

**EASTERN IDAHO REGIONAL
WASTEWATER AUTHORITY
SHELLEY, IDAHO
ANNUAL FINANCIAL STATEMENTS
and
OTHER SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
Year Ended September 30, 2020**

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
ANNUAL FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

ITEM	TABLE OF CONTENTS	PAGE NO.
Independent Auditor's Report		
<i>FINANCIAL SECTION</i>		
Statement of Net Position		1 - 2
Statement of Revenues, Expenses and Changes in Net Position		3
Statement of Cash Flows		4
Statement of Noncash Investing, Capital and Financing Activities		5
Index to Notes to the Financial Statements		6
Notes to the Financial Statements		7 - 17
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>		
Schedule of Employer's Share of Net Pension Liability - PERSI Base Plan		18
Schedule of Employer Contributions - PERSI Base Plan		19
Notes to the Required Supplementary Information - PERSI Base Plan		20
<i>OTHER SUPPLEMENTARY INFORMATION</i>		
Budget and Actual (with Budget to GAAP Differences)		21 - 22
Notes to the Other Supplementary Information		23
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		24 - 25



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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, 2020, 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, 2020, 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 November 19, 2020, 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, P.C.

Idaho Falls, Idaho
November 19, 2020

FINANCIAL SECTION

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF NET POSITION
September 30, 2020

	Business- type Activities	Total
ASSETS		
Current assets:		
Cash and Investments	\$ 4,248,126	\$ 4,248,126
Assessments receivable	11,271	11,271
Intergovernmental receivable	243,100	243,100
Other receivables	-	-
Other assets	-	-
Inventory - Critical needs parts	111,897	111,897
Prepaid expenses	3,706	3,706
Total current assets	<u>4,618,100</u>	<u>4,618,100</u>
Noncurrent assets:		
Intergovernmental receivable - long-term	200,200	200,200
Capital assets		
Land and easements	413,400	413,400
Construction in progress	2,195,003	2,195,003
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	<u>(16,380,376)</u>	<u>(16,380,376)</u>
Total capital assets	<u>35,043,458</u>	<u>35,043,458</u>
Total noncurrent assets	<u>35,243,658</u>	<u>35,243,658</u>
TOTAL ASSETS	<u>39,861,758</u>	<u>39,861,758</u>
DEFERRED OUTFLOWS		
Deferred outflows - Prepaid Connection	-	-
Deferred outflows - Pension	<u>27,093</u>	<u>27,093</u>
TOTAL DEFERRED OUTFLOWS	<u>27,093</u>	<u>27,093</u>

	Business- type Activities	Total
LIABILITIES		
Current liabilities:		
Accounts payable	352,299	352,299
Accrued compensation	14,412	14,412
Notes payable - current portion	16,774	16,774
Total current liabilities	383,485	383,485
Noncurrent liabilities:		
Notes payable - net of current portion	563,144	563,144
Net pension liability	120,823	120,823
Total noncurrent liabilities	683,967	683,967
TOTAL LIABILITIES	1,067,452	1,067,452
DEFERRED INFLOWS		
Deferred inflows - Other	1,115,900	1,115,900
Deferred inflows - Pension	3,945	3,945
TOTAL DEFERRED INFLOWS	1,119,845	1,119,845
NET POSITION		
Net investment in capital assets	34,463,540	34,463,540
Restricted for:		
Capital improvements	-	-
Debt service	16,774	16,774
Other purposes	-	-
Unrestricted	3,221,240	3,221,240
TOTAL NET POSITION	\$ 37,701,554	\$ 37,701,554

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended September 30, 2020

OPERATING REVENUES

Assessment charges	\$ 1,140,549
Other revenue	<u>915,574</u>
Total operating revenues	<u>2,056,123</u>

OPERATING EXPENSES

Auto expense	7,240
Contract services	94,130
Depreciation expense	1,564,104
Facilities and equipment	-
Insurance	32,537
Office operations	3,447
Payroll expense	319,976
Plant operations	141,071
Repairs and operations	263,398
Travel and meetings	2,277
Utilities	228,883
Other expenses	<u>2,868</u>
Total operating expenses	<u>2,659,931</u>
Income (loss) from operations	<u>(603,808)</u>

NON-OPERATING REVENUES (EXPENSES)

Insurance claim proceeds	-
Interest income	51,451
Interest expense	-
Grant revenue	10,800
Gain (loss) on sale of assets	<u>-</u>
Total nonoperating revenue (expenses)	<u>62,251</u>
Change in net position	(541,557)

