SOUTHSIDE WATER AND SEWER DISTRICT

Sandpoint, Idaho

Audited Financial Statements
For the Year Ended
September 30, 2024

SOUTHSIDE WATER AND SEWER DISTRICT

Sandpoint, Idaho

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FINANCIAL SECTION

HAYDEN ROSS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southside Water and Sewer District
Sandpoint, Idaho 83864

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Southside Water and Sewer District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Southside Water and Sewer District'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 business-type activities of Southside Water and Sewer District, as of September 30, 2024, and the respective changes in financial position 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 Southside Water and Sewer 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 Southside Water and Sewer 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 Southside Water and Sewer 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 Southside Water and Sewer District'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

Management has omitted 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.

Accounting principles generally accepted in the United States of America require that the net pension (asset) liability related schedules on page 26 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 inquires, 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 February 7, 2025, on our consideration of Southside Water and Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Southside Water and Sewer District's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
February 7, 2025

HAYDEN ROSS

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*

Board of Directors
Southside Water and Sewer District
Sandpoint, Idaho 83864

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 business-type activities of Southside Water and Sewer District, as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise Southside Water and Sewer District's basic financial statements, and have issued our report thereon dated February 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southside Water and Sewer District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southside Water and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southside Water and Sewer District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southside Water and Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization'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.

Hayden Ross, PLLC

Moscow, Idaho
February 7, 2025

FINANCIAL STATEMENTS

SOUTHSIDE WATER AND SEWER DISTRICT
Sandpoint, Idaho

STATEMENT OF NET POSITION
September 30, 2024

ASSETS		
Current assets:		
Cash	307,823	
Investments	317,555	
Accounts receivable	54,993	
Grant receivable	155,401	
Taxes receivable	829	
Prepaid items and deposits	10,862	
Unbilled taxes receivable	124,973	
Restricted current assets:		
Accrued interest receivable on LID receivable	1,898	
Current portion of LID assessment receivable	37,067	
Total current assets		1,011,401
Noncurrent assets:		
Restricted noncurrent assets:		
Restricted cash - LID debt repayment	6,703	
Restricted cash - DEQ reserve	31,612	
Restricted cash - capital reserve	224,335	
Restricted accounts receivable	21,250	
LID assessment receivables, less current portion	38,796	
Capital assets:		
Non-depreciable assets	1,114,130	
Depreciable assets	5,243,668	
Less accumulated depreciation	(3,914,668)	
Right-of-use asset	560,705	
Total noncurrent assets		3,326,531
Total assets		4,337,932
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items		40,745
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	173,616	
Accrued interest payable	14,034	
Right-of-use lease, due within on year	27,634	
Notes payable, due within one year	31,612	
LID bonds payable, due within one year	22,570	
Total current liabilities		269,466
Noncurrent liabilities:		
Right-of-use lease, less current portion	309,515	
Notes payable, less current portion	268,709	
Compensated absences	6,652	
Net pension liability	122,053	
Total noncurrent liabilities		706,929
Total liabilities		976,395
DEFERRED INFLOWS OF RESOURCES		
Unavailable tax revenue	124,973	
Pension related items	3,352	
Total deferred inflows of resources		128,325
NET POSITION		
Net investment in capital assets		2,343,795
Restricted for:		
LID debt service		84,464
DEQ debt service		31,612
Capital reserve		245,585
Unrestricted		568,501
Total net position		$ 3,273,957

