

**EASTERN IDAHO REGIONAL
SEWER DISTRICT
SHELLEY, IDAHO
ANNUAL FINANCIAL STATEMENTS
and
OTHER SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
Year Ended September 30, 2023**

EASTERN IDAHO REGIONAL SEWER DISTRICT
ANNUAL FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Eastern Idaho Regional Sewer District
Shelley, Idaho**

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Eastern Idaho Regional Sewer District, Shelley, Idaho, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Eastern Idaho Regional Sewer District, Shelley, Idaho, as of September 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastern Idaho Regional Sewer District, Shelley, Idaho, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eastern Idaho Regional Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

A ballot measure was approved by the voters to form a new sewer district to operate and replace the existing EIRWWA entity. The new entity was formed on August 16, 2022, under the name of Eastern Idaho Regional Sewer District (EIRSD). Refer to note 14 on page 17 for further details.

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 Sewer District'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 Sewer District'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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2024, on our consideration of the Eastern Idaho Regional Sewer District, 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
January 16, 2024

FINANCIAL SECTION

EASTERN IDAHO REGIONAL SEWER DISTRICT
STATEMENT OF NET POSITION
September 30, 2023

	Business- type Activities	Total
ASSETS		
Current assets:		
Cash and Investments	\$ 11,623,700	\$ 11,623,700
Assessments receivable	1,614	1,614
Intergovernmental receivable	86,625	86,625
Other receivables	74	74
Other assets	-	-
Inventory - Critical needs parts	111,897	111,897
Prepaid expenses	33,958	33,958
Total current assets	11,857,868	11,857,868
Noncurrent assets:		
Intergovernmental receivable - long-term	-	-
Capital assets		
Land and easements	2,214,976	2,214,976
Construction in progress	2,939,720	2,939,720
Building and grounds	12,961,718	12,961,718
Equipment	8,596,765	8,596,765
Infrastructure	31,916,973	31,916,973
Accumulated depreciation	(21,450,995)	(21,450,995)
Total capital assets	37,179,157	37,179,157
Total noncurrent assets	37,179,157	37,179,157
TOTAL ASSETS	49,037,025	49,037,025
DEFERRED OUTFLOWS		
Deferred outflows - Prepaid Connection	-	-
Deferred outflows - Pension	100,654	100,654
TOTAL DEFERRED OUTFLOWS	100,654	100,654

	Business- type Activities	Total
LIABILITIES		
Current liabilities:		
Accounts payable	212,508	212,508
Prepaid assessments	18,333	18,333
Accrued compensation	33,209	33,209
Notes payable - current portion	56,390	56,390
	<u>320,440</u>	<u>320,440</u>
Total current liabilities		
Noncurrent liabilities:		
Notes payable - net of current portion	494,581	494,581
Net pension liability (Asset)	232,289	232,289
	<u>726,870</u>	<u>726,870</u>
Total noncurrent liabilities		
TOTAL LIABILITIES	<u>1,047,310</u>	<u>1,047,310</u>
DEFERRED INFLOWS		
Deferred inflows - Other	1,115,900	1,115,900
Deferred inflows - Pension	-	-
	<u>1,115,900</u>	<u>1,115,900</u>
TOTAL DEFERRED INFLOWS		
NET POSITION		
Net investment in capital assets	36,628,186	36,628,186
Restricted for:		
Capital improvements	-	-
Debt service	56,390	56,390
Other purposes	-	-
Unrestricted	10,289,893	10,289,893
	<u>46,974,469</u>	<u>46,974,469</u>
TOTAL NET POSITION	\$ <u>46,974,469</u>	\$ <u>46,974,469</u>

EASTERN IDAHO REGIONAL SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended September 30, 2023

OPERATING REVENUES

Assessment charges	\$ 4,643,109
Other revenue	<u>1,007,229</u>
Total operating revenues	<u>5,650,338</u>

OPERATING EXPENSES

Auto expense	11,889
Contract services	175,546
Depreciation expense	1,945,084
Facilities and equipment	965
Insurance	41,667
Office operations	7,866
Payroll expense	460,334
Plant operations	286,157
Repairs and operations	243,298
Travel and meetings	6,843
Utilities	315,925
Other expenses	<u>125,817</u>
Total operating expenses	<u>3,621,391</u>
Income (loss) from operations	<u>2,028,947</u>

NON-OPERATING REVENUES (EXPENSES)

Insurance claim proceeds	-
Interest income	286,429
Interest expense	-
Capital Contributions	-
Gain (loss) on sale of assets	<u>-</u>
Total nonoperating revenue (expenses)	<u>286,429</u>
Change in net position	2,315,376

