RICHFIELD HIGHWAY DISTRICT NO. 3

Financial Statements

Year Ended September 30, 2024

RICHFIELD HIGHWAY DISTRICT NO. 3
RICHFIELD, IDAHO
for the year ended September 30, 2024

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2190 Village Park Avenue, Suite 300 • Twin Falls, ID 83301 • 208.733.1161 • Fax: 208.733.6100

INDEPENDENT AUDITOR'S REPORT

December 20, 2024

Board of Commissioners
Richfield Highway District

Opinions

We have audited the accompanying financial statements of the government activities of the Richfield Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Richfield Highway District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities of the Richfield Highway District, as of September 30, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in note1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Richfield Highway District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Richfield Highway District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Report Continued—

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Richfield Highway District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Richfield Highway District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planning scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 10 be presented to supplement the basic financial statements. Management has omitted a 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2024, on our consideration of the Richfield Highway 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 solely 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 effectiveness of the District's 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.

Other Information

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

RICHFIELD HIGHWAY DISTRICT NO. 3
Statement of Net Position and Governmental Fund Balance Sheet - Cash Basis
For the year ended September 30, 2024

	Governmental Fund		
	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	$ 514,428	$	$ 514,428
Total assets	$ 514,428	$	$ 514,428
Fund Balance / Net Position			
Fund balance			
Unassigned	$ 514,428	$ (514,428)	
Total fund balance	$ 514,428	$ (514,428)	
Net Position			
Unrestricted		$ 514,428	$ 514,428
Total net position		$ 514,428	$ 514,428

The accompanying notes are a part of these financial statements

RICHFIELD HIGHWAY DISTRICT NO. 3
Statement of Activities and Governmental Fund Receipts, Disbursements,
and Changes in Fund Balances - Cash Basis
For the year ended September 30, 2024

	Governmental Fund General Fund	Adjustments	Statement of Activities
Disbursements:			
Salaries and related expenses	$ 245,819	$	$ 245,819
Snow removal	0		0
Insurance	17,874		17,874
Professional fees	9,614		9,614
Road expense	161,005		161,005
Bridge & culvert expense	20,448		20,448
Maintenance and repairs	67,108		67,108
Fuel & oil	32,763		32,763
Administrative	31,930		31,930
Shop & tools expense	0		0
Capital outlay	52,987		52,987
Total disbursements	639,548		639,548
Program Receipts:			
Grant income	0		0
Total program receipts	0		0
Net program disbursement	(639,548)		(639,548)
General Receipts:			
Property taxes	96,524		96,524
Sales tax	16,265		16,265
Ag revenue	2,645		2,645
Highway users revenue	834,433		834,433
Miscellaneous	700		700
Interest earnings on investments	3,524		3,524
Total general receipts	954,091		954,091
Excess of disbursements over receipts	314,543	(314,543)	
Decrease in net position		314,543	(314,543)
Fund Balance / Net Position			
Beginning of the year	199,885		199,885
End of the Year	$ 514,428	$	$ 514,428

The accompanying notes are a part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Richfield Highway District No. 3 (District) is a Highway District consisting of patrons from portions of Lincoln County, State of Idaho. The Board of Commissioners (Board), a three-member group constituting an on-going entity, is the level of government, which has governance responsibilities over all activities related to road and bridge construction and maintenance within the jurisdiction of the Local Independent Highway District. The Board receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Government – Wide and Fund Financial Statements

The government – wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the governmental entity. The District has one governmental fund for financial statement presentation purposes.

The statement of activities demonstrates the degree to which the direct disbursement of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government – wide and governmental fund financial statements are presented in accordance with a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. As a result, only cash and cash equivalents and related net position or fund balances arising from cash transactions are reported in the statements of net position and balance sheets. All other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this cash basis presentation.

Continued -

The district reports the following major governmental fund:

> The general fund is the District's primary operating fund. It accounts for all financial recourses of the general government.

Amounts reported as program receipts include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Fund balance classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned. The District permits funds to be expended in the following order: Nonspendable, Restricted, Committed, Assigned and Unassigned.

The District reports the following classifications:

> Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date to acquisition.

State statute authorizes the District to invest in obligations of the U.S. Treasury, general obligation or revenue bonds of the State or any Idaho County, City, or taxing district, tax anticipation notes, repurchase agreements, time deposit accounts, and the State Treasurer's Investment Pool.

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on the cash basis accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Board of Commissioners follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least 28 days prior to the levy election, the District publishes a proposed budget for public review.
2. Public hearings are set to obtain taxpayers' comments.
3. At least 14 days prior to the levy election, the final budget is adopted by resolution of the board and published.

