DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

DOWNEY-SWAN LAKE HIGHWAY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Downey-Swan Lake Highway District
Downey, Idaho

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downey-Swan Lake Highway District as of and for the year ended September 30, 2024, and related notes to the financial statements, which collectively comprise the library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Downey-Swan Lake Highway District as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downey-Swan Lake Highway District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* , we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Downey-Swan Lake Highway District has omitted the required 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2025, on our consideration of Downey-Swan Lake Highway 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 the effectiveness of Downey-Swan Lake Highway 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 Downey-Swan Lake Highway District's internal control over financial reporting and compliance.

Pocatello, Idaho
July 18, 2025

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

STATEMENT OF NET POSITION
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS AT SEPTEMBER 30, 2023

	Governmental Activities	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,449,994	$ 987,118
Taxes receivable	2,393	2,534
Intergovernmental receivable	237,258	366,939
Prepaid expenses	10,468	8,052
Inventory	59,884	85,114
	1,759,997	1,449,757
Capital assets, net of depreciation		
Land	20,634	20,634
Buildings and improvements	102,091	102,091
Machinery and equipment	2,323,653	2,150,204
Accumulated depreciation	(1,500,071)	(1,372,216)
	946,307	900,713
	2,706,304	2,350,470
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	42,904	97,158
LIABILITIES		
Accounts payable	25,727	-
Payroll taxes and employee benefits payable	4,128	5,971
Compensated absence	1,572	2,830
Lease payable current portion	55,710	99,495
Noncurrent liabilities		
Net Pension Liability	197,270	242,940
Lease due in more than one year	466,682	552,347
	751,089	903,583
DEFERRED INFLOWS OF RESOURCES		
Pensions	-	1,950
NET POSITION		
Net investment in capital assets	423,915	248,871
Inventory and prepaid expenses	70,352	93,166
Unrestricted	1,503,852	1,200,058
	$ 1,998,119	$ 1,542,095

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS/PROGRAMS	Governmental Funds	2023
Governmental activities		
General government	$ (1,561,889)	$ (1,289,002)
	(1,561,889)	(1,289,002)
GENERAL REVENUES		
Property taxes	105,218	95,821
Intergovernmental	1,855,710	1,307,758
Interest	56,228	33,606
Other revenues	757	5,910
	2,017,913	1,443,095
CHANGE IN NET POSITION	456,024	154,093
BEGINNING NET POSITION - RESTATED (SEE NOTE 12)	1,542,095	1,467,872
PRIOR PERIOD ADJUSTMENT	-	(79,870)
ENDING NET POSITION	$ 1,998,119	$ 1,542,095

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS AT SEPTEMBER 30, 2023

	Total Governmental Funds	2023
ASSETS		
Cash and cash equivalents	$ 1,449,994	$ 987,118
Taxes receivable	2,393	2,534
Intergovernmental receivable	237,258	366,939
Prepaid expenses	10,468	8,052
Inventory	59,884	85,113
	$ 1,759,997	$ 1,449,756
LIABILITIES		
Liabilities		
Accounts payable	$ 25,727	$ -
Payroll taxes and employee benefits payable	4,128	5,971
Compensated absence	1,572	2,830
	31,427	8,801
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	2,159	2,381
FUND BALANCES		
Nonspendable		
Prepaid expenses	10,468	8,052
Inventory	59,884	85,113
Committed	45,221	31,703
Unassigned	1,610,838	1,313,706
	1,726,411	1,438,574
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE	$ 1,759,997	$ 1,449,756
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total Governmental Funds Balance	$ 1,726,411	$ 1,438,574
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, net of depreciation	946,307	900,713
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not report in the funds	42,904	95,208
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability	(197,270)	(242,940)
Capital Lease	(522,392)	(651,842)
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in the governmental funds	2,159	2,382
Net Position of Governmental Activities	$ 1,998,119	$ 1,542,095

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Total Governmental Funds	2023
REVENUES		
Property taxes	$ 105,441	$ 95,123
Intergovernmental	1,855,710	1,307,757
Interest	56,228	33,606
Other revenues	757	5,910
	2,018,136	1,442,396
EXPENDITURES		
General government	1,365,273	1,127,298
Capital outlay	199,000	475,864
Debt services		
Principal retirement	129,448	62,195
Lease payment interest	36,578	10,616
	1,730,299	1,675,973
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	287,837	(233,577)
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	-	408,228
Net change in fund balances	287,837	174,651
BEGINNING FUND BALANCE - RESTATED (SEE NOTE 12)	1,438,574	1,442,482
PRIOR PERIOD ADJUSTMENT	-	(178,559)
ENDING FUND BALANCE	$ 1,726,411	$ 1,438,574