SOUTHSIDE WATER AND SEWER DISTRICT
Sandpoint, Idaho

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2024

	Water	Sewer	Total	Final Budget	Variance Favorable (Unfavorable)
Operating revenues					
User fees and charges	135,984	476,242	612,226	617,000	(4,774)
Hook up charges	5,000	63,000	68,000	67,000	1,000
Other income	1,237	9,563	10,800	24,000	(13,200)
Total operating revenues	142,221	548,805	691,026	708,000	(16,974)
Operating expenses					
Salaries, payroll tax and benefits	77,723	159,603	237,326	199,000	(38,326)
Repairs and maintenance	26,157	116,209	142,366	146,000	3,634
Administration	5,504	8,898	14,402	66,826	52,424
Utilities	6,354	38,202	44,556	45,000	444
Professional services	3,544	8,762	12,306	11,000	(1,306)
Insurance	1,463	3,414	4,877	4,900	23
Monitoring and testing	1,430	11,885	13,315	13,500	185
Depreciation	15,541	169,798	185,339	182,500	(2,839)
Shared administration	11,232	11,231	22,463	25,750	3,287
Total operating expenses	148,948	528,002	676,950	694,476	17,526
Operating income (loss)	(6,727)	20,803	14,076	13,524	552
Non-operating income (expenses)					
Interest income	4,461	15,332	19,793	5,613	14,180
Grant income	407,312	162	407,474	485,296	(77,822)
Property tax - direct	36,966	63,389	100,355	99,250	1,105
Property tax - shared	12,576	12,575	25,151	25,750	(599)
ROU expense	-	(28,805)	(28,805)	-	(28,805)
Interest expense	-	(2,240)	(2,240)	(3,373)	1,133
Total non-operating income (expenses)	461,315	60,413	521,728	612,536	(90,808)
Change in net position	$ 454,588	$ 81,216	535,804	$ 626,060	$ (90,256)
Net position - beginning, as previously report			2,703,968		
Restatement for correction of an error (Note 11)			34,185		
Net position- beginning, as restated			2,738,153		
Net position - ending			$ 3,273,957		

SOUTHSIDE WATER AND SEWER DISTRICT
Sandpoint, Idaho

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	697,854	
Cash payments to suppliers and employees	(479,331)	
Net cash flows provided by (used in) operating activities		218,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on idle cash and investments	15,052	
Net cash flows provided by (used in) investing activities		15,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for purchase of capital assets	(374,246)	
Cash received from grant related activities	313,296	
Cash received from LID assessment receivable	36,332	
Cash received for interest on LID assessment receivable	5,649	
Cash paid for principal on long term debt	(78,239)	
Cash paid for interest on long term debt	(3,374)	
Cash paid for ROU for principal on ROU liability	(23,556)	
Cash paid for ROU for interest on ROU liability	(29,170)	
Net cash flows provided by (used in) capital and related financing activities		(153,308)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from taxes		99,793
Net change in cash and cash equivalents		180,060
Cash and cash equivalents - beginning		682,817
Cash and cash equivalents - ending		$ 862,877
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	14,076	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	185,339	
Change in pension related items:		
Deferred outflow of resources	29,529	
Deferred inflow of resources	3,001	
(Increase) decrease in assets:		
Accounts receivable	6,828	
Prepaid expenses	(7,772)	
Increase (decrease) in liabilities:		
Accounts payable	2,170	
Compensated absences	333	
Net pension liability	(14,981)	
Net cash provided by (used in) operating activities		$ 218,523
Cash and Cash Equivalents Reconciliation		
Restricted cash and cash equivalents		262,650
Unrestricted cash and cash equivalents		625,378
Total cash and cash equivalents		$ 888,028

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 Summary of Significant Accounting Policies

Organization

The Southside Water and Sewer District (the District) was established on September 7, 1971. The District operates under the Board of Directors form of government. The District operates and maintains a water and sewer system serving certain geographic regions south of Sandpoint, Idaho.

Summary of Significant Accounting Policies

The basic financial statements of the business-type activities of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The District follows GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Post-November 30, 1989 pronouncements that do not conflict with or contradict GASB pronouncements.

The District's more significant accounting policies are described below:

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The District meets the criteria established by the Governmental Accounting Standards Board (GASB) to be considered a primary governmental entity for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organization that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or levying of taxes. There are no organizations that meet the definition of a component unit.

Measurement focus, basis of accounting, and financial statement presentation

The District's proprietary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted, and unrestricted components.

NOTE 1 Summary of Significant Accounting Policies (Continued)

The proprietary fund financial statements are reported using the accrual basis of accounting.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position include all of the financial transactions of the District in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability of other purposes.

The proprietary fund distinguishes operating revenues and expenses generally resulting from provision of services in connection with the operation of water services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues result from nonexchange transactions or ancillary activities. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Statement of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts (if any), and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Restricted Resources

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the District considers all bank cash, certificate of deposit, and LGIP accounts to be cash equivalents.

Investments

Special districts within the State of Idaho can pool their funds for investment purposes in the Idaho State Treasurer's Local Government Investment Pool (LGIP).

