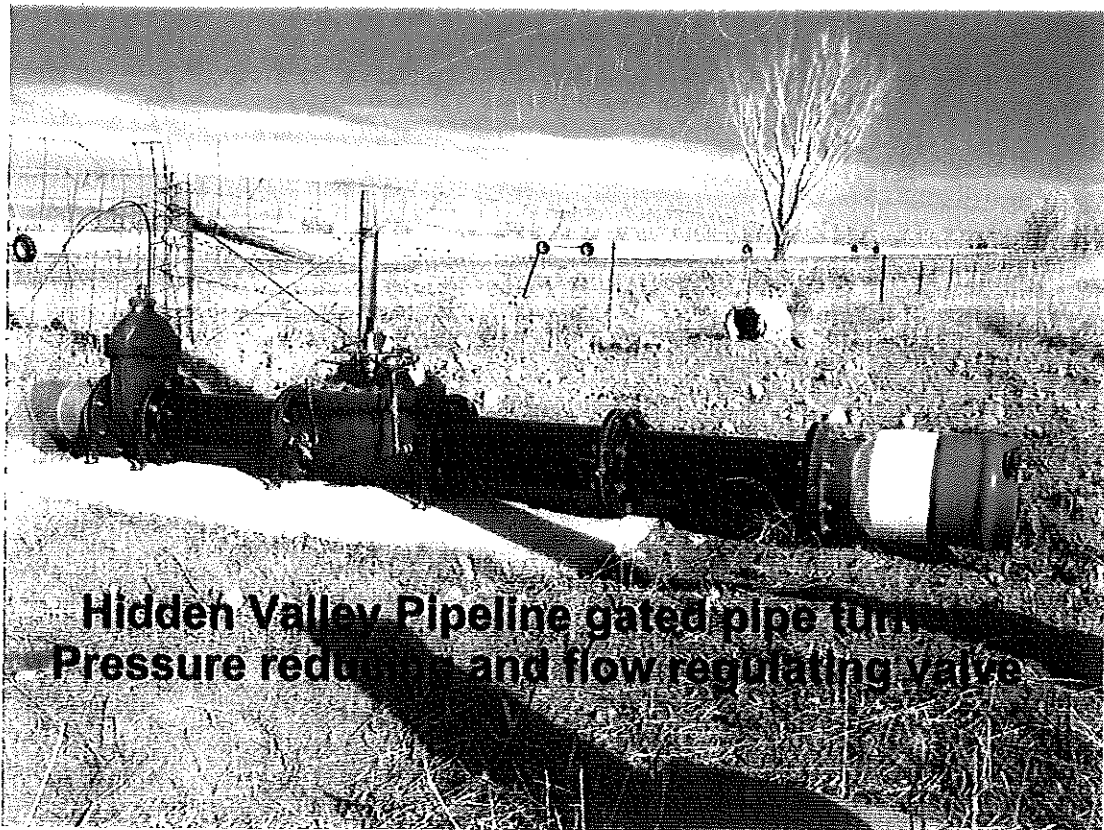


# Midvale Irrigation District



## 2008 Annual Report

# **Midvale Irrigation District** **2008 Annual Report**

*PRESENTED BY:*

## **Midvale Irrigation District** **Board of Commissioners**

Gordon Medow, President  
Dustin Taylor, Vice President  
Vince Dolbow, Secretary/ Treasurer  
Janet Foxworthy, Member  
Lloyd Dechert, Member

*Compiled by the Midvale Staff and Management*

*Manager: Dick Johnson*  
*Assistant Manager: Lourie Dunlavy*  
*Office Manager: Pat Rorabaugh*

**Submittals:**  
*Jay Vincent, Attorney at Law*  
*Alan Moore, Auditor*

Midvale Irrigation District  
P.O. Box 128  
Pavillion, Wy. 82523  
307-856-6359

ANNUAL MEETING ---FEBRUARY 12,2009

**MIDVALE IRRIGATION DISTRICT  
2008 ANNUAL REPORT**

**OVERVIEW OF 2008**

**SNOWPACK**

On January 1, 2008 the snow pack measured 82.5% of the 30 year average for the Wind River Basin drainage area. As the year progressed the snow pack increased peaking percentage wise in July. Cool wet weather in the basin meant additional snowfall in the mountains. Natural flows in the Wind River and diminished demand for water during the early summer allowed Midvale to gain stored water in our reservoirs. The unusual snotel reading for July indicates the cold temperatures at high altitudes into the summer.

<b>SNOWPACK</b>	
<b>% of 30 year average</b>	
January	82.51%
February	86.05%
March	90.46%
April	98.00%
May	93.91%
June	137.00%
July	271.63%

<b>2008 Precipitation recorded at Pavillion Wyoming</b>					
<b>Month</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
January	0.48	0.20	0.34	1.50	0.25
February	0.07	0.03	0.21	0.00	1.50
March	0.06	0.39	0.11	0.23	0.00
April	0.44	0.00	0.29	1.59	1.89
May	3.67	0.95	0.1	4.00	0.45
June	0.41	0.81	0.08	0.65	1.11
July	0.59	0.83	0.12	0.85	2.30
August	0.51	0.97	0.59	0.12	0.98
Sept.	0.9	0.6	0.47	0.84	1.81
October	1.48	1.07	0.92	1.8	0.64
November	0.06	0.1	0.33	0.14	0.34
December	0.14	0.77	0.7	0.33	0.05
<b>TOTAL</b>	<b>8.81</b>	<b>6.72</b>	<b>4.26</b>	<b>12.05</b>	<b>11.32</b>

involve hydraulics, welding, machining and electrical applications. Quite often the same people making these repairs are used as truck drivers, equipment operators and general construction laborers as the need arises. Our full time staff now numbers fifteen people with four part time workers; the cross training our staff possesses is a valuable and appreciated commodity.

### HIDDEN VALLEY PIPELINE

A defining moment for 2008 was the operation of the Main line and North Lateral of Hidden Valley Pipeline. In January and February we completed concrete work on the overflow structure and worked to complete individual farm turnouts. Shortly before the water arrived in April the inlet screens and screen support structure were installed. After overcoming some initial problems encountered holding the screens in place we were able to operate successfully for the season. Four center pivot sprinklers and thirteen pressure regulated gated pipe turnouts were operational.

Work continued throughout the summer and fall on the South Lateral. At the end of 2008 we had 2100 feet of 12-inch pipe yet to install. After the water season the process of installing individual farm turnouts began. We excavated through the County road eleven times and installed pipe to each landowner. We are currently in the process of installing pressure reducing and flow regulating valves necessary for pivots and gated pipe applications. As with every project the larger parts go in quickly and the finishing details take time to complete, that is the point we are at presently. Year-end inventory showed that we are about 90% completed with the project. Our plan is to have turnouts complete at the start of the water season. Landowners are busy getting center pivots and other irrigation improvements ready to tie into the pipeline.

### RECONCILIATION OF MATERIALS HIDDEN VALLEY PIPELINE

<b>TOTAL REQUESTS FROM WWDC AS OF 12/19/08</b>		<b>\$2,827,882.96</b>
<b>Inlet Structure</b>		<b>\$143,139.19</b>
<b>Main Line</b>		<b>\$1,008,089.90</b>
<b>South Lateral</b>		<b>\$942,794.32</b>
<b>North Lateral</b>		<b>\$445,133.47</b>
<b>Concrete &amp; Slurry Mix</b>		<b>\$60,152.23</b>
<b>Inventory 12/19/08</b>		<b>\$225,808.65</b>
<b>TOTAL CONSTRUCTION PLUS INVENTORY (12/19/08)</b>		<b>\$2,825,117.76</b>
<b>Construction remnants ( short pieces of pipe etc.)</b>		<b>\$ 2,765.20</b>

It was decided that it would be in the best interest of the District to utilize our own construction crews wherever possible as both a cost savings and quality control measure in construction of these structures. We await confirmation of a grant for \$230,000.00 from the 2009 legislative session to build a new check structure (2<sup>nd</sup> division check) at a site upstream from the current structure in the fall of 2009. The following year the 2<sup>nd</sup> division drop structure would be replaced at its current location. Under this agreement the materials are provided by the State grant and Midvale assumes the cost of engineering/design for the projects.

