West Bonner Water & Sewer District

Financial Statements
SEPTEMBER 30, 2024

West Bonner Water and Sewer District

TABLE OF CONTENTS
September 30, 2024

FINANCIAL SECTION:

Independent Auditor's Report ..... 1 - 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 4

Statement of Revenues, Expenses and Changes in Net Position 5

Statement of Cash Flows 6

Notes to the Financial Statements ..... 7 – 20

Required Supplementary Information:

Schedule of Employer's Share of Net Pension Liability 21

Schedule of Employer Contributions 21

Report Required by the GAO:

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* ..... 22 - 23

Financial Section

Independent Auditor's Report

HOOVER
Certified Public Accountant | Business Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Bonner Water & Sewer District
Oldtown, ID 83822

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of West Bonner Water & Sewer District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the 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 West Bonner Water & Sewer District, as of September 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity 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 the 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 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 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 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 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.

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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 risk 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 the 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 the 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

Accounting principles generally accepted in the United States of America require that the schedules of employer's share of net pension liability and employer contributions on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2026, on our consideration of the West Bonner Water & Sewer District's internal control over financial reporting and on our test of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

July 23, 2026

Financial Section

Basic Financial Statements

West Bonner Water and Sewer District

STATEMENT OF NET POSITION
September 30, 2024

ASSETS		
Current assets:		
Cash and cash equivalents	$	625,266
Accounts receivable		33,513
Due from other governments		21,999
Prepaid expenses		4,030
Total current assets		684,808
Noncurrent assets:		
Revenue bonds redemption fund		158,505
Total noncurrent assets - restricted		158,505
Capital assets:		
Land		441,685
Buildings		113,411
Office and general equipment		24,528
Heavy equipment		218,089
Sewer line system		1,873,048
Water line system and resevoir		4,635,526
Total capital assets, at cost		7,306,287
Less: Accumulated depreciation		(2,116,554)
Net capital assets		5,189,733
Total assets		6,033,046
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows		52,475
Total deferred outflows of resources		52,475
LIABILITIES		
Current liabilities:		
Accounts payable		21,312
Payroll liabilitites		7,318
Accrued interest		8,988
Revenue bonds payable - current portion		114,105
Total current liabilities		151,723
Non-current liabilities:		
Due to West Bonner Investment Company LLC		1,170,144
Net pension liability		158,026
Revenue bonds payable - non-current portion		2,762,000
Total non-current liabilities		4,090,170
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows		2,868
Total deferred inflows of resources		2,868
NET POSITION		
Net investment in capital assets		1,301,989
Unrestricted		538,771
Total net position	$	1,840,760

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

West Bonner Water and Sewer District

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

OPERATING REVENUES:		
Charges for services:		
Sewer	$	200,846
Water		131,189
Hookup fees		8,000
Total operating revenues		340,035
OPERATING EXPENSES:		
Sewer plant operations and management fee		119,182
Wages		110,389
Depreciation		165,602
Repairs and maintenance		20,986
Insurance - medical and disability		12,268
Payroll taxes and workers' compensation		7,905
Pension expense		37,104
Utilities and telephone		14,566
Professional services		11,530
Vehicle, fuel, and mileage		2,517
Insurance- liability		4,312
Small tools and supplies		22,215
Water testing		1,450
Office supplies		4,075
Miscellaneous		2,229
Postage and delivery		124
Dues and subscriptions		3,614
Total operating expenses		540,068
OPERATING (LOSS)		(200,033)
NON-OPERATING INCOME/(EXPENSE):		
Taxes- property and sales		36,006
Tax increment reimbursement - Oldtown Urban Renewal Agency		93,000
Interest expense		(40,699)
Interest income		23,349
Total non-operating income/(expense)		111,656
CHANGE IN NET POSITION		(88,377)
NET POSITION, beginning of year		1,929,137
NET POSITION, end of year	$	1,840,760