NOTE 1 Summary of Significant Accounting Policies (Continued)

Deposits in the State Treasurer's Local Government Investment Pool are stated at cost, which approximates market. All funds are invested in accordance with Section 67-1210 and 67-1210A of the Idaho Code. The primary objectives of the investment pool, in order of priority, are safety, liquidity and yield.

Interest income is defined as non-operating revenue.

Unavailable Property Tax Revenue – Unavailable property tax revenue represent the property taxes levied for 2024 that is measurable but unavailable to the District, and therefore recorded as a deferred inflow of resources.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water and sewer services and are reported at their gross value less the estimated portion that is expected to be uncollectible. No allowance was deemed necessary as of September 30, 2024.

Restricted Assets – LID Debt Repayment

Restricted assets represent amounts receivable from property owners under a Local Improvement District (LID), the related LID accrued interest receivable and cash collected from the LID assessment. Those amounts are restricted for the repayment of debt obtained for construction of sewage facilities.

Restricted Assets – Capital Reserve

Restricted assets related to the capital reserve represents amounts hookup fees received that are reserved for future use on capital replacement.

Restricted Assets – DEQ Reserve

Restricted assets related to the debt service requirement represents the requirement to have one year's worth of payments available for the DEQ loan.

Capital Assets

Property, equipment and infrastructure type assets are carried at cost. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided using the straight-line method over the following estimated useful lives of the assets:

Sewer plant	10 to 40 years
Equipment	5 to 10 years

NOTE 1 Summary of Significant Accounting Policies (Continued)

Major additions and betterments are capitalized. Property and infrastructure type items that are considered construction in progress are not depreciated until they are placed in service. Cost of maintenance and repairs which do not improve or extend the life of the associated assets are expensed currently. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any gain or loss is reflected in income.

Leases - The District evaluates each lease agreement at the time of inception to determine the reporting requirements of each lease. Leases that met the definition of a right-of-use (ROU) lease are included as ROU lease assets and ROU lease liabilities on the government-wide financial statements.

ROU assets represent the District's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the District's incremental borrowing rate, based on the information available at commencement date, is used to determine the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option(s) will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with a maximum term of 12 months or less are excluded from the ROU asset and liability amounts.

Subscription-based Information Technology Arrangements (SBITA) - The District evaluates each information technology (IT) agreement at the time of inception to determine the reporting requirements of each SBITA. SBITAs that met the definition of a right-of-use (ROU) agreement are included as SBITA ROU assets and SBITA ROU liabilities on the government-wide financial statements.

ROU assets represent the District's right to use an underlying IT asset for the IT contract term and lease liabilities represent the obligation to make lease payments arising from the contract. SBITA ROU assets and liabilities are recognized at commencement date based on the present value of contact payments over the IT contract term. As most of the contracts do not provide an implicit rate, the District's incremental borrowing rate, based on the information available at commencement date, is used to determine the present value of contract payments. The IT contract terms may include options to extend or terminate the contract when it is reasonably certain that the option(s) will be exercised. SBITA expense for contract payments is recognized on a straight-line basis over the contract term. IT contracts with a maximum term of 12 months or less are excluded from the SBITA ROU asset and liability amounts

Budgetary Basis of Accounting

The District is required by state law to adopt annual budgets. Budgets are adopted on a modified cash basis, not consistent with generally accepted accounting principles. Differences between the budget as presented in the accompanying financial statements and the budget as adopted

are described as follows: The District budgets the entire LID payment received (both interest and principal) as revenue and the entire associated debt payment (both interest and principal) paid as an expense. The budget as presented in the accompanying statement of revenues, expenses and changes in net position (budget and actual) has been adjusted from the budget as adopted by removing the principal amounts related to collection of the LID receivable and payment on the related debt.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Net Position

Net position of the District is classified into five categories:

- *Net investment in capital assets* – consists of capital asset balances net of accumulated depreciation and reduced by the balance of outstanding debt used to finance the purchase of those capital assets.
- *LID debt service* – consists of cash received from customers from their LID payments, LID notes receivable and related accrued interest. The amounts are restricted for repayment of the associated LID debt.
- *DEQ debt service* – consists of cash reserve required to be held (one year's worth of payments) for repayment of the Department of Environmental Quality (DEQ) debt.
- *Capital reserve* – consists of revenue from hookup fees restricted for capital replacement.
- *Unrestricted* – any remaining net position not meeting the criteria for the classifications described above.