NET POSITION, OCTOBER 1, 2019	<u>38,243,111</u>
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NET POSITION, SEPTEMBER 30, 2020	\$ <u><u>37,701,554</u></u>
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EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,600,574
Cash payments for goods and services	(549,509)
Cash payments to employees	(300,671)
Other operating cash payments	<u>(2,868)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,747,526</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

10,800

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(1,748,743)
Insurance proceeds	-
Payments on long-term debt	<u>(2,324)</u>

NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,751,067)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>51,451</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>51,451</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,710
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CASH AND CASH EQUIVALENTS, OCTOBER 1, 2019	<u>4,189,416</u>
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CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2020	<u><u>\$ 4,248,126</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ (603,808)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,564,104
Pension expense associated with net pension liability	19,305
(Increase) decrease in receivables	344,251
(increase) decrease in inventory	-
(Increase) decrease in prepaid expenses	2,310
Increase (decrease) in payables	221,164
Increase (decrease) in accrued expenses	-
Increase (decrease) in prepaid connections	<u>200,200</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 1,747,526</u></u>
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EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
STATEMENT OF NON-CASH, CAPITAL, AND FINANCING ACTIVITIES
For the Year Ended September 30, 2020

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Redeemed prepaid connection fees

\$ -

Total noncash investing, capital and financing activities

\$ -

NOTES TO THE FINANCIAL STATEMENTS

**EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

NOTES INDEX

1. Summary of Significant Accounting Policies
 - A. Reporting Entity
 - B. Basis of Accounting
 - C. Budgets and Budgetary Accounting
 - D. Capital Assets
 - E. Compensated Absences and Post Employment Benefits
 - F. Encumbrance Accounting
 - G. Cash and Cash Equivalents
 - H. Revenues and Expenses
 - I. Deferred Outflows/Deferred Inflows
 - J. Pensions
 - K. Use of Estimates
2. Cash
3. Capital Assets
4. Pension Plan
5. Long-term Debt
6. Related Party Transactions
7. Subsequent Events
8. Material Violation of Finance-Related Legal and Contractual Provisions
9. Risk Management
10. Joint Powers Agreement
11. Litigation and Contingent Liabilities
12. Inventory
13. Note Receivable
14. Membrane Replacement

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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 \$14,412 was recorded as of September 30, 2020.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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, 2020

2. CASH

Cash deposits and investments by the Authority as of September 30, 2020, totaled \$4,248,126, of which \$4,248,126 represented demand deposits and cash on hand.

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 \$4,248,126 and the bank balance was \$4,254,227. The amount not covered by FDIC insurance was \$1,486,944.

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, 2020 are as follows:

	Balance 10-01-2019	Additions	Deletions	Balance 09-30-2020
Capital assets, not being depreciated				
Land	\$ 174,200	\$ -	\$ -	\$ 174,200
Easements	239,200	-	-	239,200
Construction in progress	446,260	1,748,743	-	2,195,003
Total capital assets, not being depreciated	859,660	1,748,743	-	2,608,403
Capital assets, being depreciated				
Equipment	3,999,575	-	-	3,999,575
Buildings and improvements	12,898,883	-	-	12,898,883
Infrastructure	31,916,973	-	-	31,916,973
Total capital assets, being depreciated	48,815,431	-	-	48,815,431
Less accumulated depreciation for				
Equipment	(1,733,860)	(171,951)	-	(1,905,811)
Buildings and improvements	(5,061,312)	(515,955)	-	(5,577,267)
Infrastructure	(8,021,100)	(876,198)	-	(8,897,298)
Total accumulated depreciation	(14,816,272)	(1,564,104)	-	(16,380,376)
Total capital assets, being depreciated, net	33,999,159	(1,564,104)	-	32,435,055
Total capital assets, net	\$ 34,858,819	\$ 184,639	\$ -	\$ 35,043,458

Depreciation expense for the year ended September 30, 2020 was \$1,564,104.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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, 2020, it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The Authority's contributions were \$22.122 for the year ended June 30, 2020.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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, 2020, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020, the Authority's proportion was .0052031 percent.

For the year ended September 30, 2020, the Authority recognized pension expense/(revenue) of \$42,024. At September 30, 2020, 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	\$ 9,440	\$ 3,945
Changes in assumptions or other inputs	2,043	-
Net difference between projected and actual earnings on pension plan investments	13,849	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	(4,575)	-
Authority's contributions subsequent to the measurement date	<u>6,336</u>	<u>-</u>
Total	\$ <u>27,093</u>	\$ <u>3,945</u>

\$27,093 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 September 30, 2021.