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

West Bonner Water and Sewer District

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

CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from customers	$	335,056
Cash paid to suppliers		(218,921)
Cash paid to employees		(110,389)
Net cash provided by operating activities		5,746
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and sales taxes received		36,006
Net cash provided by noncapital financing activites		36,006
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Revenue bond principal payments		(112,693)
Interest paid		(41,051)
Tax increment reimbursement - Oldtown Urban Renewal Agency		93,000
Net advances from West Bonner Investment Group		(190,133)
Net cash provided by capital and related financing activities		(250,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income received		23,349
Net cash provided by investing activities		23,349
Net increase in cash		(185,776)
Cash and cash equivalents, beginning of year		969,547
Cash and cash equivalents, end of year	$	783,771
Reconciliation of operating loss to net cash provided by operating activities:		
Operating (loss)	$	(200,033)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		165,602
Accounts receivable		(4,979)
Due from/to other governments		617
Prepaids		(1,874)
Payroll liabilities and net pension adjustments		30,016
Accounts payable		16,397
Total adjustments		205,779
Net cash provided by operating activities	$	5,746

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

West Bonner Water & Sewer District (the "District") was organized under and pursuant to the laws of the State of Idaho in October 1999. The District was organized for the purpose of constructing and operating a water and sewer system for residents within specified boundaries of the area and including the city of Oldtown, Idaho.

The following notes to the financial statements are an integral part of the District's basic financial statements.

B. Basis of Presentation and Accounting

The accounting methods and procedures adopted by West Bonner Water & Sewer District conform to generally accepted accounting principles (GAAP) as applied to special-purpose governmental entities engaged only in business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

C. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. The District's net position is classified in the following two components:

Net Investment in Capital Assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets, to the extent debt has been incurred but not yet expended for capital assets.

Unrestricted Net Position – Unrestricted net position represents resources from water and sewer fees charged. These resources are used for transactions related to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

D. Receivables

Charges for water and sewer usage are billed monthly but are not due until the 15th of the following month. Accounts receivable consist of billings for fees that have not yet been collected. No allowance for uncollectible amounts has been estimated, as management believes all amounts to be collectible. The District has the authority to have delinquent customer accounts added to the Bonner County tax rolls, ensuring eventual payment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Property and equipment are stated at cost when purchased or constructed or where historical records are available and at an estimated cost where no historical records exist. The District's capitalization policy is based on an estimated useful life of greater than one year and $5,000 capitalization threshold per asset. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	10 – 40 Years
Safety equipment	10 Years
Office and general equipment	5 – 40 Years
Heavy equipment	5 – 10 Years
Sewer line system	40 Years
Water line system	5 – 40 Years

F. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of activities that have the characteristics of exchange transactions, such as water and sewer usage fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing-type activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to the unrestricted net position.

G. Income Taxes

The District is a political subdivision of the State of Idaho and is therefore not subject to taxation of its earnings.

H. Related Organization

The District shares expenses, facilities, and personnel with the City of Oldtown, Idaho.

I. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly-liquid investments with a maturity of three months or less, restricted deposits, and deposits with the State of Idaho Local Government Investment Pool to be cash equivalents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

J. Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

K. Property Taxes

Property taxes levied for 2023, which have yet to be collected, are recorded as receivables. In the proprietary fund financial statements, property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

The District's property tax is levied each November on the assessed value listed as of the prior September for all property located within the District's boundaries. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has only one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the statement of net position, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions.*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has only one type of item that qualifies for reporting in this category which is the District's proportionate share of collective deferred inflows of resources from accounting for the net pension obligation in accordance with GASB 68, *Accounting and Financial Reporting for Pensions.*

M. Pensions

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

NOTE 2: CASH AND CASH EQUIVALENTS

General:

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

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. The carrying amount of the District's deposits is $1,047,946 and the bank balance is $1,056,527. As of September 30, 2024, the District's deposits were exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:

Amounts insured by FDIC	$ 282,292
Amounts collateralized	54,411
Cash on hand	268
Total deposits without exposure to custodial credit risk	336,971

Deposits with exposure to custodial credit risk:

Amounts uninsured	455,381
Total Deposits	$ 792,352

Cash and cash equivalents at September 30, 2024 consist of the following:

Deposits	$ 729,092
Cash on hand	268
Idaho State Investment Pool	54,411
Total	$ 783,771

NOTE 2: CASH AND CASH EQUIVALENTS (Concluded)

Cash and cash equivalents are presented in the Statement of Net Position as follows:

Cash and cash equivalents	$	625,266
Revenue bonds redemption fund - restricted		158,505
Total	$	783,771

Fair Value:

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

The balances that the District has in the State Investment Pool are carried at cost of $54,411 which materially approximates fair value. The District's portion of the State Investment Pool had an unrealized gain of $141 at September 30, 2024, which has not been recognized in the financial statements.