Concentrations of Credit Risk

Financial instruments that might subject the District to concentrations of credit risk consist of customer accounts receivable and local improvement district assessment receivable. The District is located in Sagle, Idaho and essentially all revenue is derived from property owners from within the District. The District grants credit to customers without collateral. The District has the ability to place both delinquent service fees and delinquent LID payments on the Bonner County tax rolls for collection (accordingly the District has not experienced significant bad debts in the past).

Use of Estimates

The preparation of financial statements in conformance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results can and probably will differ from those estimates.

NOTE 1 Summary of Significant Accounting Policies (Continued)

The most significant areas of estimates in these financial statements involve 1) the issues of depreciation methods and depreciable lives of the property, equipment and infrastructure type assets, and 2) revenue and expense allocations between the water and sewer activities.

Shared Expenses

The District receives property tax revenue to supplement user fees and pay for certain shared administration expenses. Property tax revenues have been recognized as either "property tax – direct" or "property tax – shared" based on the District's approved budget for the year. The shared expenses have been reported within the operating expenses and allocated 50% water and 50% sewer.

Operating vs. Nonoperating

The statement of revenues, expenses and changes in net position is segregated between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of those items related to the direct operation of the sewer utility. They include fee revenue from customers and the costs associated with operating the system. Non-operating revenues and expenses are those activities that do not relate to the operation of the system. They principally consist of grant revenue, interest revenue from the LID assessment and other interest revenue and the interest expense on the repayment of debt.

Pensions

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from 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.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report. This is the date the financial statements were available to be issued. The District has concluded that no material subsequent events have occurred as of the date of the auditor's report.

NOTE 2 Recently Adopted Accounting Guidance

For the year ended September 30, 2024, there was one new GASB statement that became effective. The adoption of the statement has the following effect for the District:

GASB Statement No. 100, Accounting Changes and Error Corrections – This statement delineates required note disclosures when there is a reported accounting change or correction of an error. See Note 11 for disclosure of error correction.

NOTE 3 Cash and Cash Equivalents

Cash for the year ended September 30, 2024, were as follows:

	Carrying Amount	Bank Balance
Cash		
Checking and Savings Accounts	$ 570,473	$ 599,510

Checking and savings accounts were held at various banking institutions. At each bank, FDIC insures up to $250,000 for the combined amount of all time and savings accounts, plus an additional $250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts. The remaining balance of $38,762 is in excess of the FDIC insured limit and is uncollateralized and unsecured.

Restricted cash balances consist of the following:

- $6,703 for the repayment of Local Improvement District assessments debt
- $31,612 for the debt service requirement
- $224,335 for hookup fees for use on capital replacement

Investments for the year ended September 30, 2024, were as follows:

	Rate	Total
State Treasurer's Pool	Variable	317,555
Total		$ 317,555

External Investment Pool	Book Value	Fair Value	Less than 1 Year	1-8 Years
State Investment Pool	$ 317,555	$ 317,555	$ 317,555	$ -

The State Treasurer's Local Government Investment Pool is managed by the State of Idaho Treasurer's office. All funds are invested in accordance with Section 67-1210 and 67-1210A of the Idaho Code. Authorized investments include bonds, treasury bills, interest-bearing notes, and other obligations of the U.S. Government, general obligation or revenue bonds of the State of Idaho or other local governments within the State of Idaho, bonds, debentures, or other similar obligations issued by the farm credit system or by public corporation so the State of Idaho, repurchase agreements covered by any legal investment for the State of Idaho, tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts of the State of Idaho, revenue bonds of institutions of higher education of the State of Idaho, and time deposits and savings accounts in amounts not to exceed applicable insurance limits. The primary objectives of the investment pool, in order of priority, are safety, liquidity, and yield.

The State Treasurer's investment policy and the Local Government Investment Pool issues its own financial statements can be obtained by writing P.O. Box 83720, Boise, ID 83720-0091.

Participants have overnight availability to their funds, up to $10 million. Withdrawals of $10 million or more require three business days' notification.

