

TREASURER STATEMENT OF FINANCIAL AFFAIRS

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TO: Idaho Department of Water Resources

Department of Water Resources
Eastern Region

FROM: Treasurer of Water District No. 34 Water District Name: Water District

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, Crystal Roche, appointed treasurer of Water District No. 34, 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 2020-2021

Crystal Roche

Treasurer signature

Date

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**WATER DISTRICT NO. 34
MACKAY, IDAHO
ANNUAL FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the Year Ended February 28, 2021**

WATER DISTRICT NO. 34
ANNUAL FINANCIAL STATEMENTS
For the Year Ended February 29, 2021

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INDEPENDENT AUDITOR'S REPORT

Advisory Board
Water District No. 34
Mackay, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Water District No. 34, Mackay, Idaho, as of and for the year ended February 28, 2021 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 the 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

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Water District No. 34, Mackay, Idaho, as of February 28, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require supplementary information, such as management's discussion and pension related schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Water District No. 34's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2021, on our consideration of Water District No. 34, Mackay, Idaho'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 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 considered in assessing the results of our audit.

Searle Hart + Associates, P.C.

Idaho Falls, Idaho
July 20, 2021

FINANCIAL SECTION

WATER DISTRICT NO. 34
STATEMENT OF NET POSITION
February 28, 2021

ASSETS

Cash	\$ 50,162
Assessments receivable	1,251
Other receivables	-
Prepaid expenses	3,622
Capital assets	
Land and improvements not being depreciated	-
Buildings	-
Equipment and furniture	-
Equipment under capital leases	-
Infrastructure	-
Accumulated depreciation	-
Total capital assets	-
TOTAL ASSETS	<u>55,035</u>

DEFERRED OUTFLOWS - Pension

3,875

LIABILITIES

Accounts payable	67
Other accrued expenses	1,705
Prepaid assessments	959
Long-term liabilities	
Due within one year	
Notes payable - current portion	-
Accrued interest	-
Compensated absences	-
Due in more than one year	
Notes payable - net of current portion	-
Net pension liability	24,255
TOTAL LIABILITIES	<u>26,986</u>

DEFERRED INFLOWS - Pension

792

NET POSITION

Net investment in capital assets	-
Restricted for:	
Capital projects	-
Debt service	-
Other projects	-
Unrestricted	31,132
TOTAL NET POSITION	<u>\$ 31,132</u>

WATER DISTRICT NO. 34
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended February 28, 2021

OPERATING REVENUES

Charges for services	\$ 152,088
Other revenue	<u>162</u>
TOTAL OPERATING REVENUE	<u>152,250</u>

OPERATING EXPENSES

Recharge expense	7,119
Depreciation	-
Equipment repair	-
Insurance	4,296
Operation and maintenance	50,428
Other expenses	252
Payroll expenses	<u>93,993</u>
TOTAL OPERATING EXPENSES	<u>156,088</u>

INCOME FROM OPERATIONS	<u>(3,838)</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest income	14
Interest expense	-
Gain (loss) on sale of assets	<u>-</u>

TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>14</u>
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NET INCOME (LOSS)	(3,824)
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NET POSITION March 1, 2020	<u>34,956</u>
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NET POSITION February 28, 2021	<u><u>\$ 31,132</u></u>
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WATER DISTRICT NO. 34
STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 152,655
Cash payments for goods and services	(61,336)
Cash payments to employees	(90,636)
Other operating cash payments	(252)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 431

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

-

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Sale of capital assets	-
Acquisition of capital assets	-
Payments on long-term debt	-
Interest expense on long-term debt	-

NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES -

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments 14

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES 14

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 445

CASH AND CASH EQUIVALENTS, March 1, 2020 49,717

CASH AND CASH EQUIVALENTS, February 28, 2021 \$ 50,162

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (3,838)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	-
Net change in pension expense related to net pension liability	3,357
(Increase) decrease in receivables	405
(Increase) decrease in prepaid expenses	(187)
Increase (decrease) in payables	(78)
Increase (decrease) in prepaid assessments	772

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ 431

NOTES TO THE FINANCIAL STATEMENTS

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WATER DISTRICT NO. 34
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

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WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

1. SUMMARY OF ACCOUNTING POLICIES

Water District No. 34 is organized and operates under the provisions of Idaho Code Title 42 Chapter 6 and the accounting policies and practices of the District conform to generally accepted accounting principles (GAAP) as applied to governments, except for the exception noted hereafter: the District manages their daily operations on a cash basis, but the financial statements are reported in accordance with generally accepted accounting principles. A summary of the District's significant accounting principles applied in the preparation of the accompanying financial statements follows.

