

**EASTERN IDAHO REGIONAL
WASTEWATER AUTHORITY
SHELLEY, IDAHO
ANNUAL FINANCIAL STATEMENTS
and
OTHER SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
Year Ended September 30, 2019**

**EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
ANNUAL FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Eastern Idaho Regional Wastewater Authority
Shelley, Idaho**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Eastern Idaho Regional Wastewater Authority, Shelley, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 the Eastern Idaho Regional Wastewater Authority, Shelley, Idaho, as of September 30, 2019, 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 analysis and other required supplementary information listed in the table of contents 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Eastern Idaho Regional Wastewater Authority's 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Eastern Idaho Regional Wastewater Authority's basic financial statements. The Budget and Actual schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budget and Actual schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2019, on our consideration of the Eastern Idaho Regional Wastewater Authority, Shelley, 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, PLLC

Idaho Falls, Idaho
December 10, 2019

FINANCIAL SECTION

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF NET POSITION
September 30, 2019

	Business- type Activities	Total
ASSETS		
Current assets:		
Cash and Investments	\$ 4,189,416	\$ 4,189,416
Assessments receivable	74,947	74,947
Intergovernmental receivable	523,675	523,675
Other receivables	-	-
Other assets	-	-
Inventory - Critical needs parts	111,897	111,897
Prepaid expenses	6,016	6,016
	<u>4,905,951</u>	<u>4,905,951</u>
Total current assets		
Noncurrent assets:		
Intergovernmental receivable - long-term	400,400	400,400
Capital assets		
Land and easements	413,400	413,400
Construction in progress	446,260	446,260
Building and grounds	12,898,883	12,898,883
Equipment	3,999,575	3,999,575
Infrastructure	31,916,973	31,916,973
Accumulated depreciation	(14,816,272)	(14,816,272)
	<u>34,858,819</u>	<u>34,858,819</u>
Total capital assets		
Total noncurrent assets	<u>35,259,219</u>	<u>35,259,219</u>
TOTAL ASSETS	<u>40,165,170</u>	<u>40,165,170</u>
DEFERRED OUTFLOWS		
Deferred outflows - Other	-	-
Deferred outflows - Pension	9,811	9,811
	<u>9,811</u>	<u>9,811</u>
TOTAL DEFERRED OUTFLOWS		

	Business- type Activities	Total
LIABILITIES		
Current liabilities:		
Accounts payable	131,135	131,135
Accrued compensation	14,812	14,812
Notes payable - current portion	9,625	9,625
Total current liabilities	155,572	155,572
Noncurrent liabilities:		
Notes payable - net of current portion	572,217	572,217
Net pension liability	60,459	60,459
Total noncurrent liabilities	632,676	632,676
TOTAL LIABILITIES	788,248	788,248
DEFERRED INFLOWS		
Deferred inflows - Other	1,115,900	1,115,900
Deferred inflows - Pension	27,722	27,722
TOTAL DEFERRED INFLOWS	1,143,622	1,143,622
NET POSITION		
Net investment in capital assets	34,276,977	34,276,977
Restricted for:		
Capital improvements	-	-
Debt service	9,625	9,625
Other purposes	-	-
Unrestricted	3,956,509	3,956,509
TOTAL NET POSITION	\$ 38,243,111	\$ 38,243,111

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended September 30, 2019

OPERATING REVENUES

Assessment charges	\$ 1,410,261
Other revenue	<u>1,921,575</u>
Total operating revenues	<u>3,331,836</u>

OPERATING EXPENSES

Auto expense	1,418
Contract services	87,081
Depreciation expense	1,637,064
Facilities and equipment	209
Insurance	33,815
Office operations	2,768
Payroll expense	281,238
Plant operations	203,663
Repairs and operations	149,779
Travel and meetings	3,186
Utilities	253,948
Other expenses	<u>4,311</u>
Total operating expenses	<u>2,658,480</u>
Income (loss) from operations	<u>673,356</u>

NON-OPERATING REVENUES (EXPENSES)

Insurance claim proceeds	16,949
Interest income	26,932
Interest expense	-
Grant revenue	16,668
Gain (loss) on sale of assets	<u>(16,193)</u>
Total nonoperating revenue (expenses)	<u>44,356</u>
Change in net position	717,712

NET POSITION, OCTOBER 1, 2018 37,525,399

NET POSITION, SEPTEMBER 30, 2019 \$ 38,243,111

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,627,366
Cash payments for goods and services	(641,930)
Cash payments to employees	(283,915)
Other operating cash payments	<u>(4,311)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,697,210</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

