Financial Statements
November 30, 2019 and 2018

Sun Valley Water & Sewer District

EideBailly

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Independent Auditor's Report

To the Board of Directors
Sun Valley Water & Sewer District
Sun Valley, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the Sun Valley Water & Sewer District (the District), as of and for the years ended November 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the District' s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and 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 audits. We conducted our audits 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 audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sun Valley Water & Sewer District, as of November 30, 2019 and 2018, and the respective changes its financial position and its cash flows for the years then ended in accordance 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 that the schedule of District's share of net pension liability and schedule of employer contributions as 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
June 12, 2020

Sun Valley Water & Sewer District

Statements of Net Position

November 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 5,617,033	$ 4,876,492
Accounts receivable	176,042	230,921
Taxes receivable	1,278,295	1,506,837
Prepaid expenses	13,496	12,613
Inventory	79,192	43,247
Capital assets (not subject to depreciation)	832,011	1,710,493
Capital assets (net of depreciation)	21,415,246	20,620,584
Total assets	29,411,315	29,001,187
Deferred Outflows of Resources		
Net pension obligation	69,620	46,822
Total deferred outflows of resources	69,620	46,822
Liabilities		
Accounts payable	172,334	408,879
Accrued liabilities	96,369	129,079
Long-term debt	1,907,101	2,499,769
Net pension obligation	146,314	158,901
Total liabilities	2,322,118	3,196,628
Deferred Inflows of Resources		
Net pension obligation	67,089	29,656
Property tax	1,276,870	1,608,658
Total deferred inflows of resources	1,343,959	1,638,314
Net Position		
Investment in capital assets	22,247,257	22,331,077
Unrestricted	3,567,601	1,881,990
Total net position	$ 25,814,858	$ 24,213,067

See Notes to Financial Statements

	2019	2018
Operating Revenues		
Water sales	$ 743,177	$ 759,271
Sewer sales	782,361	784,125
Irrigation and snowmaking	850,622	924,827
Fees	1,125	1,500
Total operating revenues	2,377,285	2,469,723
Operating Expenses		
Sewage treatment plant operation	446,243	505,148
Labor- Operations and maintenance	316,886	224,075
Labor- Administration and board	146,685	168,427
Benefits	155,249	77,576
Materials and supplies	20,176	50,812
Repairs and maintenance	156,664	208,865
Payroll taxes	45,390	37,047
Insurance	38,281	35,258
Utilities	227,133	235,957
Professional fees	75,602	62,390
Outside consultants	49,137	8,125
Miscellaneous	45,436	38,194
Depreciation	990,060	960,315
Total operating expenses	2,712,942	2,612,189
Operating Loss	(335,657)	(142,466)
Nonoperating Revenue (Expense)		
Interest income	128,024	82,143
Property taxes	1,612,596	1,554,664
Capital improvement fees	24,000	30,000
State sales tax	59,891	58,472
Miscellaneous revenue	150,120	13,250
Reimbursed project costs	9,259	10,524
Bond issuance costs and fees	(750)	(36,250)
Interest expense	(45,692)	(129,123)
Total nonoperating revenue	1,937,448	1,583,680
Change in Net Position	1,601,791	1,441,214
Net Position, Beginning of Year	24,213,067	22,771,853
Net Position, End of Year	$ 25,814,858	$ 24,213,067

	2019	2018
Cash Flows from Operating Activities		
Cash received from customers	$ 2,432,164	$ 2,427,487
Cash paid to suppliers	(1,423,656)	(1,167,306)
Cash paid to employees	(662,162)	(555,091)
Net Cash from Operating Activities	346,346	705,090
Cash Flows from Non-Capital Financing Activities		
Cash received from property taxes	1,509,350	1,565,786
Cash received from other nonoperating revenue	210,011	71,722
Net Cash from Noncapital Financing Activities	1,719,361	1,637,508
Capital and Related Financing Activities		
Payments for the purchase of capital assets	(847,339)	(703,245)
Project cost reimbursements	9,259	10,524
Cash received from capital improvement fees	24,000	30,000
Cash paid for interest on long-term debt	(45,692)	(156,827)
Cash paid for debt issuance costs	(750)	(36,250)
Issuance of long-term financing	-	2,112,650
Principal payments on long-term financing	(592,668)	(2,992,492)
Net Cash used for Capital and Related Financing Activities	(1,453,190)	(1,735,640)
Investing Activities		
Interest received	128,024	82,143
Net Cash from Investing Activities	128,024	82,143
Net Change in Cash and Cash Equivalents	740,541	689,101
Cash and Cash Equivalents, Beginning of Year	4,876,492	4,187,391
Cash and Cash Equivalents, End of Year	$ 5,617,033	$ 4,876,492

