

WATER DISTRICT NO. 65

FINANCIAL STATEMENTS

Year Ended December 31, 2010

WATER DISTRICT NO. 65
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FINANCIAL SECTION

Folke CPAs, P.C.
Timothy S. Folke – Kurt R. Folke
P.O. Box 100, Payette, Idaho 83661
www.folkecpas.com, folkecpas@srvinet.com
P: 208-642-1417, F: 208-642-1582

Independent Auditor's Report

Advisory Committee and Watermaster
Water District No. 65

We have audited the accompanying financial statements of the governmental activities and each major fund of Water District No. 65 (the District) as of and for the year ended December 31, 2010, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2010 and the respective changes in financial position thereof 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 January 4, 2011 on our consideration of the District's internal control over financial reporting and on our 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 our 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary information listed as required supplemental information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Folke CPAs, P.C.

January 4, 2011

BASIC FINANCIAL STATEMENTS

WATER DISTRICT NO. 65

Statement of Net Assets

December 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash & Investments	\$1,222,674
Assessments Receivable	1,112
Rental Pool Receivables	20,814
Project Reimbursements Due	12,678
Total Current Assets	<u>1,257,278</u>
Noncurrent Assets	
Nondepreciable Capital Assets	<u>31,447</u>
Total Noncurrent Assets	<u>31,447</u>
TOTAL ASSETS	<u><u>\$1,288,725</u></u>
LIABILITIES	
Current Liabilities	
Accounts & Cost-Share Payable	\$66,276
Payable to Lessors - In Basin	10,440
Payable to Lessors - Out of Basin	847,240
Idaho Water Resources Board Fees Payable	83,844
Total Current Liabilities	<u>1,007,800</u>
TOTAL LIABILITIES	<u><u>1,007,800</u></u>
NET ASSETS	
Invested in Capital Assets - Net of Related Debt	31,447
Unrestricted	249,478
TOTAL NET ASSETS	<u><u>280,925</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,288,725</u></u>

WATER DISTRICT NO. 65
Statement of Activities
Year Ended December 31, 2010

<u>Functions/Programs -</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue And Changes in Net Assets</u>	
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>		<u>Capital Grants And Contributions</u>
Governmental Activities					
Automobile Expense	\$4,362	\$4,413		\$51	
Cost-Share Projects	84,297	85,275		978	
Dues & Subscriptions	1,097	1,110		13	
Insurance	618	625		7	
Interest to Lessors	710	718		8	
IWUA Coalition Dues	0	0		0	
IWUA (Basin) Membership Dues	23,209	23,478		269	
IWUA/NWRA Conventions	1,091	1,104		13	
Meals & Lodging	1,715	1,735		20	
Miscellaneous	671	679		8	
O & M - River Gauge	14,250	14,415		165	
Office Rent	6,900	6,980		80	
Office Supplies	2,402	2,430		28	
Payroll - Salaries & Benefits	67,852	68,639		787	
Payroll - Taxes	4,605	4,658		53	
Postage & Delivery	752	761		9	
Printing & Reproduction	0	0		0	
Professional Fees	9,835	9,949		114	
Repairs & Maintenance	480	486		6	
Telephone & Internet	1,967	1,990		23	
Travel & Training	2,043	2,067		24	
Water Education	2,000	2,023		23	
Capital Assets	8,861	8,964		103	
Total	<u>\$239,717</u>	<u>\$242,499</u>	<u>\$0</u>	<u>\$0</u>	<u>2,782</u>
			General Revenues		
			Interest & Miscellaneous	14,445	
			Total General Revenues	<u>14,445</u>	
			Change in Net Assets	17,227	
			Net Assets - Beginning	<u>263,698</u>	
			Net Assets - Ending	<u>\$280,925</u>	

WATER DISTRICT NO. 65
 Balance Sheet - Governmental Funds
 December 31, 2010

	General Fund
ASSETS	
Cash & Investments	\$1,222,674
Assessments Receivable	1,112
Rental Pool Receivables	20,814
Project Reimbursements Due	12,678
TOTAL ASSETS	\$1,257,278
 LIABILITIES	
Accounts & Cost-Share Payable	\$66,276
Payable to Lessors - In Basin	10,440
Payable to Lessors - Out of Basin	847,240
Idaho Water Resources Board Fees Payable	83,844
TOTAL LIABILITIES	1,007,800
 FUND BALANCES	
Unrestricted	249,478
TOTAL FUND BALANCES	249,478
TOTAL LIABILITIES AND FUND BALANCES	\$1,257,278