16,668

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(573,561)
Insurance proceeds	16,949
Payments on long-term debt	<u>-</u>

NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(556,612)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>26,932</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>26,932</u>
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INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS

1,184,198

CASH AND CASH EQUIVALENTS, OCTOBER 1, 2018

3,005,218

CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2019

\$ 4,189,416

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

Operating income	\$ 673,356
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,637,064
Pension expense associated with net pension liability	1,649
(Increase) decrease in receivables	(704,470)
(increase) decrease in inventory	(19,631)
(Increase) decrease in prepaid expenses	(4,694)
Increase (decrease) in payables	118,262
Increase (decrease) in accrued expenses	(4,326)
Increase (decrease) in prepaid connections	<u>-</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,697,210</u>
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EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF NON-CASH, CAPITAL, AND FINANCING ACTIVITIES
For the Year Ended September 30, 2019

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Redeemed prepaid connection fees	\$ <u>-</u>
Total noncash investing, capital and financing activites	\$ <u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
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For the Year Ended September 30, 2019**

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EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

1. SUMMARY OF ACCOUNTING POLICIES

The Eastern Idaho Regional Wastewater Authority is organized through a joint powers agreement and operates under the provisions of the Idaho Constitution and the accounting policies and practices of the Authority conform to generally accepted accounting principles (GAAP) as applied to governments. A summary of the Authority'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 the Eastern Idaho Regional Wastewater Authority. The business and property of the Authority are managed by the Board of Directors who are empowered to sign contracts, documents, checks and other instruments for the payment of money. They also set the budget and establish all fees and assessment charges for the Authority.

B. BASIS OF ACCOUNTING

Eastern Idaho Regional Wastewater Authority 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 Authority are included in the Statement of Net Position.

C. BUDGETS AND BUDGETARY ACCOUNTING

The basic requirements for the budget process are as follows:

1. Formulation of subsequent year budget requirements by internal Authority officials and personnel.
2. Perusal of formulated budgets by Authority officials.
3. Presentation of preliminary and final budget requirements in formal news media of the Authority.
4. Open hearings to permit taxpayer input before such budgets are formally adopted.

Subsequent control of the budget following adoption is accomplished through a budget-expenditures control system with interim status accounting and reporting made available to officials and employees for management purposes. Budgets are adopted on the cash basis of accounting.

D. CAPITAL ASSETS

Capital assets include Authority owned land, buildings, improvements and equipment used in the operation of the Authority. Depreciation is recognized by the Authority on assets on a straight-line basis with lives ranging from 3 to 50 years. The following limits for capitalization have been established by management: electrical equipment over \$4,000, mechanical equipment over \$20,000, other equipment over \$10,000, buildings, improvements, and land over \$50,000, infrastructure over \$250,000, or other significant assets as determined by management.

E. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Accumulated unpaid vacation and other employee benefits are accrued when incurred in proprietary funds on the accrual basis of accounting. A liability for unpaid vacation and accrued wages of \$14,812 was recorded as of September 30, 2019.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

F. ENCUMBRANCE ACCOUNTING

Encumbrance accounting methods were not used in the preparation of the Eastern Idaho Regional Wastewater Authority's financial statements. Uncommitted appropriations lapse at year-end and commitments are reappropriated in next year's budget.

G. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as bank demand deposit accounts, short term liquid certificates of deposit, and short-term investments.

H. REVENUES AND EXPENSES

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

The principal revenues of the Authority are assessment fees. Operating expenses for the Authority include the costs of maintaining the wastewater treatment system, administration, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

I. DEFERRED OUTFLOWS/DEFERRED INFLOWS

On the Statement of Net Position, there is a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition, there is also a separate financial statement section for deferred inflows. This financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized until that time.

J. PENSIONS

For purposes of measuring the net pension liability and pension expense, 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.

K. 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.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

2. CASH AND INVESTMENTS

Cash deposits and investments by the Authority as of September 30, 2019, totaled \$4,189,416, of which \$970,630 represented demand deposits and cash on hand and \$3,218,786 represented investments in certificates of deposits and U.S. Treasury Securities.

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

Deposits

At year end, the carrying amount of the Authority's deposits in financial institutions was \$970,630 and the bank balance was \$1,014,163. The amount not covered by FDIC insurance was \$514,163.

Investments

The fair value of the Authority's investments at year end was \$3,218,786. The amount not covered by SIPC or FDIC insurance was \$2,718,786.