In April of 2008 Midvale completed the Diversion Dam Gate Hoist Replacement Project.

## LEGAL ISSUES

As you will recall from our last reports, Midvale has been involved in two important legal situations in the past few years. The most important developments involve the adjudication of the primary direct flow water right for your land from the Wind River (Permit Number 7300) and settlement of the litigation concerning the so-called "Tripartite Agreements". Thankfully, Midvale has been able to finish the adjudication of its primary direct flow water right (Permit No. 7300) and settle the litigation concerning the so-called "Tripartite Agreements".

The only other significant matter involves a claim by the BIA on behalf of the Eastern Shoshone and Northern Arapahoe Tribes, that Midvale commence paying royalties for use of sand and gravel taken from pits developed by Bureau of Reclamation and Midvale. The following is a more detailed review of these legal activities.

### *ADJUDICATION OF PERMIT NUMBER 7300*

The adjudication of the primary direct flow water right for Midvale is complete. It has taken nearly twenty years to accomplish this task between reclassification of land by the Bureau of Reclamation and inspection of land by the State Engineer and Wyoming Board of Control. As you know the process involved the review, reclassification and inspection of the irrigated land on substantially each tract of land in Midvale (approximately 74,000 acres). The permit to irrigate the land in Midvale was issued in 1906. Thus, it has taken more than 100 years to "perfect" the direct flow water right for most of the land in Midvale.

As we have noted in previous reports, the adjudication of the water right was performed by the District Court of Washakie County, in the *Big Horn General Stream Adjudication*\*. In 1977, the State of Wyoming filed the *Big Horn General Stream Adjudication* to determine and quantify all water rights in the Wind River and Big Horn River valleys. The State of Wyoming filed the federal stream adjudication because of a claim by the Tribes of the Wind River Indian Reservation that the Tribes owned all water that was located under the ground, fell upon the earth or passed through the Wind River Indian Reservation.

The adjudication process has perfected Midvale's right to divert water from the Wind River and "attached" the water rights to your land. Perfection of the water right relates back to the issuance of the permit in 1906. The completion of the adjudication process has elevated your water rights to very valuable and permanent "certified" water rights. The water right has been adjudicated in the name of Midvale Irrigation District on behalf of the individual water users served by Midvale. A certificate will be recorded in the real property records of the Fremont County Clerk permanently memorializing this water right for your land.

\*Midvale's primary source of water supply is from the Wind River which is a tributary of the Big Horn River System

# MANAGEMENT'S DISCUSSION AND ANALYSIS

February 10,2009

Management's discussion and analysis of the Midvale Irrigation District's financial performance provides an overview of the District's activities as well as its financial condition for the year ended December 31,2008. This discussion and analysis should be read in conjunction with the financial statements.

## **FINANCIAL HIGHLIGHTS**

- The District's total assets decreased by \$637,828 or 7.7%. Capital assets decreased by \$97,992, the sale of surplus equipment and the elimination of obsolete or unusable items from our inventory list caused the reduction in capital assets.
- Total Net Assets increased by \$73,614 , Hidden Valley inventory again is responsible for the difference.
- The Districts cash accounts increased by \$238,794.

COMPARISON OF NET ASSETS 2008/2007

- Independent Auditor's Report
- Management's Discussion and Analysis
- Statement of Net Assets
- Statement of Revenues and Expenditures and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

The Financial Statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or disbursed. Thus, revenues and expenses are reported in these statements for items that will impact cash flows in future fiscal periods (e.g. uncollected receivables and earned but unused vacation and sick leave).

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. When evaluated over a period of time, the changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Whereas the Statement of Revenues, Expenses, and Changes in Net Assets describes the net income or deficit of the District for the fiscal year, the Statement of Cash Flows describes the overall change in cash and cash equivalents position of the District for the same period of time.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the audited financial statement  
**CONDENSED FINANCIAL INFORMATION**

The difference between assets and liabilities is one way to measure the District's

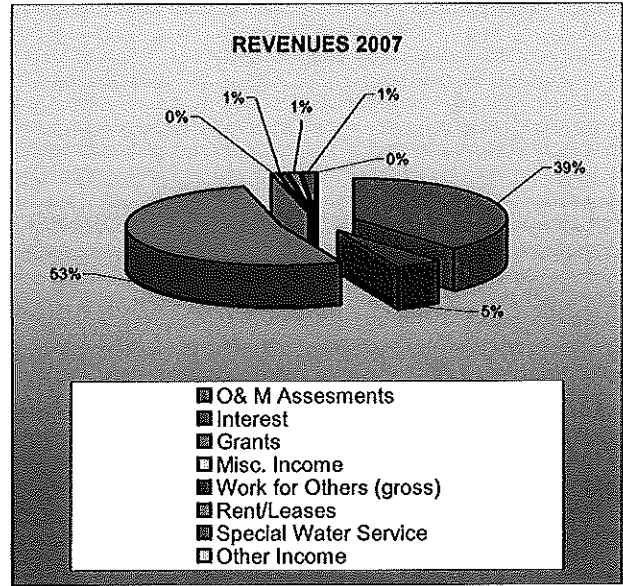
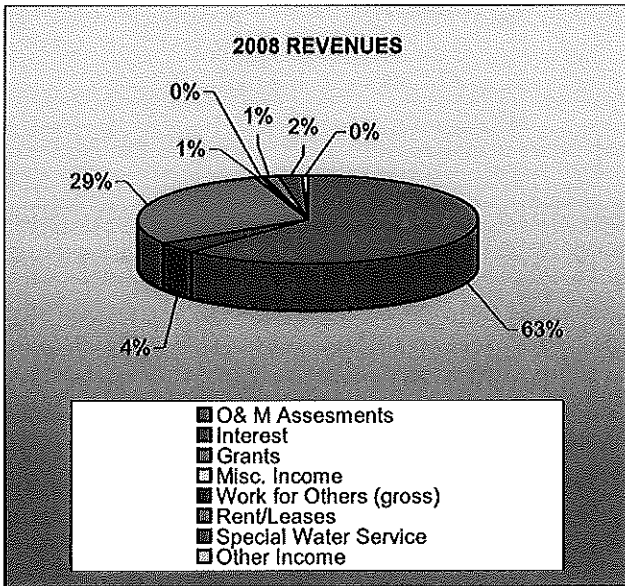
**COMPARISON OF REVENUES  
2008/2007**

**REVENUES: 2008**

O & M Assesments	\$	1,505,978.00
Interest	\$	97,678.00
Grants	\$	705,640.00
Misc. Income	\$	12,316.00
Work for Others (gross)	\$	7,563.00
Rent/Leases	\$	33,930.00
Special Water Service	\$	56,165.00
Other Income	\$	11,186.00
<b>TOTAL</b>	<b>\$</b>	<b>2,430,456.00</b>

**REVENUES: 2007**

O & M Assesments	\$	1,098,502.00
Interest	\$	140,363.00
Grants	\$	1,498,894.63
Misc. Income	\$	11,953.73
Work for Others (gross)	\$	25,879.88
Rent/Leases	\$	29,302.74
Special Water Service	\$	39,571.20
Other Income	\$	(368.18)
<b>TOTAL</b>	<b>\$</b>	<b>2,844,099.00</b>