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Total Governmental Funds	2023
Net change in fund balance - Total governmental funds	$ 287,837	$ 174,651
Amounts reported for governmental activities in the statement of net position are different because:		
Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but it does not require the use of current financial resources and is not reported in the governmental funds.	(309)	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives. This is the net amount of depreciation expense and capital outlays:		
Capital outlay	199,000	475,864
Depreciation expense	(153,097)	(102,095)
	45,903	373,769
Net change in pension liabilities, deferred inflows, outflows and pension expense.	(6,634)	(48,992)
Some revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. Because of the "availability" criterion under the modified accrual basis of accounting the following has been deemed as unavailable:		
Property taxes	(223)	698
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:		
Capital lease payments	129,450	62,195
Capital lease proceeds	-	(408,228)
	$ 456,024	$ 154,093

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of Downey-Swan Lake Highway District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has implemented GASB Statement 82, the new pension accounting standard. Significant District accounting policies are described below.

A. Basis of Presentation

Government-wide Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and any component units. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead of general revenues.

B. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to accrued compensated absences and judgments, are recorded only when payment is due.

The District has one fund, the General fund. The General fund is always classified as a major fund. All financial resources except those required to be accounted for in another fund are accounted for in the General fund.

C. Budgets and Encumbrances

The District does not use the encumbrance method of accounting.

The District is required by State Law to adopt annual budgets on all governmental funds that cover a period from October 1 through September 30. All adopted budgets are prepared in accordance with the modified accrual basis of accounting and are adopted on a basis consistent with generally accepted accounting principles.

On or before the first Monday in August, the District submits the proposed budget to the District Commissioners for review and approval. When the tentative budget has been approved, it must be published in an area newspaper. On or before the Tuesday following the first Monday of September each year, the Board of Commissioners meets to hold a public budget hearing, at which time any taxpayer may appear and be heard upon any part or parts of said tentative budget. Such hearings may be continued from day to day until concluded, but not to exceed a total of five (5) days.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Budgets and Encumbrances (Continued)

Upon conclusion of such hearing, the Board of Commissioners fix and determine the amount of the budget and if it shall require more property tax funding than the amount of the published budget. The appropriated budget is adopted by resolution in the official minutes of the board.

During the fiscal year, the Board of Commissioners may amend the annual appropriated budget by unanimous resolution in case of an emergency, through the courts, or by the budget hearing process. The appropriated budget can only be increased by an amount equal to unanticipated revenues. In no event can property taxes be increased.

D. Cash, cash equivalents and Investments

For the purpose of the statement of net assets, cash includes amounts of deposits in demand, savings accounts, certificates of deposits, as well as highly liquid investments with maturity dates of thirty days or less.

E. Receivables

Property Taxes

Property tax revenues are recognized and accrued when billed by Bannock and Franklin County. Property taxes are levied by the third Monday of September on a market value basis and, are billed to the taxpayers in November. Half of the real, personal and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year. Property taxes are assessed and collected for the District by Bannock County and Franklin County.

Idaho code section 40-801 provides two countywide tax levies for highway districts. One-half of the general levy within cities is allocated back to the cities.

F. Capital Assets

Capital assets, which include land, buildings, improvements, furniture, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost was not available. The District has set a capitalization threshold for reporting capital assets at $5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Machinery and equipment	3-15

NOTE 1 - Summary of Significant Accounting Policies (Continued)

G. Compensated Absences

Unused vacation leave must be used as of December 31.

Unused sick leave may be accumulated up to a maximum of 720 hours. All unused sick leave is non-vesting except for employees who retire. When an employee retires the District will pay one-third (1/3) of accumulated sick leave (maximum of 30 days), as a termination benefit.

H Inventories and prepaid items

Governmental inventories are valued on a first in, first out cost basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

I. Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

J. Use of Estimates

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

K. Use of Restricted Resources

Mandatory segregations of assets are presented as restricted assets. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

L. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable items- This category includes a portion of net resources that cannot be spent because of their form or because they must be maintained intact. This includes inventories and prepaid items.