	2019	2018
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	$ (335,657)	$ (142,466)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	990,060	960,316
GASB 68 actuarial pension (revenue) expense	2,048	(47,966)
Changes in assets and liabilities		
Accounts receivable	54,879	(42,236)
Prepaid expenses	(882)	42,705
Inventories	(35,945)	(31,690)
Accounts payable	(295,447)	(88,711)
Accrued liabilities	(32,710)	55,138
Net Cash from Operating Activities	$ 346,346	$ 705,090
Supplemental Disclosure of Non-cash Financing Activities		
Non cash additions to fixed assets	$ 58,901	$ 331,201

Note 1 - Summary of Significant Accounting Policies

The Sun Valley Water & Sewer District (the District) is responsible for providing and maintaining water and sewage treatment and disposal services to properties within its jurisdiction. Operations of the District are the responsibility of the general manager and an elected board of directors consisting of five members.

Reporting Entity

The District's financial statements include the accounts of all District operations. Financial accountability is overseen by the board of directors which is made up of five elected members. The significant accounting policies followed in the presentation of these financial statements are summarized below. These policies conform to United States of America generally accepted accounting principles (GAAP) for local government units as prescribed in the statements issued by the GASB and other recognized authoritative sources.

For financial reporting purposes, management has considered all potential component units in defining the District. The District meets the criteria of an "other stand-alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows, all liabilities and deferred inflows associated with the operation of this fund are included in the statement of net position. Revenue and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net position is segregated into amounts invested in capital assets and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") in accordance with state statutes. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) except that capital revenues and capital expenditures are treated as operating items, principal retired is budgeted as non-operating expense, and depreciation and amortization are not budgeted.

- On or about August 1st, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at regular Board meetings to obtain taxpayer comments.

- Prior to August 15th, the budget is legally adopted by the Board.
- Unused appropriations lapse at the end of each fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with an original maturity of three months or less.

State statutes authorize the District to invest in obligations of the Treasury, commercial paper, corporate bonds and repurchase agreements, and the Idaho State Treasurer Local Government Investment Pool. All investments of the District are placed in the State Investment Pool and stated at fair value as provided by the Pool.

Receivables and Credit Policy

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer for water, sewer, and irrigation/snowmaking usage. The District does not assess interest on overdue customer account balances. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Service is shut off on overdue accounts after 3 months of non payment. Liens for the past due balances are placed on the property if payment is not received.

The District estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the District's estimate of the allowance for doubtful accounts will change. As of November 30, 2019 and 2018, no allowance was considered necessary.

Property Taxes

Property taxes are levied in September of each year and become a lien on the property the following January 1. The first one-half of real property taxes, personal property and mobile home taxes are due on December 20th. Taxes not paid on or before December 20th are considered to be delinquent. The second one half of the real property taxes are due on June 20th of the following year and are considered delinquent on June 21st. An initial late penalty of 2% of tax plus 1% per month interest is assessed on all delinquent accounts. A notice of tax deed is filed by the County when taxes have been delinquent for three years and if the lien is not satisfied, the property may be sold by the County. Taxes collected by the county are remitted to the District on a monthly basis. The succeeding year property tax receivable has been recorded at November 30, 2019 and the related revenue is considered a deferred inflow of resources which will be recognized in fiscal year 2020.

