HAYDEN LAKE SEWER DISTRICT

AUDITED FINANCIAL STATEMENTS

Year Ended November 30, 2021

Prepared By

ALPINE SUMMIT CPAs

Post Falls, ID

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hayden Lake Sewer District
Hayden Lake, ID

We have audited the accompanying financial statements of the Hayden Sewer District, as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise Hayden Lake and Sewer 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinion.

Basis for Qualified Opinion on LID Receivables

Management could not obtain transaction detail reports for customer balances for the years 2017 through 2019 related to LID 6 and LID 7 due to their billing program not being able to produce reports during that period. Because of this, we could not perform auditing procedures to sufficiently form an opinion on the receivable balances for LID 6 and LID 7 as of November 30, 2021. The receivable balances of LID 6 and 7 at November 30, 2021, makes up approximately 20% of the District's total assets.

Additionally, management could not obtain transaction detail reports for accounts receivable reports for customers accounts for the years 2017 through 2021 related to sewer utilities due to their billing program not being able to produce reports during that period. Because of this, we could not perform auditing procedures to sufficiently form an opinion on the utility receivable balances as of November 30, 2021.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hayden Lake Sewer District, as of November 30, 2021 and the changes in financial position therof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, with the exception of the LID information, the financial statements referred to above present fairly, in all material respects, the financial position of the Hayden Lake Sewer District, as of November 30, 2021, and the respective changes in financial position and cash flows thereof for the year 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 the Schedule of District's 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 is 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 the Management's Discussion and Analysis (MD&A) 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026 on our consideration of Hayden Lake Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Hayden Lake Sewer District's internal control over financial reporting and compliance.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, ID
March 9, 2026

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Hayden Lake Sewer District
STATEMENT OF NET POSITION
November 30, 2021

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,564,552
Accounts receivable, net of allowance for doubtful accounts	2,287
Property tax receivable	62,453
Accrued interest	98,465
Prepaid insurance	4,022
Special assessments receivable current portion	228,734
Total current assets	1,960,513
Noncurrent assets:	
Restricted cash and cash equivalents:	1,506,946
Net pension asset	3,336
Special assessments receivable	3,475,121
Capital assets, net of accumulated depreciation	12,039,797
Total noncurrent assets	17,025,200
Total assets	18,985,713
DEFERRED OUTFLOWS OF RESOURCES - pension plan	57,162
LIABILITIES	
Current liabilities:	
Accounts payable	9,213
Accrued payroll and related expenses	20,732
Accrued interest payable	74,594
Bonds payable, current maturities	1,757,512
Total current liabilities	1,862,051
Noncurrent liabilities	
Bonds payable	3,189,695
Total noncurrent liabilities	3,189,695
Total liabilities	5,051,746
DEFERRED INFLOWS OF RESOURCES - pension plan	109,090
NET POSITION	
Net investment in capital assets	7,092,590
Restricted for debt service	1,506,946
Unrestricted	5,282,503
Total net position	$ 13,882,039

Hayden Lake Sewer District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended November 30, 2021

OPERATING REVENUES	
User fees	$ 1,516,024
Permits	21,500
Total operating revenues	1,537,524
OPERATING EXPENSES	
Operation/maintenance HARSB	717,031
Depreciation	398,425
Salaries	199,206
Repairs and maintenance	181,411
Payroll taxes and benefits	56,729
Utilities	51,924
Shop supplies	50,359
Contract labor	44,074
Accounting and audit	23,234
Professional fees	20,279
Bank fees	13,925
Dues and subscriptions	10,298
Engineering administrative	7,968
Miscellaneous	7,449
Insurance	7,229
Auto	6,728
Printing and publications	3,969
Office supplies	2,359
Total operating expenses	1,802,597
OPERATING (LOSS)	(265,073)
NON-OPERATING INCOME (EXPENSE)	
Property taxes	68,087
Cap fees	25,030
Sales tax	1,148
Interest income	187,558
Penalties and interest	1,754
Interest expense	(84,995)
Total non-operating income (expense)	198,582
CHANGE IN NET POSITION	(66,491)
NET POSITION, beginning of year	13,948,530
NET POSITION, end of year	$ 13,882,039