NOTE 3 Cash and Cash Equivalents (Continued)

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party (e.g. broker-dealer) to a transaction. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by the nationally recognized statistical rating organization such as Moody's or Standard and Poor's. The investments of the District at year-end are not required to be rated. The District does not have a policy regarding credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in the fair values due to future changes in interest rates. At year-end, the District is not subject to interest rate risk as all investments are held in the State Treasurer's Local Government Investment Pool, which has a maturity of 106 days. The District does not have a policy regarding interest rate risk.

Concentration of credit risk is the risk that concentration of investments with one issuer represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total investments of the entity are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have a policy limiting the amount it may invest in any one issuer.

NOTE 4 Property Tax

The District's property tax is recognized as an asset at the time the District has an enforceable legal claim to the resources (January 1st of each year) and the revenue is recognized in the period for which the taxes are levied. For FY2024, the District has recognized the 2023 levy as revenue and the tax year 2024 levy as an asset.

Tax Year 2023 Levy (FY2024 Revenue)

The market value upon which the 2023 levy was based was $507,149,353. The property tax was levied in October 2023, and was due in two equal installments on December 20th and June 20th.

The total tax levy (per $100 of value) for the year was as follows:

	Percentage	Amount
Levy	2.46430%	$125,290

Tax Year 2024 Levy (FY2024 Asset)

The property tax levy for 2024 has been recorded as an asset in the amount of $124,973. This levy is for the FY2025 operations and has been presented as unbilled taxes receivable.

NOTE 5 Long-Term Debt

On May 27, 2010, the District obtained judicial confirmation to obtain debt financing without voter approval for the purpose of expansion of the current land application area for application of treated wastewater.

The District obtained a loan from the Idaho Department of Environmental Quality (IDEQ) in the amount of $900,000. Of that total $900,000 loan, $267,751 was forgiven by IDEQ in prior years. The District signed a note for the remaining $632,249. That note bears a 0% interest rate, and is payable in semiannual installments of $15,806 over twenty years.

On April 1, 1996, the District adopted ordinance 96-2; this provided for the issuance and sale of two LID bonds. The two bonds totaled $1,545,400. The bonds are payable in 30 annual installments of $99,108, including interest at 4.875%. The District paid off the bond for $654,500 on April 1, 2015, leaving only one LID bond remaining. This bond's annual installment is $57,134, and includes interest at 4.875%.

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2024:

Long Term Debt @ October 1, 2023	401,130
Debt retired	(78,239)
Long Term Debt @ September 30, 2024	$ 322,891

Long term debt payable as September 30, 2024, are comprised of the following individual issues:

Local Improvement District Bonds	
Original issue of $1,545,400 due in year 2025. Interest is stated at 4.875%.	22,570
DEQ Note Payable	
Original issue of $900,000 due in year 2033. Interest is stated at 0%.	300,321
Total	322,891
Due within one year	(54,182)
Lont Term Debt, noncurrent portion	$ 268,709

The annual requirements to amortize all debt outstanding as of September 30, 2024, including interest payments are as follows:

		Local Improvement District Bonds		
Date of Redemption	**Interest Rate**	**Bond Principal**	**Interest Requirement**	**Total Requirement**
4/1/2025	4.875	22,570	549	23,119
Total		$ 22,570	$ 549	$ 23,119

NOTE 5 Long-Term Debt (Continued)

		DEQ Note Payable		
Date of Redemption	Interest Rate	Bond Principal	Interest Requirement	Total Requirement
11/15/2024	0.00	15,806	-	15,806
5/15/2025	0.00	15,806	-	15,806
11/15/2025	0.00	15,806	-	15,806
5/15/2026	0.00	15,806	-	15,806
11/15/2026	0.00	15,806	-	15,806
5/15/2027	0.00	15,806	-	15,806
11/15/2027	0.00	15,806	-	15,806
5/15/2028	0.00	15,806	-	15,806
11/15/2028	0.00	15,806	-	15,806
5/15/2029	0.00	15,806	-	15,806
11/15/2029	0.00	15,806	-	15,806
5/15/2030	0.00	15,806	-	15,806
11/15/2030	0.00	15,806	-	15,806
5/15/2031	0.00	15,806	-	15,806
11/15/2031	0.00	15,806	-	15,806
5/15/2032	0.00	15,806	-	15,806
11/15/2032	0.00	15,806	-	15,806
5/15/2033	0.00	15,806	-	15,806
11/15/2033	0.00	15,813	-	15,813
Total		$ 300,321	$ -	$ 300,321

NOTE 6 Risk Management and Insurance

The District is subject to the types of risk a water and sewer district is ordinarily exposed. Idaho Counties Reciprocal Management carries the District's liability and property insurance coverage. Program Coverage includes general liability, auto liability, errors and omissions and property insurance. Workers' Compensation insurance is paid to the Idaho State Insurance Fund. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the current year or the three prior years.