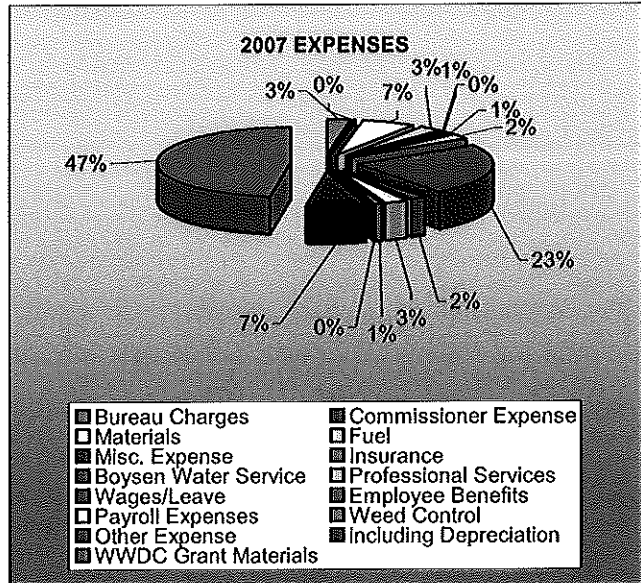
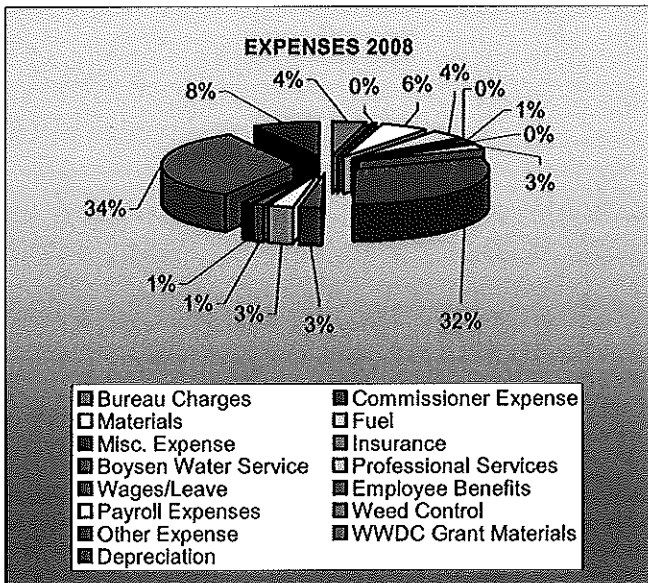
**COMPARISON OF EXPENSES  
2008/2007**

**EXPENSES:2008**

Bureau Charges	\$	97,681.00
Commissioner Expense	\$	10,800.00
Materials	\$	138,553.00
Fuel	\$	103,556.00
Misc. Expense	\$	1,508.00
Insurance	\$	33,970.00
Boysen Water Service	\$	6,650.00
Professional Services	\$	64,516.00
Wages/Leave	\$	726,330.00
Employee Benefits	\$	63,791.00
Payroll Expenses	\$	76,102.00
Weed Control	\$	32,387.00
Other Expense	\$	26,686.00
WWDC Grant Materials	\$	785,047.00
Depreciation	\$	189,264.00
<b>TOTAL</b>	<b>\$</b>	<b>2,356,841.00</b>

**EXPENSES: 2007**

Bureau Charges	\$	84,969.00
Commissioner Expense	\$	11,694.00
Materials	\$	209,446.00
Fuel	\$	84,057.00
Misc. Expense	\$	340.00
Insurance	\$	32,975.00
Boysen Water Service	\$	16,704.00
Professional Services	\$	76,604.00
Wages/Leave	\$	766,315.00
Employee Benefits	\$	61,511.00
Payroll Expenses	\$	82,218.00
Weed Control	\$	34,029.00
Other Expense		
including Depreciation	\$	225,135.00
WWDC Grant Materials	\$	1,533,173.00
<b>TOTAL</b>	<b>\$</b>	<b>3,219,170.00</b>



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*MIDVALE IRRIGATION DISTRICT*

FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE



MIDVALE IRRIGATION DISTRICT

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SUBJECT TO CHANGE

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CLIFFORD H. MOORE AND COMPANY  
Certified Public Accountants  
205 South Broadway  
Riverton, Wyoming 82501  
1-307-856-9214

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Midvale Irrigation District  
Pavillion, Wyoming 82523

We have audited the accompanying basic financial statements of Midvale Irrigation District, Pavillion, Wyoming, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Midvale Irrigation District, as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated \_\_\_\_\_, 2009, on our consideration of Midvale Irrigation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis at pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Midvale Irrigation District. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

**PRELIMINARY DRAFT**  
**SUBJECT TO CHANGE** \_\_\_\_\_, 2009

MIDVALE IRRIGATION DISTRICT

STATEMENTS OF NET ASSETS

DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 255,912	\$ 327,640
Cash-certificates of deposit (Note 1)	960,522	650,000
Accrued interest-certificates	31,438	68,744
Accounts receivable: (Note 2)		
Assessments	1,122,729	1,124,670
Other accounts receivable	80,297	47,970
Inventory	207,864	197,543
Wyoming Water Development Inventory	225,809	924,150
Prepaid and deferred charges	-0-	-0-
Total current assets	<u>\$ 2,884,571</u>	<u>\$ 3,340,717</u>
CAPITAL ASSETS:		
Property, buildings and equipment: (Note 3)		
Cost	\$ 3,838,270	\$ 3,868,928
Accumulated depreciation	( 3,478,223)	( 3,410,889)
Total capital assets	<u>\$ 360,047</u>	<u>\$ 458,039</u>
OTHER ASSETS:		
Bureau of Reclamation Emergency Fund (Note 1)	\$ 800,000	\$ 800,000
Sand Mesa Pipeline Reserve	200,000	200,000
Equipment Replacement Reserve	200,000	200,000
Maximum cost of Amendatory Contract (Note 4)	6,500,000	6,500,000
Expended contract value	( 3,219,220)	( 3,135,530)
Total other assets	<u>\$ 4,480,780</u>	<u>\$ 4,564,470</u>
 TOTAL ASSETS	 <u>\$ 7,725,398</u>	 <u>\$ 8,363,226</u>

The accompanying notes are an integral part of these financial statements.

MIDVALE IRRIGATION DISTRICT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2008 AND 2007  
LIABILITIES AND FUND NET ASSETS

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 43,348	\$ 46,999
Payroll, vacation and payroll taxes	61,552	58,437
Current portion of Amendatory Contract (Note 4)	<u>83,690</u>	<u>83,690</u>
Total current liabilities	<u>\$ 188,590</u>	<u>\$ 189,126</u>
<b>LONG-TERM DEBT:</b>		
Maximum amount due on Amendatory Contract (Note 4)	<u>\$ 3,197,090</u>	<u>\$ 3,280,780</u>
<b>DEFERRED REVENUE:</b>		
Water charges assessed in 2008: (Note 5)		
Operation and maintenance assessment for 2009 in 2008, for 2008 in 2007	\$ 1,492,885	\$ 1,503,532
Wyoming Water Development Grants	294,709	924,150
Prepaid grazing lease revenues	13,155	-0-
Water service contract assessments	<u>822</u>	<u>1,106</u>
Total deferred revenue	<u>\$ 1,801,571</u>	<u>\$ 2,428,788</u>
<b>FUND NET ASSETS:</b>		
Contributed capital	\$ 62,977	\$ 62,977
Restricted:		
Bureau of Rec. Reserve for emergency (Note 1)	800,000	800,000
Equipment replacement	200,000	200,000
Sand Mesa Reserve	200,000	200,000
Invested in capital assets	360,047	458,039
Unrestricted	<u>915,123</u>	<u>743,516</u>
Total fund net assets	<u>\$ 2,538,147</u>	<u>\$ 2,464,532</u>
<b>TOTAL LIABILITIES AND FUND NET ASSETS</b>	<u><u>\$ 7,725,398</u></u>	<u><u>\$ 8,363,226</u></u>

The accompanying notes are an integral part  
of these financial statements.

MIDVALE IRRIGATION DISTRICT

STATEMENTS OF REVENUES AND EXPENDITURES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

	2008	2007
REVENUE:		
Assessments, operations and maintenance	\$ 1,504,872	\$ 1,097,383
Assessments, construction - USBR	1,106	1,119
Special water contracts	56,165	39,571
Interest and penalties	97,678	140,363
Other income - rents and leases	33,930	29,303
- Wyo Water Development Grant (Note 8)	705,640	1,498,895
- work for others	7,563	25,879
- equipment sales	11,186	( 368)
- miscellaneous	12,316	11,954
Total revenue	\$ 2,430,456	\$ 2,844,099
EXPENSES:		
Refund first acre charge	\$ 26,686	\$ -0-
Commissioners per diem, travel	10,800	11,694
Depreciation	189,264	225,135
Fuel	103,556	84,057
Insurance, bonds	33,970	32,975
Legal and accounting, consulting	64,516	76,604
Materials and parts	925,108	1,776,988
USBR - construction payment	83,690	83,690
USBR - grazing lease payments	13,991	1,279
Employee insurance and pension	63,791	61,511
Payroll taxes	76,102	82,218
Wages	726,330	766,315
Water service	6,650	16,704
Weed control	32,387	-0-
Total expenses	\$ 2,356,841	\$ 3,219,170
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 73,615	(\$ 375,071)
Net assets, January 1	1,201,555	1,576,626
Net assets, December 31	\$ 1,275,170	\$ 1,201,555
Invested in capital assets	\$ 360,047	\$ 458,039
Unrestricted	915,123	743,516
	\$ 1,275,170	\$ 1,201,555

The accompanying notes are an integral part  
of these financial statements.

