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WATER RESOURCES
WESTERN DISTRICT

TREASURER STATEMENT OF FINANCIAL AFFAIRS

TO: Idaho Department of Water Resources

FROM: Treasurer of Water District No. 63 Water District Name: Water District #63

It shall be the duty of the water district treasurer to prepare a statement of the financial affairs of the district at the end of each fiscal year and to file the statement with the director of the department of water resources. (§ 42-619, Idaho Code)

An audit of the financial affairs of the district shall be made as required in § 67-450B, Idaho Code. A certified copy of the audit shall be filed with the director of the department of water resources following the audit. (§ 42-619, Idaho Code)

I, Sam Rosti, appointed treasurer of Water District No. 63, hereby submit the attached statement(s) for the district. These statement(s) document and account for all water district assets and finances including accounts receivable, accounts received, and monies disbursed on behalf of the district.

Please check the appropriate box

- Attached is a Statement of Financial Affairs of the district.
- Attached is a Statement of Financial Affairs and certified copy of the audit as required by § 67-450B, Idaho Code

I hereby certify that the attachment(s) noted above are true and correct copies of the required statement(s) for Fiscal Year 2021.

Sam Rosti
Treasurer signature

Date

P.O. Box 767 Ste. ID 83664 208-908-5482
Address Telephone E-Mail

Water District No. 63
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
Year Ended December 31, 2020

Gary Merkle, PLLC
CERTIFIED PUBLIC ACCOUNTANT



**Water District No. 63
Basic Financial Statements
For The Year Ended December 31, 2020**

Table of Contents

Financial Section

Independent Auditor's Report	-----	1 - 2
------------------------------	-------	-------

Basic Financial Statements

Statement of Net Position	-----	3
---------------------------	-------	---

Statement of Revenues, Expenditures and Changes in Net Position	-----	4
--	-------	---

Statement of Cash Flows	-----	5
-------------------------	-------	---

Notes to the Financial Statements	-----	6 - 14
-----------------------------------	-------	--------

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability	-----	15
---	-------	----

Schedule of Employer's Contributions	-----	16
--------------------------------------	-------	----

Other Reports

Independent Auditor's Report on Compliance and Internal Control - -		17 - 18
---	--	---------

Findings and Responses	-----	19
------------------------	-------	----

FINANCIAL SECTION



Independent Auditor's Report

Advisory Committee
Water District No. 63
Star, Idaho 83669

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Water District No. 63 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Water User's District No. 63 as of December 31, 2020, 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.

BASIC FINANCIAL STATEMENTS

Water District No. 63
Statement Of Net Position
December 31, 2020

Assets and Deferred Outflows

Current Assets

Cash And Investments \$361,743

Noncurrent Assets

Capital Assets *Net of Depreciation* 0

Total Assets 361,743

Deferred Outflows - Pension 19,715

TOTAL ASSETS AND DEFERRED OUTFLOWS \$381,458

=====

Liabilities, Deferred Inflows and Net Position

Current Liabilities

Accounts Payable 675

Accrued payroll taxes 1,404

Net Pension Liability 76,830

Total Liabilities 78,909

Deferred Inflows - Pension 2,509

Net Position

Net invested In Capital Assets 0

Unrestricted 300,040

Total Net Position 300,040

**TOTAL LIABILITIES, DEFERRED
INFLAWS AND NET POSITION \$381,458**

=====

See accompanying notes to the financial statements

Water District No. 63
Statement of Cash Flows
For The Year Ended December 31, 2020

Cash flows provided by operating activities:

Received from water sales	\$318,692	
Payments for water	(407,041)	
Payments to suppliers for goods and services	(197,928)	
Payments for personnel services	(170,264)	

Net cash provided (used) by operating activities		(456,541)

Cash flows from investing activities:

Interest income	1,401	

Net cash provided (used) by investing activities		1,401

Net increase (decrease) in cash		(455,140)

Cash at beginning of year		816,883

Cash at end of year		\$361,743
		=====

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Net income from operations	(\$463,371)	
Depreciation	7,363	
(Increase)/Decrease in deferred outflows	(11,932)	
(Increase)/Decrease in pension rev/expense	(25,143)	
Increase/(Decrease) in accounts payable	(533)	
Increase/(Decrease) in net pension liability	47,853	
Increase/(Decrease) in deferred inflows	(10,778)	

Net cash provided (used) by operating activities	(\$456,541)	
	=====	

See accompanying notes to the financial statements

Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2020

Fair Value of Investments: The District measures and records its investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered value hierarchy as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

At year end, the District held no investments required to be stated at fair value.