NET POSITION, OCTOBER 1, 2022

44,659,093

NET POSITION, SEPTEMBER 30, 2023

\$ 46,974,469

EASTERN IDAHO REGIONAL SEWER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 5,580,447
Cash payments for goods and services	(1,848,132)
Cash payments to employees	(414,566)
Other operating cash payments	<u>(125,817)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,191,932</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

-

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(2,344,798)
Insurance proceeds	-
Payments on long-term debt	<u>9,624</u>

NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,335,174)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>286,429</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>286,429</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,143,187
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CASH AND CASH EQUIVALENTS, OCTOBER 1, 2022	<u>10,452,738</u>
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CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2023	<u><u>\$ 11,595,925</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ 2,028,947
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,945,084
Pension expense associated with net pension liability	35,142
(Increase) decrease in receivables	(83,045)
(increase) decrease in inventory	-
(Increase) decrease in prepaid expenses	(32,219)
Increase (decrease) in payables	(725,757)
Increase (decrease) in accrued expenses	10,626
Increase (decrease) in prepaid assessments	<u>13,154</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 3,191,932</u></u>
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EASTERN IDAHO REGIONAL SEWER DISTRICT
STATEMENT OF NON-CASH, CAPITAL, AND FINANCING ACTIVITIES
For the Year Ended September 30, 2023

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Redeemed prepaid connection fees	\$ <u>-</u>
Total noncash investing, capital and financing activities	\$ <u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**EASTERN IDAHO REGIONAL SEWER DISTRICT
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For the Year Ended September 30, 2023**

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EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

1. SUMMARY OF ACCOUNTING POLICIES

The Eastern Idaho Regional Sewer District is organized through a joint powers agreement and operates under the provisions of the Idaho Constitution and the accounting policies and practices of the District conform to generally accepted accounting principles (GAAP) as applied to governments. A summary of the District's significant accounting principles applied in the preparation of the accompanying financial statements follows:

A. REPORTING ENTITY

The financial statements included herein present the financial position, results of operations, changes in net position and cash flows for the Eastern Idaho Regional Sewer District. The business and property of the District 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 District.

B. BASIS OF ACCOUNTING

Eastern Idaho Regional Sewer District funds are accounted for on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

C. BUDGETS AND BUDGETARY ACCOUNTING

The basic requirements for the budget process are as follows:

1. Formulation of subsequent year budget requirements by internal District officials and personnel.
2. Perusal of formulated budgets by District officials.
3. Presentation of preliminary and final budget requirements in formal news media of the District.
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 District owned land, buildings, improvements, and equipment used in the operation of the District. Depreciation is recognized by the District 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 \$33,209 was recorded as of September 30, 2023.

**EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

F. ENCUMBRANCE ACCOUNTING

Encumbrance accounting methods were not used in the preparation of the Eastern Idaho Regional Sewer District'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 District are assessment fees. Operating expenses for the District 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 District 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 SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

2. CASH AND INVESTMENTS

Cash deposits and investments by the District as of September 30, 2023, totaled \$11,623,700, of which \$2,324,407 represented demand deposits including cash on hand and \$9,299,293 represented investments.

Deposits

At year end, the carrying amount of the District's deposits in financial institutions was \$2,324,407 and the bank balance was \$2,205,649. The amount not covered by FDIC insurance was \$1,955,649.

Investments

The fair value of the District's investments at year end was \$9,299,293. The amount not covered by SIPC or FDIC insurance was \$8,797,593.

The deposits by the District are not collateralized nor are they required to be by Idaho State statute. The District follows the requirements of the Idaho Public Depository Law (Idaho Code Section, 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.

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

Investment Type	Fair Value	Investment Maturities (in Years)			Rating	Percent
		< 1	1 - 5	> 5		
US Treasury	\$ 9,297,593	\$ 9,297,593	\$ -	\$ -	Aaa	99.9%
Money Market	1,700	1,700	-	-	N/A	.1%
Total Investments	\$ 9,299,293	\$ 9,299,293	\$ -	\$ -		100.0%

The District has a written investment policy addressing credit risk, custodial credit risk, concentration of credit risk and interest risk. The District minimizes credit risk by limiting the investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers, and by diversifying the investment portfolio. The District minimizes custodial credit risk by limiting the investments to financial institutions and broker/dealers who have proof of National Association of Securities Dealers certification, State of Idaho proof of registration, and are willing to provide certification of having read and understood and agree to comply with the District's investment policy.

Concentration of credit risk is limited by diversifying its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution. The District's investment policy reduces interest risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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 quoted 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 City's investments that are measured or disclosed at fair value on a recurring basis. The City does not have any financial assets that are measured at fair value on a non-recurring basis.