WATER DISTRICT NO. 65
Balance Sheet - Governmental Funds
December 31, 2010

Page 2 of 2

**Reconciliation of Total Governmental Fund Balances to Net
Assets of Governmental Activities**

Total Governmental Fund Balances \$249,478

Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

31,447

Net Assets of Governmental Activities

\$280,925

WATER DISTRICT NO. 65

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2010

	<u>General Fund</u>
REVENUES	
Assessments	\$74,064
Administrative Fees	168,435
Interest & Miscellaneous	19,629
TOTAL REVENUES	<u>262,128</u>
EXPENDITURES	
Current Operations	
Automobile Expense	4,362
Cost-Share Projects	84,297
Dues & Subscriptions	1,097
Insurance	618
Interest to Lessors	710
IWUA Coalition Dues	0
IWUA (Basin) Membership Dues	23,209
IWUA/NWRA Conventions	1,091
Meals & Lodging	1,715
Miscellaneous	671
O & M - River Gauge	14,250
Office Rent	6,900
Office Supplies	2,402
Payroll - Salaries & Benefits	67,852
Payroll - Taxes	4,605
Postage & Delivery	752
Printing & Reproduction	0
Professional Fees	9,835
Repairs & Maintenance	480
Telephone & Internet	1,967
Travel & Training	2,043
Water Education	2,000
Capital Outlay	29,552
TOTAL EXPENDITURES	<u>260,408</u>
Excess (Deficiency) of Revenues Over Expenditures	1,720
Fund Balances - Beginning	247,758
Fund Balances - Ending	<u>\$249,478</u>

See Accompanying Notes

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2010

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$1,720

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period.

15,507

Change in Net Assets of Governmental Activities \$17,227

WATER DISTRICT NO. 65
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Water District No. 65 (the District) administers the delivery of water from natural flow and storage within the Payette River Basin as authorized by Idaho Code Section 42. It also manages water rental pool leases and rental agreements pursuant to Idaho Code 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.

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to water districts. The significant accounting policies of the District are described below.

Basic Financial Statements - Government-Wide Statements – The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the District’s activities are categorized as governmental activities.

In the government-wide statement of net assets, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets may be reported in three parts - invested in capital assets, net of related debt (when related debt exists), restricted net assets, and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District’s functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

As the District has only one function (providing water services) which is reported in one fund, all expenses are considered direct and, accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District’s net assets resulting from the current year’s activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted

WATER DISTRICT NO. 65
Notes to Financial Statements

for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Funds are reported by generic classification within the financial statements, which may include governmental funds, proprietary funds, and fiduciary funds. For governmental and proprietary funds, the focus on the fund financial statements is on major funds, which represent the District's most important funds as based on a percentage of assets, liabilities, revenues, and expenditures/expenses. The remaining nonmajor funds, when such funds exist, are combined in a column in the fund financial statements. Currently, the District has no proprietary or fiduciary funds. Governmental funds of the District are as follows:

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. It is considered a major governmental fund.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/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.

Activities in the government-wide financial statements are presented on the accrual basis of accounting and are required to follow both governmental accounting standards board and financial accounting standards board pronouncements issued through November 30, 1989. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded 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 within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

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

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 1) 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.

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

WATER DISTRICT NO. 65
Notes to Financial Statements

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. Accrued interest is distributed on a pro-rata basis at the time payments are made to the lessors.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method.

Compensated Absences – The District does not provide compensated absences to its employees.

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 acquisition, improvement, or construction 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.

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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WATER DISTRICT NO. 65
Notes to Financial Statements

Concentrations of Credit Risk – The District maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The District does not have a formal policy concerning concentrations of credit risk.

Risk Management – The District is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

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.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$41,382
Investments - Local Government Investment Pool	1,181,292
Total	<u><u>\$1,222,674</u></u>

Deposits – At year end, the carrying amounts of the District's deposits were \$41,382 and the bank balances were \$47,161. The bank balances were insured.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer 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 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 quality ratings, concentration 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.

WATER DISTRICT NO. 65
Notes to Financial Statements

C. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable Assets				
Equipment	\$65,937	\$29,552	\$27,172	\$68,317
Total Depreciable Assets	<u>65,937</u>	<u>29,552</u>	<u>27,172</u>	<u>68,317</u>
Accumulated Depreciation				
Equipment	49,997	8,861	21,988	36,870
Total Accumulated Depreciation	<u>49,997</u>	<u>8,861</u>	<u>21,988</u>	<u>36,870</u>
Net Depreciable Assets	<u>15,940</u>	<u>20,691</u>	<u>5,184</u>	<u>31,447</u>
Net Capital Assets	<u><u>\$15,940</u></u>	<u><u>\$20,691</u></u>	<u><u>\$5,184</u></u>	<u><u>\$31,447</u></u>

Depreciation expense of \$8,861 was charged to the capital assets program in the statement of activities.

