

GREENFERRY WATER AND SEWER DISTRICT

Post Falls, Idaho

Audited Financial Statements

For the Year Ended June 30, 2018

GREENFERRY WATER AND SEWER DISTRICT
Post Falls, Idaho

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greenferry Water and Sewer District
Post Falls, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greenferry Water and Sewer District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Greenferry Water and Sewer District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 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 21, 2020, on our consideration of the Greenferry Water and Sewer 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 Greenferry Water and Sewer District's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
July 21, 2020

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
Greenferry Water and Sewer District
Post Falls, 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 the business-type activities of Greenferry Water and Sewer District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Greenferry Water and Sewer District basic financial statements, and have issued our report thereon dated July 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greenferry Water and Sewer 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 Greenferry Water and Sewer District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenferry Water and Sewer 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greenferry Water and Sewer 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*.

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.

Hayden Ross, PLLC

Moscow, Idaho
July 21, 2020

FINANCIAL STATEMENTS



GREENFERRY WATER AND SEWER DISTRICT
Post Falls, Idaho

STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current assets

Cash	65,502
Accounts receivable, net of advanced payments	18,501
Due from other governments	1,103
Grant receivable	25,000
Other receivable	12,180
Prepaid expenses	763

Total current assets 123,049

Noncurrent assets

Restricted cash	128,099
Capital assets	
Construction in progress	140,463
Land	12,000
Infrastructure	1,113,061
Buildings	371,093
Services	7,541
Equipment	49,384
Accumulated depreciation	<u>(1,002,233)</u>

Total noncurrent assets 819,408

Total assets 942,457

DEFERRED OUTFLOWS OF RESOURCES -

LIABILITIES

Current liabilities

Accounts payable	<u>31,695</u>
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Total liabilities 31,695

DEFERRED INFLOWS OF RESOURCES -

NET POSITION

Net investment in capital assets	691,309
Restricted for:	
Capital reserve	128,099
Unrestricted	<u>91,354</u>

Total net position \$ 910,762

GREENFERRY WATER AND SEWER DISTRICT
Post Falls, Idaho

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

Operating revenues

Charges for services	160,176
Capital reserve fee	60,480
Connection fees	18,400
Miscellaneous income	<u>12,180</u>

Total operating revenues 251,236

Operating expenses

Depreciation	48,675
Repairs and maintenance	54,766
Professional fees	27,766
Contract services	28,072
Utilities	18,340
Telephone	3,988
Insurance	3,107
Office supplies	4,565
Director fees	6,450
Lab fees and testing	600
DEQ fees	<u>1,240</u>

Total operating expenses 197,569

Operating income (loss) 53,667

Non-operating income (expenses)

Grant revenue	7,517
Interest income	179
Interest expense	<u>(425)</u>

Total non-operating income (expenses) 7,271

Change in net position 60,938

Net position - beginning 849,824

Net position - ending \$ 910,762

GREENFERRY WATER AND SEWER DISTRICT
Post Falls, Idaho

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	248,375	
Cash payments to suppliers for goods and services	<u>(165,076)</u>	
Net cash flows provided by operating activities		<u>83,299</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on idle cash and investments	<u>179</u>	
Net cash flows provided by investing activities		<u>179</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for acquisition of capital assets	(86,389)	
Cash paid for principal on long term debt	(9,571)	
Cash paid for interest on long term debt	<u>(1,385)</u>	
Net cash flows used in capital and related financing activities		<u>(97,345)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
		<u>-</u>
Net change in cash and cash equivalents		(13,867)
Cash and cash equivalents - beginning		<u>207,468</u>
Cash and cash equivalents - ending		<u><u>\$ 193,601</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	53,667	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	48,675	
(Increase) decrease in assets:		
Accounts receivable	(1,869)	
Due from other governments	(992)	
Other receivable	(12,180)	
Prepaid expenses	(24)	
Increase (decrease) in liabilities:		
Accounts payable	<u>(3,978)</u>	
Net cash provided by operating activities		<u><u>\$ 83,299</u></u>
Cash and Cash Equivalents Reconciliation		
Restricted cash and cash equivalents		128,099
Unrestricted cash and cash equivalents		<u>65,502</u>
		<u><u>\$ 193,601</u></u>

GREENFERRY WATER AND SEWER DISTRICT
Post Falls, Idaho

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 Organization and Significant Accounting Policies

Organization

Greenferry Water and Sewer District was incorporated in the state of Idaho in 1969. The District is governed by a Board of Directors and provides water services to its area site holders. Only a water system is operated by the District at this time, and there are no plans to operate a sewer system.