A. REPORTING ENTITY

The financial statements included herein present the financial position, results of operations, changes in net position and cash flows for Water District No. 34. The business and property of the District is managed by the Watermaster who is empowered to sign contracts, documents, checks and other instruments for the payment of money under the advice of the Advisory Board. All fees and charges for the District are established based on the expenses anticipated for the upcoming year.

B. BASIS OF ACCOUNTING

Water District No. 34's funds are accounted for on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

C. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION

The following are the District's significant policies regarding recognition and reporting of certain assets, deferred outflows, liabilities, deferred inflows, and net position:

Cash and Investments

Cash and cash equivalents consist primarily of demand deposits with financial institutions and short-term investments with original maturities of three months or less from the purchase date. Investments include pooled investments and certificates of deposit with original maturities greater than three months.

Receivables

Receivables from customers primarily include past due assessment fees. The receivable amounts are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

Capital Assets

The District does not currently capitalize any assets.

Deferred Outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period, or periods, so it will not be recognized as an outflow of resources until that time. The District has deferred outflows associated with the net pension liability.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

C. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION
(Continued)

Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Any issuance costs are expensed in the period incurred.

Deferred Inflows

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period, or periods, so it will not be recognized as an inflow of resources until that time. The District has deferred inflows associated with the net pension liability.

Net Position

The difference between assets and deferred outflows less liabilities and deferred inflows is reported as net position on the financial statements.

D. BUDGETS AND BUDGETARY ACCOUNTING

The budget follows the requirements of Idaho Code as outlined in Code Section 22-307.

- a. The District's Advisory Board meets in February of each year and reviews the budget that has been drafted by the Watermaster to indicate the amounts required to conduct the affairs of the District for the upcoming year.
- b. The membership of the District meets in March of each year to approve or amend the budget as outlined.
- c. Subsequent control of the budget following adoption is accomplished through a computerized budget expenditures control system maintained for management purposes. The budget is adopted on a cash basis.

E. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Accumulated unpaid vacation and other employee benefits are accrued when incurred using the accrual basis of accounting. At February 28, 2021, unrecorded fund liabilities did not include any leave time accumulations.

Vacation leave is recorded as expense when earned. A liability for unused vacation leave, when applicable, is recorded in the Statement of Net Position.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

F. REVENUES AND EXPENSES

In proprietary fund accounting, revenues are recognized when earned and expenses are recorded when the related liability is incurred.

Operating revenue consists of income derived from user charges and other charges and fees. Operating expenses include cost of services, administrative and other expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When an expense is incurred for the purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

G. ENCUMBRANCE ACCOUNTING

Water District No. 34 does not implement encumbrance accounting methods. Uncommitted appropriations lapse at year end and commitments are re-appropriated in the next year's budget.

H. PENSIONS

For purposes of measuring the net pension liability and pension expenses, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

The District's cash and investments as of February 28, 2021 totaled \$50,162, of which \$50,162 represented demand deposits. The District did not have any other investments.

Deposits

At year end, the carrying amount of the District's deposits in financial institutions was \$50,162 and the bank balance was \$50,127. The full amount was covered by FDIC insurance.

The deposits by the District are not collateralized nor are they required to be by Idaho State statute. The District follows the requirements of the Idaho Public Depository Law (Idaho Code Section 57-111), and applicable investment rights and restrictions cited by Idaho Code Sections 67-1210 and 67-1210A and Idaho Code Section 50-1013.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

3. CAPITAL ASSETS

For the year ended February 28, 2021, Water District No. 34 did not have any capital assets.

4. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2020, it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The District's contributions were \$5,038 for the year ended June 30, 2020.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

4. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At February 28, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2020, the District's proportion was .0010445 percent.

