

WATER DISTRICT 37 & 37M

December 31, 1997

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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**Department of Water Resources
Southern Region**

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
BALANCE SHEET	2
STATEMENT OF EARNINGS	3
STATEMENT OF DISTRICT EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	10
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY INFORMATION	11
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL	12



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Advisory Board
Water District 37 & 37M
Shoshone, Idaho

We have audited the financial statements of Water Districts 37 & 37M, as of and for the year ended December 31, 1997 as listed in the table of contents. These financial statements are the responsibility of Water Districts 37 & 37M. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial position of Water District 37 & 37M at December 31, 1997 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Ware, Nielson & Associates
Lance Whitrick

Twin Falls, Idaho
June 25, 1998

Water Districts No. 37 & 37M

BALANCE SHEET

December 31, 1997

ASSETS

Current Assets	
Cash and cash equivalents (Note B)	\$ <u>60,369</u>
Property, Plant and Equipment (Note C)	<u>8,658</u>
Total Assets	<u>\$ <u>69,027</u></u>

LIABILITIES AND EQUITY

Liabilities	\$ <u>0</u>
Equity	<u>69,027</u>
Total liabilities and equity	<u>\$ <u>69,027</u></u>

The accompanying notes are an integral part of this statement.

Water District No. 37 & 37M
STATEMENT OF EARNINGS
Year Ended December 31, 1997

Operating Revenues	
Assessment 37	\$ 79,116
Assessment 37M	<u>52,107</u>
Total operating revenue	<u>131,223</u>
Operating Expenses	
Salaries & related costs	86,477
Auto allowance	17,128
Rent	3,600
Field & office expense	8,867
USGS Co-op	2,275
Depreciation	4,054
Other	<u>10,024</u>
Total operating expenses	<u>132,425</u>
Operating income	(<u>1,202</u>)
Nonoperating income (expenses)	
Miscellaneous income	360
Interest income	<u>4,922</u>
Total nonoperating income	<u>5,282</u>
Net earnings	<u><u>\$ 4,080</u></u>

The accompanying notes are integral part of this statement.

Water District No. 37 & 37M
STATEMENT OF DISTRICT EQUITY
Year Ended December 31, 1997

Contributed capital	\$ <u>11,951</u>
Retained earnings	
Balance at beginning of year	52,996
Net earnings	<u>4,080</u>
Balance at end of year	<u>57,076</u>
Total equity at year end	\$ <u><u>69,027</u></u>

The accompanying notes are an integral part of this statement.

Water District No. 37 & 37M

Statement of Cash Flows

Year ended December 31, 1997

Net Increase (Decrease) in Cash and
Cash Equivalents

Cash flows from operating activities:

Cash received from customers	\$ 131,223
Cash payments to vendors and suppliers	(41,894)
Cash payments to and for employees	(86,477)
Net cash provided (used) by operating activities	<u>2,852</u>

Cash flows from noncapital financing activities:

Miscellaneous income	<u>360</u>
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Cash flows from capital and related financing activities:

Purchase of property and equipment	0
Loan proceeds	0
Principal payments on contracts payable	<u>0</u>
Net cash used for capital and related financing activities	<u>0</u>

Cash flows from investing activities:

Interest on deposits	<u>4,922</u>
Net cash provided from investing activities	<u>4,922</u>

Net increase (decrease) in cash and
cash equivalents

8,134

Cash and cash equivalents, January 1, 1997

52,235

Cash and cash equivalents, December 31, 1997

\$ 60,369

Reconciliation of Operating Profit to Net Cash
Provided by Operating Activities:

Operating profit (loss)	(\$ 1,202)
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Adjustment to reconcile operating profit to
net cash provided by operating activities:

Depreciation	4,054
Change in accounts receivable	0
Change in accounts payable	<u>0</u>
Total adjustments	<u>4,054</u>

Net cash provided by operating activities

\$ 2,852

Water Districts 37 & 37M

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies of Water Districts No. 37 & 37M conform to generally accepted accounting principles as applicable to governments. A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The general purpose financial statements included herein present the financial position, results of operations and changes in retained earnings, and cash flows of the Water Districts No. 37 & 37M. The scope of the reporting entity is intended to cover those funds under the direct jurisdiction of the Water Districts No. 37 & 37M.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only-criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationship, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no other boards, councils, or component units for which the Water District No. 37 & 37M exercises authority.

The Districts are combined on this report because they have the same Advisory Board. Both Districts are governed by the State of Idaho.

2. Fund Accounting

The accounts of the Districts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate.

Water Districts 37 & 37M
NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises when the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovery primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Budgets and Budgetary Accounting

The Water District No. 37 & 37M adheres to county budget requirements in Title 42, Chapter 32 of the Idaho Code.

The provisions of this chapter include the following procedures to establish to budgetary data which is reflected in these financial statements. The board shall adopt a budget and shall cause a public hearing to be held.

4. Depreciation

Depreciation of all exhaustible fixed assets are charged as an expense against their operations. Depreciation has been provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

5. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

Accumulated sick pay and employee benefits other than unpaid vacation amounts have not been accrued when incurred as such amounts do not exceed normal year's accumulations and are not material.

6. Encumbrances

Encumbrances accounting methods have not been used in the preparation of these financial statements.

Water Districts 37 & 37M

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE B - CASH AND CASH EQUIVALENTS

The Districts have three cash accounts which make up its cash pool. All cash accounts are in the custody of the Districts' Secretary, Treasurer.

1. Bank Deposits

The book value of the District's deposits was \$60,319 and the bank balance was \$61,079. The difference was outstanding checks. All of the bank balances were covered by Federal depository insurance.