Restricted items - This category includes resources where limitations are imposed by external entities, such as grantors and creditors, or to comply with laws and regulations of governments.

Committed items- This category includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Trustees for the District. Commitments may be changed or lifted only by the Board taking the same formal action that imposed the constraint originally.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

Assigned items- Assigned items represent the District's intent to use certain resources for specific purposes. The Superintendent may establish the intended use of these funds for a designated purpose.

Unassigned items - Represents the remainder of the District's equity in governmental fund-type balances in excess of the aforementioned classifications.

For purposes of fund balances classification, expenditures are to be spent first from restricted fund balances, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

M. Pensions

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

NOTE 2 - Deposits and Investments

Deposits and Investments in the bank at year end consist of the following:

Deposits	Bank	Book
Cash in bank	$ 170,804	$ 104,579
State of Idaho Investment Pool (LGIP)	1,345,415	1,345,415
Total Deposits	$ 1,516,219	$ 1,449,994

Deposits- Custodial Credit Risk for deposits is the risk that, in the event of bank failure, the government's deposits may not be returned. The District's deposits at year end, with the exception of the LGIP, were covered by federal depository insurance. The District's deposits, with the exception of the LGIP, are not subject to custodial credit risk.

The elected State Treasurer, following Idaho Code, is authorized to sponsor an investment pool (Pool) in which the District voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the investment pool is performed by the State Treasurer. Idaho Code defines allowable investments. The fair value of the District's position in the Pool is the same as the value of the Pool. The value of the Pool is not identified with specific investments and is all subject to custodial credit risk.

Investments- The District has no investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the value of an investment.

Credit Risk is the risk that an issuer or a counter party to an investment will not fulfill its obligations. The district seeks to minimize credit risk through diversification of investments within the choices allowed under state statutes.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The funds in the State of Idaho Investment Pool are in a variety of investments which are required to have an A quality credit rating or better.

NOTE 3 - Receivables

Property taxes receivable represent amounts levied in excess of collections for the year. All property taxes are deemed collectable:

Ending taxes receivable	$ 2,393

Grant receivable represent the amount expenses that were incurred that were paid back by a grant received in November of the following year.

NOTE 4 - Inventory

The District maintained two (2) types of inventory during the year which are recording at cost using the First-In-First-Out method:

	2024
Crushed gravel	$ 9,574
Chipped gravel	50,310
	$ 59,884

NOTE 5 - Changes in Capital Assets

Capital asset activity during the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	$ 20,634	$ -	$ -	$ 20,634
Capital assets, depreciated				
Buildings and improvements	102,091	-	-	102,091
Machinery and equipment	2,207,224	199,000	82,571	2,323,653
Total capital assets, depreciated	2,309,315	199,000	82,571	2,425,744
Accumulated depreciation	1,429,235	153,097	82,261	1,500,071
Governmental activities capital assets, net	$ 900,714	$ 45,903	$ 310	$ 946,307

NOTE 6 - Capital Lease

The District has acquired equipment through capital leases. The total gross amount of equipment recorded under capital leases amount to $810,981. Depreciation Expense for the fiscal year for equipment acquired under capital lease amounts to $100,793.

Fiscal Year	Governmental Activities
2025	$ 55,710
2026	89,556
2027	119,799
2028	35,816
2029	221,511
Total minimum lease payments	522,392
Current portion	55,710
Long-term portion	$ 466,682

NOTE 6 - Capital Lease (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital lease	$ 651,842	$ -	$ 129,450	$ 522,392

NOTE 7 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets; errors and omissions; employee injuries, employee health, and natural disaster. Risk of losses are insured by the purchase of commercial insurance.

Risk control techniques have been established to reasonably ensure that the District's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the District. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis.

NOTE 8 - Pension Activity - Employer Reporting

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.

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. 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.

NOTE 8 - Pension Activity - Employer Reporting (Continued)

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2024 it was 6.71% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees. The District's contributions were $32,768 for the year ended September 30, 2024.

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

At September 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the District's proportion was .0052737 percent.

For the year ended September 30, 2024, the District recognized pension expense of $36,085. At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 31,407	$ -
Changes in assumptions or other inputs	7,815	-
Net difference between projected and actual earnings on pension plan investments	(3,581)	-
District's contributions subsequent to the measurement date	7,263	-
	$ 42,904	$ -

The amount of $7,263, reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

The amortization period is based on the remaining expected service lives of all employees that are provided with pensions through the System determined at the beginning of the measurement period. The amortization period was calculated at 4.4 years. The amortization of the net difference between projected and actual investment earnings on pension plan investments is amortized over a closed 5-year period inclusive of this fiscal year.