D. Restricted Cash

The District has no restricted cash at year end.

E. Inventory

The District has no inventory at year end.

F. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the statement of net position. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations in the statement of revenues, expenditures and changes in net position. Capital assets are reported net of accumulated depreciation in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows.

Equipment	5-10 years
Vehicles	3 years

G. Long Term Liabilities

The District has no long term liabilities at year end.

H. Budgets and Budgetary Accounting

Formal budgetary accounting is not employed as a management control by the District. An annual 'totals only' operating budget is adopted each fiscal year through passage of an annual operating budget. This budget uses the same basis of accounting that is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

I. Net Position Classifications

Net position of the District is classified into three components as follows:

Net investment in capital assets - This classification consists of capital assets net of accumulated

Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2020

Note 3 Litigation, Contingent Liabilities and Commitments

The District is not aware of any pending litigation against the District. The District is involved in several legal proceedings before the Idaho Department of Water Resources relative to water claims and priorities and protecting the District's interests.

Note 4 Risk Management and Insurance Coverage

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. The District has transferred most of its risk by the purchase of commercial insurance through the Idaho Counties Risk Management Program (ICRMP).

Note 5 Water Assessments and Rental Pool

Assessments are set forth in Idaho Code Title 42 Chapter 6. Water users are assessed each year based on the previous year's diversions from each canal, head gate or pump within the administrative boundaries of the District. The water users in the District include irrigation districts, ditch companies, municipalities and private individuals. Assessments are levied on the water users in January of each year and all assessments are paid in full by April of that year.

The assessments for the current year ended December 31, 2020 were computed at .3669 cents @ cubic feet of flow per second (CFS). The total flow assessed was 788,549 CFS. This flow levied at .3669 cents @ CFS equals \$289,319. The District levies a minimum assessment of \$150. If a user formulated levy is less than \$150 the user is levied the minimum \$150. The current year assessments levied totaled \$289,319 plus \$9,2078 in minimum levies for total assessments levied of \$298,526.

Rental Pool fees for the current year ended December 31, 2020 were levied at \$20 @ acre foot of water stored. Water users could thereby purchase stored water at \$20 @ acre foot. Total rental pool activity was 6,436 acre feet for a total of \$128,720. The Bureau of Reclamation paid an additional \$1,894 to augment the flow for the benefit of anadromous fish listed under the Endangered Species Act of 1973. Total rental pool funds received were therefore \$130,614. The District then distributed \$110,765 leaving net rental pool revenues of \$19,849.

Note 6 Pension Plan

Plan Description

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

Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2020

For the year ended December 31, 2020, the District recognized pension expense (revenue) of \$27,824. At December 31, 2020, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 8,806	\$
Changes in the assumptions or other inputs	1,299	
Net difference between projected and actual earnings on pension plan investments	6,003	2,509
Employer contributions subsequent to the measurement date	3,607	
	\$19,715	\$ 2,509

\$3,607 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019 the beginning of the measurement period ended June 30, 2020 is 4.8 and 4.8 for the measurement period June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:
year ended December 31:

2021	\$ 9,090
2022	\$ 118,561
2023	\$ 160,915)
2024	\$ 209,640)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

Water District No. 63
Notes To Financial Statements
Year Ended December 31, 2020

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2020.