MIDVALE IRRIGATION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

	Operation and Maintenance Fund	Contract Construction Fund	Basic Cash Flows
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from assessments, rents, work	\$ 1,584,248	\$ 83,719	\$ 1,667,967
Cash received from Wyo Water Grants	7,208	-0-	7,208
Cash received from interest	134,984	-0-	134,984
Cash paid to suppliers and employees	( 1,396,403)	-0-	( 1,396,403)
U.S. Bureau of Reclamation payment	-0-	( 83,690)	( 83,690)
Net cash provided (used) by operations	<u>\$ 330,037</u>	<u>\$ 29</u>	<u>\$ 330,066</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Purchase of capital assets	(\$ 91,272)	\$ -0-	(\$ 91,272)
Basis of assets sold or abandoned	-0-	-0-	-0-
Net cash (used) provided by capital activities	<u>(\$ 91,272)</u>	<u>\$ -0-</u>	<u>(\$ 91,272)</u>
Net increase (decrease) in cash and cash equivalents	\$ 238,765	\$ 29	\$ 238,794
Cash and cash equivalents at beginning of year (note below)	<u>2,146,200</u>	<u>31,440</u>	<u>2,177,640</u>
Cash and cash equivalents at end of year	<u>\$ 2,384,965</u>	<u>\$ 31,469</u>	<u>\$ 2,416,434</u>
Reconciliation of net income to net cash provided by operating activities:			
Net revenues in excess (deficit) of expenditures	\$ 73,122	\$ 493	\$ 73,615
Adjustments:			
Depreciation	189,264	-0-	189,264
Decrease (increase) in accounts receivable	( 30,203)	( 183)	( 30,386)
(Increase) decrease in inventories	688,020	-0-	688,020
(Increase) decrease in accrued interest	37,306	-0-	37,306
Increase (decrease) in accounts payable	( 536)	-0-	( 536)
Increase (decrease) in deferred revenue	( 626,936)	( 281)	( 627,217)
Net cash provided (used) by operating activities	<u>\$ 330,037</u>	<u>\$ 29</u>	<u>\$ 330,066</u>

**NOTE:** For purposes of the Statement of Cash Flows, Midvale Irrigation District considers all cash and time certificates of deposit, maturing within six months, to be cash equivalents. At December 31, 2008, \$1,200,000 of the cash is restricted and is held in the Bureau of Reclamation Reserve for Emergency, the Sand Mesa reserve account, and the Equipment Replacement reserve account. \$31,468 is held for payment of the contract construction liability. \$31,438 of accrued interest is not included in the total for cash and cash equivalents at December 31, 2008.

No interest was paid. No income taxes were paid.

The accompanying notes are an integral part of these financial statements.



## MIDVALE IRRIGATION DISTRICT

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

	Operation and Maintenance Fund	Contract Construction Fund	Basic Cash Flows
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from assessments, rents, work	\$ 1,238,059	\$ 84,251	\$ 1,322,310
Cash received from Wyo Water Grants	430,096	-0-	430,096
Cash received from interest	133,266	-0-	133,266
Cash paid to suppliers and employees	( 1,997,904)	-0-	( 1,997,904)
Cash bid bond repaid	( 369,214)	-0-	( 369,214)
U.S. Bureau of Reclamation payment	-0-	( 83,690)	( 83,690)
Net cash provided (used) by operations	(\$ 565,697)	\$ 561	(\$ 565,136)
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Purchase of capital assets	(\$ 112,802)	\$ -0-	(\$ 112,802)
Basis of assets sold or abandoned	6,791	-0-	6,791
Net cash (used) provided by capital activities	(\$ 106,011)	\$ -0-	(\$ 106,011)
Net increase (decrease) in cash and cash equivalents	(\$ 671,708)	\$ 561	(\$ 671,147)
Cash and cash equivalents at beginning of year (note below)	2,817,908	30,879	2,848,787
Cash and cash equivalents at end of year	<u>\$ 2,146,200</u>	<u>\$ 31,440</u>	<u>\$ 2,177,640</u>
Reconciliation of net income to net cash provided by operating activities:			
Net revenues in excess (deficit) of expenditures	(\$ 375,520)	\$ 449	(\$ 375,071)
Adjustments:			
Depreciation	225,135	-0-	225,135
Decrease (increase) in accounts receivable	( 287,349)	68	( 287,281)
(Increase) decrease in inventories	1,048,597	-0-	1,048,597
(Increase) in accrued interest	( 7,097)	-0-	( 7,097)
Increase (decrease) in accounts payable	( 505,986)	-0-	( 505,986)
Increase (decrease) in deferred revenue	( 663,477)	44	( 663,433)
Net cash provided (used) by operating activities	(\$ 565,697)	\$ 561	(\$ 565,136)

**NOTE:** For purposes of the Statement of Cash Flows, Midvale Irrigation District considers all cash and time certificates of deposit, maturing within six months, to be cash equivalents. At December 31, 2007, \$1,200,000 of the cash is restricted and is held in the Bureau of Reclamation Reserve for Emergency, the Sand Mesa reserve account, and the Equipment Replacement reserve account. \$31,440 is held for payment of the contract construction liability. \$68,744 of accrued interest is not included in the total for cash and cash equivalents at December 31, 2007.

No interest was paid. No income taxes were paid.

The accompanying notes are an integral part of these financial statements.

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

The Midvale Irrigation District was organized under authority of Wyoming State statutes. These statutes provide for the organization of the irrigation District, the election of District Commissioners to represent groups of landowners and the assessment, collection, and disposition of funds to operate the District. These statutes provide for the District to enter into contracts with the United States government.

The Midvale Irrigation District is engaged in the operation and maintenance of an irrigation system in central Wyoming. Substantially all of its operating revenues are derived from delivery of water and other services to District water users. The District has the legal authority to place liens on the properties to which water is delivered, which fully secures these revenues. The operation of the District also includes a hydroelectric power generation plant.

Because Midvale's Commissioners are elected by the public and have decision making authority, as well as the authority to levy assessments, the power to designate management, and primary accountability for fiscal matters, Midvale is not included in any other governmental reporting entity as defined by GASB pronouncements.

ACCOUNTING POLICY:

The District is an enterprise fund and uses the accrual basis of accounting. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recognized when earned, and expenses are recognized when incurred. Midvale Irrigation District maintains two funds: the Operations and Maintenance fund, and the Amendatory Contract Repayment Fund, or the Contract Construction Fund.

Midvale Irrigation District uses the amendatory contract repayment fund to collect and remit assessments of funds for repayment of the amendatory contract obligation. (See note 4.)

Midvale Irrigation District uses the Operations and Maintenance Fund to fulfill its obligation under the Amendatory Contract between Midvale Irrigation District and the United States Department of the Interior, Bureau of Reclamation. Under that agreement, Midvale Irrigation District is charged with the responsibility to "care for, operate, and maintain the District and Joint works . . . in such manner that said works will remain in good and efficient condition."

The actual ownership of the Midvale Irrigation System District and Joint Works is retained by the United States. This will remain so until two conditions are met: 1) the construction charges obligation of the District is fully discharged (Note 4); and 2) until otherwise approved by Congress.

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued:

REPORTING ENTITY: Continued:

These conditions result in Midvale Irrigation District's charging all maintenance costs, repairs, replacements and betterments to the irrigation system to operations and maintenance. All non-system capital expenditures are capitalized.

The Operation and Maintenance Fund is used as an enterprise fund to account for the operation and maintenance of the District.

INVENTORY POLICY:

Supplies, gravel, fuel and parts inventories are recorded at cost. Cost is determined by using the average cost method. Cost for gravel and other items created by Midvale Irrigation District includes direct costs and an allocation of overhead. Inventory items are charged to expenditures when taken out of inventory and consumed.

