MAGIC VALLEY GROUND WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
September 30, 2024

MAGIC VALLEY GROUND WATER DISTRICT

Paul, Idaho

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ARRITT ROBINS WATERS PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Magic Valley Ground Water District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Magic Valley Ground Water District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Magic Valley Ground Water 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 business-type activities of the Magic Valley Ground Water District, as of September 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

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. 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 Magic Valley Ground Water 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 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 the Magic Valley Ground Water 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 Responsibilities for the Audit of the Financial Statements

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 and *Government 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- 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 Magic Valley Ground Water 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 Magic Valley Ground Water 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 planned 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 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 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. Management has elected not to present MD&A. The omission of this information does not affect our ability to provide an opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of the Magic Valley Ground Water 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 Magic Valley Ground Water 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 Magic Valley Ground Water District's internal control over financial reporting and compliance.

Arritt Robins Waters CPAs PLLC

Arritt Robins Waters CPAs PLLC
Burley, ID 83318
December 20, 2024

MAGIC VALLEY GROUND WATER DISTRICT
STATEMENT OF NET POSITION
For year ended September 30, 2024

Assets		
Current Assets:		
Unrestricted cash and cash equivalents	$ 7,535,417	
Assessments receivable	30,287	
Accrued interest receivable	8,293	
Note receivable-Carey Ground Water District-current	2,444	
Note receivable-Southwest Irrigation District-current	92,250	
Prepaid Insurance	8,305	
Total Current Assets		7,676,996
Fixed Assets		
Aquaculture land and facilities	3,299,439	
Accumulated depreciation	(819,261)	
Total Fixed Assets		2,480,178
Other Assets:		
Note receivable-Carey Ground Water District-noncurrent	87,227	
Note receivable-Southwest Irrigation District-noncurrent	780,250	
Restricted Cash-Mellon Bank-Bond Agreement	857,040	
Easements	80,405	
Engineering	15,662	
Water rights - Mitigation	9,119,262	
Total Other Assets		10,939,846
Total Assets		$ 21,097,021
Current Liabilities:		
Accounts payable	426,786	
Accrued interest payable	55,535	
Bonds payable-current	553,500	
Notes payable-current	310,139	
Total Current Liabilities		1,345,961
Long Term Liabilities:		
Bonds payable-noncurrent	4,685,001	
Notes payable-noncurrent	671,487	
Total Long-Term Liabilities		5,356,488
Total Liabilities		6,702,448
Net Position		
Net investment in capital assets	6,347,880	
Unrestricted net position	7,189,653	
Restricted net position	857,040	
Total Net Position		14,394,572
Total Liabilities and Net Position		$ 21,097,021

See accompanying notes to the financial statements.

MAGIC VALLEY GROUND WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For year ended September 30, 2024

Operating Revenues:			
Pump irrigation assessments	$	2,627,958	
Noncompliance and overage assessments		-	
Commercial/dairy assessments		26,542	
Iriigation/stockwater assessments		21,149	
Mitigation		1,629	
Municipal assessments		18,827	
Rent income-hatcheries		189,002	
Penalty & interest assessments		5,580	
Total Operating Revenues			2,890,686
Operating Expenses:			
Accounting		4,600	
Bad debts		30,001	
County collection expense		3,549	
Depreciation		75,613	
IDWA meas. & records data		-	
Insurance		6,231	
IWUA - membership		23,203	
Mailing & meeting expense		2,281	
Meeting attendance		2,200	
Miscellaneous expense		2,223	
Mitigation expense		1,322,060	
Secretarial expense		8,633	
Water level measurement		15,038	
WD 130-140 Fees		16,148	
Total Operating Expenditures			1,511,779
Income From Operations			1,378,907
Other Revenues and Expenses			
Interest income		453,668	
Interest expense		(333,942)	
Total Other Revenues and Expenses			119,726
Increase in Net Position			1,498,633
Beginning Net Position			12,895,940
Ending Net Position			$ 14,394,572

See accompanying notes to the financial statements.