NOTE 7 Right-of-use Leave Asset/Liability

The District entered into a lease agreement to lease land on March 22, 2023, for 12 months with the option to extend for an additional nine years ending on March 21, 2033, with a discount rate of 7.2%. The lease requires yearly payments of $52,726. The lease has an option to purchase and the District was required to make an initial payment in the amount of $200,000.

NOTE 7 Right-of-use Lease Asset/Liability (Continued)

During the year ended September 30, 2024, the following changes occurred in right-of-use lease assets:

	Beginning Balance	Additions	Modications & Remeasurements	Subtractions	Ending Balance
Right-of-Use Lease Assets					
Land	560,705	-	-	-	560,705
Total Right-of-Use Lease Assets, net	$ 560,705	$ -	-	-	$ 560,705

Total lease expense for the year ended September 30, 2024, is as follows:

Lease expense	
Amortiation expense by class of underlying asset	
Land	-
Total amortization expense	-
Interest on lease liabilities	26,066
Total	26,066

During the year ended September 30, 2024, the following changes occurred in the right-of-use lease liability:

	Beginning Balance	Additions	Modications & Remeasurements	Subtractions	Ending Balance	Amount Due in One Year
Right-of-Use Lease Liabilities						
Land	$ 360,705		-	$ (23,556)	$ 337,149	$ 27,634

Future minimum annual payments as of September 30, 2024 are as follows:

FY Ending June 30,	Principal	Interest	Total Payments
2025	27,634	25,092	52,726
2026	29,690	23,036	52,726
2027	31,900	20,826	52,726
2028	34,275	18,451	52,726
2029	36,825	15,900	52,725
2030-2034	176,825	34,079	210,904
Total Future Payments	$ 337,149	$ 137,384	$ 474,533

NOTE 8 Sewer System and LID Assessment Receivable

The Board of Directors approved a Local Improvement District (LID) to improve the District's sewer infrastructure. The LID was billed to the District's property owners in 1996. Property owners had the opportunity to prepay their assessments to avoid paying interest. Property owners who did not pay the entire assessment were automatically assessed a thirty-year obligation at 5% interest with the first installment due April 1, 1997. The original LID was assessed on 269 equivalent residence units (ERs) at a cost of $5,978 each. Subsequent to the original assessment, some of the ERs have been paid off. As of September 30, 2024, 105 ERs continue to pay the LID with a total principal balance of $75,863.

NOTE 9 Capital Assets

A summary of capital assets follows:

	Beginning Balance	Additions	Dispositions	Transfers	Ending Balance
Capital assets not being depreciated/amortized					
Land	539,637	-	-	48,380	588,017
Construction in progress	251,756	447,690	-	(173,333)	526,113
Right-of-use lease	560,705	-	-	-	560,705
Total capital assets not being depreciated/amortized	1,352,098	447,690	-	(124,953)	1,674,835
Capital assets being depreciated/amortized					
Sewer Improvements	1,399,655	20,970	-	65,783	1,486,408
Water Plant	696,112	-	-	-	696,112
Sewer Plant	2,601,174	-	-	-	2,601,174
Water Improvements	249,575	-	-	59,170	308,745
Shared Water & Sewer	145,721	36,726	(31,218)	-	151,229
Total depreciated/amortized assets	5,092,237	57,696	(31,218)	124,953	5,243,668
Less: accumulated depreciation/amortization	(3,760,547)	(185,339)	31,218	-	(3,914,668)
Governmental Activities Assets	$2,683,788	$ 320,047	$ -	$ -	$3,003,835

During FY2024, depreciation expense was charged to functions as follows:

Water	15,541
Sewer	169,798
Total	$185,339

NOTE 10 Pension Plan

In accordance with GASB 68, Accounting and Financial Reporting for Pensions, which became effective for the year ended September 30, 2015, the financial reporting and note disclosures are based off the most recent audited financial statements of PERSI, which was completed for the period ended June 30, 2024. All amounts are as of June 30, 2024, unless otherwise noted.

