Custer Soil and Water Conservation District

FINANCIAL STATEMENTS

Year Ended June 30, 2024

Gary Merkle, PLLC

CERTIFIED PUBLIC ACCOUNTANT

Custer Soil and Water Conservation District

COMMISSIONERS

Wayne Baker	Chairman
Julia Piva	Vice Chairman
Dale Olson	Secretary
Tori O'Neal	Treasurer
Ryan Hughes	Commissioner

ADMINISTRATOR

Karma Bragg	District Manager

Custer Soil and Water Conservation District

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Financial Section

Gary Merkle, PLLC

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Commissioners
Custer Soil and Water Conservation District
Challis, Idaho

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Custer Soil and Water Conservation District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Custer Soil and Water Conservation District as of June 30, 2024, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Custer Soil and Water Conservation District's management is responsible for the preparation and fair presentation of the 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 Custer Soil and Water Conservation 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 for the Audit of the Financial Statements

My 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 my 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 GAAS 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 judgment made by a reasonable user based n the financial statements.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgement 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 responsible for 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 Custer Soil and Water Conservation 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Custer Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of my audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 16–18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America., which consist of inquiries of management about whether the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has not included 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by not including this information.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2024 on my consideration of the Custer Soil and Water District's internal control over financial reporting and my 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 my 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 Custer Soil and Water Conservation District's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Custer Soil and Water District's internal control over financial reporting and compliance.

Gary Merkle, CPA PLLC

Boise, Idaho
November 4, 2024

Basic Financial Statements

Custer Soil and Water Conservation District
Statement Of Net Position
June 30, 2024

	Governmental Activities
Assets	
Current assets:	
Cash and equivalents	$237,856
Accounts receivable	0
Total current assets	237,856
Non-current assets:	
Capital assets, equipment and furnishings	45,041
Accumulated depreciation	(45,041)
Capital assets, net of accum depreciation	0
Total Assets	237,856
Liabilities	
Long Term Liabilities:	
Compensated absences	1,240
Total Long Term Liabilities	1,240
Deferred Inflows - Unearned Revenue	46,498
Net Position	
Invested in capital assets, net of related debt	0
Restricted for:	
Special projects	25,207
Unrestricted	164,911
Total Net Position	$190,118

See accompanying notes to the financial statements

Custer Soil and Water Conservation District
Statement Of Activities
For The Year Ended June 30, 2024

		Program Revenue			Net (Expense) / Revenue and Changes In Net Position
	Expenses	Charges for services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Functions / Programs					
Governmental activities:					
Personnel	$14,335				($14,335)
Rents	8,880				(8,880)
Scolarships	2,000		1,250		(750)
Travel	4,180				(4,180)
General administration	9,616	1,970	26,808		19,162
Public outreach	5,134				(5,134)
Direct project costs	534,908		525,541		(9,367)
Depreciation	0				0
Total governmental activities	$579,053	$1,970	$553,599	$0	(23,484)

General Revenues:	
Capital credits	1,225
County appropriations	10,300
State appropriations	8,652
State base funding	14,500
Earnings on investments	37
Total general revenues	34,714
Change In Net Position	11,230
Net Position - beginning of year	178,888
Net Position - ending of year	$190,118

See accompanying notes to the financial statements

Custer Soil and Water Conservation District
Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Special Projects	Other Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$166,151	$66,822	$4,883	$237,856
Accounts receivable	0	0	0	0
Total Assets	$166,151	$66,822	$4,883	$237,856
Deferred Inflows				
Unearned revenue	0	46,498	0	46,498
Total Deferred Inflows	0	46,498	0	46,498
Fund Balances				
Restricted for:				
Special projects		20,324	4,883	25,207
Unassigned	166,151			166,151
Total fund balances	166,151	20,324	4,883	191,358
Total Liabilities, Deferred inflows, and Fund Balances	$166,151	$66,822	$4,883	$237,856

See accompanying notes to the financial statements

Custer Soil and Water Conservation District
Reconciliation Of The Government Funds Balance Sheet To The Statement Of Net Position
June 30, 2024

Total Fund Balances - Governmental Funds		$191,358
Amounts reported for Governmental Activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resoures and therefore are not reported as assets in governmental funds. These assets consist of the following:		
Equipment and furnishings	45,041	
Less accum depreciation	(45,041)	0
Long term liabilities in the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position. There are $1,240 accrued benefits in the current year ended		(1,240)
Net Position of governmental activities in the statement of net position		$190,118

