Financial Statements
November 30, 2021 and 2020

Sun Valley Water & Sewer District

EideBailly
CPAs & BUSINESS ADVISORS

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, 2021 and 2020, 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, 2021 and 2020, and the respective changes its financial position and its cash flows thereof 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 proportionate share of net pension liability (asset) and schedule of employer contributions (required supplementary information) 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 May 16, 2022, 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
May 16, 2022

	2021	2020
Assets		
Cash and cash equivalents	$ 7,851,174	$ 6,595,464
Accounts receivable	189,698	235,574
Taxes receivable	1,397,506	1,359,561
Prepaid expenses	14,014	13,534
Inventory	41,732	44,210
Capital assets (not subject to depreciation)	1,033,793	806,016
Capital assets (net of depreciation)	19,319,797	20,269,120
Net pension asset	11,285	-
Total assets	29,858,999	29,323,479
Deferred Outflows of Resources		
Net pension obligation	184,202	107,745
Total deferred outflows of resources	184,202	107,745
Liabilities		
Accounts payable	163,552	120,238
Accrued liabilities	95,937	95,975
Long-term debt	911,161	1,206,776
Net pension liability	-	306,612
Total liabilities	1,170,650	1,729,601
Deferred Inflows of Resources		
Net pension obligation	361,020	10,012
Property tax	1,399,891	1,359,561
Total deferred inflows of resources	1,760,911	1,369,573
Net Position		
Investment in capital assets	20,353,590	21,075,136
Unrestricted	6,758,050	5,256,914
Total net position	$ 27,111,640	$ 26,332,050

	2021	2020
Operating Revenues		
Water sales	$ 733,870	$ 742,458
Sewer sales	782,966	779,648
Irrigation and snowmaking	926,214	1,004,940
Fees	4,613	1,050
Total operating revenues	2,447,663	2,528,096
Operating Expenses		
Sewage treatment plant operation	536,097	432,771
Labor- Operations and maintenance	285,137	274,359
Labor- Administration and board	242,011	231,390
Benefits	131,611	227,322
Materials and supplies	29,129	29,540
Repairs and maintenance	471,698	385,588
Payroll taxes	52,866	48,322
Insurance	40,841	40,507
Utilities	230,156	243,625
Professional fees	100,645	65,648
Outside consultants	71,528	34,634
Miscellaneous	66,480	42,289
Depreciation	969,323	955,259
Total operating expenses	3,227,522	3,011,254
Operating Loss	(779,859)	(483,158)
Nonoperating Revenue (Expense)		
Interest income	16,370	81,638
Property taxes	1,373,047	1,291,835
Capital improvement fees	124,850	21,000
State sales tax	71,516	56,417
Reimbursed project costs	9,856	10,349
Miscellaneous	4,808	26,441
Loss on write off and disposition of capital assets	-	(169,870)
Interest expense	(40,998)	(63,165)
Total nonoperating revenue	1,559,449	1,254,645
Change in Net Position	779,590	771,487
Net Position, Beginning of Year	26,332,050	25,560,563
Net Position, End of Year	$ 27,111,640	$ 26,332,050

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	$ 2,493,539	$ 2,468,564
Cash paid to suppliers	(1,505,296)	(1,292,148)
Cash paid to employees	(670,315)	(716,104)
Net Cash from Operating Activities	317,928	460,312
Cash Flows from Non-Capital Financing Activities		
Cash received from property taxes	1,294,772	1,293,260
Cash received from other nonoperating revenue	76,324	114,207
Net Cash from Non-Capital Financing Activities	1,371,096	1,407,467
Capital and Related Financing Activities		
Payments for the purchase of capital assets	(247,777)	(238,845)
Project cost reimbursements	9,856	10,349
Cash received from capital improvement fees	124,850	21,000
Cash paid for interest on long-term debt	(40,998)	(63,165)
Principal payments on long-term financing	(295,615)	(700,325)
Net Cash used for Capital and Related Financing Activities	(449,684)	(970,986)
Investing Activities		
Interest received	16,370	81,638
Net Cash from Investing Activities	16,370	81,638
Net Change in Cash and Cash Equivalents	1,255,710	978,431
Cash and Cash Equivalents, Beginning of Year	6,595,464	5,617,033
Cash and Cash Equivalents, End of Year	$ 7,851,174	$ 6,595,464

	2021	2020
Reconciliation of Operating Loss to Net Cash Flows		
from Operating Activities		
Operating loss	$ (779,859)	$ (483,158)
Adjustments to reconcile operating loss		
to net cash from operating activities		
Depreciation	969,323	955,260
GASB 68 actuarial pension (expense offset) expense	37,314	65,288
Changes in assets and liabilities		
Accounts receivable	45,876	(59,532)
Prepaid expenses	(480)	(38)
Inventories	2,478	34,982
Accounts payable	43,314	(52,096)
Accrued liabilities	(38)	(394)
Net Cash from Operating Activities	$ 317,928	$ 460,312
Supplemental Disclosure of Non-Cash Financing Activities		
Non cash additions to fixed assets	$ -	$ 58,901

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 Governmental Accounting Standards Board (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 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.