Inventories

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Property and equipment acquisitions are capitalized and recorded at cost except for certain subdivision water lines which are contributed by developers, subdividers and customers. These contributed assets are recorded at the estimated acquisition value on the date of transfer. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method. The useful lives used for purposes of computing depreciation are:

	Years
Buildings	19-40
Improvements	7-75
Machinery and Equipment	3-25
Sewer Treatment Plant	5-50
Office Equipment	5-10

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment for the years ended November 30, 2019 and 2018.

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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category relating to changes in net pension liability not included in pension expense reported in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until the time. The District has two items that qualify for reporting in this category. The District reports changes in net pension liability not included in pension expense reported in the statement of net position as well as unavailable property taxes. Property taxes will be recognized as revenue in the year for which the taxes are levied.

Net Position

Net position is classified in the following categories:

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category. The District has no related debt as of November 30, 2019 and 2018.

Restricted Net Position – This category presents external restrictions imposed by debt agreements grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation. The District had no restricted net position as of November 30, 2019 and 2018.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Revenues are recognized when earned. Water and Sewer are billed quarterly in arrears. Metered irrigation and snowmaking accounts are read monthly and billed quarterly.

Operating and Nonoperating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water, sewer, and irrigation/snowmaking services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation pay. Vacation pay is accrued when earned and reported as a liability.

Note 2 - Cash and Investments and Cash Equivalents

At November 30, 2019 and 2018, cash and cash equivalents were as follows:

	2019	2018
General Checking	$ 155,259	$ 98,652
KSTP Construction Fund	533	833
Other Cash Account	1,711	1,724
Investment in State Investment Pool	5,459,530	4,775,283
	$ 5,617,033	$ 4,876,492

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of November 30, 2019 and 2018, the bank balances of the District were $179,229 and $101,027, respectively, which were fully insured. As of November 31, 2019 and 2018, the District also held $5,459,530 and $4,775,283, respectively, with the State of Idaho Local Group Investment Pool, which was not covered by FDIC insurance.

Investments in State Investment Pools

The District is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP). The LGIP is regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. The LGIP is managed by the State of Idaho Treasurer's Office and is established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The funds of the pool are invested in repurchase agreements, commercial paper, corporate debt investments, U.S. government agency obligations and U.S. treasury obligations. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Credit Risk

The District has no investment policy that limits its investment choices further than those allowed by Idaho statute. The District primarily invests in the Idaho State Treasurer's Local Government Investment Pool (LGIP), which does not have a credit rating and is considered a cash equivalent.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy limiting its investment maturities. The maturity term of the LGIP as of November 30, 2019 and 2018 was 109 days and 97 days, respectively.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when five percent of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

The Project does not have a policy limiting concentration in a single issuer.

Note 3 - Capital Assets

The following are the changes in capital assets as of November 30, 2019 and 2018:

	Balance at December 1, 2018	Increases	Decreases	Transfers	Balance at November 30, 2019
Capital assets, not being depreciated:					
Land	$ 668,770	$ -	$ -	$ -	$ 668,770
Construction in progress	1,041,723	686,119	-	(1,564,601)	163,241
Total capital assets, not being depreciated	1,710,493	686,119	-	(1,564,601)	832,011
Capital assets, being depreciated:					
Improvements- Water	17,063,536	176,963	-	-	17,240,499
Improvements- Sewer	4,047,330	14,842	-	-	4,062,172
Buildings	501,923	25,887	-	-	527,810
Machineray and equipment	673,405	2,429	-	-	675,834
Reuse	4,613,071	-	-	-	4,613,071
Sewer treatement plan	11,882,882	-	-	1,564,601	13,447,483
Office equipment	113,848	-	-	-	113,848
Total capital assets, being depreciated	38,895,995	220,121	-	1,564,601	40,680,717
Less accumulated depreciation:					
Buildings	495,051	534	-	-	495,585
Improvements	9,539,914	553,458	-	-	10,093,372
Machinery and equipment	744,704	12,915	-	-	757,619
Infastructure	7,495,742	423,153	-	-	7,918,895
Total accumulated depreciation	18,275,411	990,060	-	-	19,265,471
Total capital assets, being depreciated, net	20,620,584	(769,939)	-	1,564,601	21,415,246
Capital assets, net	$ 22,331,077	$ (83,820)	$ -	$ -	$ 22,247,257