See accompanying notes to the financial statements

Custer Soil and Water Conservation District
Statement of Revenues, Expenditures and Changes in Fund Balances - Govermental Funds
Year Ended June 30, 2024

Revenues	General Fund	Special Projects	Other Non-Major Governmental Funds	Total Governmental Funds
Local Sources:				
Interest income	$12	$25		$37
Equipment rental income	1,970			1,970
Capital credits	1,225			1,225
Donations	1,250			1,250
Intergovernmental:				
County appropriations	7,000	3,300		10,300
State appropriation	8,652			8,652
State base funding	14,500			14,500
Federal OVH reimbursement	26,808			26,808
Federal grants		525,541		525,541
Total revenues	61,417	528,866	0	590,283
Expenditures				
Current:				
Personnel	14,335			14,335
Rent	8,880			8,880
Scholarships	2,000			2,000
Travel	4,180			4,180
Equipment repair	0			0
General administration	9,614	2		9,616
Public outreach	5,134			5,134
Direct project costs		534,908		534,908
Capital outlay	0	0	0	0
Total expenditures	44,143	534,910	0	579,053
Excess/(Deficiency) of revenues over expenditures	17,274	(6,044)	0	11,230
Other Financing Sources/(Uses)				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Net change in fund balance	17,274	(6,044)	0	11,230
Fund balance, beginning	148,877	26,368	4,883	180,128
Fund balance, ending	$166,151	$20,324	$4,883	$191,358

See accompanying notes to the financial statements

Custer Soil and Water Conservation District
Reconciliation Of The Government Funds Statement of Revenues, Expenditures and Changes In Fund Balances with the Government-wide Statement of Activities
Year Ended June 30, 2024

Net change in fund balances - total governmental funds		$11,230
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is to be allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeded capital outlay in the current year by the following amout:		
Cost of assets (capital outlays)	0	
Depreciation expense	0	0
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consist of:		
Repayment of debt principle		0
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.		
(Increase) / decrease in the balance of compansated absences		0
Change in net position of governmental activities		$11,230

See accompanying notes to the financial statements

Note 1 Summary Of Significant Accounting Policies

The accompanying financial statements of the Custer Soil and Water Conservation District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting principles.

The District has implemented all GASB statements that are in effect for the District's fiscal year ended June 30, 2024.

Reporting Entity

The Custer Soil and Water Conservation District (*the District*) was founded in 1953 under Idaho Code Title 22 Chapter 27. The accompanying financial statements present the activities of the District. The District's primary goal is to improve water and soil conservation through the implementation of construction projects such as fish screens, fences, upgraded head gates and other such similar projects. The District is primarily an administrative organization. All construction work is subcontracted out to local contractors and or the land owners themselves. The District handles the administrative work on grants and the oversight of construction projects.

The District receives it's funding from the federal government, the State of Idaho, Custer and Lemhi counties, the Pacific Coast Salmon Recovery and from the Bonneville Power Association (BPA).

The District has a five member board comprised of elected volunteers serving four year terms. Board member elections are held along with the general elections on the even years, with two seats up for re-election one year and the remaining three seats up for re-election two years later. Board members receive a reimbursement for mileage. The Board has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters.

Basis of Presentation and Basis of Accounting

Basis of Presentation

Basic Financial Statements - Government-wide Statements
The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government, distinguishing between governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees and charges to external parties for goods or services. The District does not have any business-type activities as so defined.

Statement of Net Position The Statement of Net Position presents the reporting entity's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position.

Note 1 Summary Of Significant Accounting Policies - *continued*

Statement of Activities The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions and business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function or business-type activity. Revenues are broken out by program and general designations. Program revenues display the extent to which programs are self-funded. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function or activity. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources that are not attributable to specific programs are reported instead as general revenues.

Funds Financial Statements
The financial activities of the District are recorded in individual funds to report the financial position and results of the operation of the District. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of records.

The emphasis in the fund statements is on *major* funds. Major governmental funds are reported as separate columns in the fund statements. The remaining governmental funds are considered to be non-major funds and are consolidated in an "other" funds column (on the combined fund statements). If there is more than one, the non-major funds are displayed individually in combining schedules.

The District reports the following major governmental funds.