MAGIC VALLEY GROUND WATER DISTRICT
STATEMENT OF CASH FLOWS
For year ended September 30, 2024

Cash Flows From Operating Activities:		
Receipts from assessments to members	$ 2,727,137	
Rents received	189,002	
Payments for goods and services	(1,051,006)	
Net Cash Provided by Operating Activities		1,865,133
Cash Flows From Investing Activities:		
Loans repaid by others	91,319	
Interest on cash and cash equivalents	454,441	
Investment-restricted cash	(38,486)	
Net Cash Used by Investing Activities		507,273
Cash Flows From Financing Activites:		
Interest paid on long-term debt	(346,418)	
Repayment of long-term debt	(821,324)	
Net Cash Provided by Financing Activities		(1,167,742)
Net increase in cash		1,204,664
Cash and cash equivalents beginning of the year		6,330,753
Cash and cash equivalents end of the year		$ 7,535,417

Reconciliation of Income from Operations to Net Cash Provided by Operating Activities

Cash Flows From Operating Activites:		
Income from operations		$ 1,378,907
Depreciation		75,613
Adjustments to reconcile net revenue over expenditures provided from operating activities:		
(Increase) Decrease in:		
Accounts receivable	25,453	
Prepaid Insurance	(2,074)	
(Decrease) Increase in:		
Accounts payable	387,234	
		410,613
Net Cash Provided by Operating Activites		$ 1,865,133

See accompanying notes to the financial statements.

MAGIC VALLEY GROUND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1: Business Activity

The District was organized for the purpose of providing all organizations who pump water with a means to mitigate the pumping of ground water in Blaine, Cassia, Lincoln, Jerome, and Minidoka Counties in Southern Idaho.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers money market funds and investments in the state investment pool to be cash and cash equivalents.

Receivables

Water users are subject to liens against their lands for delinquent assessments with the exception of the municipal assessments. Eligibility for delivery of water is contingent upon payment of the assessments. In the case of the municpal assessments receivable, the bad debts are insignificant and are written off in the period in which they occur.

Related Party Transactions

The members of the Board of Directors are also patrons of the District. These individuals are treated the same as any other land owner in the District.

Fixed Assets

Fixed assets include property, plant equipment, and land. Fixed assets are depreciated over their estimated useful life. Purchased or constructed fixed assets are recored at cost. Donated fixed assets are recorded at their estimated fair market value at the date received. A useful life of 40 years is used on the aquaculture facilities. Depreciation of $75,613 was recorded during the fiscal year.

Income Taxes

The District is a governmental entity, and as such is not required to pay federal or state income taxes. Therefore, no provision for income taxes is reflected on the accompanying financial statements.

Note 3: Cash and Cash Equivalents

The District's cash and cash equivalents position at September 30, 2024 is as follows:

D.L. Evans Bank - Checking	$663,260
D.L. Evans Bank - Savings	$15,932
US Bank-Hatcheries	$44,142
State of Idaho - Investment Pool	$6,812,084
Total Cash and Cash Equivalents	$7,535,417

MAGIC VALLEY GROUND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 4: Assessments Receivable

This account represents un-remitted assessments revenues levied by the District.

Assessments are levied on or before the first day of December of each year and recognized as revenue when the assessment notices are printed. These assessment notices indicate the time for collections and are due and payable on or before December 31 of each year. If unpaid on the due date a penalty is charged to the property and is classified as past due subject to interest.

Although small amounts of delinquent assessments are collected 60 days following the close of the District's fiscal year (September 30), the District feels secure in the right to take deeds on property for the collection of assessments. Therefore, an allowance for uncollectible assessments receivable has not been established.

Note 5: Fixed Assets

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Aquaculture Facilities	3,299,439	-	-	3,299,439
Less: Accumulated Depreciation	(743,648)	(75,613)	-	(819,261)
Total Fixed Assets	2,555,791	(75,613)	-	2,480,178

Note 6: Restricted Cash

The District issued bonds in February, 2012 to finance the purchase of aquaculture facilities and water rights. The Bond agreement provided that the District had to put the reported amount in a bank account at Mellon Bank, and that this amount has to remain in the bank account until the bond obligation is satisfied.