	Balance at December 1, 2017	Increases	Decreases	Transfers	Balance at November 30, 2018
Capital assets, not being depreciated:					
Land	$ 668,770	$ -	$ -	$ -	$ 668,770
Construction in progress	138,275	986,837	-	(83,389)	1,041,723
Total capital assets, not being depreciated	807,045	986,837	-	(83,389)	1,710,493
Capital assets, being depreciated:					
Improvements- Water	16,970,499	21,477	-	71,560	17,063,536
Improvements- Sewer	4,047,330	-	-	-	4,047,330
Buildings	501,923	-	-	-	501,923
Machineray and equipment	638,069	26,132	-	9,204	673,405
Reuse	4,613,071	-	-	-	4,613,071
Sewer treatement plan	11,880,257	-	-	2,625	11,882,882
Office equipment	113,848	-	-	-	113,848
Total capital assets, being depreciated	38,764,997	47,609	-	83,389	38,895,995
Less accumulated depreciation:					
Buildings	494,514	537	-	-	495,051
Improvements	8,993,117	546,797	-	-	9,539,914
Machinery and equipment	732,348	12,356	-	-	744,704
Infastructure	7,095,116	400,626	-	-	7,495,742
Total accumulated depreciation	17,315,095	960,316	-	-	18,275,411
Total capital assets, being depreciated, net	21,449,902	(912,707)	-	83,389	20,620,584
Capital assets, net	$ 22,256,947	$ 74,130	$ -	$ -	$ 22,331,077

The District and the City of Ketchum, Idaho, (City) maintain an agreement whereby the District contributes one-half the cost of capital expenditures for equipment and improvements of the Ketchum Sewer Treatment Plant (KSTP), which are owned and operated by the City of Ketchum. Such agreement also calls for the sharing of expenses between the District and the City for the operation of KSTP on the basis of measured, relative sewer flows of the District and the City. The accompanying financial statements include the District's share of the capital costs for equipment and improvements made to the sewer treatment plant as of November 30, 2019 and 2018, and the District' s share of operating expenses for the years then ended. Commitments related to this project are disclosed in Note 6.

Note 4 - Pension

Pension Plan

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits to 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 or 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 state statues at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2019 and 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District's contributions for the years ended November 30, 2019 and 2018 were $49,651 and $39,235, respectively.

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

The District reported a liability of $146,314 and $158,901, respectively, for its proportionate share of the net pension liability as of November 30, 2019 and 2018. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the District's proportion was 0.000128180 and 0.000107728, respectively.

The District recognized pension expense of $49,651 and $31,868 for the years ended November 30, 2019 and 2018, respectively.

At November 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

November 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,598	$ 17,244
Changes in assumptions	8,139	-
Net differences between projected and actual earnings on pension plan investments	-	49,845
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate contributions for fiscal year 2019, amortized over 4.8 years	24,164	-
Contributions subsequent to the measurement date	23,719	-
Total	$ 69,620	$ 67,089

November 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,443	$ 12,001
Changes in assumptions	10,340	-
Net differences between projected and actual earnings on pension plan investments	-	17,655
Contributions subsequent to the measurement date	19,039	-
Total	$ 46,822	$ 29,656

$23,719 and $19,039, respectively, at November 30, 2019 and 2018, was reported as deferred outflows of resources related to pensions resulting from Employer contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018 the beginning of the measurement period ended June 30, 2019, is 4.8 years for the measurement periods ended June 30, 2019. 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, 2017 the beginning of the measurement period ended June 30, 2018, is 4.8 years for the measurement periods ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Years ended November 30,	
2020	$ 1,090
2021	(16,213)
2022	(4,636)
2023	(1,429)

Actuarial Assumptions

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

The total pension liability in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2019

Inflation	3.00%
Salary increses*	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	1.00%

*There is an additional component of assumed salary grown (on top of the 3.75%) that varies for each individual member based on years of service.

