

TREASURER STATEMENT OF FINANCIAL AFFAIRS

MAR 12 2024

DEPT. OF WATER RESOURCES
EASTERN REGION

TO: Idaho Department of Water Resources

FROM: Treasurer of Water District No. 74 Water District Name: Water District #74

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 2023.

Crystal Roche 3/4/24
Treasurer signature Date

PO Box 53 Malheur, ID 83251 208-588-3137 Waterdist34@atcnet.net
Address Telephone E-Mail

**WATER DISTRICT NO. 34
MACKAY, IDAHO
ANNUAL FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the Year Ended February 28, 2023**

WATER DISTRICT NO. 34
ANNUAL FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

ITEM	TABLE OF CONTENTS	PAGE NO.
Independent Auditor's Report		
<i>FINANCIAL SECTION</i>		
Statement of Net Position		1
Statement of Revenues, Expenses, and Changes in Net Position		2
Statement of Cash Flows		3
Index to Notes to the Financial Statements		4
Notes to the Financial Statements		5 - 13
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>		
Schedule of Employer's Share of Net Pension Liability - Persi - Base Plan		14
Schedule of Employer Contributions - Persi - Base Plan		15
Notes to the Required Supplementary Information - Persi - Base Plan		16
<i>OTHER SUPPLEMENTARY INFORMATION</i>		
Budget and Actual (With Budget to GAAP Differences)		17-18
Notes to the Other Supplementary Information		19
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		20-21

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In 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, 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water District No. 34 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Water District No. 34's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Water District No. 34's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water District No. 34's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 June 15, 2023, 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* in considering Water District No. 34's internal control over reporting and compliance.

Seaple Hart & Associates, PLLC

Idaho Falls, Idaho
June 15, 2023

FINANCIAL SECTION

WATER DISTRICT NO. 34
STATEMENT OF NET POSITION
February 28, 2023

ASSETS

Cash	\$ 62,884
Assessments receivable	937
Other receivables	-
Prepaid expenses	3,766

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>67,587</u>
--------------	---------------

DEFERRED OUTFLOWS - Pension

	<u>22,137</u>
--	---------------

LIABILITIES

Accounts payable	-
Other accrued expenses	2,255
Prepaid assessments	283

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	42,454

TOTAL LIABILITIES	<u>44,992</u>
-------------------	---------------

DEFERRED INFLOWS - Pension

	<u>189</u>
--	------------

NET POSITION

Net investment in capital assets	-
Restricted for:	
Capital projects	-
Debt service	-
Other projects	-
Unrestricted	44,543

TOTAL NET POSITION	<u>\$ 44,543</u>
--------------------	------------------

WATER DISTRICT NO. 34
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended February 28, 2023

OPERATING REVENUES

Charges for services	\$ 153,550
Other revenue	<u>1,890</u>

TOTAL OPERATING REVENUE	<u>155,440</u>
-------------------------	----------------

OPERATING EXPENSES

Recharge expense	-
Depreciation	-
Equipment repair	-
Insurance	3,751
Operation and maintenance	45,009
Other expenses	282
Payroll expenses	<u>94,353</u>

TOTAL OPERATING EXPENSES	<u>143,395</u>
--------------------------	----------------

INCOME FROM OPERATIONS	<u>12,045</u>
------------------------	---------------

NON-OPERATING REVENUES (EXPENSES)

Interest income	6
Interest expense	-
Gain (loss) on sale of assets	<u>-</u>

TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6</u>
---	----------

NET INCOME (LOSS)	12,051
-------------------	--------

NET POSITION March 1, 2022	<u>32,492</u>
----------------------------	---------------

NET POSITION February 28, 2023	<u><u>\$ 44,543</u></u>
--------------------------------	-------------------------

WATER DISTRICT NO. 34
STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 155,128
Cash payments for goods and services	(48,388)
Cash payments to employees	(88,897)
Other operating cash payments	(282)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>17,561</u>
--	---------------

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	<u>-</u>
---	----------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>6</u>
-------------------------	----------

