

**Galena Ground Water District
Audited Financial Statements
December 31, 2020**

Galena ground Water District
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For the Year Ended December 31, 2020

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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, 2020, 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, 2021, 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.

Emphasis of Matter

There was a prior period adjustment. See note 8.

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 19, 2021 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 19, 2021

Galena Ground Water District
STATEMENT OF NET POSITION
For the Year Ended December 31, 2020

Assets	
Cash	\$ 233,747
Assessments Receivable	<u>22,522</u>
Total Assets	<u>\$ 256,269</u>
-	
Liabilities and Net Position	
Liabilities	
Accounts Payable	\$ 8,838
Refunds for Non-Irrigation Assessments	51,542
Prepaid Assessments	<u>74,770</u>
Total Liabilities	135,150
Net Position	<u>121,119</u>
Total Liabilities and Net Position	<u>\$ 256,269</u>
-	

Galena Ground Water District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

Revenue	
Direct Assessments	\$ 19,109
County Assessments	10,290
Supplemental Assessments	9,749
Penalty	<u>23</u>
Total Operating Revenue	39,171
EXPENSES	
Administration	19,697
Hydrologic Consulting	71,765
System Improvements	125
Legal	<u>19,508</u>
Total Operating Expenses	111,095
Change in Net Position	(71,924)
Net Position - Beginning Before Restatement	257,126
Prior Period Adjustment	<u>(64,083)</u>
Net Position - Beginning After Restatement	<u>193,043</u>
Net Position - Ending	<u>\$ 121,119</u>

Galena Ground Water District
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash Flows From Operating Activities:	
Receipts From Members	\$ 91,463
Payments to Suppliers	(107,329)
Net Cash Provided By Operating Activities	(15,866)
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	(15,866)
Cash and Cash Equivalents at Beginning of Fiscal Year	249,613
Cash and Cash Equivalents at End of Fiscal Year	\$ 233,747
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income or (Loss)	\$ (71,924)
Adjustments:	
Decrease (Increase) in: Receivables	7,046
Increase (Decrease) in: Accounts Payable	3,766
Refunds for Non-Irrigation Lands	(12,541)
Prepaid O&M	57,787
Net Cash Provided by Operating Activities	\$ (15,866)
	-

Galena Ground Water District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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 statement of net position and the statements of revenues, expenses and changes in net position and statement of cash flows 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

Assessments are for irrigation water. It was discovered that some of the previous assessments included non-irrigation water and double billings. See Prior Period Adjustment below.

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, 2020:

	<u>Interest Rate</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Zions	-0-	236,710	233,747
Undeposited Funds	-0-	-	-
		236,710	233,747

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, 2020 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 16, 2021, the date that the financial statements were available to be issued.

Note 7: Subsequent Events:

The spread of COVID-19 has severely impacted many local economies. Businesses are being forced to cease or limit operations for long to indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closure of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility.

The District has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations for the year end have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations in future periods.

The Idaho Department of Water Resources required the District to participate in an administrative proceeding in Boise, Idaho on June 7-12, 2021 to determine whether the Director would order ground water rights curtailed for the 2021 irrigation season. As such, in May and June 2021, the District conducted depositions of certain senior surface water users. Thereafter, the District participated in a mitigation plan hearing in Boise, Idaho on July 6-7, 2021, which resulted in a settlement agreement between the District and the senior surface water users. Currently, the District is a party to a lawsuit in the Fifth Judicial District of the State of Idaho which seeks judicial review of whether the Director's actions exceeded his authority and violated the District's constitutional right to due process.

Note 8: Prior Period Adjustment

The district assessments are based on irrigation CFS from the Department of Water Resources. The 2017, 2018 and assessments included some non-irrigation CFS data. The district has been working on correcting this. In 2018 and 2019 \$34,888 and \$5,127 were credited or refunded respectively. At the beginning of 2020 the District recorded a \$64,083 prior period adjustment to record the remaining adjustments. During 2020 credit memos and refund checks in the amount \$12,541 of were issued. A liability for the remaining \$51,542 is shown on the balance sheet as Refund for Non-Irrigation Assessments. The remaining \$51,542 was credited or refunded early in 2021.



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

To the Board of Directors
Galena Ground Water District

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 as of December 31, 2020, 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 19, 2021

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, that we consider to be significant deficiencies, described below:

Findings: The District did not present an allowance for doubtful accounts.

Response: The District is in the process of adopting a methodology for reviewing the collectability of accounts receivable.

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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described previously. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

July 19, 2021