Summary of Significant Accounting Policies

The basic financial statements of the business-type activities of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The District follows GASB No. 62 for proprietary funds, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Post-November 30, 1989 pronouncements that do not conflict with or contradict GASB pronouncements.

The District's more significant accounting policies are described below:

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The District meets the criteria established by the Governmental Accounting Standards Board (GASB) to be considered a primary governmental entity for financial reporting purposes. Component units are legally separate organizations that are financially accountable to the primary government. The District has no component units, and is not a component unit of any other governmental unit based on the criteria established by the GASB.

Measurement focus, basis of account, and financial statement presentation

The District's proprietary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are including on the statement of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, net of related debt, restricted for capital replacement, and unrestricted components. The proprietary fund financial statements are reported using the accrual basis of account.

NOTE 1 Organization and Significant Accounting Policies (Continued)

The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position include all of the financial transactions of the District in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered 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 of other purposes.

The proprietary fund distinguishes operating revenues and expenses generally resulting from provision of services in connection with the operation of water services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues result from nonexchange transactions or ancillary activities. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Statement of Net Position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts (if any), and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments (including restricted cash and certificates of deposit) with an original maturity of three months or less are considered cash equivalents.

Restricted cash represents the amount that the District, has restricted cash for future capital projects.

NOTE 1 Organization and Significant Accounting Policies (Continued)

Investments

Special districts within the State of Idaho can pool their funds for investment purposes in the Idaho State Treasurer's Local Government Investment Pool.

Deposits in the State Treasurer's Local Government Investment Pool are stated at cost, which approximates market. All funds are invested in accordance with Section 67-1210 and 67-1210A of the Idaho Code. The primary objectives of the investment pool, in order of priority, are safety, liquidity and yield.

Interest income is defined as non-operating revenue.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water and sewer services and are reported at their gross value less the estimated portion that is expected to be uncollectible. No allowance was deemed necessary as of June 30, 2018. It is the District's policy to present accounts receivable net of prepaid user fees. The prepaid user fees were \$7,386 as of June 30, 2018.

Capital Assets

Capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Major improvements and betterments are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. The District has established a capitalization threshold of \$5,000. Expenditures for repairs and maintenance are charged to expense in the period incurred. When capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in the Statement of Revenues, Expenses and Changes in Net Position.

Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of those assets from 7 to 30 years.

Budget

The District annually adopts a budget. The budget is on the same basis consistent with generally accepted accounting principles. All budget appropriations lapse at year end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

NOTE 1 Organization and Significant Accounting Policies (Continued)

Net Position

Net position represent the different between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following components:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - This component of net position consists of net position subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District's restricted net position in related to their capital project reserve.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the District to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report. This is the date the financial statements were available to be issued. The District has concluded that no material subsequent events have occurred.

NOTE 2 Cash and Cash Equivalents

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and Savings Accounts	<u>\$193,601</u>	<u>\$186,648</u>

Deposits were with Mountain West Bank of which \$250,000 of interest bearing accounts and non-interest bearing accounts were covered by Federal Deposit Insurance.

NOTE 2 Cash and Cash Equivalents (Continued)

Restricted cash – The district has restricted cash balances for the following purposes:

Capital Project Reserve - Beginning in July 2016, the District began collecting a monthly fee for future capital projects. This includes the one time connection fee for new customers. At June 30, 2018, the unspent portion was \$128,099.