DEFERRED INCOME POLICY:

Assessments for water rights (both for Operations and Maintenance and for Amendatory Contract Repayment) are billed to users one year in advance. Recognition of the assessment income is deferred until the period during which it is earned. (See Note 5.) The assessment rolls are submitted by Midvale to the Fremont County Ninth Judicial District for approval in early July; they are then sent to the County Treasurer's office for inclusion in the property tax notices. The notices are sent out in September. The due date for the first half of the assessment is November 1st. It is considered delinquent if not collected by November 30th. The second half is due March 1st, and is considered delinquent if not collected by May 11th.

DEPRECIATION POLICY:

Property is depreciated over its useful life using straight-line depreciation methods. Equipment lives range from two to ten years. Real estate lives range from three to twenty years. All assets are recorded at cost.

EMPLOYEE RETIREMENT PLAN:

In 1972, Midvale Irrigation District adopted a money purchase pension plan. Under the plan, optional life insurance policies with a cash surrender value and/or deferred annuity contracts can be purchased with the annual contributions. Midvale Irrigation District is not contingently liable for unfunded past service costs under the pension plan, and the life insurance companies bear the fiduciary responsibilities for the plan. Midvale's employer contribution to the plan for 2008 was \$56,864.

INCOME TAXES:

Midvale Irrigation District is a political subdivision of the State of Wyoming, therefore it is exempt from federal income tax.

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued:

TIME CERTIFICATES OF DEPOSIT:

Cash is held in time deposit accounts, bearing interest at rates from 2.8% to 3.5%. The certificates of deposit are collateralized by F.D.I.C. insurance and collateral receipts. At December 31, 2008, the F.D.I.C. insurance and collateral were sufficient to substantially cover Midvale's cash position.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates. It is reasonably possible that the District's recorded estimates of its obligations may change in the near term.

RESERVED CASH:

The Amendatory Repayment Contract, signed in 1971 with the United States of America, required that Midvale Irrigation District maintain an emergency fund of \$200,000. In 1993, the contract was amended to require a \$600,000 increase in the Emergency Fund to \$800,000. These certificates of deposit are shown on the balance sheet as "other assets."

When Midvale Irrigation District signed the Sand Mesa Pipeline Agreement with the State of Wyoming, it agreed to maintain the Emergency Fund at \$800,000. The District agreed to designate an additional \$200,000 as a Sand Mesa reserve fund. In 1998, the Board designated an additional \$200,000 for an equipment replacement reserve. The above funds are for the repair and maintenance of Midvale Irrigation District including, but not limited to, the Sand Mesa project.

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

No provision for bad debts for assessments receivable has been recorded because of Midvale Irrigation District's tax lien authority. Uncollectible accounts receivable which are not subject to the tax lien authority are written off when the Board of Directors determines the receivable to be worthless.

VACATION PAY POLICY:

Midvale Irrigation District allows its employees to carry over up to 240 hours of earned vacation pay into future periods. As of December 31, 2008, an accrued liability for this vacation pay of \$31,147 existed, and is included in the financial statements.

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued:

**REPURCHASE AGREEMENT:**

Midvale Irrigation District has entered into a repurchase agreement with the First Interstate Bank. Midvale Irrigation acts as a "buyer-lender" and transfers cash to the First Interstate Bank in exchange for federal obligations that the First Interstate Bank promises to repurchase for cash plus interest the next business day. The First Interstate Bank's contractual obligation is to set the par value of these United States government securities at 103% of the available funds in Midvale's repurchase agreement account. The repurchase agreement account is not covered by the Federal Deposit Insurance Corporation insurance. The securities are held by a third party.

**DEPOSITS AND RISK:**

The District's cash deposits are categorized to give an indication of the level of risk assumed by the District at its fiscal year end. The categories are described as follows:

Category 1 - insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - uncollateralized.

Deposits, categorized by level of risk are:

<u>TYPE OF DEPOSITS</u>	<u>Average Interest rate at 12/31/08</u>	<u>Financial Statement Total at 12/31/08</u>	<u>Risk Category</u>	<u>Balance per Financial Institution at 12/31/08</u>
Bank B: C.D.'s	3.20%	\$ 958,405	2	\$ 968,565
Bank B: Sweep	.21%	254,841	2	246,884
Bank B: Accrued Interest		10,160		-0-
Bank C: C.D.'s	3.10%	1,203,088	2	1,224,365
Bank C: Accrued Interest		21,278		-0-
Cash on hand		100	N/A	-0-
		<u>\$ 2,447,872</u>		<u>\$ 2,439,814</u>

The financial statement total at December 31, 2008 includes \$31,438 of accrued interest.

Bank B has \$200,000 of FDIC coverage and has pledged collateral with a market value of \$1,108,618 at year end.

Bank C has \$200,000 of FDIC coverage and has pledged collateral with a market value of \$817,663 at year end. Bank C has placed \$611,198 with associated CDAR member banks (Certificate of Deposit Account Registry Service). The purpose of this is to avail Midvale of FDIC coverage on these funds.

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2: ACCOUNTS RECEIVABLE:

ASSESSMENTS:

The assessments are due from the water users of the District for both Operations and Maintenance charges and for the Amendatory Contract Repayment charges. Billing for the annual assessment is made and collected by the Fremont County Treasurer's office.

NOTE 3: CAPITAL ASSETS:

A summary of property and equipment is as follows:

<u>COST:</u>	<u>Beginning Balance 01/01/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/08</u>
Land	\$ 36,123	\$ -0-	\$ -0-	\$ 36,123
Transport equipment	859,576	48,975	99,638	808,913
Heavy equipment	2,123,608	29,391	-0-	2,152,999
Other equipment	169,416	4,960	10,087	164,289
Field equipment	94,221	3,565	1,193	96,593
Shop equipment	41,864	-0-	2,532	39,332
Riverton real estate	33,142	-0-	-0-	33,142
Pavillion real estate	128,307	-0-	-0-	128,307
Office equipment	120,299	61	8,480	111,880
District buildings	<u>262,372</u>	<u>4,320</u>	<u>-0-</u>	<u>266,692</u>
	<u>\$3,868,928</u>	<u>\$ 91,272</u>	<u>\$ 121,930</u>	<u>\$3,838,270</u>
<u>ACCUMULATED DEPRECIATION:</u>	<u>Beginning Balance 01/01/08</u>	<u>Provision for Deprec.</u>	<u>Deletions</u>	<u>Ending Balance 12/31/08</u>
Transport equipment	\$ 729,854	\$ 65,974	\$ 99,638	\$ 696,190
Heavy equipment	1,874,712	94,665	-0-	1,969,377
Other equipment	162,934	5,651	10,087	158,498
Field equipment	88,936	2,411	1,193	90,154
Shop equipment	41,436	429	2,532	39,333
Riverton real estate	33,142	-0-	-0-	33,142
Pavillion real estate	124,312	2,858	-0-	127,170
Office equipment	104,828	7,895	8,480	104,243
District buildings	<u>250,735</u>	<u>9,381</u>	<u>-0-</u>	<u>260,116</u>
	<u>\$3,410,889</u>	<u>\$ 189,264</u>	<u>\$ 121,930</u>	<u>\$3,478,223</u>
Total Capital Assets	<u>\$ 458,039</u>			<u>\$ 360,047</u>

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

NOTE 4: AMENDATORY REPAYMENT CONTRACT - LIABILITY TO THE UNITED STATES:

On December 17, 1971, the District entered into a revised contract with the United States of America. The contract is called the Amendatory Repayment Contract for Rehabilitation and Betterment of the Midvale Irrigation District. Under the terms of the contract, the District is to make annual payments for a period not to exceed 50 years and the total of the payments is not to exceed \$6,500,000. The annual payment is computed on the basis of the productivity and the number of acres of each class of land in the District. In 2008 and 2007, Midvale Irrigation District paid \$83,690 and \$83,690, respectively, toward this obligation. Due to the impossibility of determining the actual amount that will be paid under the contract, the liability and the corresponding asset account are recorded at the maximum liability of \$6,500,000. The principal amount due has been annually reduced by the United States of America by the total amount of the annual payment. There is no interest.