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6</u>
--	----------

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,567
--	--------

CASH AND CASH EQUIVALENTS, March 1, 2022	<u>45,317</u>
--	---------------

CASH AND CASH EQUIVALENTS, February 28, 2023	<u>\$ 62,884</u>
--	------------------

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

Operating income (loss)	\$ 12,045
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	-
Net change in pension expense related to net pension liability	5,456
(Increase) decrease in receivables	(312)
(Increase) decrease in prepaid expenses	461
Increase (decrease) in payables	(44)
Increase (decrease) in other accrued expenses	428
Increase (decrease) in prepaid assessments	(473)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 17,561</u>
--	------------------

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

WATER DISTRICT NO. 34
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

NOTES INDEX

1. Summary of Significant Accounting Policies
 - A. Reporting Entity
 - B. Basis of Accounting
 - C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position
 - D. Budgets and Budgetary Accounting
 - E. Compensated Absences and Post-Employment Benefits
 - F. Revenues and Expenses
 - G. Encumbrance Accounting
 - H. Pensions
 - I. Use of Estimates
2. Cash and Investments
3. Capital Assets
4. Pension Plan
5. Litigation and Contingent Liabilities
6. Long-term Debt
7. Related Party Transactions
8. Material Violation of Finance-Related Legal and Contractual Provisions
9. Risk Management
10. Subsequent Events

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

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, 2023

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, 2023, 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, 2023

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, 2023 totaled \$62,884 of which \$62,884 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 \$62,884 and the bank balance was \$62,884. 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, 2023

3. CAPITAL ASSETS

For the year ended February 28, 2023, 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 74% for police and firefighters. As of June 30, 2022, it was 7.16% for general employees and 9.13% 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 \$5,075 for the year ended June 30, 2022.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

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, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the District's proportion was .00107784 percent.

For the year ended February 28, 2023, the District recognized pension expense (revenue) of \$10,231. At February 28, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,668	\$ 189
Changes in assumptions or other inputs	6,921	-
Net difference between projected and actual earnings on pension plan investments	9,768	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	(2,439)	-
District contributions subsequent to the measurement date	<u>3,249</u>	<u>-</u>
Total	\$ <u>22,137</u>	\$ <u>189</u>

\$3,249 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 February 28, 2023.

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, 2022, the beginning of the measurement period ended June 30, 2021 is 4.6 and 4.6 for the measurement period June 30, 2022.

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, 2023

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 February 28:

2023	\$	5,062
2024		5,495
2025		2,542
2026		8,069
Total	\$	<u>21,168</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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return (net of investment expenses)	6.35%
Net Cost-of-living adjustments	1.00%

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries – Males Pub-2010 General Tables, increased 11%
 General Employees and All Beneficiaries – Females Pub-2010 General Tables, increased 21%
 Teachers – Males Pub-2010 Teacher Tables, increased 12%
 Teachers – Females Pub-2010 Teacher Tables, increased 21%
 Fire & Police – Males Pub-2010 Safety Tables, increased 21%
 Fire & Police – Females Pub-2010 Safety Tables, increased 26%
 Disabled Members – Males Pub-2010 Disable Tables, increased 38%
 Disabled Members – Females Pub-2010 Disable Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions other than mortality. The total pension liability as of June 30, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

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.

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

4. PENSION PLAN (Continued)

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.

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 2022.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	(0.25)%
TIPS	10.00%	(0.30)%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

WATER DISTRICT NO. 34
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

4. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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 6.35%, 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 (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$74,926	\$42,454	\$15,875

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, 2023, 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, 2023

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, 2023, the following changes occurred in long-term debt:

<u>Business-Type Activities</u>	<u>Balance 2/28/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/2023</u>	<u>Amounts due within one year</u>
Net Pension Liability	\$ (930)	\$ 43,384	\$ -	\$ 42,454	\$ -
Total business-type activities	<u>\$ (930)</u>	<u>\$ 43,384</u>	<u>\$ -</u>	<u>\$ 42,454</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 June 15, 2023. 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%
2022	0.0011771% \$	(930) \$	43,925 \$	-2.12%	100.36%
2023	0.0010778% \$	42,454 \$	42,500 \$	99.89%	83.09%