Hayden Lake Sewer District
STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,536,776
Cash paid to suppliers	(1,176,798)
Cash paid to employees, including taxes and benefits	(249,178)
Net cash provided by operating activities	110,800
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt	(551,640)
Interest paid on debt	(94,422)
Special assessments principal collected	1,171,468
Interest received on special assessments	214,723
Payments for the purchase of fixed assets	(2,688)
Net cash provided by capital and related financing activities	737,441
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Cap fees	27,293
Sales tax	1,148
Penalties and interest	1,754
Property taxes	68,453
Net cash provided by noncapital financing activities	98,648
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash provided by investing activities	-
NET INCREASE IN CASH	946,889
CASH, beginning of year	2,124,609
CASH, end of year	$ 3,071,498
Reconciliation of operating loss to net cash provided by operating activities:	
Operating (loss)	$ (265,073)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	398,425
(Increase) decrease in assets:	
Accounts receivable	(748)
Prepaid expenses	3,074
Deferred outflows	(27,138)
Increase (decrease) in liabilities:	
Accounts payable	(9,035)
Accrued payroll, taxes, and benefits	7,788
Deferred inflows	101,767
Net Pension liability	(98,260)
Total adjustments	375,873
Net cash (used) by operating activities	$ 110,800
Reconciliation of cash to Statement of Net Position	
Unrestricted cash	1,564,552
Restricted cash	1,506,946
Total cash and cash equivalents	$ 3,071,498

HAYDEN LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
November 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Hayden Lake Sewer District (the "District) was created by a vote of taxpayers in District on March 12, 1976. The District is a governmental subdivision of the state of Idaho with all powers of a public or quasi-municipal corporation. The District has powers and duties similar to a municipality relative to domestic sewer services.

The accounting methods and procedures adopted by Hayden Lake Sewer District conform to generally accepted accounting principles as applied to special-purpose governments engaged in only business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the District's financial statements.

Basis of Accounting
For financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Position
The District's net positions are classified as follows:

> *Net Investment in Capital Assets* – This represents the District's total investment in capital assets; net of outstanding debt obligations related to those capital assets, to the extent debt has been incurred but not yet expended for capital assets.
>
> *Restricted Net Position* – Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
>
> *Unrestricted Net Position* – Unrestricted net position represents resources derived from sewer sales and fees charged. These resources are used for transactions related to the general operation of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Cash Equivalents and Short-term Investments
The District considers all highly-liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes deposits with the State of Idaho Local Government Investment Pool.

Restricted cash represents the amounts that District, based upon certain bond covenants, is required to establish and maintain to service the outstanding debt.

Receivables
Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied. Property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables – (continued)

Special assessments receivables are reported at gross value. When the special assessments receivable becomes delinquent, they are certified with the County, and as a result, are deemed fully collectible.

Prepaid Items

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

Capital Assets

Property and equipment are stated at cost, or in the case of sewer systems provided by developers, at the fair market value of the system at the date of the contribution. Depreciation is provided over estimated useful lives from 5 to 75 years on the straight-line method. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the District's statement of net position.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Any interest paid during construction is capitalized. The District capitalizes all improvements in excess of $1,000.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of activities that have the characteristics of exchange transactions, such as sewer user fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities, such as property tax revenues and interest income from special assessments.

Revenue Recognition

Revenues from sewer services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves, and debt service coverage. Special assessment revenues are recognized in their entirety in the government wide financials in the year the District has an enforceable legal claim.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted net position in the business-type proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Compensated Absences

All full time District employees accumulate time off with pay for vacation and illness each pay period. While sick hours are accrued at a uniform rate among all employees, vacation accrual is based on length of service. Vacation and sick hours are payable to employee when used at the employee's current rate of pay.

HAYDEN LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
November 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Budgetary Data
The District annually adopts a Budget Ordinance for all operating funds. The budget is prepared on the same basis of accounting as the financial statements. All budget appropriations lapse at year-end. The District follows these procedures in establishing the annual budget:

1. Prior to the July board meeting, the Secretary/Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commending for the following December 1. The operating budget includes the proposed expenditures and the means of financing them.
2. The proposed budget is accepted by the Board at its regular meeting in August and a public hearing is announced in September. The budget is also published in a local newspaper.
3. The budget is formally adopted by a majority vote of the Board following the public hearing.
4. Formal budgetary control is employed as a management control device during the year.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does have items that qualify for reporting in this category. Note 9 outlines the outflows of resources associated with the PERSI pension base retirement pension plan.