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

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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 June 30:

2021	\$	390
2022		5,090
2023		6,908
2024		<u>8,999</u>
Total	\$	<u>21,387</u>

Actuarial Assumptions

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

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

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

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

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

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

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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 2020.

Capital Market Assumptions from Callan 2020

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation – Mean		2.25%	2.25%
Assumed Inflation – Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		.40%	.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%

**EASTERN IDAHO REGIONAL WASTEWATER
AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

4. PENSION PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Valuation Assumptions Chosen by PERSI Board			4.05%
Long-Term Expected Real Rate of Return, Net of Investment Expenses Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

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)	\$247,775	\$120,823	\$15,854

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.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

4. PENSION PLAN (Continued)

Payables to the pension plan

At September 30, 2020, the Authority reported payables to the defined benefit pension plan of \$881 for legally required employer contributions and \$529 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. This is a non interest bearing agreement. 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, 2020, there is a remaining liability balance of \$579,918 payable to Melaleuca, Inc. of which, \$16,774 is due within the next fiscal year.

During the year ended September 30, 2020, the following changes occurred in long-term debt:

	Balance 10-01-2019	Additions	Reductions	Balance 09/30/2020	Amounts due within one year
Compensated absences	\$ 14,812	\$ -	\$ 400	\$ 14,412	\$ 14,412
Melaleuca note payable	581,842	-	1,925	579,918	16,774
Net pension liability	60,459	60,364	-	120,823	-
Total	\$ 657,113	\$ 60,364	\$ 2,325	\$ 715,153	\$ 31,186

6. RELATED PARTY TRANSACTIONS

The Authority has agreed to accept wastewater from Bonneville County's landfill. As of September 30, 2020, Bonneville County owed the Authority \$42,900 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.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

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.

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, 2020 that would expose the Authority beyond amounts covered by insurance.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

12. INVENTORY

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

13. NOTE RECEIVABLE

During the 2020 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, 2020 was \$400,400.

14. MEMBRANE REPLACEMENT

The membrane replacement project has been ongoing throughout the 2020 fiscal year. As of September 30, 2020 the Authority has incurred \$1,649,577 in expenses for this project.

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY - STATE OF IDAHO
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>
2015	0.0060414%	\$ 79,555	169,219	47.01%	91.38%
2016	0.0060110%	\$ 121,852	175,799	69.31%	87.26%
2017	0.0057740%	\$ 90,757	179,335	50.61%	90.68%
2018	0.0054957%	\$ 81,063	176,816	45.85%	91.69%
2019	0.0052966%	\$ 60,459	179,894	33.61%	93.79%
2020	0.0052031%	\$ 120,823	185,641	65.08%	88.22%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full trend is compiled, the 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
2020	\$ 22,720	\$ 22,720	\$ -	\$ 190,282	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 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, 2020**

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, 2020. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

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

OTHER SUPPLEMENTARY INFORMATION

EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
For the Year Ended September 30, 2020

	BUDGETED AMOUNTS		BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Fees and fines	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	125,971
Charges for services	1,107,203	1,107,203	2,416,812
Investment earnings	-	-	51,451
Miscellaneous	-	-	2,290
TOTAL REVENUE	1,107,203	1,107,203	2,596,524
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	2,929,004	2,929,004	2,816,533
Health and sanitation	-	-	-
Conservation/economic development	-	-	-
Education	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,929,004	2,929,004	2,816,533
Excess (deficiency) of revenues over expenditures	(1,821,801)	(1,821,801)	(220,009)
Gain (Loss) on sale of assets	-	-	-
Net change in fund balances	(1,821,801)	(1,821,801)	(220,009)
Net Position, October 1, 2019	38,243,111	38,243,111	38,243,111
NET POSITION, SEPTEMBER 30, 2020	\$ 36,421,310	\$ 36,421,310	\$ 38,023,102

<u>GAAP</u> <u>DIFFERENCES</u>		<u>GAAP</u> <u>BASIS</u>	
\$	-	\$	-
	-		-
	(277,950)		(151,979)
	(200,200)		2,216,612
	-		51,451
	-		2,290
	<u>(478,150)</u>		<u>2,118,374</u>
	-		-
	-		-
	(156,602)		2,659,931
	-		-
	-		-
	-		-
	-		-
	-		-
	<u>(156,602)</u>		<u>2,659,931</u>
	(321,548)		(541,557)
	-		-
	(321,548)		(541,557)
	-		38,243,111
\$	<u>(321,548)</u>	\$	<u>37,701,554</u>

**EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020**

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, 2020, 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 November 19, 2020.

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, P.C.

Idaho Falls, Idaho
November 19, 2020