*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%	
2022	\$ 5,075	\$ 5,075	\$ -	\$ 42,500	11.94%	
2023	\$ 4,774	\$ 4,774	\$ -	\$ 39,984	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, 2023

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the employer's contributions are calculated as of June 30, 2022. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan
Valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open 100+ years
Remaining amortization period	Fair Market value
Asset valuation method	
<u>Actuarial assumptions:</u>	
Investment Rate of Return *	6.35%
Projected salary increases including inflation	3.05%
Postretirement benefit increase	1.00%
Implied price inflation rate	2.30%
Discount Rate – Actuarial Accrued Liability	6.35%
* net of investment expenses	

OTHER SUPPLEMENTARY INFORMATION

WATER DISTRICT NO. 34**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**

For the Year Ended February 28, 2023

	BUDGETED AMOUNTS		BUDGETARY BASIS
	ORIGINAL	FINAL	
REVENUES			
Fees and fines	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	151,592	151,592	152,484
Investment earnings	-	-	6
Miscellaneous	-	-	1,890
	<u>151,592</u>	<u>151,592</u>	<u>154,380</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	191,291	191,291	137,612
Health and sanitation	-	-	-
Conservation/economic development	-	-	-
Education	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
	<u>191,291</u>	<u>191,291</u>	<u>137,612</u>
Excess (deficiency) of revenues over expenditures	(39,699)	(39,699)	16,768
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(39,699)	(39,699)	16,768
Fund Balances, March 1, 2022	<u>32,492</u>	<u>32,492</u>	<u>32,492</u>
FUND BALANCES, FEBRUARY 28, 2023	<u>\$ (7,207)</u>	<u>\$ (7,207)</u>	<u>\$ 49,260</u>

GAAP DIFFERENCES	GAAP BASIS
\$ -	\$ -
-	-
-	-
1,066	153,550
-	6
-	1,890
<u>1,066</u>	<u>155,446</u>
-	-
-	-
5,783	143,395
-	-
-	-
-	-
-	-
<u>5,783</u>	<u>143,395</u>
(4,717)	12,051
<u>-</u>	<u>-</u>
(4,717)	12,051
-	32,492
<u>(4,717)</u>	<u>44,543</u>

WATER DISTRICT NO. 34
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
For the Year Ended February 28, 2023

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, 2023, 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 June 15, 2023.

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.

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*.

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.

Seaple Hart & Associates, Pllc

Idaho Falls, Idaho

June 15, 2023

**WATER DISTRICT NO. 34
MACKAY, IDAHO**

**MANAGEMENT REPORT
For the Year Ended February 28, 2023**



Gerald W. Searle, CPA
Steven J. Hart, CPA
Farrell J. Steiner, CPA
Dana Eric Izatt, CPA
Joshua R. Searle, CPA

The Advisory Board
Water District No. 34 – State of Idaho
Mackay, Idaho

Re: *Management Letter*

We have issued our audit report for the year ended February 28, 2023 dated June 15, 2023. That report is provided under separate cover.

During the audit of the year herein reported, we tested and observed the District's fiscal system, compliance with pertinent laws, rules and regulations, and the effectiveness of internal controls. Based on those tests and observations, we believe the following comments are important.