The deposits of the Authority are not collateralized nor are they required to be by Idaho State statutes. The simple time certificates of deposits are fully collateralized.

The Authority does not have a written policy addressing credit risk, custodial credit risk or interest risk.

At year end, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			Rating	Per Cent
		<1	1 – 5	>5		
Cert. of Deposits	\$ 1,720,035	\$ 1,720,035	\$ -	\$ -	N/A	54%
U.S. Treasury Securities	1,498,751	1,498,751	-	-	AA+/AAA	46%
Total	\$ 3,218,786	\$ 3,218,786	\$ -	\$ -		100%

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

2. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

Fair value accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value guidance also establishes a fair value hierarchy that requires a government to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level hierarchy is used as follows:

- Level 1: fair value is determined using quoted prices (unadjusted) for identical assets or liabilities in active markets that the government can access at the measurement date.
- Level 2: fair value is determined using inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly, such as quote prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs are derived principally from or corroborated by observable market data
- Level 3: fair value is determined using unobservable inputs for an asset or liability and requires the government to develop its own assumptions, based on the best information available in the circumstances, about the considerations market participants would use in pricing the asset or liability.

The following table represents the Authority's investments that are measured or disclosed at a fair value on a recurring basis. The County does not have any financial assets that are measured at fair value on a non-recurring basis.

	Fair Value Hierarchy				
	Level 1	Level 2	Level 3	Total	
Certificates of Deposit	\$ -	\$ 1,720,035	\$ -	\$ 1,720,035	
U.S. Treasury Securities	-	1,498,751	-	1,498,751	
	\$ -	\$ 3,218,786	\$ -	\$ 3,218,786	

The government bond funds are valued using quoted market prices. The certificates of deposits are investments in traded certificates of deposit, which are reported in concurrent investments, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

3. CAPITAL ASSETS

The following assets included in buildings, equipment and infrastructure have been entered at historical cost from depreciation records. Changes in capital assets for the year ended September 30, 2019 are as follows:

	Balance 10-01-2018	Additions	Deletions	Balance 09-30-2019
Capital assets, not being depreciated				
Land	\$ 174,200	\$ -	\$ -	\$ 174,200
Easements	239,200	-	-	239,200
Construction in progress	-	446,260	-	446,260
Total capital assets, not being depreciated	413,400	446,260	-	859,660
Capital assets, being depreciated				
Equipment	3,897,575	127,301	(25,301)	3,999,575
Buildings and improvements	12,898,883	-	-	12,898,883
Infrastructure	31,916,973	-	-	31,916,973
Total capital assets, being depreciated	48,713,431	127,301	(25,301)	48,815,431
Less accumulated depreciation for				
Equipment	(1,498,057)	(244,911)	9,108	(1,733,860)
Buildings and improvements	(4,545,357)	(515,955)	-	(5,061,312)
Infrastructure	(7,144,902)	(876,198)	-	(8,021,100)
Total accumulated depreciation	(13,188,316)	(1,637,064)	9,108	(14,816,272)
Total capital assets, being depreciated, net	35,525,115	(1,509,763)	(16,193)	33,999,159
Total capital assets, net	\$ 35,938,515	\$ (1,063,503)	\$ (16,193)	\$ 34,858,819

Depreciation expense for the year ended September 30, 2019 was \$1,637,064.

**EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

4. PENSION PLAN

Plan Description

The Authority 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, 2019, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The Authority's contributions were \$20,364 for the year ended June 30, 2019.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

4. PENSION PLAN (Continued)

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

At September 30, 2019, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority'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, 2019, the Authority's proportion was .0052966 percent.

For the year ended September 30, 2019, the Authority recognized pension expense/(revenue) of \$19,110. At September 30, 2019, the Authority 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	\$ 5,619	\$ 7,125
Changes in assumptions or other inputs	3,363	-
Net difference between projected and actual earnings on pension plan investments	-	20,597
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	(4,910)	-
Authority contributions subsequent to the measurement date	<u>5,739</u>	<u>-</u>
Total	\$ <u>9,811</u>	\$ <u>27,722</u>

A portion of deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$5,739 for the year ended September 30, 2019, 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, 2018, the beginning of the measurement period ended June 30, 2019 is 4.8 years.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

4. PENSION PLAN (Continued)

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:

Year ended September 30:

2020	\$	(2,177)
2021		(9,327)
2022		(4,543)
2023		(2,693)
2024		-
Total	\$	<u>(18,740)</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, 2019 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 including mortality. The total pension liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

4. PENSION PLAN (Continued)

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.