Continued –

4. Prior to September 1, the final budget is filed with the county commissioners.
5. At least 120 days prior to the close of the fiscal year, a revised budget is prepared, adopted and published reflecting updated information received through that date. This is also filed with the County.

Fund	Budgeted Appropriations Expenditures
General Fund	$ 855,520

Encumbrance accounting methods were not used in the preparation of the District's financial statements. Uncommitted appropriations lapse at year-end and commitments are re-appropriated in the next year's budget.

NOTE 3 – DETAILED NOTES

Deposits

The following is a summary of the District's deposit balances as of September 30, 2024:

Government-wide Statement of Net Position	Totals
Bank Deposits – Insured	$ 517,633
Total	$ 517,633

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The entire bank balance was covered by depository insurance.

Property Tax

The District's property tax is levied each October on the value listed as the prior January 1 for all real property located in the District. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years. Under Idaho Code Section 31-4318 the District's maintenance and operation levy may not exceed .06% of the actual or adjusted market value for assessment purposes as a December 31 of the previous year. Taxes are due in two equal installments on December 20 and June 20 following the levy date. The county provides tax settlements to the District in monthly statements.

Continued –

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the district carries commercial insurance. Amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 5 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.

NOTE 6 PENSION PLAN

Plan Description

The District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Continued -

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2024 it was 7.18% for general employees and 10.83% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96% general employees and 14.65% for police and firefighters. The District contributions were $21,518 for the year ended September 30, 2024.

REQUIRED
SUPPLEMENTARY INFORMATION

RICHFIELD HIGHWAY DISTRICT NO. 3
Budgetary Comparison Schedule
Cash Basis -- General Fund
for the year ended September 30, 2024

	Budget			Variance with Final Budget Positive (Negative)
	Original Amounts	Final Amounts	Actual Amounts	
REVENUE:				
Property Taxes	$ 100,000	$ 100,000	$ 115,434	$ 15,434
Highway Users Revenue	552,400	552,400	834,433	282,033
Grant Revenues	0	0	0	0
Interest Income	120	120	3,524	3,404
Miscellaneous Revenues	20,000	20,000	700	(19,300)
Total Revenue	672,520	672,520	954,091	281,571
EXPENDITURES:				
Wages	170,000	170,000	245,819	75,819
Payroll Taxes	27,000	27,000		(27,000)
Employee Benefits	54,000	54,000	0	(54,000)
Gas, Oil and Diesel	50,000	50,000	32,763	(17,237)
Road Materials	345,000	345,000	181,453	(163,547)
Repairs and Maintenance	57,520	57,520	67,108	9,588
Code Enforcement	7,000	7,000		(7,000)
Office Expense	8,000	8,000	31,930	23,930
Professional Fees	15,000	15,000	9,614	(5,386)
Insurance	38,000	38,000	17,874	(20,126)
Shop Utilities	8,000	8,000	0	(8,000)
Capital Outlay	76,000	76,000	52,987	(23,013)
Total Expenditures	855,520	855,520	639,548	(215,972)
EXCESS REVENUE (EXPENDITURES)	(183,000)	(183,000)	314,543	497,543
FUND BALANCE - BEGINNING, RESTATED	199,885	199,885	199,885	0
FUND BALANCE - ENDING	$ 16,885	$ 16,885	$ 514,428	$ 497,543

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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*

December 20, 2024

To the Board of Commissioners
Richfield Highway 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 the governmental activities of the Richfield Highway District (the District), as of and for the years ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2024. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 identify certain deficiencies in internal control that we consider to be material weaknesses and have described these in the accompanying schedule of findings and responses (2024-1).

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.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

RICHFIELD HIGHWAY DISTRICT NO. 3
Schedule of Findings and Responses
For the Year Ended September 30, 2024

Finding 2024-1: Lack of segregation of duties

Condition: The District lacks a segregation of duties over accounting functions, including stewardship of cash and cash equivalents.

Criteria: Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

Cause: The District does not have an internal control system designed to provide for segregation of duties over the accounting function.

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

Recommendation: It is suggested the District take such actions as hiring additional personnel to assist in accounting duties, including the reconciling of cash and cash equivalents.

Response: District management believes the cost of hiring additional personnel outweighs the benefit to be derived as mitigating controls are currently in place such as Board review of all disbursements, two signatures required on all checks, and monthly Board review of financial reports prepared by the District Clerk.