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.

NOTE 10 Pension Plan (Continued)

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. Amounts in parenthesis represent police/firefighters.

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%) of the employer rate. As of September 30, 2024, it was 7.18% (10.83%). The employer contribution rate is set by the Retirement Board and was 11.96% (14.65%) of covered compensation. The District's employer contributions required and paid were $16,607 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 of $122,053 for its proportionate the net pension (asset) liability as of June 30, 2024.The net pension (asset) liability was measured as of June 30, 2024, and the total pension (asset) liability used to calculate the net pension (asset)

NOTE 10 Pension Plan (Continued)

liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension (asset) 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 0.00326288%.

The District's pension expense (revenue) is calculated and made available as part of PERSI's annual audit. The pension expense (revenue) for the year ended June 30, 2024 was calculated at $35,102.

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	19,432	-
Changes in assumptions or other inputs	4,835	-
Change in proportionate share	10,195	3,352
Net difference between projected and actual earning on pension plan investments	2,215	-
Employer contributions subsequent to the measurement date	4,068	-
Total	$40,745	$3,352

$4,068 reported as deferred outflow of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) liability in the year ended September 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:

For the Year Ending September 30:	Amount to be Recognized
2025	6,024
2026	22,757
2027	(3,924)
2028	(2,805)
2029	11,273

NOTE 10 Pension Plan (Continued)

Actuarial Assumptions

The following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

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

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%.

*5% of Fire and Police active member deaths are assumed to be duty related. This assumptions was adopted July 1, 2021.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. 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 PERSI'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 10 Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 (asset) 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 (asset) liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

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

The following presents the net pension (asset) liability of PERSI employers calculated using the discount rate of 6.35% as well as what the employer's (asset) liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher 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)	231,938	122,053	32,304

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 10 Pension Plan (Continued)

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 11 Restatement for Correction of an Error

During fiscal year 2024, the District determined that a correction of an error was needed to record grant revenue related to prior period expenses. This correction increased grant receivable, beginning fund balance, and beginning net position by $34,185.

Reporting Units Affected by Adjustments to Beginning Balances

	Business-type activities
Net position - beginning, as previously reported	2,703,968
Correction of an error	34,185
Net position - beginning, as restated	2,738,153

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHSIDE WATER AND SEWER DISTRICT
Sandpoint, Idaho

NET PENSION (ASSET) LIABILITY RELATED SCHEDULES

Schedule of the District's Share of Net Pension (Asset) Liability*
PERSI - Base Plan
As of June 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension (asset) liability	0.0032629%	0.0034339%	0.0029436%	0.0019518%	0.0019082%	0.0020660%	0.0031986%	0.0024671%	0.0038490%	0.0038506%
Employer's proportionate share of the net pension (asset) liability	122,053	137,034	115,942	(1,542)	44,311	23,583	47,180	38,779	78,025	47,539
Employer's covered employee payroll	149,724	146,005	116,080	72,839	67,948	70,168	92,453	89,081	103,015	109,497
Employer's proportional share of the net pension (asset) liability as a percentage of its covered employee payroll	81.52%	93.86%	99.88%	-2.12%	65.21%	33.61%	51.03%	43.53%	75.74%	43.42%
Plan fiduciary net position as a percentage of the total	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

Schedule of District Contributions*
PERSI - Base Plan
As of June 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	17,877	17,433	13,860	8,697	8,113	7,943	10,465	10,084	11,661	12,209
Contributions in relation to the statutorily required contribution	(17,877)	(17,433)	(13,860)	(8,697)	(8,113)	(7,943)	(10,465)	(10,084)	(11,661)	(12,209)
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	149,724	146,005	116,080	72,839	67,948	70,168	92,453	89,081	103,015	109,497
Contributions as a percentage of covered employee payroll	11.18%	11.94%	11.94%	11.94%	11.94%	11.32%	11.32%	11.32%	11.32%	11.15%

Data is reported is measured as of June 30, 2024.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
As of June 30, 2024

Change of Assumptions. There were no change of assumptions as of June 30, 2024.