The *General Fund* is the District's primary operating fund. It accounts for services that include primary government and public safety. The *General Fund* includes all financial resources of the District except those required to be accounted for in another fund.

The *Special Projects Fund* accounts for the accumulation of resources for and the payments of special projects. Grants are awarded for the special projects and for the money reimbursed to the District for those expenses incurred.

Other non-Major Governmental fund: The District sponsors an annual fishing derby for the local children.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 Summary Of Significant Accounting Policies - *continued*

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which full eligibility requirements have been satisfied.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collectible within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to capital lease payments, compensated absences and most claims and judgments are recorded only when payment is due.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply block grant resources to such programs followed by cost-reimbursement grants and then general revenues.

Cash and Investments
All cash and investments are considered to be cash and cash equivalents.

Receivables
Receivables are reported net of any estimated uncollectible amounts.

Inventories
Inventories are stated at cost and are expensed when used. There are no inventories in the current year ended.

Capital Assets
Capital assets purchased or acquired with an original cost of $2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight-line method.

Note 1 Summary Of Significant Accounting Policies - *continued*

Net Position

Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assts component of net position consists of historical cost of capital assets less accumulated depreciation less any outstanding debt used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balances

Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable format or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (ie 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. 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 resources, the District first utilizes committed resources then assigned resources before using unassigned resources.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit or adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. There were no loans or services provided or reimbursements. The one interfund transaction which occurred is reported as a transfer.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 Summary Of Significant Accounting Policies - *continued*

Risk Management

The District is exposed to various risks of loss including (a) damage to and loss of property and contents (b) employee torts (c) professional liability (errors and omissions) (d) environmental damage (e) workers' compensation claims and (f) medical insurance costs of employees. Commercial policies, transferring the risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liabilities.

Note 2 Cash and Investments

Summary of Deposit and Investment Balances

As of June 30, 2024, the carrying amount of the District's deposits was $237,856 and the respective bank balances totaled $232,786. Deposits totaling $232,786 were insured.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Custodial credit risk is not material as all deposits are insured as of June 30, 2024.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would manage the exposure to fair value losses from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not be able to fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The District follows Idaho statute that outlines qualifying investment options. Idaho Code, Section 67-1301 and 67-2328 authorizes the District to invest available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit system or Idaho Public corporations, as well as time deposit accounts and repurchase agreements.

Investments

The District has no investments at the current year ended June 30, 2024. Deposits were reported in the basic financial statements as cash and cash equivalents of $237,856.

Note 3 Receivables

There were no accounts receivable for the current year ended June 30, 2024.

Note 4 Related Party Transactions

There were no related party transactions during the current year ended June 30, 2024.

Note 5 Compensated Absences

The District manager earns two personal leave days per month for a total of 24 days per fiscal year. Ten personal days may be carried over into the next fiscal year. The compensated absence liability at the current year ended is $1,240.

Note 6 Capital Assets

A capital assets summary of activity is as follows:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30,2024
Governmental Activities:				
Equipment	45,041	0	0	45,041
Total Historical Cost	45,041	0	0	45,041
Less Accumulated Depreciation	(45,041)	0	0	(45,041)
Capital Assets, Net	$ -0-			$ -0-

Note 7 Long Term Liability - Deferred Revenue

The District is committed to completion of a long term habitat restoration contract. The cost of the completed easement has been determined to be $46,498 and has been paid in advance. The final cost may vary at the end of the ten-year term and the remaining balance will be adjusted accordingly at that time. The respective portion of the deferred amount will be recognized as current revenue over the ten year life of the contract.

Note 8 Subsequent Events

Subsequent events were evaluated through November 4, 2024, the date of the auditor's report, which is the date the financial statements were available to be issued.

Required Supplementary Information

Custer Soil and Water Conservation District
Budgetary Comparison Schedule (GAAP Basis)
Budget And Actual
Year Ended June 30, 2024