Note 7: Long-Term Debt

Long-term debt consists of the following at September 30, 2024:

	Interest Rate	Balance 2023	Additions	Deletions	Balance 2024	Current Portion
IWRB-Pristine Sprgs.	4.88%	1,277,346	-	(295,720)	981,626	310,139
IWRB-2012A Bonds	4.80%	5,388,000	-	(153,000)	5,235,000	553,500
Bond Premium		3,938	-	(438)	3,501	438
IWRB-2012B Bonds	4.80%	373,500	-	(373,500)	-	-
Bond Discount		-1,334	-	1,334	-	-
Totals		7,041,451	-	(821,324)	6,220,127	864,077

Schedule of Five Year Maturities of Long-Term Debt:

Year	Principal	Interest	Total
2025	$863,639	$301,821	$1,165,460
2026	$905,162	$260,407	$1,165,569
2027	$952,225	$211,942	$1,164,167
2028	$634,500	$172,287	$806,787
2029-2032	$2,861,100	$366,375	$3,227,475
Total	$6,216,626	$1,312,832	$7,529,458

On February 29, 2012, the District issued Idaho Water Resource Revenue Bonds, Series A in the amount of $5,388,000. Proceeds from these bonds were used to finance the purchase of aquaculture facilities and water rights. The bonds are secured by a lien on the revenues of the District. Interest rates range from 4.60% to 5.00%. Principal payments ranging from $153,000 to $767,100 are due annually on September 1st, starting in 2024 and continuing until 2032. Interest payments are due semi-annually on March 1st and September 1st, starting in 2012 and continuing until 2032.

Note 7: Long-Term Debt (Continued)

On February 29, 2012, the District issued Idaho Water Resource Revenue Bonds, Series B in the amount of $4,779,000. Proceeds from these bonds were used to finance the purchase of aquaculture facilities and water rights. The bonds are secured by a lien on the revenues of the District. Interest rates range from 4.00% to 5.25%. Principal payments ranging from $321,000 to $373,500 are due annually on September 1st, starting in 2013 and continuing until 2024. Interest payments are due semi-annually on March 1st and September 1st, starting in 2012 and continuing until 2024. The final payment on the Series B bond was made during the fiscal year.

Note 8: Contingencies and Risk

Concentration of Credit Risk

The District places no limit on the amount of funds that may be invested in any one issuer.

Contingent Liabilitiy-Idaho Water Resource Bonds.

The District issued Idaho Water Resource Revenue Bonds jointly with three other water districts on February 12, 2012. The Districts share of the bond liability is shown on the financial statements. However, the District is contingently liable for the entire amount of the bond obligation. The total amount owed by the four water districts at September 30, 2024 is $17,450,000. This obligation is secured by a lien on the revenues of the four water districts.

Water Litigation

The District relies on the availability of water. There are several ongoing developments in many areas affecting water law. These include, but are not limited to, objections to the District's water rights claims, the Snake River Basin Adjudication, and several claims and suits involving the endangered species act. The effect of these has not been determined. However, unfavorable outcomes of one or more of these could have a detrimental effect on the District's financial condition.

Economic Risk

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

Custodial Credit Risk

Custodial credit risk is the risk that in the case 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 District maintains cash balances at several financial institutions. Accounts at each financial institution, with the exception of the state investment pool, are insured by the Federal Deposit Insurance Corporation for up to $250,000. As of September 30, 2024, $413,260 and $6,812,084 of deposits in DL Evans and the State Investment Pool, respectively, are exposed to custodial credit risk.

Note 9: Date of Management Review

Management has evaluated subsequent events through December 20, 2024 the date on which the financial statements were available to be issued.

ARRITT ROBINS WATERS PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Magic Valley Ground Water District
Paul, 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 the Magic Valley Ground Water District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Magic Valley Ground Water District's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Magic Valley Ground Water District's internal control over financial reporting (internal control) as a basis for designing 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 Magic Valley Ground Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Magic Valley Ground Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Magic Valley Ground Water 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arritt Robins Waters CPAs PLLC

Arritt Robins Waters CPAs PLLC
Burley, ID 83318
December 20, 2024

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