D. OFFICE PREMISES

The District rents its office premises on a month-to-month basis. Rent expense for the current year is reported in the statement of revenues, expenditures, and changes in fund balances – governmental funds.

E. EMPLOYEE BENEFITS

The District contributed \$5,529 during the year for qualified employees under a SEP-IRA (Simplified Employee Pension - Individual Retirements Account) plan.

REQUIRED SUPPLEMENTAL INFORMATION

WATER DISTRICT NO. 65
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2010

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final	Amounts	Variance
				Positive
				(Negative)
REVENUES				
Assessments	\$74,625	\$74,625	\$74,064	(\$561)
Administrative Fees	145,000	145,000	168,435	23,435
Interest & Miscellaneous	8,500	8,500	19,629	11,129
TOTAL REVENUES	228,125	228,125	262,128	34,003
EXPENDITURES				
Current Operations				
Automobile Expense	5,000	5,000	4,362	638
Cost-Share Projects	103,000	103,000	84,297	18,703
Dues & Subscriptions	1,200	1,200	1,097	103
Insurance	1,200	1,200	618	582
Interest to Lessors	6,500	6,500	710	5,790
IWUA Coalition Dues	7,500	7,500	0	7,500
IWUA (Basin) Membership Dues	24,000	24,000	23,209	791
IWUA/NWRA Conventions	1,800	1,800	1,091	709
Meals & Lodging	1,800	1,800	1,715	85
Miscellaneous	500	500	671	(171)
O & M - River Gauge	15,000	15,000	14,250	750
Office Rent	6,900	6,900	6,900	0
Office Supplies	2,500	2,500	2,402	98
Payroll - Salaries & Benefits	69,519	69,519	67,852	1,667
Payroll - Taxes	4,589	4,589	4,605	(16)
Postage & Delivery	1,600	1,600	752	848
Printing & Reproduction	1,400	1,400	0	1,400
Professional Fees	13,000	13,000	9,835	3,165
Repairs & Maintenance	800	800	480	320
Telephone & Internet	2,600	2,600	1,967	633
Travel & Training	2,000	2,000	2,043	(43)
Water Education	3,000	3,000	2,000	1,000
Capital Outlay	24,000	24,000	29,552	(5,552)
TOTAL EXPENDITURES	299,408	299,408	260,408	39,000 *
Excess (Deficiency) of Revenues				
Over Expenditures	(\$71,283)	(\$71,283)	1,720	\$73,003
Fund Balances - Beginning			247,758	
Fund Balances - Ending			\$249,478	

*Total expenditures (over) under appropriations.

OTHER REPORTS AND SCHEDULES

**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***

Advisory Committee and Watermaster
Water District No. 65

We have audited the financial statements of the governmental activities and each major fund of Water District No. 65 (the District) as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2011. 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 *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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as B-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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.

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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, those charged with governance, others within the entity, 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.

Folke CPAs, P.C.

January 4, 2011

WATER DISTRICT NO. 65
Schedule of Findings and Responses
Year Ended December 31, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the District.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. *Segregation of Duties*

Condition – Although the District has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

Cause – This situation is due to staffing limitations common to an entity this size.

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

Recommendation and Response – It is requested that the District take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.

**WATER DISTRICT #65
BUDGET WORKSHEET**

**APPROVED
BUDGET
2010**

**PROPOSED
BUDGET
2011**

INFLOW OF FUNDS:

Interest Income	\$ 8,500.00	\$ 1,600.00
Cash Inflows - Assessments	\$ 74,128.00	\$ 74,128.00
Water Rental Administrative Fees	\$ 145,000.00	\$ 145,000.00
Total Inflows of Funds	<u>\$ 227,628.00</u>	<u>\$ 220,728.00</u>

OUTFLOW OF FUNDS:

