LOST RIVER
HIGHWAY DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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ARRITT ROBINS WATERS CPAS PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Commissioners
Lost River Highway District
Mackay, ID 83251

Opinion

We have audited the accompanying financial statements of the governmental activities of Lost River Highway District (LRHD) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise LRHD'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 of LRHD, as of September 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 LRHD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 LRHD'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 opinion. 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, including omissions, 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 LRHD'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 LRHD's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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. LRHD has elected to not present MD&A. We have applied certain limited procedures to the pension 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024, on our consideration of LRHD'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 LRHD'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 LRHD's internal control over financial reporting and compliance.

Arritt Robins Waters CPAs PLLC
Arritt Robins Waters CPAs PLLC
Burley, Idaho
December 27, 2024

LOST RIVER HIGHWAY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2024

	General Fund	Adjustments (See notes)	Statement of Net Position
Assets			
Cash & Cash Equivalents	$ 3,001,513		$ 3,001,513
Taxes Receivable	4,526		4,526
Prepaid Expenses	-		-
Capital Assets, Net of Accumulated Depreciation		7,489,619	7,489,619
Total Assets	3,006,039	7,489,619	10,495,658
Deferred Outflows of Resources			
Pension related items	-	78,712	78,712
	$ 3,006,039	$ 7,568,331	$ 10,574,370
Liabilities			
Accounts Payable	$ 41,032		$ 41,032
Accrued Payroll Liabilities	-		-
Current Portion - Long Term Debt	-	401,677	401,677
Long Term Liabilities			
Net Pension Liability	-	356,777	356,777
Compensated Absences	-	65,000	65,000
Long Term Debt - Net of Current Portion	-	371,498	371,498
Total Liabilities	41,032	1,194,952	1,235,984
Deferred Inflows of Resources			
Unavailable revenue	3,525	(3,525)	-
Pension related items	-	-	-
Fund Balance/Net Position			
Unassigned Fund Balance	2,961,482	(2,961,482)	-
	$ 3,006,039		
Net Position:			
Invested in Capital Assets, Net of Debt		6,716,444	6,716,444
Unrestricted		2,621,942	2,621,942
Total Net Position		6,376,904	9,338,386
		$ 7,568,331	$ 10,574,370

See accompanying notes to financial statements.

LOST RIVER HIGHWAY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Adjustments (See notes)	Statement of Activities
Expenditures/Expenses			
Wages and Benefits	$ 736,120	$ 20,295	$ 756,415
Depreciation	-	480,225	480,225
Capital Expenditures	764,923	(764,923)	-
Capital Expenditures - Debt payments	94,024	(94,024)	-
Capital Expenditures - Interest expense	23,177		23,177
Contract Services	58,964		58,964
Insurance	21,025		21,025
Repairs and Maintenance	213,527		213,527
Fuel and Oil	93,664		93,664
Utilities	16,226		16,226
General & Administrative	7,762		7,762
Total Expenditures/Expenses	2,029,411	(358,426)	1,670,985
Program Revenues			
Fees and Permits	2,900		2,900
Total Program Revenues	2,900	-	2,900
Net Program Expenses			1,668,085
General Revenues			
Property Tax Revenue	126,834	1,420	128,254
Forest Service Revenue	464,510		464,510
State Highway Users Revenue	1,805,146		1,805,146
State Sales Tax Revenue	173,520		173,520
Grant Revenue	462,233		462,233
Other Revenue	131,850	20,508	152,358
Investment Revenue	76,247		76,247
Total General Revenues	3,240,339	21,928	3,262,267
Excess Revenues over Expenditures	1,213,828	380,355	1,594,183
Beginning Fund Balance/Net Position	$ 1,747,653	$ 5,996,549	$ 7,744,203
Ending Fund Balance/Net Position	$ 2,961,482	$ 6,376,904	$ 9,338,386

See accompanying notes to financial statements.