- During the regularly scheduled board meeting on the third Monday in August, 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 consist 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. Annually, delinquent accounts are sent to the County to include in the customer’s property tax bill. 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, 2021 and 2020, 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 1st. The first one-half of real property taxes, personal property and mobile home taxes are due on December 20^{th}. 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 20^{th} of the following year and are considered delinquent on June 21^{st}. 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, 2021 and the related revenue is considered a deferred inflow of resources which will be recognized in fiscal year 2022.

Inventories

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

Prepaid Expenses

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 it was determined that the costs associated with a well that was determined not to be usable should be written off during the year ended November 30, 2020 for $169,870. There was no impairment for the year ended November 30, 2021.

Pensions

For purposes of measuring the net pension liability (asset) 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, 2021 and 2020.
>
> **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, 2021 and 2020.
>
> **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. Base water and sewer are billed quarterly in advance. Metered irrigation and snowmaking accounts are read and billed monthly or 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 is included in the accrued liabilities in the statement of net position.

Note 2 - Cash and Cash Equivalents

At November 30, 2021 and 2020, cash and cash equivalents were as follows:

	2021	2020
General Checking	$ 191,760	$ 156,291
KSTP Construction Fund	533	533
Other Cash Account	1,790	4,936
Investment in State Investment Pool	7,657,091	6,433,704
	$ 7,851,174	$ 6,595,464

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, 2021 and 2020, the bank balances of the District were $251,451 and $167,606, respectively, which were fully insured. As of November 30, 2021 and 2020, the District also held $7,657,091 and $6,433,704, 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, 2021 and 2020 was 127 days and 152 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 District 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, 2021 and 2020:

	Balance at November 30, 2020	Increases	Decreases	Transfers	Balance at November 30, 2021
Capital assets, not being depreciated:					
Land	$ 668,770	$ -	$ -	$ -	$ 668,770
Construction in progress	137,246	227,777	-	-	365,023
Total capital assets, not being depreciated	806,016	227,777	-	-	1,033,793
Capital assets, being depreciated:					
Improvements- Water	17,240,499	-	-	-	17,240,499
Improvements- Sewer	4,062,172	-	-	-	4,062,172
Buildings	564,919	-	-	-	564,919
Machinery and equipment	732,636	20,000	-	-	752,636
Reuse	4,613,071	-	-	-	4,613,071
Sewer treatment plant	13,161,647	-	-	-	13,161,647
Office equipment	114,907	-	-	-	114,907
Total capital assets, being depreciated	40,489,851	20,000	-	-	40,509,851
Less accumulated depreciation:					
Buildings	496,953	2,166	-	-	499,119
Improvements	10,622,450	544,761	-	-	11,167,211
Machinery and equipment	770,534	18,088	-	-	788,622
Infastructure	8,330,794	404,308	-	-	8,735,102
Total accumulated depreciation	20,220,731	969,323	-	-	21,190,054
Total capital assets, being depreciated, net	20,269,120	(949,323)	-	-	19,319,797
Capital assets, net	$ 21,075,136	$ (721,546)	$ -	$ -	$ 20,353,590