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 ending September 30,	
2025	$ 9,736
2026	36,782
2027	(6,343)
2028	(4,534)

NOTE 8 - Pension Activity - Employer Reporting (Continued)

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, 2024 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-net of investment fees	6.35%
Cost-of-living adjustments	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.

General Employees and All Beneficiaries - Males	increased 11%.
General Employees and All Beneficiaries - Females	increased 21%.
Teachers - Males	increased 12%.
Teachers - Females	increased 21%.
Fire & Police - Males	increased 21%.
Fire & Police - Females	increased 26%.
Disabled Members - Males	increased 38%.
Disabled Members - Females	increased 36%.

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.

NOTE 8 - Pension Activity - Employer Reporting (Continued)

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	-0.25%
TIPS	10%	-0.30%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

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.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 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%)
Employer's proportionate share of the net pension liability (asset)	$ 374,875	$ 197,270	$ 52,213

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2024, 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 9 - Governmental Funds Committed and Assigned Balances

The District commits the balance of a designated cash account held by a commercial bank for medical reimbursement expenditures for qualified employees. The balance of the committed cash totaled $45,221 at year end.

NOTE 10 - Self Insured

The District self-insures a portion of the qualified employees' health insurance. The District's employees who qualify for the individual plan are covered up to $2,700 by the District after a $300 deductible is paid by the employee. Employees who qualify for the family plan are covered up to $5,400 by the District after a $600 deductible is paid by the employee. Health expenses above these amounts are subject to the District's third party insurance policies. Therefore, the District's risk for health insurance costs is limited based on the number of qualified employees and their plan type.

The District has partially self-funded individual employee dental and vision benefits. Such benefits are limited in the amount of $1,850 per qualified employee per year.

NOTE 11 - Subsequent Events

Subsequent events were evaluated up to July 18, 2025, the date the financial statements were available to be issued.

NOTE 12 - Prior Period Adjustments

During the current fiscal year, management discovered several items that required correction to prior period financial statements. As a result, a prior period adjustment was recorded to restate beginning net position as of September 30, 2024. The net effect of these corrections resulted in an overall decrease of $79,870 to the beginning net position and an overall decrease of $178,558 to the beginning fund balance.

Change reported on Statement of Net Position:

Beginning net position as previously reported		$ 1,619,744
Decrease in expenses reported for 2023		2,221
		1,621,965
Overstatement of inventory	(188,874)	
Understatement of cash	10,316	
Unrecorded capital assets	98,688	
Total prior period adjustment		(79,870)
Beginning net position, restated		$ 1,542,095

Change reported on Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds:

Beginning fund balance as previously reported		$ 1,614,912
Decrease in expenses reported for 2023		2,221
		1,617,133
Overstatement of inventory	(188,874)	
Understatement of cash	10,316	
Total prior period adjustment		(178,558)
Beginning fund balance, restated		$ 1,438,575

REQUIRED
SUPPLEMENTARY INFORMATION

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance
REVENUES				
Property taxes	$ 79,568	$ 101,243	$ 105,441	$ 4,198
Highway users	1,565,632	1,985,391	1,855,710	(129,681)
Interest and other revenue	50,000	72,091	56,985	(15,106)
	1,695,200	2,158,725	2,018,136	(140,589)
EXPENDITURES				
Administration	173,000	170,000	98,099	71,901
Commissioner salary	8,100	8,100	8,100	-
Road maintenance	1,869,100	1,929,321	971,601	957,720
Equipment maintenance	75,000	75,000	55,484	19,516
Payment on lease	130,000	130,000	166,026	(36,026)
Capital outlays - Capitalized	403,179	594,951	199,000	395,951
Capital outlays - Not capitalized	205,049	205,049	205,049	-
Local rural highway investment program	40,000	40,000	26,940	13,060
	2,903,428	3,152,421	1,730,299	1,422,122
Excess revenues (Expenditures)	(1,208,228)	(993,696)	287,837	1,281,533
Proceeds from capital lease	408,228	-	-	-
NET CHANGE IN FUND BALANCE	$ (800,000)	$ (993,696)	287,837	$ 1,281,533
BEGINNING FUND BALANCE			1,438,574	
ENDING FUND BALANCE			$ 1,726,411	