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

Credit Risk:

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit of "A" as stipulated by Idaho Code. The District does not have a formal policy for credit risk.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ending September 30, 2024 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 441,685	$ -	$ -	$ 441,685
Total capital assets, not being depreciated	441,685	-	-	441,685
Capital assets, being depreciated:				
Buildings	113,411	-	-	113,411
Office & general equipment	24,528	-	-	24,528
Heavy equipment	218,089	-	-	218,089
Sewer line system	1,873,048	-	-	1,873,048
Water line system & reservoir	4,635,526	-	-	4,635,526
Total capital assets being depreciated	6,864,602	-	-	6,864,602
Less accumulated depreciation for:				
Buildings	54,140	2,310	-	56,450
Office & general equipment	20,203	1,731	-	21,934
Heavy equipment	196,811	4,550	-	201,361
Sewer line system	635,484	44,779	-	680,263
Water line system & reservoir	1,044,314	112,232	-	1,156,546
Total accumulated depreciation	1,950,952	165,602	-	2,116,554
Total capital assets, being depreciated, net	4,913,650	(165,602)	-	4,748,048
Total capital assets, net	$ 5,355,335	$ (165,602)	$ -	$ 5,189,733

NOTE 4: WASTEWATER TREATMENT CAPACITY AGREEMENT

The District contracts for capacity at the sewer treatment plant (the “Plant”) owned and operated by the City of Newport, Washington. There is no transfer of plant ownership to the District. The agreement, which began in 1983, had a 30-year term with a renewal of 20 more years. The agreement calls for two types of payments to the City of Newport. First, beginning in 2006, the District pays $27,800 per year until 2044. This amount represents the District’s 30% participation in the City of Newport’s improvements to the Plant, which were completed in 2005. The second type of payment is based on the operating and maintenance costs and the percentage of wastewater flow that is attributable to the District’s use of the Plant. This expense is computed annually by the City of Newport, and is then billed monthly to the District.

The District’s expenses as described above are reported as “sewer plant operations and management fee” in the accompanying statement of revenues, expenses, and changes in net position. The total expense recognized for the year ended September 30, 2024 was $119,182. Because the operations and maintenance portion of the fee structure in the agreement are variable, future anticipated amounts for the O&M portion of the fees cannot be determined or presented for disclosure.

NOTE 5: REVENUE BONDS PAYABLE

Revenue Bonds Payment Guaranty Agreement

In 2011, the District entered into an agreement with West Bonner Investment Company, LLC (the "Company") whereby the two parties acknowledged the following:

- The Company is the owner of property located within the boundaries of the District and also within the boundaries of the Oldtown Urban Renewal District ("OURD"). The Company's land is not served by the District and the existing water and sewer system would have to be extended across the river to serve the Company's property in order for it to be developed
  .
- The OURD's plan provides for improvements to the existing water and sewer systems and to extend the systems across the river in order to foster economic development

- It is anticipated that tax increment revenues generated by development within the Oldtown Urban Renewal District project area, once water and sewer service became available, will be sufficient over time to reimburse the District for the cost of the improvements. Accordingly, the District and OURD entered into a Reimbursement Agreement whereby the District would construct the improvements and OURD would reimburse the District using tax increment revenues generated within the project area.

- In exchange for the District pursuing funding for the improvements to serve the Company through the issuance of water and sewer revenue bonds, the Company agreed to provide a guaranty to fund all debt service obligations of the bonds not satisfied through OURD's tax increment reimbursement, thereby guaranteeing that the District will never need to increase its water and sewer utility rates for the purpose of funding debt service obligations for the bonds so existing District customers are not burdened with the cost of bonds issued for the benefit of the Company.

- The Company agreed to provide surety to the District in the form of an irrevocable letter of credit, a restricted cash deposit, or any combination thereof, in an amount equal to the total outstanding debt service obligation of the District for the bonds, plus the principal amount of any reserve account obligation required by the bonds. This surety shall remain until the bond obligations are satisfied in full.