In addition to liabilities, the statement of financial 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 that time. The District has one type of these items which is an amount related to the PERSI pension base retirement pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See note 9 for details on the pension plan.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HAYDEN LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
November 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS

General

State statutes authorize the District's investments and deposits. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic banker's acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of November 30, 2021, the District's deposits and investments exposed to custodial credit risk were:

Deposits without exposure to custodial credit risk:	
Amount insured by FDIC or other agencies	$ 750,000
Deposits with exposure to custodial credit risk:	
Amount collateralized with securities held in trust, but not in the District's name	490,900
Amount uninsured or uncollaterized	1,823,754
Total bank balance (deposits)	$ 3,064,654

The carrying amount is displayed as follows in the financial statements:	
Statement of net position	
Cash and cash equivalents	$ 1,564,552
Restricted cash	1,506,946
	$ 3,071,498
Cash and Cash equivalents at November 30, 2021 consist of the following:	
Deposits	$ 2,579,367
Cash on hand	200
Idaho state investment pool	491,931
	$ 3,071,498

Fair Value

The District's investments in 2a-7-like pools are valued based upon the value of pool shares. The District invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances that the District has in the Idaho State Investment Pool are carried at its cost of $490,900 which materially approximates fair market value. The District's portion of the State Investment Pool had an unrealized gain of $1,031 as of November 30, 2021, which has been reflected in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0021 that was calculated by the State of Idaho's Treasurer's Office.

See independent auditor's report

HAYDEN LAKE SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
November 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS (CONCLUDED)

The District considers funds held in the Idaho State Investment Pool to be cash equivalents, as the District is able to liquidate their account at any time.

Credit Risk

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The District does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

NOTE 3 – SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of November 30, 2021:

	Beginning Balance	Add: Advances	Less: Principal Collected	Ending Balance
LID #6	$ 462,359	$ -	$ 294,621	$ 167,738
LID #7	4,412,964	-	876,847	3,536,117
Total	$ 4,875,323	$ -	$ 1,171,468	$ 3,703,855

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended November 30, 2021, was as follows:

	Balance 11/30/2020	Increases	Decreases	Balance 11/30/2021
Capital assets being depreciated:				
Office building	308,642	-	-	308,642
Easement	73,344	-	-	73,344
Treatment plant	7,572,397	-	-	7,572,397
Equipment and system	12,126,811	2,688	-	12,129,499
Total capital assets, being depreciated	20,081,194	2,688	-	20,083,882
Less accumulated depreciation:	7,645,660	398,425	-	8,044,085
Total capital assets, net	12,435,534	(395,737)	-	12,039,797

NOTE 5 – LONG-TERM DEBT

Bonds Payable

In 2010, the District issued Local Improvement District No. 6 Bonds, Series 2010 amounting to $2,654,300, maturing in March of each year, maturing in 2022. The Bonds are secured and payable solely from special assessments on real property in Local Improvement District No. 6 (LID No. 6) and funds in the Guarantee Fund and Reserve Fund to the extent of such funds. The Bonds are special obligations of the District and are not obligations of the State of Idaho, or any political subdivision thereof. The proceeds of the bonds were used, together with other available funds of the District, for the purpose of paying a portion of the costs of certain sewer improvements in LID No. 6, repaying certain warrants issued to pay for a portion of the costs of the improvements, and paying the costs related to the issuance and sale of the Bonds.

The interest rates on the bonds range from 4% to 7.25% before the District adds up to 1% to cover administrative costs.

The District will maintain a guarantee fund of 2% of outstanding bonds and a reserve of 5% of outstanding bonds to assist in paying the debt service on the bonds if the property owners are slow in paying their assessments. The District expects to agree to replenish these two funds if their balances fall below the 2% and 5% thresholds mentioned above. The Guarantee and Reserve funds were fully funded when the bonds were sold in May of 2010.

