

**Galena Ground Water District
Audited Financial Statements
December 31, 2018**

Galena ground Water District
TABLE OF CONTENTS
For the Year Ended December 31, 2018

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7 - 8
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 <i>Governmental Auditing Standards</i>	9



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Galena Ground Water District
Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Galena Ground Water District (the District) as of and for the year ended December 31, 2018, and the related notes to the 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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

Management is in the process of adopting a methodology for reviewing the collectability of accounts receivable, accordingly, has not provided an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balance and change the revenues. The amount by which this departure would affect the assets, fund balance, and revenues has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2018, and the changes in financial position and cash flows thereof for the years 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 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, or historical context. Our 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*, we have also issued our report dated July 2, 2109 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, and 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 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.

Arritt Robins Waters CPAs PLLC

Arritt Robins Waters CPAs PLLC

July 2, 2019

Galena Ground Water District
BALANCE SHEET
For the Year Ended December 31, 2018

Assets	
Cash	\$ 205,077
Assessments Receivable	47,362
Total Assets	<u>\$ 252,439</u>
	-
Liabilities and Net Position	
Liabilities	
Accounts Payable	\$ 3,163
Prepaid Assessments	<u>23,798</u>
Total Liabilities	26,961
Net Position	<u>225,478</u>
Total Liabilities and Net Position	<u>\$ 252,439</u>
	-

Galena Ground Water District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2018

Revenue		
Direct Assessments	\$	113,851
County Assessments		48,105
Supplemental Assessments		<u>24,559</u>
Total Operating Revenue		186,515
 EXPENSES		
Administration		18,158
Refund for Non-Irrigation Water		34,888
Hydrologic Consulting		9,215
Legal		<u>10,783</u>
Total Operating Expenses		73,044
 Change in Net Position		113,471
 Net Position - Beginning		<u>112,007</u>
 Net Position - Ending	\$	<u><u>225,478</u></u>

Galena Ground Water District
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash Flows From Operating Activities:	
Receipts From Members	\$ 141,705
Payments to Suppliers	(76,782)
Net Cash Provided By Operating Activities	64,923
Cash Flows From Capital and Related Financing Activities:	
Net Cash Used by Capital and Related Financing Activities	-
Cash Flows From Investing Activities:	
Net Cash Used by Investing Activities	-
Net Change in Cash	64,923
Cash and Cash Equivalents at Beginning of Fiscal Year	140,154
Cash and Cash Equivalents at End of Fiscal Year	\$ 205,077
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income or (Loss)	\$ 113,471
Adjustments:	
Decrease (Increase) in: Receivables	(25,907)
Increase (Decrease) in: Accounts Payable	(3,738)
Prepaid O&M	(18,903)
Net Cash Provided by Operating Activities	\$ 64,923

Galena Ground Water District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 1: Reporting Entity

Galena Ground Water District is a political subdivision of the State of Idaho. The District was established September 8, 2015 and encompasses 280 square miles in Blaine County from Galena Summit to the Glendale road area south of Bellevue. The district is governed by a three member board.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accounting principles of the District conform to accounting principles generally accepted in the United States of America applicable to enterprise funds. Accordingly, the balance sheets and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, the Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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. These estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assessments and Refund

Members are assessed per .02 CFS irrigation water. Assessments are billed on December 1 of the previous year. The 2018 assessment was \$30 per .02 CFS and was billed December 1, 2017. The 2019 assessment is \$15 per .02 CFS and was billed December 1, 2108. Assessments are for irrigation water. It was discovered that some of the previous assessments included non-irrigation water. This was refunded on December 31, 2018 and is presented on the financial statements as Refund for Non-Irrigation Water.

Receivables

Management is in the process of adopting a methodology for reviewing the collectability of accounts receivable, accordingly, has not provided an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balance and change the revenues. The amount by which this departure would affect the assets, fund balance, and revenues has not been determined. Members are subject to liens against their lands for delinquent assessments.

Note 3: Cash and Cash Equivalents

The District had the following cash and cash equivalents at December 31, 2018:

	Interest <u>Rate</u>	Bank <u>Balance</u>	Book <u>Balance</u>
Zions	-0-	184,912	181,279
Undeposited Funds	-0-	-	23,798
		184,912	205,077

Note 4: Contingencies and Risk*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a deposit policy for custodial credit risk. Accounts at financial institutions are insured by Federal Deposit Insurance Corporation for up to \$ 250,000. As of December 31, 2018 did not have any deposits over the FDIC insurance amount.

Water Litigation

There are several ongoing developments in many areas affecting water law. The effect of these has not been determined. However, unfavorable outcomes of one or more of these could have a detrimental effect on the District's financial condition.

Economic Risk

The District's only customers are land owners in the District. The District is dependent upon the land owners' ability to pay their assessments and the availability of water.

Note 5: Budget

The budget is set by the Board.

Note 6: Date of Managements Review:

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 2, 2019, the date that the financial statements were available to be issued.



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
Galena Ground Water District
Ketchum, Idaho

We 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 Galena Ground Water District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 2, 2019.

Internal Control over Financial Reporting

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

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arritt Robins Waters, CPAs PLLC
Arritt Robins Waters, CPAs PLLC
July 2, 2019