At December 31, 2008, the total of the current and long-term liability to the United States is \$3,280,780. During the first thirty six years of the contract, \$3,219,220 has been paid.

NOTE 5: DEFERRED INCOME, ASSESSMENTS:

During 2008, total assessments of \$1,492,885 were billed for 2009 water. This assessment was based upon an Operation and Maintenance charge of \$15.00 per acre and a Contract Repayment charge of \$2.05 per acre for Class 1 and 2 land, \$1.25 per acre for Class 3 land, and \$.50 per acre for Class 4 land. Special Water Contracts were billed \$1.25 for the contract Repayment charge. The Operation and Maintenance charges of \$15.00 per acre for Special Water Contracts will not be billed until April of 2009. A first acre charge of \$350 was assessed on 73 lawn and garden permits and 920 entries on Midvale assessment roles for a total of \$347,550.

NOTE 6: CONTINGENCIES:

The Wyoming Supreme Court rendered a decision in the Big Horn River Adjudication suit on February 24, 1988. The Shoshone and Arapahoe Tribes were awarded approximately 500,000 acre feet of reserved water rights with a priority date of 1868. The water rights of the landowners within the Midvale Irrigation District will ultimately be affected if and when the tribes exercise their reserved water rights unless upper stream storage is developed or other arrangements are made to minimize the impact of this court decision.

ADJUDICATION OF MIDVALE WATER RIGHTS:

The adjudication of Midvale's primary direct flow water right under permit number 7300 has been completed.

DISPUTE AMONG LOCAL IRRIGATION DISTRICTS:

Riverton Valley Irrigation District, LeClair Irrigation District and Midvale Irrigation District were developed primarily under Wyoming Permit No. 7300. The 1945 Wyoming Surplus Water Act and certain agreements (The Tripartite Agreements) have been used to govern the sharing of river flows between the three districts.

A court case had been filed to establish the rights of the three irrigation districts according to law and the Tripartite Agreements. The case has been settled on favorable terms.

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

FINANCIAL STATEMENT DRAFT  
SUBJECT TO CHANGE

NOTE 6: CONTINGENCIES: Continued

GRAVEL:

The Tribes of the Wind River Indian Reservation have demanded royalty payments for the use of gravel, which was construed to be a mineral in the case of James G. Watt, et al. v. Western Nuclear, Inc. The United States settled the Tribes claim in the summer of 2004. There have since been written demands to the Bureau of Reclamation and Midvale that Midvale obtain a Tribal permit to quarry gravel and commence paying royalties for the use of gravel. Legal counsel indicates that Midvale is not required to obtain a Tribal permit or pay royalties for gravel used by Midvale.

NOTE 7: BUDGET:

The 2008 budget for Midvale Irrigation District was as follows:

COMMISSIONER'S BUDGET ESTIMATE FOR THE YEAR 2008

	<u>Estimate of Income to the District 2008</u>	<u>Actual 2008</u>
Assessment of irrigated lands	\$ 1,426,717	\$ 1,505,978
Interest income	110,000	97,678
Special water income	32,500	56,165
Other income		
Rent/leases	34,000	33,930
Sales and work for others	39,000	7,563
Equipment sales	5,000	11,186
Miscellaneous income	10,000	12,316
Wyoming Water Development/Grants	-0-	705,640
Total estimated income to the District	<u>\$ 1,657,217</u>	<u>\$ 2,430,456</u>
	<u>Estimate of Operation and Maintenance Expenses</u>	<u>Actual 2008</u>
Bureau of Reclamation charges	\$ 98,155	\$ 97,681
Commissioner per diem and travel	11,000	10,800
Wages	753,142	726,330
Payroll expenses	77,197	76,102
Employment benefit & pension	65,900	63,791
Materials and parts	142,250	140,061
Materials-Wyo Water Development	-0-	785,047
Fuel	159,375	103,556
Miscellaneous	750	-0-
Insurance	36,000	33,970
Boysen water service	19,400	6,650
Professional service	75,000	64,516
Weed control	33,000	32,387
Other expenses	145,500	-0-
Refund first acre charge	-0-	26,686
Total estimated expenses	<u>\$ 1,616,669</u>	<u>\$ 2,167,577</u>

2008 actual does not include \$189,264 of depreciation expense. 2008 actual includes equipment replacement of \$91,272 which was capitalized for 2008 and is not included above.

There are 71,613 irrigable acres subject to assessment for Operation and Maintenance for the year 2008.



MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

NOTE 7: BUDGET: Continued:

"In order to meet the operation, maintenance, and repair expenses of the District for the year 2008, it will be necessary to make an operation, maintenance, and repair "First Acre" assessment of \$350 for each account, separately maintained at the Midvale Irrigation District office as reflected in the Fremont County, Wyoming tax assessor's tax rolls and an operation, maintenance, and repair assessment of \$15.00 per acre on the remaining irrigable lands subject to assessment. Additionally, in accordance with the District's contract with the United States of America, Bureau of Reclamation (contract #14-06-600-444A), a Construction Repayment Assessment per irrigable acre, computed by land classification, will be collected to satisfy the District's obligation."

NOTE 8: WYOMING WATER DEVELOPMENT COMMISSION GRANTS:

The State of Wyoming, acting through the Wyoming Water Development Commission appropriated the following grants.

(A) HIDDEN VALLEY PIPELINE PROJECT:

A grant was signed in May of 2004 and became effective in May of 2006. The grant was originally for \$1,474,103 or 100% of the materials cost for project materials for replacing open ditches with piped laterals and other costs necessary to make the project complete and function in the manner intended. The project is to be completed by July 1 of 2010.

An amendment to this grant was entered into in August of 2006. This amendment made available another \$1,495,440 for a total of \$2,969,543 for materials for this project.

(B) MIDVALE DIVERSION DAM REHABILITATION PROJECT:

A grant agreement was signed in May of 2005. The grant is not to exceed \$138,000 or 100% of materials cost. It is to be used to replace the gearboxes that operate the District's Wind River Dam diversion gates and other costs necessary to make the project function in the manner intended. This project was completed and closed out in 2008.

(C) MIDVALE IRRIGATION DISTRICT CONSERVATION/AUTOMATION PROJECT:

A grant agreement was signed in August of 2006. The grant is not to exceed \$542,700 or 100% of the materials cost for the design and installation of system monitoring and automation equipment and other costs necessary for the project to function in the manner intended. The project is to be completed by July 1 of 2010.

(D) MIDVALE CANAL REHABILITATION GRANT AND LOAN:

This grant/loan has been cancelled and returned to the Wyoming Water Development Commission. No funds from this agreement were expended.

The Diversion Dam project, Conservation/Automation project and Pipeline project grant agreements all have similar terms. These terms generally include the following:

Midvale is responsible for hiring professional engineering consultants to compile bid documents, monitor construction activities, provide construction management services and maintain an inventory of materials. Midvale is responsible for all costs not directly reimbursed by the grant,

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE 8: WYOMING WATER DEVELOPMENT COMMISSION GRANTS: Continued:

including design, permits, land procurement, construction engineering, and all costs for labor, equipment and materials to build the projects.

Midvale agreed to maintain the existing replacement fund at \$800,000 and the emergency fund at \$200,000.

Grant funds released to Midvale are to be received and accounted for separately from all other Midvale monies.

Midvale is responsible for completion of the projects by the time of each project's completion date.

If Midvale abandons the projects, Midvale is to repay to the State the full amount of the grant funds actually expended with interest. No grant funds are payable to Midvale after the grant completion dates.

Midvale is to comply with all applicable federal, state and local laws and regulations, including regulations regarding assessment processes, public bidding, public works, contractor retainage, and the Civil Rights Act of 1964, the Wyoming Fair Employment Practices Act, and the Americans With Disabilities Act.

The title to all of the improvements within the Bureau of Reclamation owned rights of way belong to the United States. The District is responsible for the care, operation, and maintenance of all of the works. These circumstances will result in Midvale expensing all of its construction costs and the grant and loan purchased materials when the materials are installed in the rights of way belonging to the United States.