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 show 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, 2017:

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%		10% - 20%
Fixed Income	3.05%	3.75%		23% - 33%
Cash	2.25%	0.90%		0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed inflation – Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long – Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long – Term Expected Geometric Rate of Return, Net of investments	7.05%

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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)	\$182,610	\$60,459	(\$40,556)

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 September 30, 2019, the Authority reported payables to the defined benefit pension plan of \$807 for legally required employer contributions and \$484 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

5. LONG-TERM DEBT

Melaleuca, Inc. paid for some of the infrastructure development of the Northern Interceptor section of the Authority's infrastructure. The Authority entered into an agreement with Melaleuca, Inc. to reimburse them for \$745,000 of the costs. These payments are to be collected from 50% of all connection fees the Authority collects for new connections to the Northern Interceptor section of the infrastructure. As of September 30, 2019, there is a remaining liability balance of \$581,842 payable to Melaleuca, Inc. of which, \$9,625 is due within the next fiscal year.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

5. LONG-TERM DEBT (Continued)

During the year ended September 30, 2019, the following changes occurred in long-term debt:

	Balance 10-01-2018	Additions	Reductions	Balance 09/30/2019	Amounts due within one year
Compensated absences	\$ 14,427	\$ 385	\$ -	\$ 14,812	\$ 14,812
Melaleuca note payable	581,842	-	-	581,842	9,625
Net pension liability	81,063	-	20,604	60,459	-
Total	\$ 677,332	\$ 385	\$ 20,604	\$ 657,113	\$ 24,437

6. RELATED PARTY TRANSACTIONS

The Authority has agreed to accept wastewater from Bonneville County's landfill. As of September 30, 2019, Bonneville County owed the Authority \$23,925 for wastewater disposal.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report.

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

10. JOINT POWERS AGREEMENT

The Eastern Idaho Regional Wastewater Authority was organized through a joint powers agreement between the City of Ammon, the City of Shelley, Bingham County, and Bonneville County to provide a treatment plant for wastewater. The City of Ammon, City of Shelley, Bingham County and Bonneville County entered into the joint powers agreement to provide joint financing, design, acquisition, construction, management, and operation of a regional wastewater treatment and disposal facility.

The Eastern Idaho Regional Wastewater Authority (EIRWWA) is a separate legal entity. It is governed by a board made up of representatives from each of the members of the joint powers agreement. Capitalized assets acquired by the members of the joint powers agreement for EIRWWA during the construction phase are donated to the Authority as that phase becomes operational.

The Authority's Board of Directors assesses and collects from each participating member discharge/hookup fees, operation and maintenance fees, and fees to pay for costs in excess of defined equivalent residential unit (ERU) allocations each year.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

10. JOINT POWERS AGREEMENT (Continued)

Each member must collect, as a minimum, discharge/hookup fees, and operation and maintenance fees established by the board and remit them to the Authority. Each member may also establish its own operation and maintenance fees and discharge/hookup fees in addition to those determined by the board as well as debt service fees. Each member of the joint powers agreement pays a percentage of the repair, operation, and maintenance of the facility and transmission lines. Currently, each member is individually responsible for repayment of any debt they incurred during construction.

In the event of federal, state, or local court action concerning the facility, each member will assume responsibility for such litigation in a direct proportion to the percentage of use of the system. If the facility needs to expand in the future and the Authority does not have adequate funds in their reserve fund accumulated from the discharge/hookup fees, each member of the joint powers agreement will pay additional funds necessary to construct the next phase of the development of the facility.

During the fiscal year ended September 30, 2010, the facility began accepting flow from the City of Shelley, Bonneville County, and Bingham County. As per the joint powers agreement, the capitalized assets acquired during the construction of that phase were transferred to the Authority. The initial capitalization of the venture as of September 30, 2010, was \$27,863,728. During the 2012 fiscal year, EIRWWA began accepting flow from the City of Ammon. As per the agreement, the capitalized assets of \$17,480,587 accumulated during the construction phase were transferred to the Authority. Also during the 2012 fiscal year, a water interceptor line was completed by the City of Shelley and assets in the amount of \$76,500 were transferred to the Authority. During the 2013 fiscal year, additional infrastructure allowing the Authority to accept more flow from the City of Ammon was completed and \$805,225 in capital assets were transferred. Ammon also contributed \$4,434 for a regular, non-capital, expense. As other phases of construction are completed, the capitalized assets acquired during the construction will be transferred.