LOST RIVER HIGHWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property Tax Revenue	$ 141,000	$ 141,000	$ 126,834	$ (14,166)
Forest Service Revenue	500,000	500,000	464,510	(35,490)
State Highway Users Revenue	1,100,000	1,100,000	1,805,146	705,146
State Sales Tax Revenue	186,000	186,000	173,520	(12,480)
Grant Revenue	209,000	209,000	462,233	253,233
Fees and Permits	6,000	6,000	2,900	(3,100)
Other Revenue	-	-	131,850	131,850
Investment Revenue	28,000	28,000	76,247	48,247
Total Revenues	2,170,000	2,170,000	3,243,239	1,073,239
Expenditures				
Wages and Benefits	699,000	699,000	736,120	(37,120)
Capital Expenditures	828,000	828,000	764,923	63,077
Capital Expenditures - Debt payments	200,000	200,000	94,024	105,976
Capital Expenditures - Interest expense	-	-	23,177	(23,177)
Contract Services	40,000	40,000	58,964	(18,964)
Insurance	48,000	48,000	21,025	26,975
Repairs and Maintenance	210,000	210,000	213,527	(3,527)
Fuel and Oil	115,000	115,000	93,664	21,337
Utilities	20,000	20,000	16,226	3,774
General & Administrative	10,000	10,000	7,762	2,238
Total Expenditures	2,170,000	2,170,000	2,029,411	140,589
Excess (Deficit) Revenues over Expenditures	-	-	1,213,828	1,213,828
Beginning Fund Balance	$ -	$ -	$ 1,747,653	$ 1,747,653
Ending Fund Balance	$ -	$ -	$ 2,961,482	$ 2,961,482

See accompanying notes to financial statements.

LOST RIVER HIGHWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Entity

Lost River Highway District is organized under Idaho Statute Title 40 Chapter 13 and serves taxpayers and highway users in the Lost River Valley of central Idaho. The District's financial statements include the accounts of all operations under the oversight authority of the Board. Oversight responsibility is derived from the governmental unit's authority and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on the foregoing criteria, no component units are included in the District's financial statements.

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures. The District has only a General Fund.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the District.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each activity. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the district.

Fund Financial Statements:

Governmental funds are accounted for using the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. Under modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Available for purposes of revenue recognition is defined as sixty days. Revenue sources susceptible to accrual include property taxes and intergovernmental revenues. Expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include the accrual of payroll and related payroll liabilities.

Budgetary Data

The budget is legally enacted prior to October 1 in accordance with the Idaho Code following an analysis of the proposed expenditures and the means of financing them, and a public budget hearing held to obtain taxpayer comments. The budget is prepared on the modified accrual basis of accounting. The encumbrance method is not used by the District.

Capital Assets

The District’s assets are capitalized at historic cost or estimated historic costs. Contributed assets are recorded at fair market value when received. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows: Buildings 40 years, Equipment 7-10 years, and Infrastructure 25 years.

Use of Estimates

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

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 – CASH & CASH EQUIVALENTS

At fiscal year end the District's cash and cash equivalents were held as follows:

Ireland Bank	$ 416,388
State of Idaho LGIP	2,585,124
	$ 3,001,513

There are three categories of credit risk that apply to an entity's cash and investments:

1) Insured or registered or for which the securities are held by the District or the District's agent in the District's name.

2) Uninsured and unregistered for which the securities are held by the counter party's trust department or the District's agent in the District's name.

3) Uninsured and unregistered for which the securities are held by the counter party or by its trust department or agent but not in the District's name. This category also includes repurchase agreements with no underlying securities.

The District currently has funds held only in the first two categories and LGIP as follows:

1) Insured (FDIC)	$ 250,000
2) Uninsured	166,388
Idaho State LGIP (audited financial statements at www.sto.idaho.gov)	2,585,124
Total Cash and Cash Equivalents	$ 3,001,513

District policies relating to cash and investments are:

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The District has no investment policy which would further limit its investment choices beyond those stated in the Idaho Code.

Concentration of Credit Risk – The District places no limit on the amount the treasurer may invest in any one issuer, but in practice does diversify the amounts invested at various institutions.

Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk, but does review FDIC limits in relation to balances regularly.

NOTE 3 - TAXES RECEIVABLE

This account represents unremitted property tax revenues levied by the District and collected on their behalf by Custer County.

Property taxes are levied in November of each year and recognized as revenue when the tax notices are printed. These tax notices indicate the time for collection and are due and payable in equal installments on December 20 and June 20 following the November levy date. If payment is not received upon the due date a 2% penalty is charged to the property and it is classified as past due subject to 12% interest.

Any delinquent taxes not collected within 60 days following the close of the District's fiscal year, are recorded as unavailable revenue.

NOTE 4 – CAPITAL ASSETS

Changes to capital assets during the fiscal year were as follows:

	Land	Roads/ Bridges	Buildings	Equip-ment	Accum. Depr.	Net Book Value
Beginning Balance	$ 81,397	$ 5,633,509	$ 953,015	$ 4,229,329	$ (3,921,451)	$ 6,975,799
Additions:						
Roads/Bridges	-	294,567	-	-	-	294,567
Equipment Shed	-	-	69,500	-	-	69,500
Grader, Excavator, Blower	-	-	-	843,115	-	843,115
Disposals:						
Grader	-	-	-	(326,508)	113,371	(213,137)
Annual Depreciation	-	-	-	-	(480,225)	(480,225)
Ending Balance	$ 81,397	$ 5,928,076	$ 1,022,515	$ 4,745,936	$ (4,288,305)	$ 7,489,619

NOTE 5 – CAPITALIZED LEASES

The District has the following lease contracts that have been capitalized and amortized over the contract term. The first and second contract listed are with Summitt National Bank. The third contract listed is with Cat Finance. The leased equipment is secured by the respective lessor.

	Principal payments due during fiscal year end September 30:					
	2025	2026	2027	2028	Later	Total
Cat 160M3 Grader, 3.7%	$ 218,883	$ -	$ -	$ -	$ -	$ 218,883
Cat 950M Loader, 2.8%	160,245	-	-	-	-	160,245
Cat 160AWD Grader, 3.7%	22,549	24,018	25,582	27,248	294,650	394,047
Total Principal	401,677	24,018	25,582	27,248	294,650	773,175
Estimated Interest	38,247	24,193	22,629	20,963	51,773	157,805
Total Debt Service	$ 439,924	$ 48,211	$ 48,211	$ 48,211	$ 346,423	$ 930,980

NOTE 6 – EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet presents balances that are current economic resources or liabilities of the funds, while the statement of net position presents all balances that make up the financial condition of the entire entity. The fund balance sheet reconciles to the statement of net assets as follows:

Unassigned Fund Balance		$ 2,961,482
Capital Assets - net of accumulated depr	7,489,619	
Pension related deferred outflows	78,712	
Net Pension Liability	(356,777)	
Compensated Absences	(65,000)	
Long Term Debt	(773,175)	
Unavailable revenue	3,525	
Pension related deferred inflows	-	
Net differences		6,376,904
Total Net Assets		$ 9,338,386

NOTE 7 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES

The statement of revenues, expenditures, and changes in fund balance account for revenues and expenditures on current economic resource basis, while the government wide statement of activities accounts for revenues and expenses on a full accrual basis. The statement of revenues, expenditures, and changes in fund balance reconciles to the statement of activities as follows:

Excess Revenues over (under) Expenditures - Fund Statement		$ 1,213,828
Change in compensated absences and pension related items	(20,295)	
Depreciation	(480,225)	
Captial Expenditures	764,923	
Debt Payments	94,024	
Change in unavailable revenue	1,420	
Gain (loss) on disposed capital assets	20,508	
		380,355
Excess Revenues over Expenditures - Statement of Activities		$ 1,594,183

NOTE 8 - 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.