A summary of funds received and available from the State of Wyoming for four grants:

(A) HIDDEN VALLEY PIPELINE PROJECT:

Total project appropriation	\$2,969,543
Funds used to purchase materials in 2006	(2,338,036)
Funds available for 2007	\$ 631,507
Funds used to purchase materials in 2007	(420,856)
Funds available for 2008	210,651
Funds used to purchase materials in 2008	(68,991)
Unused appropriation as of December 31, 2008	<u>\$ 141,660</u>

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE 8: WYOMING WATER DEVELOPMENT COMMISSION GRANTS: Continued:

(B) MIDVALE DIVERSION DAM REHABILITATION PROJECT:

Total project appropriation	\$ 138,000
Funds used to purchase materials in 2006	( 108,943)
Funds available for 2007	\$ 29,057
Funds used to purchase materials in 2007	( 11,691)
Funds available for 2008	17,366
Funds used to purchase materials in 2008	( 7,208)
Unused appropriation returned to Wyoming Water Development Commission	<u>\$ 10,158</u>

(C) MIDVALE IRRIGATION DISTRICT CONSERVATION/AUTOMATION PROJECT:

Total project appropriation	\$ 542,700
Funds used to purchase materials in 2006	( 39,041)
Unused appropriation as of December 31, 2008	<u>\$ 503,659</u>

(D) MIDVALE CANAL REHABILITATION GRANT/LOAN:

As of December 31, 2008, no grant or loan funds had been expended. The grant/loan has been returned to the Wyoming Water Development Commission.

NOTE 9: 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 and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past two years.

MIDVALE IRRIGATION DISTRICT  
COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2008

ASSETS

	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Total 2008</u>
<b>CURRENT ASSETS:</b>			
Cash	\$ 224,443	\$ 31,469	\$ 255,912
Cash-certificates of deposit (Note 1)	960,522	-0-	960,522
Accrued interest-certificates	31,438	-0-	31,438
Accounts receivable (Note 2)			
Assessments	1,058,248	64,481	1,122,729
Other accounts receivable	80,297	-0-	80,297
Inventory	207,864	-0-	207,864
Wyo Water Development inventory	225,809	-0-	225,809
Total current assets	<u>\$ 2,788,621</u>	<u>\$ 95,950</u>	<u>\$ 2,884,571</u>
<b>CAPITAL ASSETS:</b>			
Property, buildings and equipment: (Note 3)			
Cost	\$ 3,838,270	\$ -0-	\$ 3,838,270
Accumulated depreciation	( 3,478,223)	-0-	( 3,478,223)
Total capital assets	<u>\$ 360,047</u>	<u>\$ -0-</u>	<u>\$ 360,047</u>
<b>OTHER ASSETS:</b>			
Bureau of Reclamation Emergency Fund (Note 1)	\$ 800,000	\$ -0-	\$ 800,000
Sand Mesa Pipeline Reserve	200,000	-0-	200,000
Equipment Replacement Reserve	200,000	-0-	200,000
Maximum cost of Amendatory Contract (Note 4)	-0-	6,500,000	6,500,000
Expended contract value	-0-	( 3,219,220)	( 3,219,220)
Total other assets	<u>\$ 1,200,000</u>	<u>\$ 3,280,780</u>	<u>\$ 4,480,780</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,348,668</b></u>	<u><b>\$ 3,376,730</b></u>	<u><b>\$ 7,725,398</b></u>

The accompanying notes are an integral part  
of these financial statements.

RECEIVED  
 DEPARTMENT OF REVENUE  
 JAN 15 2009

MIDVALE IRRIGATION DISTRICT  
COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2008

LIABILITIES AND NET ASSETS

	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Total 2008</u>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 43,348	\$ -0-	\$ 43,348
Payroll, vacation and payroll taxes	61,552	-0-	61,552
Current portion of Amendatory Contract (Note 4)	<u>-0-</u>	<u>83,690</u>	<u>83,690</u>
Total current liabilities	<u>\$ 104,900</u>	<u>\$ 83,690</u>	<u>\$ 188,590</u>
<b>LONG-TERM DEBT:</b>			
Maximum amount due on Amendatory Contract (Note 4)	<u>\$ -0-</u>	<u>\$ 3,197,090</u>	<u>\$ 3,197,090</u>
<b>DEFERRED REVENUE:</b>			
Water charges assessed in 2008: (Note 5)			
Operation and maintenance assessment for 2009 in 2008	\$ 1,409,805	\$ 83,080	\$ 1,492,885
Wyoming Water Development Grants	294,709	-0-	294,709
Prepaid grazing lease revenues	13,155	-0-	13,155
Water service contract assessments	<u>-0-</u>	<u>822</u>	<u>822</u>
Total deferred income	<u>\$ 1,717,669</u>	<u>\$ 83,902</u>	<u>\$ 1,801,571</u>
<b>NET ASSETS:</b>			
Contributed capital	\$ 62,977	\$ -0-	\$ 62,977
Restricted:			
Bureau of Rec. Reserve for emergency (Note 1)	800,000	-0-	800,000
Equipment replacement	200,000	-0-	200,000
Sand Mesa Reserve	200,000	-0-	200,000
Invested in capital assets	360,047	-0-	360,047
Unrestricted	<u>903,075</u>	<u>12,048</u>	<u>915,123</u>
Total net assets	<u>\$ 2,526,099</u>	<u>\$ 12,048</u>	<u>\$ 2,538,147</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 4,348,668</b></u>	<u><b>\$ 3,376,730</b></u>	<u><b>\$ 7,725,398</b></u>

The accompanying notes are an integral part  
of these financial statements.

MIDVALE IRRIGATION DISTRICT  
COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	<u>ASSETS</u>		
	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Total 2007</u>
<b>CURRENT ASSETS:</b>			
Cash	\$ 296,200	\$ 31,440	\$ 327,640
Cash-certificates of deposit (Note 1)	650,000	-0-	650,000
Accrued interest-certificates	68,744	-0-	68,744
Accounts receivable (Note 2)			
Assessments	1,060,372	64,298	1,124,670
Other accounts receivable	47,970	-0-	47,970
Inventory	197,543	-0-	197,543
Wyo Water Development inventory	924,150	-0-	924,150
Total current assets	<u>\$ 3,244,979</u>	<u>\$ 95,738</u>	<u>\$ 3,340,717</u>
<b>CAPITAL ASSETS:</b>			
Property, buildings and equipment: (Note 3)			
Cost	\$ 3,868,928	\$ -0-	\$ 3,868,928
Accumulated depreciation	( 3,410,889)	-0-	( 3,410,889)
Total capital assets	<u>\$ 458,039</u>	<u>\$ -0-</u>	<u>\$ 458,039</u>
<b>OTHER ASSETS:</b>			
Bureau of Reclamation Emergency Fund (Note 1)	\$ 800,000	\$ -0-	\$ 800,000
Sand Mesa Pipeline Reserve	200,000	-0-	200,000
Equipment Replacement Reserve	200,000	-0-	200,000
Maximum cost of Amendatory Contract (Note 4)	-0-	6,500,000	6,500,000
Expended contract value	-0-	( 3,135,530)	( 3,135,530)
Total other assets	<u>\$ 1,200,000</u>	<u>\$ 3,364,470</u>	<u>\$ 4,564,470</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,903,018</b></u>	<u><b>\$ 3,460,208</b></u>	<u><b>\$ 8,363,226</b></u>

The accompanying notes are an integral part  
of these financial statements.