	Balance at November 30, 2019	Increases	Decreases	Transfers	Balance at November 30, 2020
Capital assets, not being depreciated:					
Land	$ 668,770	$ -	$ -	$ -	$ 668,770
Construction in progress	163,241	143,875	(169,870)	-	137,246
Total capital assets, not being depreciated	832,011	143,875	(169,870)	-	806,016
Capital assets, being depreciated:					
Improvements- Water	17,240,499	-	-	-	17,240,499
Improvements- Sewer	4,062,172	-	-	-	4,062,172
Buildings	527,810	37,109	-	-	564,919
Machinery and equipment	675,834	56,802	-	-	732,636
Reuse	4,613,071	-	-	-	4,613,071
Sewer treatment plant	13,193,188	-	(31,541)	-	13,161,647
Office equipment	113,848	1,059	-	-	114,907
Total capital assets, being depreciated	40,426,422	94,970	(31,541)	-	40,489,851
Less accumulated depreciation:					
Buildings	495,585	1,368	-	-	496,953
Improvements	10,093,372	529,078	-	-	10,622,450
Machinery and equipment	757,619	12,915	-	-	770,534
Infastructure	7,918,895	411,899	-	-	8,330,794
Total accumulated depreciation	19,265,471	955,260	-	-	20,220,731
Total capital assets, being depreciated, net	21,160,951	(860,290)	(31,541)	-	20,269,120
Capital assets, net	$ 21,992,962	$ (716,415)	$ (201,411)	$ -	$ 21,075,136

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, 2021 and 2020, and the District' s share of operating expenses for the years then ended.

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.

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% 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 statute at 60% of the employer rate for general employees. As of June 30, 2021, and 2020 the employee rate was 7.16% and 7.16%, respectively. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% and 11.94%, respectively, for general employees as June 30, 2021 and 2020. The District's contributions for the years ended November 30, 2021 and 2020 were $61,793 and $65,096, respectively.

Pension Liability (Asset), Pension Expense (Expense Offset), and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The District reported an asset of $11,285 and a liability of $306,612, for its proportionate share of the net pension liability (asset) as of November 30, 2021 and 2020, respectively. The net pension liability (asset) was measured as of June 30, 2021 and 2020, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) 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, 2021, the District's proportion was 0.000142891. At June 30, 2020, the District’s proportion was 0.000132039, an increase of 0.000003859 from June 30, 2019.

The District recognized pension expense (expense offset) of ($37,314) and $65,288 for the years ended November 30, 2021 and 2020, respectively.

At November 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

November 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,627	$ 6,560
Changes in assumptions	129,540	-
Net differences between projected and actual earnings on pension plan investments	-	354,460
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	11,446	-
Contributions subsequent to the measurement date	26,589	-
Total	$ 184,202	$ 361,020

November 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,956	$ 10,012
Changes in assumptions	5,185	-
Net differences between projected and actual earnings on pension plan investments	35,144	-
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	17,805	-
Contributions subsequent to the measurement date	25,655	-
Total	$ 107,745	$ 10,012

$26,589 and $25,655, respectively, at November 30, 2021 and 2020, 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, 2020 the beginning of the measurement period ended June 30, 2021, is 4.6 years for the measurement periods ended June 30, 2020. The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019 the beginning of the measurement period ended June 30, 2020, is 4.7 years for the measurement periods ended June 30, 2020.

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,	
2022	$ (44,182)
2023	(40,460)
2024	(39,803)
2025	(78,962)

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, 2021 and 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2021

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return-net of investment fees	6.35%
Cost of Living (COLA) Adjustment	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries.
These rates were adopted for the valuation dated July 1, 2021.

June 30, 2020

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

*3.75% of 1.00% depending on whether the member was hired on or before July 1, 2012.
**There is an additional component of assumed salary growth (on top of the 3.75%) that varies for each individual member based on years of service.

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, 2020 which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2021 and 2020, is based on the results of an actuarial valuation date of July 1, 2021 and 2020, 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.

Capital Market Assumptions 2021

Capital Market Assumptions from Callen 2021

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%

Investment Policy Assumptions from PERSI November 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2021

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	6.35%

Capital Market Assumptions 2020

Capital Market Assumptions from Callen 2020

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	55.00%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

Investment Policy Assumptions from PERSI November 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2018

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 6.35% and 7.05%, respectively, for the years ended November 30, 2021 and 2020. 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 (asset) calculated using the discount rate of 6.35 percent as well as what the District's proportionate share of the net pension liability (asset) 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, 2021	Decrease of 1% (5.35%)	Current Discount Rate (6.35%)	Increase of 1% (7.35%)
Proportionate share of the net pension liability (asset)	$ 392,299	$ (11,285)	$ (342,111)

November 30, 2020	Decrease of 1% (6.05%)	Current Discount Rate (7.05%)	Increase of 1% (8.05%)
Proportionate share of the net pension liability	$ 628,777	$ 306,612	$ 40,234

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, 2021 and 2020, 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, 2020	Additions	Payments	Balance at November 30, 2021	Amounts Due in One Year
General obligation bonds payable Series 2018	$ 1,140,751	$ -	$ (289,952)	$ 850,799	$ 299,124
Local Improvement District Bond Series 2009	66,025	-	(5,663)	60,362	6,023
	$ 1,206,776	$ -	$ (295,615)	$ 911,161	$ 305,147