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% (72% for police and firefighters) of the employer rate. As of June 30, 2024, it was 6.71% (9.83%). The employer contribution rate is set by the Retirement Board and was 11.18% (13.26%) of covered compensation. The District's contributions were $53,612 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 .0095379%

For the year ended September 30, 2024, the District recognized pension expense (revenue) of $102,609. 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 acutal experience	$ 56,802	$ -
Changes in assumptions or other inputs	14,134	-
Net difference between projected and acutal earnings	(6,476)	-
Employer contributions subsequent to meaurement date	14,252	-
Total	$ 78,712	$ -

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, 2024, the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.6 years for the measurement period June 30, 2024.

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:

2025	$ 21,535
2026	66,522
2027	(11,472)
2028	$ (8,200)

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 including inflation	3.05%
Investment rate of return	6.35%
Cost-of-living adjustments	1.00%

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%.
Teachers - Males Pub-2010 Teacher Tables, increased 12%.
Teachers - Females Pub-2010 Teacher Tables, increased 21%.

Fire & Police - Males Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2024 is based on the results of an actuarial valuation date of July 1, 2024.

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 2024.

Asset Class	**DB Plans**	**Sick Leave**
Fixed Income	30.00%	50.00%
US/Global Equity	55.00%	39.30%
International Equity	15.00%	10.70%
Cash	0.00%	0.00%
Total	100.00%	100.00%

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 rate 6.35%	1% increase 7.35%
District's proportional share of net pension liability	$ 684,569	$ 356,777	$ 132,207

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

NOTE 9 - RISK MANAGEMENT

The District carries commercial insurance to cover employee health care, worker's compensation, liability and property. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 – BUDGET TO ACTUAL COMPARISON

The District did not have any budget to modified accrual differences, therefore budget to actual differences are shown.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 27, 2024 the date the audited financial statements were available to be issued.

ARRITT ROBINS WATERS CPAS PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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
Lost River Highway District
Mackay, ID 83251

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, Lost River Highway District (LRHD), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise LRHD's basic financial statements, and have issued our report thereon dated December 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LRHD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LRHD's internal control. Accordingly, we do not express an opinion on the effectiveness of LRHD'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LRHD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Arritt Robins Waters CPAs PLLC
Arritt Robins Waters CPAs PLLC
Burley, Idaho
December 27, 2024

LOST RIVER HIGHWAY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	0.009538%	0.010886%	0.009419%	0.009725%	0.011009%	0.010277%	0.010573%	0.012038%	0.012526%	0.011560%
Employer's proportionate share of the net pension liability	$ 356,777	$ 434,433	$ 370,987	$ (7,681)	$ 255,634	$ 117,308	$ 155,957	$ 189,223	$ 253,923	$ 152,230
Employer's covered-employee payroll	$ 463,412	$ 462,871	$ 351,499	$ 380,222	$ 395,827	$ 371,889	$ 328,802	$ 326,372	$ 315,809	$ 304,311
Employer's proportionate share of the net pension liability as a % of covered payroll	77.0%	93.9%	105.5%	-2.0%	64.6%	31.5%	47.4%	58.0%	80.4%	50.0%
Plan fiduciary net position as a percentage of the total pension liability	85.5%	83.8%	83.1%	100.4%	88.2%	93.8%	91.7%	90.7%	87.3%	95.0%

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 contributions	$ 53,612	$ 55,209	$ 43,623	$ 45,399	$ 46,900	$ 42,699	$ 37,220	$ 36,945	$ 35,749	$ 34,850
Contributions in relation to the statutorily required contribution	$ 53,612	$ 55,209	$ 43,623	$ 45,399	$ 46,900	$ 42,699	$ 37,220	$ 45,652	$ 35,749	$ 34,850
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,707	$ -	$ -
Employer's covered-employee payroll	$ 471,225	$ 469,476	$ 365,351	$ 380,222	$ 395,827	$ 371,889	$ 328,802	$ 397,572	$ 315,809	$ 304,311
Contributions as a percentage of covered-employee payroll	11.4%	11.8%	11.9%	11.9%	11.8%	11.5%	11.3%	11.5%	11.3%	11.5%

Data reported is measured as of September 30, 2024