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Debt Securities				
US Treasury notes	\$ <u>9,297,593</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,297,593</u>

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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, 2023 are as follows:

	Balance 10-01-2022	Additions	Deletions	Balance 09-30-2023
Capital assets, not being depreciated				
Land	\$ 1,975,776	\$ -	\$ -	\$ 1,975,776
Easements	239,200	-	-	239,200
Construction in progress	5,248,518	2,015,672	(4,324,470)	2,939,720
Total capital assets, not being depreciated	7,463,494	2,015,672	(4,324,470)	5,154,696
Capital assets, being depreciated				
Equipment	4,006,004	4,590,761	-	8,596,765
Buildings and improvements	12,898,883	62,835	-	12,961,718
Infrastructure	31,916,973	-	-	31,916,973
Total capital assets, being depreciated	48,821,860	4,653,596	-	53,475,456
Less accumulated depreciation for				
Equipment	(2,247,039)	(550,417)	-	(2,247,039)
Buildings and improvements	(6,609,179)	(518,469)	-	(6,609,179)
Infrastructure	(10,649,693)	(876,198)	-	(10,649,693)
Total accumulated depreciation	(19,505,911)	(1,945,084)	-	(21,450,891)
Total capital assets, being depreciated, net	29,315,949	2,708,512		32,024,461
Total capital assets, net	\$ 36,779,443	\$ 4,724,184	\$ (4,324,470)	\$ 37,179,157

Depreciation expense for the year ended September 30, 2023 was \$1,945,084.

4. PENSION PLAN

Plan Description

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

**EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

4. PENSION PLAN (Continued)

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2023, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The District's contributions were \$29,551 for the year ended June 30, 2023.

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

At September 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2023, the District's proportion was .00582081 percent.

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

4. PENSION PLAN (Continued)

For the year ended September 30, 2023, the District recognized pension expense/(revenue) of \$64,345. At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,816	\$ -
Changes in assumptions or other inputs	23,002	-
Net difference between projected and actual earnings on pension plan investments	21,804	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	9,307	-
District's contributions subsequent to the measurement date	6,725	-
Total	\$ <u>100,654</u>	\$ <u>-</u>

\$6,725 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, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2023, the beginning of the measurement period ended June 30, 2022 is 4.6 and 4.4 for the measurement period June 30, 2023.

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:

2024	\$ 30,093
2025	14,142
2026	43,992
2027	(3,606)

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.

**EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

4. PENSION PLAN (Continued)

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Contributing Members, Service Retirement Members, and Beneficiaries

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

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The total pension liability as of June 30, 2023 is based on the results of an actuarial valuation date of July 1, 2023.

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 shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2023.

Asset Class	2023
Cash	0.00%
Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Total	100.00%

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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 6.35%, as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer’s proportionate share of the net pension liability (asset)	\$417,782	\$232,289	\$80,684

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, 2023, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

5. LONG-TERM DEBT

Melaleuca, Inc. paid for some of the infrastructure development of the Northern Interceptor section of the District's infrastructure. The District 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 District collects for new connections to the Northern Interceptor section of the infrastructure. As of September 30, 2023, there is a remaining liability balance of \$550,971 payable to Melaleuca, Inc. of which, \$56,390 is due within the next fiscal year.

During the year ended September 30, 2023, the following changes occurred in long-term debt:

	Balance 10-01-2022	Additions	Reductions	Balance 09/30/2023	Amounts due within one year
Compensated absences	\$ 22,583	\$ 10,626	\$ -	\$ 33,209	\$ 33,209
Melaleuca note payable	541,346	9,625	-	550,971	56,390
Net pension liability (Asset)	203,619	28,670	-	232,289	-
Total	\$ 767,548	\$ 48,921	\$ -	\$ 816,469	\$ 89,599

6. RELATED PARTY TRANSACTIONS

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

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

10. LITIGATION AND CONTINGENT LIABILITIES

There are no claims against the District at September 30, 2023 that would expose the District beyond amounts covered by insurance.

11. INVENTORY

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

**EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

12. NOTE RECEIVABLE

During the 2019 fiscal year, the District 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 second in October 2019, and the third in October of 2020. The final payment of \$200,200 was paid in the current fiscal year in October 2022.

13. CREATION OF SEWER DISTRICT

On May 17, 2022, a ballot measure was approved to create a new sewer district to take over and replace the existing Eastern Idaho Regional Sewer District (EIRWWA) entity. EIRWWA was organized through a joint powers agreement between the City of Ammon, the City of Shelley, Bingham County, and Bonneville County.