Watermaster Salary	\$ 55,290.00	\$ 56,950.00
Payroll Taxes	\$ 4,589.07	\$ 4,726.85
Retirement	\$ 5,529.00	\$ 5,695.00
Bank Charges	\$ 100.00	\$ 100.00
Office Rent	\$ 6,900.00	\$ 6,900.00
Postage	\$ 1,600.00	\$ 1,600.00
Office Supplies	\$ 2,500.00	\$ 2,500.00
Telephone Expense	\$ 2,000.00	\$ 2,000.00
Medical Insurance	\$ 8,700.00	\$ 8,700.00
Accounting Fees	\$ 2,500.00	\$ 2,500.00
O&M River Gauge	\$ 15,000.00	\$ 15,000.00
Automobile Expense	\$ 5,000.00	\$ 5,000.00
Dues and Subscriptions	\$ 1,200.00	\$ 1,200.00
Water Education	\$ 3,000.00	\$ 3,000.00
Computer Service & Repair	\$ 300.00	\$ 300.00
Professional Fees Office & Field	\$ 10,500.00	\$ 10,500.00
Internet Service	\$ 600.00	\$ 600.00
IWUA/NWRA Conventions	\$ 1,800.00	\$ 1,800.00
Meals & Lodging	\$ 1,800.00	\$ 1,800.00
Travel & Training Expense	\$ 2,000.00	\$ 2,000.00
Printing Expense	\$ 1,400.00	\$ 1,400.00
IWUA Coalition Dues	\$ 7,500.00	\$ 7,500.00
IWUA (Basin) Membership Dues	\$ 24,000.00	\$ 23,250.00
Repairs & Maintenance	\$ 500.00	\$ 500.00
Workman's Compensation	\$ 600.00	\$ 600.00
Property Insurance	\$ 600.00	\$ 600.00
Miscellaneous	\$ 200.00	\$ 200.00
Annual Meeting Expense	\$ 200.00	\$ 200.00
Interest to Lessors	\$ 6,500.00	\$ 1,600.00
Office & Field Equipment Purchases	\$ 6,000.00	\$ 6,000.00
Outflow of Funds from Operations	<u>\$ 178,408.07</u>	<u>\$ 174,721.85</u>
Net Inflow (Outflow) from Operations	<u>\$ 49,219.93</u>	<u>\$ 46,006.15</u>

Pickup Truck Trade	\$ 18,000.00	\$ -
Water Quality 50% Cost-Share	\$ 3,000.00	\$ 3,000.00
Facility Improvement-50% Costshare	\$ 100,000.00	\$ 100,000.00
Total Non-Operating Expenditures	<u>\$ 121,000.00</u>	<u>\$ 103,000.00</u>

Total Expenditures	<u>\$ 299,408.07</u>	<u>\$ 277,721.85</u>
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NET GAIN OR LOSS OF FUNDS	<u>\$ (71,780.07)</u>	<u>\$ (56,993.85)</u>
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Nominations Committee Report

Nominations Submitted for: 2011 Water District No. 65 Advisory Board, and Officers

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Jim Standley	Chairman/Treasure	Emmett Irrigation District
Doyle Fackler	Vice-Chairman	Last Chance Ditch Co.
Ron Mio	Secretary	Noble Ditch Company
1. Dennis Lammey	Member	Black Canyon Irr. District
2. Dan Surmeier	Member	Black Canyon Irr. District
3. Michael McEvoy	Member	Independent
4. C. Eugene Parks	Member	Emmett Irrigation District
5. Jim Standley	Member	Emmett Irrigation District
6. Jim Hutchins	Alternate	Emmett Irrigation District
7. Chad Henggeler	Member	Farmers Co-op Irrigation Co.
8. Rick York	Member	Farmers Co-op Irrigation Co.
9. <i>Pearl Ford</i>	<i>Member</i>	<i>Enterprise / Reed Ditch Co.</i>
10. Marc Shigeta	Member	Noble Ditch Co.
11. Ron Mio	Member	Noble Ditch Co.
12. Chuck Pollock	Member	Lower Payette Ditch Co.
13. Darlene Maxwell	Member	Lower Payette Ditch Co.
14. Joy Sisler	Member	Gill Slough
15. Marcia Herr	Member	Letha Irrigation & Water Co.
16. Thomas Legg	Member	Letha Irrigation & Water Co.
17. George Colwell	Member	Johnson Colwell Ditch
18. Kevin Martin	Member	Bilbrey Ditch Co.
19. Mike Fry	Member	Independent
20. Fred Coburn	Member	Stewart Ditch
21. Doyle Fackler	Member	Last Chance Ditch Co.
22. <i>Wayne Martin</i>	<i>Member</i>	<i>Washoe Irr. & Water Power</i>

Nominating Committee Members for Ensuing Year, 2011

Dan Surmeier, Chairman
Jim Standley
Dennis Lammey

Ron Mio
Doyle Fackler
Chuck Pollock

Attachment B