Uncleared Bank Reconciliation Transaction

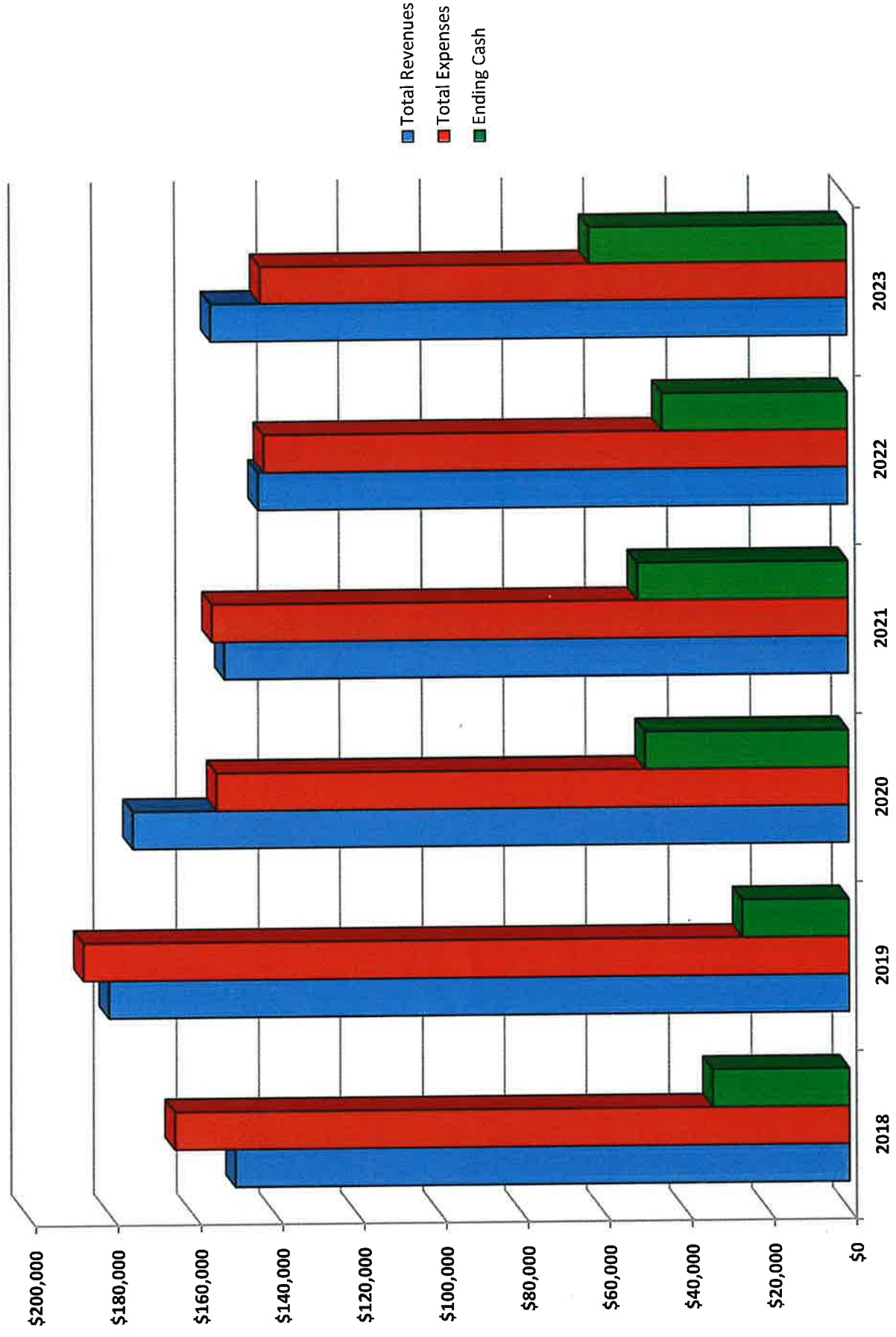
There is an uncleared journal entry in the cash account dated May 2021 for \$1,086.17. This item should be marked as cleared or deleted if it is not a valid item; we can assist in researching this entry if needed.

We would like to commend you for your hard work and diligence in implementing internal controls. The District is in good financial condition and the accounting records are kept in good order. We have enjoyed working with the District and its personnel during the audit. It has been our pleasure to serve the District during this engagement.