	Balance at December 1, 2019	Additions	Payments	Balance at November 30, 2020	Amounts Due in One Year
General obligation bonds payable Series 2018	$ 1,835,751	$ -	$ (695,000)	$ 1,140,751	$ 289,952
Local Improvement District Bond Series 2009	71,350	-	(5,325)	66,025	5,663
	$ 1,907,101	$ -	$ (700,325)	$ 1,206,776	$ 295,615

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, provided 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:

Years Ending	2018 Series		LIDS	
November 30	Principal	Interest	Principal	Interest
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	-	-	7,244	2,611
2026	-	-	7,704	5,544
2027-2030	-	-	26,174	-
	$ 850,799	$ 52,674	$ 60,362	$ 18,483

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% of revenues and 28% and 30% of accounts receivable for the years ended November 30, 2021 and 2020, respectively.

Required Supplementary Information
November 30, 2021

Sun Valley Water & Sewer District

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
District Proportion of the Net Pension Liability (Asset)	0.000142891	0.000132039	0.000128180	0.000107728	0.000119056	0.000119930	0.000129613
District Proportionate Share of the Net Pension Liability (Asset)	$ (11,285)	$ 306,612	$ 146,314	$ 158,901	$ 187,136	$ 243,117	$ 170,679
District Covered Payroll	$ 456,920	$ 545,740	$ 436,994	$ 374,544	$ 364,106	$ 357,052	$ 374,532
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	2.47%	56.18%	33.48%	42.43%	51.40%	68.09%	45.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	100.36%	88.22%	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*

	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	$ 61,793	$ 65,096	$ 49,651	$ 39,235	$ 41,217	$ 40,418	$ 42,397
Contributions in Relation to the Statutorily Required Contribution	(61,793)	(65,096)	(49,651)	(39,235)	(41,217)	(40,418)	(42,397)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 526,548	$ 503,750	$ 495,709	$ 375,646	$ 364,106	$ 357,052	$ 374,532
Contributions as a Percentage of Covered Payroll	11.74%	12.92%	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, 2021

Sun Valley Water & Sewer District

	Budget	Actual	Variance Over (Under)
Operating Revenues			
Water	$ 710,000	$ 733,870	$ 23,870
Sewer	780,000	782,966	2,966
Irrigation and snowmaking charges	870,000	926,214	56,214
Fees - Inspection and connection	2,000	4,613	2,613
Total operating revenues	2,362,000	2,447,663	85,663
Operating Expenses			
Sewage treatment plant operation	675,000	536,097	(138,903)
Labor - Operations and maintenance	325,000	285,137	(39,863)
Labor - Administration and board	308,000	242,011	(65,989)
Benefits	233,300	131,611	(101,689)
Materials and supplies	54,000	29,129	(24,871)
Repairs and maintenance	446,500	471,698	25,198
Payroll taxes	44,500	52,866	8,366
Insurance	41,500	40,841	(659)
Utilities	266,000	230,156	(35,844)
Professional fees	85,000	100,645	15,645
Outside consultants	150,000	71,528	(78,472)
Miscellaneous	144,000	66,480	(77,520)
Depreciation	900,000	969,323	69,323
Total operating expenses	3,672,800	3,227,522	(445,278)
Operating Income (Loss)	$ (1,310,800)	$ (779,859)	$ 530,941

	Budget	Actual	Variance Over (Under)
Nonoperating Revenues (Expenses)			
Interest earned	$ 67,000	$ 16,370	$ (50,630)
Property taxes	1,330,938	1,373,047	42,109
Capital improvements fees	30,000	124,850	94,850
State sales tax	45,000	71,516	26,516
Miscellaneous revenue	10,500	4,808	(5,692)
Reimbursed project costs	9,855	9,856	1
Bond fees	300	300	-
Interest expense	(40,698)	(41,298)	(600)
Total nonoperating revenues	1,452,895	1,559,449	106,554
Change in Net Position	$ 142,095	779,590	$ 637,495
Total Net Position, Beginning of Year		26,332,050	
Total Net Position, End of Year		$ 27,111,640	

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2022.

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) as a basis for designing 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 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 a certain deficiency in internal control that we consider to be a material weakness. See finding 2021-001.

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 financial statements. 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
May 16, 2022

Financial Statement Findings

2021-001 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 continues 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.