June 30, 2018

Inflation	3.00%
Salary increses including inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	1.00%

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

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

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2019 and 2018, is based on the results of an actuarial valuation date of July 1, 2019 and 2018, respectively.

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 an 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.

Asset Class		Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.30%	6.05%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.75%	4.50%
Portfolio Standard Deviation			12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.13%	3.77%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.19%
Portfolio Standard Deviation				14.16%
Valuation Assumptions Chosen by PERSI Board				
Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.05%
Assumed Inflation				3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses				7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05% for both the years ended November 30, 2019 and 2018. 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 District's proportionate share of the net pension liability to changes in the discount rate.

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

November 30, 2019	Decrease of 1% (6.05%)	Current Discount Rate (7.05%)	Increase of 1% (8.05%)
Proportionate share of the net pension liability	$ 441,924	$ 146,314	$ (98,147)

November 30, 2018	Decrease of 1% (6.05%)	Current Discount Rate (7.05%)	Increase of 1% (8.05%)
Proportionate share of the net pension liability	$ 397,764	$ 158,901	$ (38,888)

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 November 30, 2019 and 2018, 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.

Note 5 - Long-Term Debt

A summary of the activity in the long-term debt is as follows:

	Balance at December 1, 2018	Additions	Payments	Balance at November 30, 2019	Amounts Due in One Year
General obligation bonds payable					
Series 2013	$ 295,000	$ -	$ (295,000)	$ -	$ -
Series 2018	2,112,650	-	(276,899)	1,835,751	695,000
Premium on bond issues					
2013 Series	15,762	-	(15,762)	-	-
Local Improvement District Bond					
Series 2009	76,357	-	(5,007)	71,350	5,325
	$ 2,499,769	$ -	$ (592,668)	$ 1,907,101	$ 700,325

	Balance at December 1, 2017	Additions	Payments	Balance at November 30, 2018	Amounts Due in One Year
General obligation bonds payable					
Series 2007	$ 2,630,000	$ -	$ (2,630,000)	$ -	$ -
Series 2013	585,000	-	(290,000)	295,000	295,000
Series 2018	-	2,112,650	-	2,112,650	276,899
Premium on bond issues					
2013 Series	31,525	-	(15,763)	15,762	15,762
Local Improvement District Bond					
Series 2009	133,086	-	(56,729)	76,357	8,220
	$ 3,379,611	$ 2,112,650	$ (2,992,492)	$ 2,499,769	$ 595,881

In June 2013, the Sun Valley Water and Sewer District issued general obligation refunding bonds in the amount of $1,660,000, the proceeds of which have been used to refund the General Obligation Bonds, Series 2004. The bonds was repaid annually on September 15 until its maturity on September 15, 2019 at a coupon interest rate of 3.00%.

In August 2007, the Sun Valley Water and Sewer District issued general obligation bonds in the amount of $4,350,000, the proceeds of which have been used for the acquisition, construction and installation of improved water and wastewater treatment facilities for the residents of the District. The bond principal is payable annually on August 15 at a coupon interest rate of 3.20%. An interest only payment is due in February each year and a principal and interest payment is due in August each year.

In November 2018, the District refunded the 2007 General Obligation Bonds in an advance refunding. The proceeds on the refunding issue were placed into an irrevocable escrow account and invested in U. S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient to retire the 2007 General Obligation Bonds on the interest payment due date in February 2019. The refunded bonds are not included in the District's outstanding long-term debt since the District legally satisfied its obligation with respect thereto through consummation of the refunding transaction. There was no gain or loss on the refunding. The net present value of cash flow savings associated with the refunding was $399,205.

On May 5, 2009, the Sun Valley Water and Sewer District issued Local Improvement District Bond, Series 2009. The original amount of the bond was $402,586, the proceeds of which were used for the acquisition, construction and installation of improved water waste treatment facilities for the property owners of the District in the McHanville area. The 20-year bonds will be repaid at a coupon interest rate of 6.35%. The property owners in the LID are assessed a proportional share of the bond principal and interest.