11. LITIGATION AND CONTINGENT LIABILITIES

There are no claims against the Authority at September 30, 2019 that would expose the Authority beyond amounts covered by insurance.

12. INVENTORY

Inventory is stated on a cost basis determined by the first-in-first-out (FIFO) method.

13. NOTE RECEIVABLE

During the 2019 fiscal year, the Authority made an agreement with the City of Ammon to allow them to pay for connections fees in the amount of \$800,800 from an apartment complex development in four equal annual payments. The first payment of \$200,200 was received in June 2019. The balance outstanding as of September 30, 2019 was \$600,600.

14. MEMBRANE REPLACEMENT

In August 2019, the Authority signed a contract to purchase new membranes for the plant in the amount of \$1,017,450. Installation costs will go out to bid during the 2020 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY - STATE OF IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net pension liability	0.00529666%	0.0054957%	0.0057740%	0.0060110%	0.0060414%
Employer's proportionate share of the net pension liability	\$ 60,459	\$ 81,063	\$ 90,757	\$ 121,852	\$ 79,555
Employer's covered employee payroll	\$ 179,894	\$ 176,816	\$ 179,335	\$ 175,799	\$ 169,219
Employer's proportional share of the net pension liability as a percentage of its covered payroll	33.61%	45.85%	50.61%	69.31%	47.01%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY - STATE OF IDAHO
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>	
2015	\$ 19,393	\$ 19,393	\$ -	\$ 171,311	11.32%	
2016	\$ 20,684	\$ 20,684	\$ -	\$ 182,716	11.32%	
2017	\$ 20,138	\$ 20,138	\$ -	\$ 177,900	11.32%	
2018	\$ 20,150	\$ 20,150	\$ -	\$ 178,005	11.32%	
2019	\$ 20,759	\$ 20,759	\$ -	\$ 181,117	11.46%	¹

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

Data reported is measured as of September 30.

¹ Contribution rates increase, effective for payroll periods beginning on or after July 1, 2019.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERSI-BASE PLAN
For the Year Ended September 30, 2019

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, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan
Valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open
Remaining amortization period	10.6 years
Asset valuation method	Market value
<u>Actuarial assumptions:</u>	
Investment Rate of Return – Gross	7.00%
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%

OTHER SUPPLEMENTARY INFORMATION

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
For the Year Ended September 30, 2019

	BUDGETED AMOUNTS		BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Fees and fines	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	80,340
Charges for services	1,030,413	1,030,413	2,538,935
Investment earnings	-	-	23,334
Miscellaneous	-	-	311
TOTAL REVENUE	1,030,413	1,030,413	2,642,920
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	3,233,915	3,233,915	1,481,669
Health and sanitation	-	-	-
Conservation/economic development	-	-	-
Education	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	3,233,915	3,233,915	1,481,669
Excess (deficiency) of revenues over expenditures	(2,203,502)	(2,203,502)	1,161,251
Gain (Loss) on sale of assets	-	-	-
Net change in fund balances	(2,203,502)	(2,203,502)	1,161,251
Net Position, October 1, 2018	37,525,399	37,525,399	37,525,399
NET POSITION, SEPTEMBER 30, 2019	\$ 35,321,897	\$ 35,321,897	\$ 38,686,650

<u>GAAP</u> <u>DIFFERENCES</u>	<u>GAAP</u> <u>BASIS</u>
\$ -	\$ -
-	-
128,629	208,969
600,600	3,139,535
3,598	26,932
<u>16,638</u>	<u>16,949</u>
<u>749,465</u>	<u>3,392,385</u>
-	-
-	-
1,176,811	2,658,480
-	-
-	-
-	-
-	-
-	-
<u>1,176,811</u>	<u>2,658,480</u>
(427,346)	733,905
<u>(16,193)</u>	<u>(16,193)</u>
(443,539)	717,712
<u>-</u>	<u>37,525,399</u>
\$ <u><u>(443,539)</u></u>	\$ <u><u>38,243,111</u></u>

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019

1. The budget was adopted 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 Honorable Board of Directors
Eastern Idaho Regional Wastewater Authority – State of Idaho
Shelley, 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 the Eastern Idaho Regional Wastewater Authority, Shelley, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Eastern Idaho Regional Wastewater Authority, Shelley, 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 the Eastern Idaho Regional Wastewater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastern Idaho Regional Wastewater Authority'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Searle Hart + Associates, PLLC

Idaho Falls, Idaho
December 10, 2019