Bonds Payable

In 2017, the District issued Local Improvement District No. 7 Bonds, Series 2017 amounting to $7,803,156, maturing in April of each year for the next nine years. The Bonds are secured and payable solely from special assessments on real property in Local Improvement District No. 7 (LID No. 7) and funds in the Guarantee Fund and Reserve Fund to the extent of such funds. The Bonds are special obligations of the District and are not obligations of the State of Idaho, or any political subdivision thereof. The proceeds of the bonds were used, together with other available funds of the District, for the purpose of paying a portion of the costs of certain sewer improvements in LID No. 7, repaying certain warrants issued to pay for a portion of the costs of the improvements, and paying the costs related to the issuance and sale of the Bonds.

The interest rate on the bonds are 2%.

The District will maintain a guarantee fund of 2% of outstanding bonds and a reserve of 5% of outstanding bonds to assist in paying the debt service on the bonds if the property owners are slow in paying their assessments. The District expects to agree to replenish these two funds if their balances fall below the 2% and 5% thresholds mentioned above. The Guarantee and Reserve funds are fully funded.

A summary of long-term debt transactions for the year ended November 30, 2021, is presented below:

	Beginning Balance	Advances	Principal Payments	Ending Balance	Due Within One Year	Due in More Than One Year
Series 2010 LID No. 6 Bond	535,000	-	95,000	440,000	440,000	-
DEQ Loan LID 7A	4,928,847	-	421,640	4,507,207	1,317,512	3,189,695
Vehicle loan	35,000	-	35,000	-		
Total	$ 5,498,847	$ -	$ 551,640	$ 4,947,207	$ 1,757,512	$ 3,189,695

See independent auditor's report

NOTE 5 – LONG-TERM DEBT (CONCLUDED)

Debt service requirements on special assessment Series LID No. 6 bonds payable are as follows:

Year Ending November 30	Principal	Interest	Total
2022	$ 440,000	$ 60,000	$ 500,000
	$ 440,000	$ 60,000	$ 500,000

Debt service requirements on special assessment Series LID No. 7 bonds payable are as follows:

Year Ending November 30	Principal	Interest	Total
2022	$ 1,317,512	$ 82,488	$ 1,400,000
2023	412,607	64,668	477,275
2024	422,494	54,781	477,275
2025	427,603	49,672	477,275
2026	438,735	38,540	477,275
2027-2030	1,488,256	64,640	1,552,896
	$ 4,507,207	$ 354,789	$ 4,861,996

NOTE 6 – LINE OF CREDIT

The District has a line of credit totaling $100,000, under which the District may borrow on an unsecured basis including interest. There was $0 outstanding under this line of credit at November 30, 2021.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits

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

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement 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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2021, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters, as of June 30, 2021. The District's contributions were $23,539 for the year ended November 30, 2021.

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

At November 30, 2021, the District reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension 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 0.0042246 percent.

For the year ended November 30, 2021, the District recognized pension revenue of $2,602. At November 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual investment earnings	$ -	$ 104,796
Changes in assumptions	38,298	-
Net difference between projected and actual experience	4,916	1,939
Changes in the District's proportion and differences between the District's contributions and the District's proportionate contributions	3,230	2,355
District's contributions subsequent to the measurement date	10,718	-
Total	$ 57,162	$ 109,090

$10,718 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending November 30, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019 the beginning of the measurement period ended June 30, 2020 is 4.8 years and 4.6 years for the measurement period June 30, 2021.

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:

Year ended June 30:	
2022	(15,323)
2023	(13,458)
2024	(10,863)
2025	(23,002)

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 July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases**	3.05%
Investment rate of return*	6.35%
Cost-of-living (COLA) adjustments	1.00%

*net of pension plan investment expense
**there is an individual additional component of assumed salary grown (on top of the 3.05%) that varies for each individual member based on the years of service.

See independent auditor's report

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – (continued)
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, 2015, through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2021.

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. The capital market assumptions are as of January 1, 2021.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – (continued)

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 Inves		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			
Valuation Assumptions Chosen by PERSI Board			
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%**

**2.30% was approved by the Board dated August 2021*

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's proportionate share of the net pension liability (asset)	$ 115,984	$ (3,336)	$ (101,145)

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, the District reported payables to the defined benefit pension plan of $320 for legally required employer contributions and no amounts payable for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District contracts with an insurance company for property insurance and general liability insurance.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Wastewater Treatment Plant Upgrade and Expansion

By a Joint Powers Agreement between the City of Hayden (the "City"), and the Hayden Lake Sewer District (the "District") and the Kootenai County Airport (the "County"), the Hayden Area Regional Sewer Board ("HARSB" or the "Board") was created. HARSB was formed to construct and operate wastewater collection and treatment system. The wastewater treatment system serves the City of Hayden, Hayden Lake Sewer District, and the Kootenai County Airport. The City, District, and County each appoint representatives to the Board of Directors of HARSB.