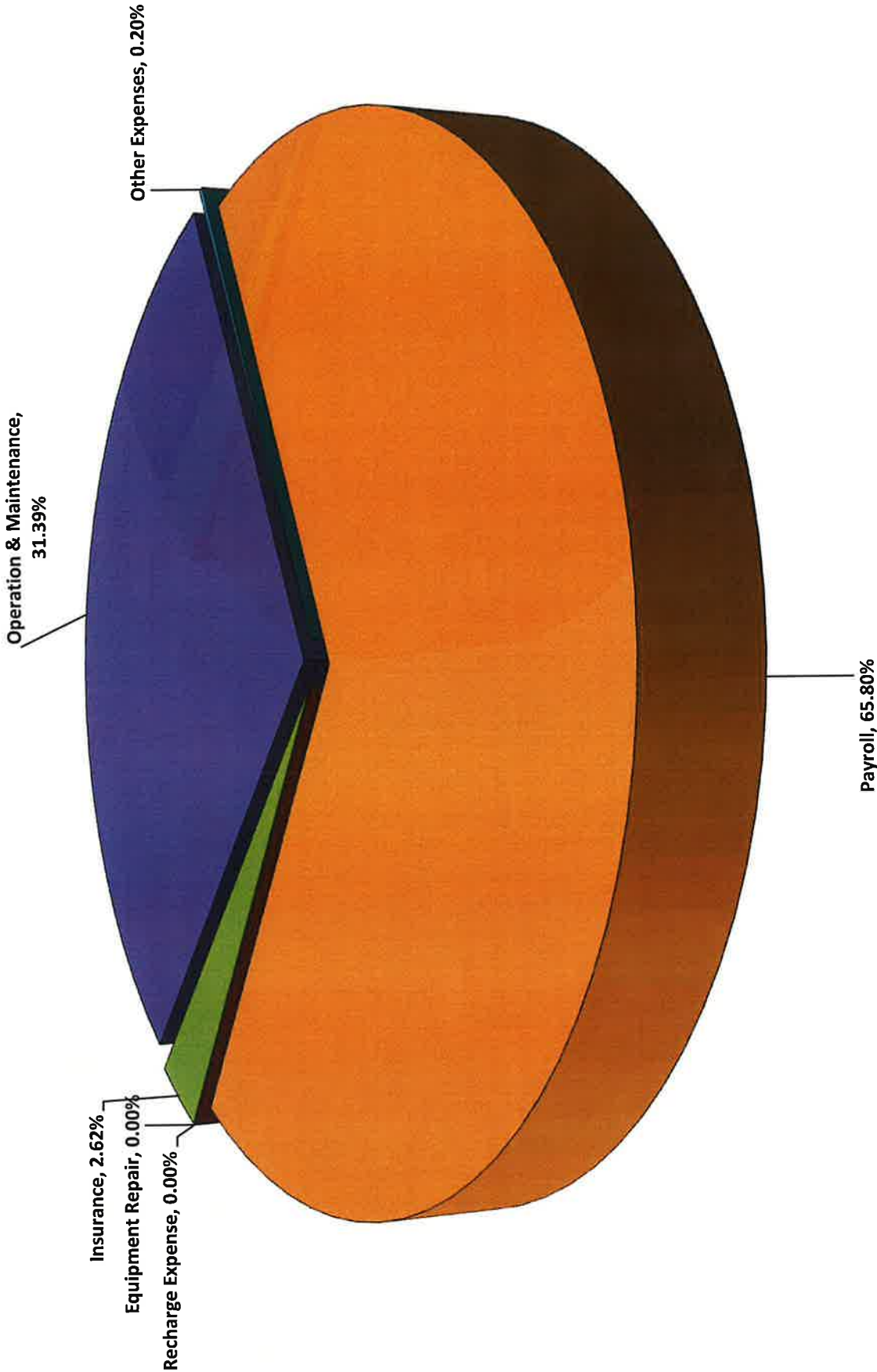
Very truly yours,

Searle Hart & Associates, PLLC
SEARLE HART & ASSOCIATES, PLLC
Certified Public Accountants

Water District No. 34



Expenses 2023



Expense Trends