For the year ended February 28, 2021, the District recognized pension expense (revenue) of \$8,004. At February 28, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 410	\$ 792
Changes in assumptions or other inputs	1,895	-
Net difference between projected and actual earnings on pension plan investments	(2,149)	-
District contributions subsequent to the measurement date	3,719	-
Total	\$ 3,875	\$ 792

A portion of deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$3,719 for the year ended February 28, 2021, will be recognized as a reduction of the net pension liability in the subsequent year.

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, 2019 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 expenses (revenue) as follows:

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

4. PENSION PLAN (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Year ended September 30:

2021	\$ 78
2022	1,022
2023	1,387
2024	<u>1,807</u>
Total	<u>\$ 4,294</u>

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 individual 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.

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return (net of investment expenses)	7.05%
Cost-of-living adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions other than mortality. The net pension liability as of June 30, 2020 is based on the results of an actuarial valuation date of July 1, 2020.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

4. PENSION PLAN (Continued)

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on the approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

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:

Asset Class	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%	0.55%
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%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

4. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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 these 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.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05%) or 1-percentage-point higher (8.05%) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$49,740	\$24,255	\$3,183

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At February 28, 2021, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

5. LITIGATION AND CONTINGENT LIABILITIES

The District is at various times involved in claims arising from the ordinary course of operations. The estimated possible loss to the District for such claims is uncertain as the likelihood of an unfavorable outcome is unknown. No accrual has been reflected in the financial statements for these matters. It is Management's opinion that the ultimate disposition of such claims will not have a materially adverse effect on the District's financial condition.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2021

6. LONG TERM DEBT

Long-term Obligation Activity:

General long-term obligations of Water District No. 34 include net pension liability as required by GASB 68. During the year ending February 28, 2021, the following changes occurred in long-term debt:

<u>Business-Type Activities</u>	<u>Balance 2/29/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/2021</u>	<u>Amounts due within one year</u>
Net Pension Liability	\$ 14,275	\$ 9,980	\$ -	\$ 24,255	\$ -
Total business-type activities	<u>\$ 14,275</u>	<u>\$ 9,980</u>	<u>\$ -</u>	<u>\$ 24,255</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

The District has not been directly involved in related party transactions that would violate Idaho Code or Federal Regulations.

8. MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

There are no known violations of direct finance-related legal and contractual provisions.

9. RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers.

10. SUBSEQUENT EVENTS

Subsequent events have been considered through the report date of July 20, 2021. There are no known subsequent events that will have a material impact on the operation of the District.

REQUIRED SUPPLEMENTARY INFORMATION

WATER DISTRICT NO. 34
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
Last 10 Fiscal Years*

PERSI BASE PLAN					
<u>Fiscal Year</u>	<u>Employer's portion of net pension liability</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered employee payroll</u>	<u>Employer's proportional share of the net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2016	\$ 0.0014009%	\$ 17,035	\$ 40,975	41.57%	87.26%
2017	\$ 0.0013187%	\$ 28,398	\$ 42,916	66.17%	90.68%
2018	\$ 0.0013202%	\$ 21,718	\$ 42,296	51.35%	91.69%
2019	\$ 0.0012506%	\$ 19,473	\$ 42,475	45.85%	93.79%
2020	\$ 0.0012506%	\$ 14,275	\$ 42,475	33.61%	93.79%
2021	\$ 0.0010445%	\$ 24,255	\$ 42,272	57.38%	88.22%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full trend is compiled, the County will present information for those years for which information is available.

Data reported is measured as of June 30 each year.

WATER DISTRICT NO. 34
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERSI - BASE PLAN
Last 10 Fiscal Years*

PERSI BASE PLAN						
<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contribution in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>	
2016	\$ 4,638	\$ 4,638	\$ -	\$ 40,664	11.41%	
2017	\$ 4,695	\$ 4,695	\$ -	\$ 41,475	11.32%	
2018	\$ 4,808	\$ 4,808	\$ -	\$ 42,475	11.32%	
2019	\$ 4,808	\$ 4,808	\$ -	\$ 42,475	11.32%	
2020	\$ 4,982	\$ 4,982	\$ -	\$ 42,475	11.73%	
2021	\$ 5,245	\$ 5,245	\$ -	\$ 43,925	11.94%	

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full trend is compiled, the County will present information for those years for which information is available.