MIDVALE IRRIGATION DISTRICT  
COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2007

LIABILITIES AND NET ASSETS

	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Total 2007</u>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 46,999	\$ -0-	\$ 46,999
Payroll, vacation and payroll taxes	58,437	-0-	58,437
Current portion of Amendatory Contract (Note 4)	<u>-0-</u>	<u>83,690</u>	<u>83,690</u>
Total current liabilities	<u>\$ 105,436</u>	<u>\$ 83,690</u>	<u>\$ 189,126</u>
<b>LONG-TERM DEBT:</b>			
Maximum amount due on Amendatory Contract (Note 4)	<u>\$ -0-</u>	<u>\$ 3,280,780</u>	<u>\$ 3,280,780</u>
<b>DEFERRED REVENUE:</b>			
Water charges assessed in 2007: (Note 5)			
Operation and maintenance assessment for 2008 in 2007	\$ 1,420,455	\$ 83,077	\$ 1,503,532
Wyoming Water Development Grants	924,150	-0-	924,150
Prepaid grazing lease revenues	-0-	-0-	-0-
Water service contract assessments	<u>-0-</u>	<u>1,106</u>	<u>1,106</u>
Total deferred income	<u>\$ 2,344,605</u>	<u>\$ 84,183</u>	<u>\$ 2,428,788</u>
<b>NET ASSETS:</b>			
Contributed capital	\$ 62,977	\$ -0-	\$ 62,977
Restricted:			
Bureau of Rec. Reserve for emergency (Note 1)	800,000	-0-	800,000
Equipment replacement	200,000	-0-	200,000
Sand Mesa Reserve	200,000	-0-	200,000
Invested in capital assets	458,039	-0-	458,039
Unrestricted	<u>731,961</u>	<u>11,555</u>	<u>743,516</u>
Total net assets	<u>\$ 2,452,977</u>	<u>\$ 11,555</u>	<u>\$ 2,464,532</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,903,018</u>	<u>\$ 3,460,208</u>	<u>\$ 8,363,226</u>

The accompanying notes are an integral part  
of these financial statements.

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT

COMBINING

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Totals</u>
<b>REVENUE:</b>			
Assessments, operations and maintenance	\$ 1,421,795	\$ 83,077	\$ 1,504,872
Assessments, construction - USBR	-0-	1,106	1,106
Special water contracts	56,165	-0-	56,165
Interest and penalties	97,678	-0-	97,678
Other income - rents and leases	33,930	-0-	33,930
- Wyo Water Development Grants	705,640	-0-	705,640
- work and sales to others (cost 39,222)	7,563	-0-	7,563
- equipment sales	11,186	-0-	11,186
- miscellaneous	12,316	-0-	12,316
Total revenue	<u>\$ 2,346,273</u>	<u>\$ 84,183</u>	<u>\$ 2,430,456</u>
<b>EXPENSES:</b>			
Refund first acre charge	\$ 26,686	\$ -0-	\$ 26,686
Commissioners per diem, travel	10,800	-0-	10,800
Depreciation	189,264	-0-	189,264
Fuel	103,556	-0-	103,556
Insurance, bonds	33,970	-0-	33,970
Legal, accounting, consulting	64,516	-0-	64,516
Materials and parts	925,108	-0-	925,108
Payroll taxes	76,102	-0-	76,102
USBR - construction payment	-0-	83,690	83,690
USBR - grazing lease payments	13,991	-0-	13,991
Employee insurance and pension	63,791	-0-	63,791
Wages	726,330	-0-	726,330
Water service	6,650	-0-	6,650
Weed control	32,387	-0-	32,387
Total expenses	<u>\$ 2,273,151</u>	<u>\$ 83,690</u>	<u>\$ 2,356,841</u>
REVENUE IN EXCESS OF EXPENSES	\$ 73,122	\$ 493	\$ 73,615
Net assets, January 1	731,961	11,555	743,516
Net change in investment in capital assets	<u>97,992</u>	<u>-0-</u>	<u>97,992</u>
Net assets, December 31	<u>\$ 903,075</u>	<u>\$ 12,048</u>	<u>\$ 915,123</u>

The accompanying notes are an integral part  
of these financial statements.



PRELIMINARY DRAFT  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT

COMBINING

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Operation and Maintenance Fund</u>	<u>Contract Construction Fund</u>	<u>Combined Totals</u>
<b>REVENUE:</b>			
Assessments, operations and maintenance	\$ 1,014,363	\$ 83,020	\$ 1,097,383
Assessments, construction - USBR	-	1,119	1,119
Special water contracts	39,571	-	39,571
Interest and penalties	140,363	-	140,363
Other income - rents and leases	29,303	-	29,303
- Wyo Water Development Grants	1,498,895	-	1,498,895
- work and sales to others	25,879	-	25,879
- equipment sales	( 368)	-	( 368)
- miscellaneous	11,954	-	11,954
Total revenue	<u>\$ 2,759,960</u>	<u>\$ 84,139</u>	<u>\$ 2,844,099</u>
<b>EXPENSES:</b>			
Commissioners per diem, travel	\$ 11,694	\$ -0-	\$ 11,694
Depreciation	225,135	-	225,135
Fuel	84,057	-	84,057
Insurance, bonds	32,975	-	32,975
Legal, accounting, consulting	76,604	-	76,604
Materials and parts	1,776,988	-	1,776,988
Payroll taxes	82,218	-	82,218
USBR - construction payment	-	83,690	83,690
USBR - grazing lease payments	1,279	-	1,279
Employee insurance and pension	61,511	-	61,511
Wages	766,315	-	766,315
Water service	16,704	-	16,704
Total expenses	<u>\$ 3,135,480</u>	<u>\$ 83,690</u>	<u>\$ 3,219,170</u>
(EXPENSES) IN EXCESS OF REVENUES	(\$ 375,520)	\$ 449	(\$ 375,071)
Net assets, January 1	988,357	11,106	999,463
Net increase in investment in capital assets	<u>119,124</u>	<u>-0-</u>	<u>119,124</u>
Net assets, December 31	<u>\$ 731,961</u>	<u>\$ 11,555</u>	<u>\$ 743,516</u>

The accompanying notes are an integral part  
of these financial statements.

REVISIONS  
SUBJECT TO CHANGE

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 Commissioners  
Midvale Irrigation District  
Pavillion, WY 82523

We have audited the financial statements of the operation and maintenance fund and the contract construction fund of Midvale Irrigation District as of and for the year ended December 31, 2008, which collectively comprise Midvale Irrigation District's basic financial statements and have issued our report thereon dated \_\_\_\_\_, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Midvale Irrigation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midvale Irrigation District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Midvale Irrigation District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Midvale Irrigation District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Midvale Irrigation District's financial statements that is more than inconsequential will not be prevented or detected by Midvale Irrigation District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (08-01 through 08-05)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Midvale Irrigation District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midvale Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clifford H. Moore & Company, CPA's

Riverton, WY  
\_\_\_\_\_, 2009

PROHIBITED BY LAW  
SUBJECT TO CHANGE

MIDVALE IRRIGATION DISTRICT

SCHEDULE OF FINDINGS

DECEMBER 31, 2008

PRELIMINARY DRAFT  
SUBJECT TO CHANGE

- 08-01 Midvale Irrigation District uses Quickbooks software for its accounting system. Quickbooks account balances are subject to unauthorized or undocumented adjustments.
- 08-02 Midvale Irrigation District has inadequate staff to segregate accounting and custodial duties. Ideal segregation of duties is not always possible in an organization with a staff as small as Midvale's. We recommend the Commissioners and management continue monitoring the record keeping custodial and compliance functions. We recommend that the Commissioners and management design and document a course of action to maximize the segregation of accounting and custodial duties. We recommend the preparation of an accounting policies and procedures manual.
- 08-03 Auditing standards that became effective December 31, 2006, require the auditor to determine whether the District's internal control system allows for the reliable reporting of financial data in accordance with generally accepted accounting principles (GAAP). The District does not have the expertise to prepare or evaluate the auditor prepared financial statements to ensure proper preparation in accordance with GAAP. It may not be cost effective for the District to retain or train personnel to evaluate or prepare GAAP financial statements. Management should be aware of and continue to evaluate the impact of this deficiency.
- 08-04 The District has become engaged in substantial non-routine and non-systematic grant funded programs. These programs each have accounting and compliance requirements that are complicated. Accounting personnel must be made aware of all requirements of each program. The Commissioners and management must monitor the accounting and compliance requirements of each program and should document their understanding of the compliance requirements of each grant program.
- 08-05 The District was formed and is governed by Wyoming State Statutes 41-7-101 through 41-7-1006. It is recommended that the Commissioners all become thoroughly familiar with these Statutes and their requirements.

Statute 41-7-806 requires that accurate minutes be kept and requires that accurate financial statements be kept conforming to methods approved by the Department of Audit. The Department of Audit requires all governmental entities with receipts over one million dollars to provide the Department with financial statements prepared in accordance with Government Auditing Standards (on the accrual basis).

Statute 41-7-814 requires all disbursements to be signed by the Board President and Treasurer.