The new sewer district was officially organized with a new board put in place on August 16, 2022. The financial information will be transferred from EIRWWA to the new district, Eastern Idaho Regional Sewer District (EIRSD) along with all assets and liabilities. The new district will have the authority to bond and will transfer and be responsible for the existing debt now held by the cities of Ammon and Shelley. Operations will continue as in the past. Financial records were for the most part kept under EIRWWA through the current fiscal year. The decision was made to audit and report the financial information as EIRWWA up to the end of September 30, 2023, at which time all assets and liabilities will be transferred to the new entity for financial reporting purposes. This decision allows continuity of reporting for trend analysis and future comparison as the operations are ongoing without substantial changes.

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REQUIRED SUPPLEMENTARY INFORMATION

EASTERN IDAHO REGIONAL SEWER DISTRICT
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	0.00604140%	79,555	169,219	47.01%	91.38%
2016	0.00601100%	121,852	175,799	69.31%	87.26%
2017	0.00577400%	90,757	179,335	50.61%	90.68%
2018	0.00549570%	81,063	176,816	45.85%	91.69%
2019	0.00529660%	60,459	179,894	33.61%	93.79%
2020	0.00520310%	120,823	185,641	65.08%	88.22%
2021	0.00524704%	(4,144)	195,812	-2.12%	100.36%
2022	0.00516962%	203,619	203,865	99.88%	83.09%
2023	0.00582081%	232,289	257,547	90.19%	83.83%

*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 SEWER DISTRICT
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%	
2021	\$ 23,185	\$ 23,185	\$ -	\$ 194,183	11.94%	
2022	\$ 25,273	\$ 25,273	\$ -	\$ 211,665	11.94%	
2023	\$ 30,403	\$ 30,403	\$ -	\$ 257,770	11.79%	2

*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.

2 Contribution rates decrease, effective for payroll periods beginning on or after July 1, 2023.

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERSI-BASE PLAN
For the Year Ended September 30, 2023

Methods and Assumptions Used in Calculations of Actuarily Determined Contributions

The actuarially determined contribution rates in the employer's contributions are calculated as of June 30, 2023. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI
	Base Plan
Valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open
Remaining amortization period	13.5 years
Asset valuation method	Fair Market value
<u>Actuarial assumptions:</u>	
Investment Rate of Return *	6.35%
Projected salary increases including inflation	3.05%
Postretirement benefit increase	1.00%
Implied price inflation rate	2.30%
Discount Rate – Actuarial Accrued Liability	6.35%

* net of investment expenses

OTHER SUPPLEMENTARY INFORMATION

EASTERN IDAHO REGIONAL SEWER DISTRICT
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
For the Year Ended September 30, 2023

	BUDGETED AMOUNTS		BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Fees and fines	\$ -	\$ -	\$ 88
Licenses and permits	-	-	12,600
Intergovernmental	140,000	140,000	1,011,122
Charges for services	1,423,231	1,423,231	4,643,109
Investment earnings	-	-	286,429
Miscellaneous	-	-	11,194
TOTAL REVENUE	1,563,231	1,563,231	5,964,542
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	25,147,231	25,147,231	3,985,467
Health and sanitation	-	-	-
Conservation/economic development	-	-	-
Education	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	25,147,231	25,147,231	3,985,467
Excess (deficiency) of revenues over expenditures	(23,584,000)	(23,584,000)	1,979,075
Grant revenue (capital contributions)	-	-	-
Gain (Loss) on sale of assets	-	-	-
Net change in fund balances	(23,584,000)	(23,584,000)	1,979,075
Net Position, October 1, 2022	44,659,093	44,659,093	44,659,093
NET POSITION, SEPTEMBER 30, 2023	\$ 21,075,093	\$ 21,075,093	\$ 46,638,168

GAAP DIFFERENCES	GAAP BASIS
\$ -	\$ 88
-	12,600
(27,775)	983,347
-	4,643,109
-	286,429
-	11,194
<u>(27,775)</u>	<u>5,936,767</u>
-	-
-	-
(364,076)	3,621,391
-	-
-	-
-	-
-	-
-	-
-	-
<u>(364,076)</u>	<u>3,621,391</u>
336,301	2,315,376
-	-
-	-
<u>336,301</u>	<u>2,315,376</u>
-	44,659,093
<u>336,301</u>	<u>46,974,469</u>
\$ <u><u>336,301</u></u>	\$ <u><u>46,974,469</u></u>

EASTERN IDAHO REGIONAL SEWER DISTRICT
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2023

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 Sewer District – 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 Sewer District, Shelley, Idaho, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 16, 2024.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Eastern Idaho Regional Sewer District, 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 Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control, as defined above, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastern Idaho Regional Sewer District'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
January 16, 2024