The annual requirements to pay principal and interest on the outstanding debt are as follows:

Year Ending	2018 Series		LIDS	
November 30	Principal	Interest	Principal	Interest
2020	$ 695,000	$ 58,744	$ 5,325	$ 4,531
2021	289,952	36,504	5,663	4,193
2022	299,124	27,226	6,023	3,833
2023	308,113	17,654	6,405	3,451
2024	243,562	7,794	6,812	3,044
2025-2029	-	-	41,122	8,154
	$ 1,835,751	$ 147,922	$ 71,350	$ 27,206

Note 6 - Commitments

The District is exposed to various risks of loss related to employee dishonesty, employee injury, property damage and general liability. Commercial insurance is purchased to cover these risks.

Note 7 - Concentrations

One of the District's customers accounted for approximately 16% and 17% of revenues and 38% and 23% of accounts receivable for the years ended November 30, 2019 and 2018, respectively.

Note 8 - Subsequent Events

Subsequent to year-end, the overall economy has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the District has not seen much negative impact on its operations, however, the full impact to the District's financial operations and financial position is not known.

Required Supplementary Information
November 30, 2019

Sun Valley Water & Sewer District

Sun Valley Water & Sewer District

Schedule of the District's Proportionate Share of the Net Pension Liability

November 30, 2019

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District Proportion of the Net Pension Liability	0.000128180	0.000107728	0.000119056	0.000119930	0.000129613
District Proportionate Share of the Net Pension Liability	$ 146,314	$ 158,901	$ 187,136	$ 243,117	$ 170,679
District Covered Payroll	$ 436,994	$ 374,544	$ 364,106	$ 357,052	$ 374,532
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	33.48%	42.43%	51.40%	68.09%	45.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.79%	91.69%	73.65%	87.26%	94.95%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of June 30th.

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily Required Contribution	$ 49,651	$ 39,235	$ 41,217	$ 40,418	$ 42,397
Contributions in Relation to the Statutorily Required Contribution	(49,651)	(39,235)	(41,217)	(40,418)	(42,397)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 495,709	$ 375,646	$ 364,106	$ 357,052	$ 374,532
Contributions as a Percentage of Covered Payroll	10.02%	10.44%	11.32%	11.32%	11.32%

*GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of November 30th of each year.

Supplementary Information
November 30, 2019

Sun Valley Water & Sewer District

	Budget	Actual	Variance Over (Under)
Operating Revenues			
Water	$ 809,920	$ 743,177	$ (66,743)
Sewer	793,440	782,361	(11,079)
Irrigation and snowmaking charges	840,000	850,622	10,622
Fees - Inspection and connection	1,500	1,125	(375)
Total operating revenues	2,444,860	2,377,285	(67,575)
Operating Expenses			
Sewage treatment plant operation	709,000	446,243	(262,757)
Labor - Operations and maintenance	291,000	316,886	25,886
Labor - Administration and board	256,000	146,685	(109,315)
Benefits	210,770	155,249	(55,521)
Materials and supplies	37,125	20,176	(16,949)
Repairs and maintenance	379,000	156,664	(222,336)
Payroll taxes	40,365	45,390	5,025
Insurance	39,780	38,281	(1,499)
Utilities	293,500	227,133	(66,367)
Professional fees	98,000	75,602	(22,398)
Outside consultants	40,000	49,137	9,137
Miscellaneous	92,500	45,436	(47,064)
Depreciation	1,050,000	990,060	(59,940)
Total operating expenses	3,537,040	2,712,942	(824,098)
Operating Income (Loss)	$ (1,092,180)	$ (335,657)	$ 756,523

	Budget	Actual	Variance Over (Under)
Nonoperating Revenues (Expenses)			
Interest earned	$ 41,200	$ 128,024	$ 86,824
Property taxes	1,608,658	1,612,596	3,938
Capital improvements fees	30,000	24,000	(6,000)
State sales tax	36,050	59,891	23,841
Miscellaneous revenue	10,000	150,120	140,120
Reimbursed project costs	16,180	9,259	(6,921)
Bond fees	(1,500)	(750)	750
Interest expense	(116,784)	(45,692)	71,092
Total nonoperating revenues (expenses)	1,623,804	1,937,448	313,644
Change in Net Position	531,624	1,601,791	1,070,167
Total Net Position, Beginning of Year		24,213,067	
Total Net Position, End of Year		$ 25,814,858	