	District General Fund			
Revenues	***Original Budget***	***Final Budget***	***Actual***	***Variance***
Local Sources:				
Interest income	$20	$20	$12	($8)
Equipment rental	1,800	1,800	1,970	170
Capital credits	1,225	1,225	1,225	0
Donation	1,300	1,300	1,250	(50)
Intergovernmental:				
County appropriations	7,000	7,000	7,000	0
State appropriation	8,600	8,600	8,652	52
State base funding	14,500	14,500	14,500	0
Federal OVH reimbursments	19,622	19,622	26,808	7,186
Total revenues	54,067	54,067	61,417	7,350
Expenditures				
Current:				
Personnel	21,100	21,100	14,335	6,765
Rent	8,800	8,800	8,880	(80)
Scholarships	1,500	1,500	2,000	(500)
Travel	6,500	6,500	4,180	2,320
General administration	11,472	11,472	9,614	1,858
Public outreach	4,695	4,695	5,134	(439)
Capital outlay	0	0	0	0
Total expenditures	54,067	54,067	44,143	9,924
Excess/(Deficiency) of Revenues Over/(Under) Expenditures			17,274	
Beginning Fund Balance			148,877	
Ending Fund Balance			$166,151	

The notes to the required supplementary information are an integral part of this schedule

Custer Soil and Water Conservation District
Budgetary Comparison Schedule (GAAP Basis)
Budget And Actual
Year Ended June 30, 2024

	Special Pojects			
Revenues	***Original Budget***	***Final Budget***	***Actual***	***Variance***
Local Sources:				
Interest income	$0	$0	$25	$25
County wetland mitigation	3,300	3,300	3,300	0
Federal OVH reimbursement				
Intergovernmental:				
Federal grants	570,089	570,089	525,541	(44,548)
Total revenues	573,389	573,389	528,866	(44,523)
Expenditures				
Current:				
General administration	0	0	2	(2)
Direct project costs	573,389	573,389	534,908	38,481
Total expenditures	573,389	573,389	534,910	38,479
Excess/(Deficiency) of revenues Over/(Under) expenditures			(6,044)	($6,044)
Beginning Fund Balance			26,368	
Ending Fund Balance			$20,324	

The notes to the required supplementary information - Basis of Budgeting - are an integral part of this schedule

Custer Soil and Water Conservation District
Required Supplementary Schedules
Year Ended June 30, 2024

Basis of Budgetary Accounting

The District's legal budget is prepared using Generally Accepted Accounting Principles (GAAP). Encumbrances are allowed for budgetary control purposes, but lapse at the close of the year.

Budgetary Information

The District follows the below listed procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 1, the Board of Supervisors prepares a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted at the District office to obtain public comments.

- The proposed District budget is then submitted to the State Soil and Water Conservation Commission where the District budget receives final approval as part of the State Commission's budget. The budget approval is enacted through passage of an ordinance by the State Commission.

- The District is authorized to transfer budgeted amounts between departments within any fund, however, no revision can be made to increase the overall funds except when federal or state grants are approved. The District must follow the same budgetary procedures as followed when the original budget was approved. The budget was not amended during the year ended June 30, 2024.

The District employs budgetary integration as a management control device during the year for all governmental funds. All appropriations, other than those for improvements not yet completed, lapse at the end of the fiscal year and become null and void.

Other Reports and Schedules

Gary Merkle, PLLC
CERTIFIED PUBLIC ACCOUNTANT
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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*

Board of Commissioners
Custer Soil and Water Conservation District
Challis, Idaho

I 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, each major fund and the aggregate remaining fund information of the Custer Soil and Water Conservation District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Custer Soil and Water Conservation District's basic financial statements, and have issued my report thereon dated November 4, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Custer Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriated in the circumstances for purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Custer Soil and Water Conservation District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Custer Soil and Water Conservation 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as *2024-1* that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Custer Soil and Water Conservation District's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Response to Findings

The Custer Soil and Water Conservation District's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Custer Soil and Water Conservation District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Custer Soil and Water Conservation District'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.

Gary Merkle, CPA PLLC

Boise, Idaho
November 4, 2024

Custer Soil and Water Conservation District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Findings – Financial Statement Audit

2024-1 Segregation of Duties

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Directors remain involved in the financial affairs of the District to provide oversight and independent review functions. An accounting system that provides adequate internal controls would be designed so that no none individual is involved with a transaction from its beginning to its ending.

Criteria
A proper system of internal control of assets would be designed so that no one individual is involved with a transaction from its beginning to its ending.

Condition
The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Cause
This situation is common to a District of this size and is a direct result of the cost/benefit of a complete segregation of duties

Effect
This lack of control may increase the risk that a loss of assets would not be detected and prevented in a timely manner during the normal course of business operations.

Recommendation
The District should re-examine the cost/benefit of implementing internal controls over a more complete segregation of duties.

Response
The District will take note of this situation and monitor it accordingly