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of net the pension liability	0.00527370%	0.00608770%	0.00559460%	0.0058110%	0.0056646%	0.0057886%	0.0062260%	0.0060693%	0.0061270%	0.0047832%
Employer's proportionate share of the net pension liability	$ 197,270	$ 242,940	$ 220,358	$ 41,727	$ 41,727	$ 42,747	$ 91,835	$ 95,399	$ 124,204	$ 62,987
Employer's covered-employee payroll	$ 241,589	$ 269,992	$ 226,734	$ 225,301	$ 201,408	$ 204,359	$ 205,749	$ 193,010	$ 184,000	$ 138,489
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	81.66%	89.98%	97.19%	18.52%	20.72%	20.92%	44.63%	49.43%	67.50%	45.48%
Plan fiduciary net position as a percentage of the total pension liability	83.83%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

Data reported is measured as of June 30, 2024.

Schedule of Employer Contributions
PERSI – Base Plan
Last 10 - Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 29,451	$ 32,768	$ 27,056	$ 25,893	$ 24,084	$ 22,256	$ 22,675	$ 22,189	$ 21,231	$ 15,646
Contributions in relation to the statutorily required contribution	29,451	32,768	27,056	25,893	24,084	22,256	22,675	22,189	21,231	15,366
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 280
Employer's covered-employee payroll	$ 246,246	$ 274,439	$ 226,600	$ 232,433	$ 216,194	$ 205,883	$ 206,136	$ 192,948	$ 187,553	$ 138,489
Contributions as a percentage of covered-employee payroll	11.96%	11.94%	11.94%	11.14%	11.14%	10.81%	11.00%	11.50%	11.32%	11.10%

Data reported is measured as of September 30, 2024.

DOWNEY-SWAN LAKE HIGHWAY DISTRICT

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2024

NOTE 1 - EXPENDITURES IN EXCESS OF BUDGET

General Government

The district did not budget enough for payments on lease.

The district made an early lease payment that was not included in the budget. Expenditures in excess of budget were paid for by a decrease in expenditures for other functions.

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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 Commissioners
Downey-Swan Lake Highway District

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 governmental activities, and each major fund information of Downey-Swan Lake Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Downey-Swan Lake Highway District's basic financial statements, and have issued our report thereon dated July 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Downey-Swan Lake Highway 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 Downey-Swan Lake Highway District's internal control. Accordingly, we do not express an opinion on the effectiveness of Downey-Swan Lake Highway 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies (2024-001 and 2024-002) in internal controls, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Report on Compliance and Other Matters

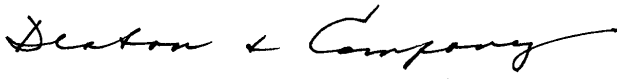
As part of obtaining reasonable assurance about whether the Downey-Swan Lake Highway District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Downey-Swan Lake Highway District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Downey-Swan Lake Highway District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Downey-Swan Lake Highway 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.



Pocatello, Idaho
July 18, 2025

DOWNEY-SWAN LAKE HIGHWAY DISTRICT
STATE OF IDAHO

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Findings Of Significant Deficiency And Responses

2024-001 The District's internal control system does not currently require the entity to employ a person with the qualifications and training necessary to prepare the District's financial statements, notes and required supplementary information in accordance with generally accepted accounting principles. The auditors' firm was requested to draft the financial statements, notes and required supplementary information to the financial statements. The auditors' firm has implemented appropriate safeguards to ensure independence is not impaired. This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response

Management believes the above significant deficiency is not material and the cost of providing an individual as described above would outweigh the benefits.

2024-002 During our audit of the District, we identified significant deficiencies in internal controls over asset reporting. The District's controls over cash, inventory, and fixed assets were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. We determined bank reconciliations contained erroneous transactions that were not corrected resulting in understatement of cash. Inventory tracking schedule for gravel was not maintained, resulting in an overstatement of inventory. We also noted that additions and disposals of fixed assets had not been properly recorded in prior years, resulting in an understatement in fixed assets.

We propose the District review their policies and procedures to ensure asset accounts are reconciled, maintained and reported in accordance with generally accepted accounting principals.

Management Response

Management acknowledges these findings and has already implemented appropriate controls to address these concerns. These measures are designed to prevent recurrence and ensure compliance going forward. We will continue to monitor the effectiveness of these controls and make adjustments as necessary.