Data reported is measured as of February 28/29 each year.

WATER DISTRICT NO. 34
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERSI – BASE PLAN
For the Year Ended February 28, 2021

Methods and Assumptions Used in Calculations of Actuarily Determined Contributions

The actuarially determined contribution rates in the employer's contributions are calculated as of June 30, 2020. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan
Valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open
Remaining amortization period	20.5 years
Asset valuation method	Market value
<u>Actuarial assumptions:</u>	
Investment Rate of Return *	7.05%
Projected salary increases	3.75%
Includes salary inflation	3.75%
Postretirement benefit increase	1.00%
Implied price inflation rate	3.00%
Discount Rate – Actuarial Accrued Liability	7.05%

* net of all expenses

OTHER SUPPLEMENTARY INFORMATION

WATER DISTRICT NO. 34

BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)

For the Year Ended February 29, 2021

	BUDGETED AMOUNTS		BUDGETARY BASIS
	ORIGINAL	FINAL	
REVENUES			
Fees and fines	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	149,226	149,226	150,345
Investment earnings	-	-	14
Miscellaneous	-	-	162
	<u>149,226</u>	<u>149,226</u>	<u>150,521</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	198,282	193,100	150,096
Health and sanitation	-	-	-
Conservation/economic development	-	-	-
Education	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
	<u>198,282</u>	<u>193,100</u>	<u>150,096</u>
Excess (deficiency) of revenues over expenditures	(49,056)	(43,874)	425
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(49,056)	(43,874)	425
Fund Balances, March 1, 2020	<u>34,956</u>	<u>34,956</u>	<u>34,956</u>
FUND BALANCES, FEBRUARY 29, 2021	<u><u>\$ (14,100)</u></u>	<u><u>\$ (8,918)</u></u>	<u><u>\$ 35,381</u></u>

GAAP DIFFERENCES		GAAP BASIS	
\$	-	\$	-
	-		-
	-		-
	1,743		152,088
	-		14
	-		162
	<u>1,743</u>		<u>152,264</u>
	-		-
	-		-
	5,992		156,088
	-		-
	-		-
	-		-
	-		-
	-		-
	<u>5,992</u>		<u>156,088</u>
	(4,249)		(3,824)
	-		-
	(4,249)		(3,824)
	-		34,956
\$	<u>(4,249)</u>	\$	<u>31,132</u>

WATER DISTRICT NO. 34
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
For the Year Ended February 28, 2021

1. The adopted budget for Water District No. 34 is based on the cash basis of accounting.
2. Higher operating expenses may be reflected on the GAAP basis if equipment was purchased at year-end with a partial payment budgeted in the current year and an account payable booked to reflect the final payment in the subsequent year's budget.

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

INDEPENDENT AUDITOR'S REPORT

**The Advisory Board
Water District No. 34
Mackay, Idaho**

We have audited, 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, the financial statements of the business-type activities of Water District No. 34, Mackay, Idaho, as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated July 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Water District No. 34, Mackay, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water District No. 34's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control, as defined above, that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the deficiency described below to be a significant deficiency.

Finding 2021-001

Condition The size of the District's staff is not large enough to permit a complete segregation of duties for an effective system of internal controls.

Criteria An effective system of internal controls requires that closely related duties be segregated.

<i>Context</i>	Because of review by the Advisory Board and Water Master of financial transactions, the risk is reduced but errors could still occur and not be detected in the normal course of business.
<i>Effect</i>	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
<i>Cause</i>	The District's staff is too small to allow a complete segregation of duties.
<i>Recommendation</i>	Although the District is not large enough to permit a complete segregation of duties for an effective system of internal accounting control, we recommend that officials be aware that the condition does exist and take steps to identify opportunities to further segregate duties where possible.
<i>Management Response</i>	Although the District recognizes the importance of segregation of duties for proper internal control, the District does not believe it would be cost effective to increase its staff size simply to provide greater segregation of duties. The District will be cognizant of opportunities that arise to further segregate duties within the limitations of the District's size.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water District No. 34's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity's Response to Findings

Water District No. 34's response to the findings identified in our audit is described above. Water District No. 34's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Searle Hart + Associates, P.C.

Idaho Falls, Idaho
July 20, 2021