Statutes authorize the Board to invest in obligation of the United States, obligations of the State or any taxing district in the State, obligation issued by the Farm Credit Systems, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or any taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

2. Cash and Cash Equivalents

Cash and cash equivalents are carried at cost.

General checking	\$	3,924
State Treasurer's Pool		56,395
Petty Cash		50
		<u>50</u>
	\$	<u>60,369</u>

NOTE C - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment at cost follows:

	Balance 01-01-97	Additions	Deletions	Balance 12-31-97
Equipment	<u>\$ 46,886</u>	<u>\$ 0</u>	<u>\$ 0</u>	\$ 46,886
Accumulated Depreciation				<u>38,228</u>
				<u>\$ 8,658</u>

Water Districts 37 & 37M

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE D - RETIREMENT

The Public employee Retirement System of Idaho (PERSI), 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. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI 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 year of credited service, the annual service retirement allowance is 1.917% or 2.225% (depending upon employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 1997, the required contribution rates as determined by PERSI, are as follows:

	<u>Employer</u>	<u>Employee</u>
General/ Member	11.61%	6.97%
Police/ Firefighter Member	11.85%	8.53%

The Water District 37 & 37M contributions required and paid were \$ 7,150, \$ 7,538, and \$ 7,346 for the three years ended December 31, 1997, 1996, and 1995 respectively.

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

Advisory Board
Water District 37 & 37M
Shoshone, Idaho

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole of Water District No. 37 & 37M, for the year ended December 31, 1997. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements of the Water District No. 37 & 37M. Such information has been subjected to the auditing procedures applied in the examination of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ware, Nielson & Associates

Twin Falls, Idaho
June 24, 1998

Water District No. 37 & 37M

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS BUDGET AND ACTUAL

Year Ended December 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Water District 37			
Operating revenues			
Assessment	\$ 85,853	\$ 79,116	(\$ 6,737)
Operating expenses			
Wages	41,084	40,132	952
Social security	3,143	3,070	73
Auto allowance	9,017	8,799	218
State retirement	4,770	4,565	205
Workman's comp.	1,990	1,580	410
SUTA	1,675	1,380	295
Medical insurance full time	2,426	2,488	(62)
Medical insurance part time	360	360	0
Rent	2,400	2,400	0
Field & office expense	5,000	5,875	(875)
Heat & lights	550	447	103
Water	214	277	(63)
Auto expense	2,000	1,495	505
Radio system	625	621	4
Contingency	500	0	500
USGS Co-op	2,175	2,275	(100)
Northside canal	549	549	0
District canal	150	150	0
Baseline canal	150	150	0
Big Wood canal	850	850	0
Idaho waterusers	225	211	14
Extra labor	2,000	89	1,911
Computer maintenance	2,000	1,997	3
Equipment reserve	2,000	0	2,000
Depreciation	0	2,703	(2,703)
	<u>85,853</u>	<u>82,463</u>	<u>3,390</u>
Operating income	<u>0</u>	(<u>3,347</u>)	(<u>3,347</u>)
Nonoperating revenues (expenses)			
Miscellaneous income	0	355	355
Interest income	0	3,158	3,158
Total nonoperating income	<u>0</u>	<u>3,513</u>	<u>3,513</u>
Net earnings Water District 37	<u>\$ 0</u>	<u>\$ 166</u>	<u>\$ 166</u>

Water District No. 37 & 37M

**STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS BUDGET AND ACTUAL**

Year Ended December 31, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Water District 37M			
Operating revenues			
Assessment	\$ 53,471	\$ 52,107	(\$ 1,364)
Operating expenses			
Wages	26,174	25,223	951
Social security	2,061	1,929	132
Auto allowance	8,547	8,329	218
State retirement	3,127	2,885	242
Workman's comp.	1,400	365	1,035
SUTA	1,025	896	129
Medical insurance full time	1,213	1,244	(31)
Medical insurance part time	360	360	0
Rent	1,200	1,200	0
Field & office expense	2,500	2,992	(492)
Heat & lights	300	224	76
Water	111	141	(30)
Auto expense	1,000	748	252
Radio system	313	350	(37)
Contingency	500	0	500
Big Wood canal	510	510	0
Idaho waterusers	130	128	2
Extra labor	1,000	89	911
Computer Maintenance	1,000	998	2
Equipment reserve	1,000	0	1,000
Depreciation	0	1,351	(1,351)
	<u>53,471</u>	<u>49,962</u>	<u>3,509</u>
Operating income	<u>0</u>	<u>2,145</u>	<u>2,145</u>
Nonoperating revenues (expenses)			
Miscellaneous income	0	5	5
Interest income	0	1,764	1,764
Total nonoperating income	<u>0</u>	<u>1,769</u>	<u>1,769</u>
Net earnings Water District 37M	<u>\$ 0</u>	<u>\$ 3,914</u>	<u>\$ 3,914</u>

Water District No. 37 & 37M

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS BUDGET AND ACTUAL

Year Ended December 31, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Net earnings all departments	\$ 0	\$ 4,080	\$ 4,080
Fund balance January 1, 1997	0	52,996	52,996
Fund balance December 31, 1997	<u>\$ 0</u>	<u>\$ 57,076</u>	<u>\$ 57,076</u>

Adjustments to modified accrual budgetary basis

Water District 37

Net earnings	\$ 0	\$ 166	\$ 166
Nonbudgeted items	0	0	0
Depreciation	0	2,703	2,703
Budgetary basis net income	<u>\$ 0</u>	<u>\$ 2,869</u>	<u>\$ 2,869</u>

Water District 37M

Net earnings	\$ 0	\$ 3,914	\$ 3,914
Nonbudgeting items	0	0	0
Depreciation	0	1,351	1,351
Budgetary basis net income	<u>\$ 0</u>	<u>\$ 5,265</u>	<u>\$ 5,265</u>