HARSB was originally organized to perform administrative, billing, and maintenance of the system. Expenses paid by HARSB are reimbursed by the entities when they are billed. Individual audited financial statements are available from each entity. In 2015 Hayden Lake Sewer District took over the collection system maintenance and line cleaning from HARSB.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Wastewater Treatment Plant Upgrade and Expansion

The Board has been engaged in an ongoing matter with the Idaho Department of Environmental Quality (IDEQ) regarding obtaining a renewed 401 Certification and resulting NPDES permit. The IDEQ has mandated significantly more stringent requirements related to the allowable Total Maximum Daily Load (TMDL) that the Board may discharge into the Spokane River. Noncompliance with these water quality standards would result in substantial and unsustainable fines by imposed by regulators and would have a detrimental impact on the Board's finances and its ability to provide wastewater treatment services to its constituents.

In order to meet the revised TMDL limits as set forth by regulators and avoid such unsustainable financial penalties, the Board began to move forward with major wastewater treatment plant improvement and expansion plans in fiscal year 2013, with construction starting in fiscal year 2014. Accordingly, in November of 2012, the Board adopted a Facility Master Plan, which has served as a roadmap to bring the Board into compliance with the cleaner water quality standards mandated by the new permit. The final permit was issued in early fiscal 2015 and contained specific measurable compliance milestones over a 10 year period that the Board must meet with respect to water quality standards as set forth in the permit.

The Board's ability to successfully meet these requirements and avoid potential fines is dependent upon the Joint Powers Board members' ability to obtain the financing to pay for the necessary plant improvements as well as it's ability to manage the phases of the upgrade and expansion project to completion in an effective and efficient manner so as to timely meet the agreed-upon compliance milestones.

In addition to the regulatory upgrades as discussed above, certain components of the existing treatment facility are in need of replacement due to obsolescence, wear, safety, overload and operating beyond the design life. A third component of the Facility Master Plan consists of expansion of existing capabilities to meet anticipated future needs due to growth.

Financing of the Facility Master Plan

Each member of the Joint Powers Board is responsible for financing its share of the replacement and regulatory upgrade portion of the construction project. Each member's share of the costs was determined based upon the proportionate share of committed ER's as of January 1, 2013. The expansion portion of the costs are to be shared only by HARSB and the City of Hayden as agreed upon between the two parties, as the other Joint Powers Board members do not have need for additional future capacity.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

HAYDEN LAKE SEWER DISTRICT
Schedule of District's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	11/30/2021	11/30/2020	11/30/2019	11/30/2018	11/30/2017	11/30/2016	11/30/2015
District's portion of the net pension liability	0.0042246%	0.0040878%	0.0039518%	0.0043471%	0.0044034%	0.0045545%	0.0048508%
District's proportionate share of the net pension liability	$ (3,336)	$ 94,924	$ 45,109	$ 64,120	$ 69,214	$ 92,327	$ 63,877
District's covered-employee payroll	$ 198,845	$ 182,432	$ 155,449	$ 150,856	$ 156,769	$ 133,589	$ 136,369
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	-1.68%	52.03%	29.02%	42.50%	44.15%	69.11%	46.84%
Plan fiduciary net position as a percentage of the total pension liability	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2021 (measurement date)

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PERSI - Base Plan
Last 10 - Fiscal Years *

	11/30/2021	11/30/2020	11/30/2019	11/30/2018	11/30/2017	11/30/2016	11/30/2015
Statutorily required contribution	$ 16,680	$ 16,038	$ 15,121	$ 16,882	$ 14,849	$ 13,539	$ 15,867
Contributions in relation to the statutorily required contribution	$ (19,051)	$ (17,604)	$ (15,415)	$ (16,047)	$ (15,692)	$ (15,214)	$ (16,280)
Contribution (deficiency) excess	$ (2,371)	$ (1,566)	$ (294)	$ 835	$ (843)	$ (1,675)	$ (413)
District's covered-employee payroll	$ 198,845	$ 182,432	$ 155,449	$ 150,856	$ 156,769	$ 133,589	$ 136,369
Contributions as a percentage of covered-employee payroll	9.58%	9.65%	9.92%	10.64%	10.01%	11.39%	11.94%

* GASB Statement No. 68 requires ten 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 to use for which information is available.

