. 65 is an independent water district in the State of Idaho constituting a local form of government.

WATER DISTRICT NO. 65
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES (Comprising General Fund Only)
For the Year Ended December 31, 1998

REVENUES	Budget	Actual	Variance - Favorable (Unfavorable)
Assessments	\$58,000	\$58,480	\$480
Admin. Fees - U.S. Bureau of Reclamation	71,250	71,250	0
Administrative Fees - Other	64,734	74,337	9,603
Interest	10,000	16,294	6,294
Miscellaneous	1,138	1,516	378
TOTAL REVENUES	205,122	221,877	16,755
EXPENDITURES			
Automobile Expense	7,100	6,610	490
Bank Service Charges		24	(24)
Black Canyon Dam Upgrade	120,000	120,000	0
Capital Outlay - Vehicle		26,798	(26,798)
Computer Services	400	422	(22)
Cost-Share Program	65,112	61,859	3,253
Dues & Subscriptions	850	791	59
Insurance	750	508	242
Miscellaneous	100	70	30
O & M - River Guage	10,000	9,400	600
Office Purchases	500	495	5
Office Rent	7,700	7,680	20
Office Supplies	2,000	1,193	807
Payroll - Salaries & Benefits	61,700	61,660	40
Payroll - Taxes	4,450	4,218	232
Postage & Delivery	800	642	158
Printing & Reproduction	800	566	234
Professional Fees	600	599	1
Repairs & Maintenance	300	433	(133)
Telephone	4,300	4,690	(390)
Travel & Entertainment	3,700	4,964	(1,264)
Water Education	1,800	3,000	(1,200)
TOTAL EXPENDITURES	292,962	316,622	(23,660)
Excess of Revenues Over (Under) Expenditures	(\$87,840)	(94,745)	(\$6,905)
FUND BALANCE - Beginning of Year		246,144	
FUND BALANCE - End of Year		\$151,399	

The accompanying notes are an integral part of the financial statements.

WATER DISTRICT NO. 65
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES (Comprising General Fund Only)
For the Year Ended December 31, 1998

REVENUES	<u>Amount</u>	<u>% of Total Revenues</u>
Assessments	\$58,480	26.36%
Admin. Fees - U.S. Bureau of Reclamation	71,250	32.11%
Administrative Fees - Other	74,337	33.50%
Interest	16,294	7.34%
Miscellaneous	1,516	0.68%
TOTAL REVENUES	<u>221,877</u>	<u>100.00%</u>
EXPENDITURES		
Automobile Expense	6,610	2.98%
Bank Service Charges	24	0.01%
Black Canyon Dam Upgrade	120,000	54.08%
Capital Outlay - Vehicle	26,798	12.08%
Computer Services	422	0.19%
Cost-Share Program	61,859	27.88%
Dues & Subscriptions	791	0.36%
Insurance	508	0.23%
Miscellaneous	70	0.03%
O & M - River Gauge	9,400	4.24%
Office Purchases	495	0.22%
Office Rent	7,680	3.46%
Office Supplies	1,193	0.54%
Payroll - Salaries & Benefits	61,660	27.79%
Payroll - Taxes	4,218	1.90%
Postage & Delivery	642	0.29%
Printing & Reproduction	566	0.26%
Professional Fees	599	0.27%
Repairs & Maintenance	433	0.20%
Telephone	4,690	2.11%
Travel & Entertainment	4,964	2.24%
Water Education	3,000	1.35%
TOTAL EXPENDITURES	<u>316,622</u>	<u>142.70%</u>
Excess of Revenues Over (Under) Expenditures	<u>(94,745)</u>	<u>-42.70%</u>
FUND BALANCE - Beginning of Year	<u>246,144</u>	
FUND BALANCE - End of Year	<u>\$151,399</u>	

The accompanying notes are an integral part of the financial statements.

WATER DISTRICT NO. 65
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 1998

	Governmental	Account Group	Totals (Memorandum Only)
	Fund Types		
	General	General Fixed Assets	
ASSETS			
Cash in Bank	\$120,407		\$120,407
Investments	286,942		286,942
Assessments Receivable	326		326
Rental Pool Receivables	115		115
Other Receivables	1,613		1,613
General Fixed Assets		\$47,603	47,603
TOTAL ASSETS	<u>\$409,403</u>	<u>\$47,603</u>	<u>\$457,006</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cost-Share Funds Payable	\$18,521		\$18,521
Payroll Liabilities	1,651		1,651
Idaho Water Resource Board Fees Payable	21,143		21,143
Interest Payable - Rental Pool Lessors	5,006		5,006
Water Rentals Payable	211,683		211,683
TOTAL LIABILITIES	<u>258,004</u>	<u>\$0</u>	<u>258,004</u>
FUND BALANCES			
Investment in General Fixed Assets		47,603	47,603
Reserved - Rental Pool Certificates of Deposit	120,451		120,451
Unreserved - Undesignated	30,948		30,948
TOTAL FUND BALANCES	<u>151,399</u>	<u>47,603</u>	<u>199,002</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$409,403</u>	<u>\$47,603</u>	<u>\$457,006</u>

The accompanying notes are an integral part of the financial statements.

FINANCIAL STATEMENTS

SCANNED

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INDEPENDENT AUDITOR'S REPORT

January 8, 1999

To the Advisory Committee and Watermaster
Water District No. 65
Payette, Idaho

I have audited the accompanying financial statements of Water District No. 65 as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of Water District No. 65's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, and *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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water District No. 65 at December 31, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 8, 1999 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Timothy S. Folke CPA, CMA, P.C.

FINANCIAL SECTION

SCANNED

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WATER DISTRICT NO. 65

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WATER DISTRICT NO. 65

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1998

SCANNED

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