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Sun Valley Water & Sewer District
Sun Valley, 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 Sun Valley Water & Sewer District (the District), as of and for the year then ended November 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 12, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a 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 was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness. See findings 2019-001 and 2019-002.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

District's Response to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Boise, Idaho
June 12, 2020

Financial Statement Findings

2019-001 Financial Statement Preparation
Material Weakness in Internal Control

Criteria:
Management is responsible for establishing and maintaining internal control, and for the fair presentation of the financial statements and related financial statement disclosures being audited.

Condition:
The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements.

Cause:
Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel.

Effect:
Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles.

Recommendation:
Management continue to perform a cost benefit analysis on preparing financial statements in accordance with generally accepted accounting principles.

Views of Responsible Officials:
The District has retained a qualified independent contractor to provide training and support for the Treasurer to assure that the books of account are complete and accurate on the accrual basis of accounting at year end and interim periods.

2019-002 Material Audit Adjustments
Material Weakness in Internal Control

Criteria:
The internal control structure for the District should include procedures to ensure that the trial balance provided for the audit is free from misstatement.

Condition:
As a result of audit procedures, it was discovered that there were multiple adjustments required to be made to the trial balance to ensure that the trial balance as of November 30, 2019 was materially correct. The adjustments that were recorded in the trial balance as a result of audit procedures were as follows:

- To correct the accrual for the year end deferred compensation payable. This resulted in a decrease to the payable amount of $32,438, and a decrease in salaries expense for $32,438.
- To record the current year effect of the net pension obligation and related deferred outflows of resources, deferred inflows of resources, and expense. This resulted in a decrease in the net pension obligation of $12,587, increase in deferred inflow of resources of $37,433, a reduction in the deferred outflow of resources of $22,798, and an increase in pension expense of $2,048.
- To correct a capital asset that was incorrectly recorded as repairs and maintenance; however, it should be a capital asset. This resulted in a decrease of repairs and maintenance expense of $25,887, and an increase in carrying amount of capital assets of $25,887.
- To record work in process that had been incurred prior to year end, that was improperly excluded as of year end. This resulted in an increase to accounts payable of $28,243 and an increase to construction-in-progress – sewer of $28,243.
- To record the retainage payable amount for construction incurred prior to year end; however, had not been paid out until subsequent to year end. This resulted in an increase to construction-in-progress – sewer of $31,541 and an increase to Retainage Payable of $31,541.
- To correct the accrual for accounts payable for water improvements (capital assets), that was improperly excluded for the year ended November 30, 2019. This resulted in an increase to accounts payable of $29,382 and an increase to capital assets of $29,382.
- To true up depreciation expense as of November 30, 2019. This resulted in an increase to depreciation expense of $29,880, and an increase to accumulated depreciation of $29,880.

During our testing over the capital asset additions in the current year we also noted that there was $60,673 in capital assets that should have been recorded as of November 30, 2018; however it was not recorded until fiscal year 2019. As the entry in the prior year would have been to accounts payable and capital assets, this does not result in a passed adjustment in the current year; however the capital assets and accounts payable were understated in the prior year by $60,673.

Cause:
The controls currently in place were not sufficient to ensure that the trial balance provided for the audit did not include material misstatements.

Effect:
The trial balance was materially misstated.

Recommendation:
Management should review those disbursements taking place subsequent to year end to ensure that the transactions are recorded in the correct period.

Management should also have a process in place to review whether the capital asset to be capitalized and depreciated are accurately recorded in the trial balance and that the trial balance matches up with the capital asset listing. This process should take place as part of the year end procedures.

Views of Responsible Officials:
The District has retained a qualified independent contractor to provide training and support for the Treasurer to assure that the books of account are complete and accurate on the accrual basis of accounting at year end and interim periods.