The State Treasurer’s Local Government Investment Pool is managed by the State of Idaho Treasurer’s office. All funds are invested in accordance with Section 67-1210 and 67-1210A of the Idaho Code. Authorized investments include bonds, treasury bills, interest-bearing notes, and other obligations of the U.S. Government, general obligation or revenue bonds of the State of Idaho or other local governments within the State of Idaho, bonds, debentures, or other similar obligations issued by the farm credit system or by public corporation so the State of Idaho, repurchase agreements covered by any legal investment for the State of Idaho, tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts of the State of Idaho, revenue bonds of institutions of higher education of the State of Idaho, and time deposits and savings accounts in amounts not to exceed applicable insurance limits. The primary objectives of the investment pool, in order of priority, are safety, liquidity, and yield.

The State Treasurer’s investment policy and the Local Government Investment Pool issues its own financial statements can be obtained by writing P.O. Box 83720, Boise, ID 83720-0091.

Participants have overnight availability to their funds, up to \$10 million. Withdrawals of \$10 million or more require three business days’ notification.

As of June 30, 2018, the District does not have any funds invested in the State Treasurer’s Local Government Investment Pool.

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in [possession of an outside party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by the nationally recognized statistical rating organization such as Moody’s or Standard and Poor’s. The investments of the District at year-end are not required to be rated. The District does not have a policy regarding credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in the fair values due to future changes in interest rate. The District does not have a policy regarding interest rate risk.

NOTE 2 Cash and Cash Equivalents (Continued)

Concentration of credit risk is the risk that concentration of investments with one issuer represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total investments of the entity are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are exempt from disclosure. The District has no policy limiting the amount it may invest in any one issuer.

NOTE 3 Capital Assets

A summary of capital assets follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	12,000	-	-	12,000
Construction in progress	<u>35,221</u>	<u>105,242</u>	<u>-</u>	<u>140,463</u>
Total capital assets not being depreciated	<u>47,221</u>	<u>105,242</u>	<u>-</u>	<u>152,463</u>
Capital assets being depreciated:				
Infrastructure	1,113,061	-	-	1,113,061
Buildings	371,093	-	-	371,093
Services	7,541	-	-	7,541
Equipment	<u>49,384</u>	<u>-</u>	<u>-</u>	<u>49,384</u>
Subtotal	<u>1,541,079</u>	<u>-</u>	<u>-</u>	<u>1,541,079</u>
Less accumulated depreciation	<u>(953,558)</u>	<u>(48,675)</u>	<u>-</u>	<u>(1,002,233)</u>
Net capital assets being depreciated	<u>587,521</u>	<u>(48,675)</u>	<u>-</u>	<u>538,846</u>
Net capital assets	<u>\$634,742</u>	<u>\$56,567</u>	<u>\$-</u>	<u>\$691,309</u>

NOTE 4 Bond Payable

The following is a summary of bond transactions of Greenferry Water and Sewer District for the year ended June 30, 2018:

	<u>Total Bonds</u>
Bond payable at July 1, 2017	9,571
Debt retired	<u>(9,571)</u>
Total bond payable at June 30, 2018	<u>\$-</u>

There is no longer a bond reserve requirement as the debt has been paid off as of June 30, 2018.

NOTE 5 Risk Management

The District is exposed to various risks of loss relating to torts, property damage or theft, and natural disasters, for which the District carries commercial insurance. The District is at risk for losses, if any, that would exceed coverage limits.

The District minimizes losses that could arise from the first two risks by purchasing commercial insurance through the Idaho Counties Risk Management Program (ICRMP), a public entity risk pool in which ICRMP acts as an underwriter and collector of premiums paid by the pool's participants.

Settlements have not exceeded insurance coverage for each of the past three years.

NOTE 6 Bond Approval

The District approved a bond issuance up to \$1.8 million in May 2018. The bond was approved to upgrade existing infrastructure, including a larger water line, resulting in 500 hookups available for the District. At the time of the financial statement issuance, the District was in the process of seeking approval from DEQ and USDA related to the Water Facility Plan and is currently seeking bids for the project.