Capital Market Assumptions from Callan 2020

	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	.055%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

Discount Rate

The discount rate used to measure the total pension liability was 7.05 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on the assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

REQUIRED SUPPLEMENTARY INFORMATION

Water District No. 63
Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	2020	2019	2018	2017	2016	2015
District's portion of the net pension liability	.000033086	.000025386	.000020073	.000020438	.000021439	.000022005
District's proportionent share of the net pension liability	\$76,830	\$28,977	\$29,608	\$32,125	\$43,460	\$28,977
District's covered-employee payroll	\$119,245	\$116,518	\$64,580	\$64,423	\$62,699	\$61,781
District's proportional share of the net pension liability as a percentage of it's covered-employee payroll	64.4%	24.9%	45.9%	46.8%	69.3%	46.9%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%	94.95%	91.38%

Data reported is measured as of December 31, 2020..

* GASB 68 requires ten years of informaiton to be presented in this table, however, until a ten year trend is compiled, only those years for which information is available will be presented.

OTHER REPORTS

Gary Merkle, PLLC

CERTIFIED PUBLIC ACCOUNTANT

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(208) 375-2613 FAX



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

Advisory Committee
Water District No. 63
Star, Idaho 83669

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 major fund of Water District No. 63 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

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

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

**Water District No. 63
Schedule Of Findings And Responses
Year Ended December 31, 2020**

SECTION I - Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal Control over financial reporting:	
Material weakness identified	No
Significant Deficiencies	Yes
Noncompliance material to financial statements noted	No

SECTION II - Financial Statement Audit Findings

2020-01

Condition

Although implementing various checks and balances in internal control to the degree possible, the District lacks a proper segregation of duties over assets due to limited size and staff.

Criteria

A proper system of internal control of assets would entail a complete segregation of duties.

Cause

This situation is common to small Idaho municipalities and is a direct result of the cost/benefit of staffing.

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 And Action Plan Of Management

The District agrees that having an internal control system which includes a complete segregation of duties is an important part of the overall internal control process. The District has concluded that resources are not presently available to implant the necessary changes at this time. The District will work toward implementation in the future.

WATER DISTRICT NO. 63

Profit & Loss Budget Overview

January through December 2022

	Jan - Dec 22
Income	
401 · ASSESSMENT	317,000.00
405 · RENTAL POOL	40,000.00
406 · State Adj.	0.00
407 · ARBITRATION	0.00
410 · INTEREST INCOME-MONEY ...	1,000.00
411 · INTEREST INCOME-STATE P...	250.00
412 · Interest checking	30.00
440 · Boise River Automation Reimb	0.00
460 · Other Income	0.00
Total Income	358,280.00
Cost of Goods Sold	
50000 · Cost of Goods Sold	0.00
Total COGS	0.00
Gross Profit	358,280.00
Expense	
205 · LIFE INSURANCE PAYABLE-...	0.00
501 · WAGES	130,000.00
502 · DIRECTORS' EXPENSE	2,000.00
505 · PAYROLL TAXES-EMPLOYER	15,000.00
506 · PERSI-EMPLOYER	16,000.00
508 · CONTRACT SERVICE	0.00
510 · RENT	3,600.00
511 · UTILITIES	0.00
512 · TELEPHONE	2,000.00
513 · OFFICE EXPENSE	5,000.00
514 · PROFESSIONAL SERVICES	130,000.00
515 · INSURANCE-HEALTH	26,000.00
516 · INSURANCE-LIFE	0.00
517 · INSURANCE-AUTO	2,000.00
518 · INSURANCE-WORKER COMP	3,000.00
519 · AUTO EXPENSES	15,000.00
520 · BUSINESS EXPENSE	1,500.00
521 · GAGING STATION EXPENSE	10,000.00
522 · SEMINARS & EDUCATION	6,500.00
523 · INTERN PROGRAM	3,500.00
524 · DONATIONS	1,000.00
525 · BANK CHARGES	0.00
526 · RENTAL POOL FEES	25,000.00
530 · MISCELLANEOUS	1,000.00
535 · DEPRECIATION	0.00
540 · Boise River Automation	20,000.00
541 · UPPER BASIN ADMIN.	10,000.00
66900 · Reconciliation Discrepanci...	0.00
Total Expense	428,100.00
Net Income	-69,820.00

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WATER DISTRICT NO. 63