Data reported is measured as of June 30, 2021 (measurement date)

REPORT REQUIRED BY GAO

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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 of
Hayden Lake Sewer District
Hayden Lake, ID

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hayden Lake Sewer District as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise of Hayden Lake Sewer District's basic financial statements, and have issued our report thereon dated March 9, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hayden Lake Sewer 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 Hayden Lake Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hayden Lake Sewer 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 over financial reporting 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. We did identify a certain deficiency in internal control, described below as 2021-1 that we consider to be a material weakness.

2021-1
Internal Controls over Financial Close and Reporting Process

Condition
During the audit of the District's financial statements, we identified material misstatements in the District's general ledger which necessitated the proposal of numerous significant audit adjustments.

Criteria
A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to subsidiary ledger and supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause

The District did not perform an adequate year-end closing process and oversight over financial reporting was lacking. Insufficient time and resources were allocated to ensuring a proper review of general ledger account balances, reconciliations to source documents, and necessary year-end adjustments. It was noted that the District attempted to bring in outside help to prepare for the audit. However, we believe there is a need for a higher level of knowledge of accrual based accounting within the District to properly prepare for the audit. This level of supervision ultimately relies on those charged with governance to ensure that the financial statements are materially accurate.

Effect of Condition

The financial statements were materially misstated when provided to the auditor. As a result, numerous adjustments were required to be posted throughout the audit.

Recommendation

Our recommendation for the District is to create and implement a financial closing checklist to aid in the financial close and reporting process at year end. Additionally, we recommend that more time and resources are allocated to the financial close process and preparing for the annual audit.

Client Response

The new administrator was hired 3/1/2021, and she and the Board of Directors understood there was a knowledge gap in year-end closing processes, reporting regulations, financial software, etc. A CPA was hired at the end of 2021 to help with the bookkeeping, software, auditing, education, and reporting. His contract with the District was in effect through the end of FY2025.

The administrator created monthly and quarterly checklists for payroll, liability transmittels, and quarterly reporting. This helps ensure the requirements are not missed.

The District switched from QuickBooks software for its general ledger to Caselle software for fiscal year FY2025. Caselle has daily, weekly, monthly, quarterly, and annual checklists to help guide the user through the requirements. The administrator has been working on her education in accrual-based accounting through GFOA, APT US&C, AIC, Caselle, and other local treasurer groups.

The utility/LID software system, Caselle, was set up to automatically delete after 48 months. This shouldn't have been an issue, but the audits were behind more than 48 months. This led to information not being able to be pulled via a report from the software for the auditor. This has been updated to 96 months, and the Hayden Lake Sewer District will not allow annual audits to get behind going forward.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hayden Lake Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below as item 2021-2.

2021-2 - Untimely Audit Completion

Condition

The Hayden Lake Sewer District did not have their fiscal year 2021 audit completed within the nine-month required time frame.

Criteria

Per Idaho State Statute 67-450B, a local government entity whose annual expenditures (from all sources) exceeds two hundred fifty thousand dollars ($250,000) in a fiscal year shall cause a full and complete audit of its financial statements to be made each fiscal year. The entity shall file a completed audit report with the legislative services office within nine months after the end of the audit period.

Cause
The District did not have sufficient resources to perform timely year end closing reconciliations and adjusting entries to have a timely audit

Effect of Condition
There is no financial effect of this deficiency; it is a State compliance issue only.

Recommendation
The District should ensure that it has enough resources to perform timely audits.

Response
The requirement of the annual audit for a sewer district was in doubt, prior to 2021 with the former administrator and Board of Directors. This has been rectified by new staff and the Board of Directors having a complete understanding of the requirement. This will not be an issue going forward. This information has been given to the State.

Hayden Lake Sewer District's Responses to Findings

Hayden Lake Sewer District's response to the findings identified in our audit are described above. Hayden Lake Sewer District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson Bros

Anderson Bros. CPAs
Post Falls, ID
March 9, 2026