2016 Water Revenue Bond

In June 2016, the District finalized its water system expansion project and issued the 2016 Water Revenue Bond in the amount of $2,420,000 to provide permanent financing for the improvements to the system. The bond bears interest at 1.25% annually and calls for semi-annual payments of principal and interest in the amount of $48,497 until the bond matures in June 2046.

NOTE 5: REVENUE BONDS PAYABLE (Continued)

The Revenue Bond requires the District to maintain a Bond Fund and a Bond Reserve Fund. The District is required to transfer the excess of revenues from the water system after operations and maintenance expenses have been paid to the Bond Fund for the purpose of making payments on the bond in such an amount each year so as to be able to service the annual debt service on the bond. The Bond Reserve Fund will be used to secure payment of the debt service on the bond in the event that monies in the Bond Fund are insufficient. The District will periodically deposit not less than approximately equal additional annual payments so that by ten years from the date of the Bond the balance in the Reserve Fund will be sufficient to cover the average annual debt service on the bond. In connection with the above Revenue Bond Payment Guaranty Agreement, West Bonner Investment Company, LLC has provided surety sufficient to cover the debt service obligations of the bond and to meet any reserve requirements thereon. In addition, to cover the bond reserve and redemption funds for both the 2016 Water Revenue Bond and the 2016 Sewer Revenue Bond, pursuant to the original Control Agreement, the Company originally deposited approximately $400,000 into local bank accounts and granted the District exclusive control over those accounts. Effective September 25, 2024, the parties executed a Modification of Control Agreement removing the Bond Reserve Fund account from the accounts subject to the Control Agreement. Accordingly, at September 30, 2024, only the Revenue Bond Redemption Fund remained subject to the Control Agreement and is reported as restricted cash in the accompanying financial statements. For as long as the bond is outstanding, the District irrevocably pledges the gross revenue of the water system for the payments required to be made into the bond fund.

2016 Sewer Revenue Bond

In June 2016, the District finalized its sewer system expansion project and issued the 2016 Sewer Revenue Bond in the amount of $1,315,000 to replace the above-mentioned IDEQ loan and provide permanent financing for the improvements to the sewer system. The bond bears interest at 1.25% annually and calls for semi-annual payments of principal and interest in the amount of $26,353 until the bond matures in June 2046.

The Revenue Bond requires the District to establish and maintain a Bond Fund and a Bond Reserve Fund. The District is required to transfer the excess of revenues from the sewer system after operations and maintenance expenses have been paid to the Bond Fund for the purpose of making payments on the bond in such an amount each year so as to be able to service the annual debt service on the bond. The Bond Reserve Fund will be used to secure payment of the debt service on the bond in the event that monies in the Bond Fund are insufficient. The District will periodically deposit not less than approximately equal additional annual payments so that by ten years from the date of the Bond the balance in the Reserve Fund will be sufficient to cover the average annual debt service on the bond. In connection with the above Revenue Bond Payment Guaranty Agreement, West Bonner Investment Company, LLC has provided surety sufficient to cover the debt service obligations of the bond and to meet any reserve requirements thereon. In addition to cover the bond reserve and redemption funds for both the 2016 Water Revenue Bond and the 2016 Sewer Revenue Bond, pursuant to the original Control Agreement, the Company originally deposited approximately $400,000 into local bank accounts and granted the District exclusive control over those accounts. Effective September 25, 2024, the parties executed a Modification of Control Agreement removing the Bond Reserve Fund account from the accounts subject to the Control Agreement. Accordingly, at September 30, 2024, only the Revenue Bond Redemption Fund remained subject to the Control Agreement and is reported as restricted cash in the accompanying financial statements. For as long as the bond is outstanding, the District irrevocably pledges the gross revenue of the sewer system for the payments required to be made into the bond fund.

NOTE 5: REVENUE BONDS PAYABLE (Concluded)

A summary of the Revenue Bonds Payable as of September 30, 2024 is as follows:

2016 Water Revenue Bond, $2,420,000 dated June 2016, payable in semi-annual installments of $48,497, interest at 1.25%	$ 1,864,883
2016 Sewer Revenue Bond, $1,315,000 dated June 2016, payable in semi-annual installments of $26,353, interest at 1.25%	1,011,222
Total bonds	$ 2,876,105
Less: current portion	(114,105)
Long-term portion	$ 2,762,000

Annual requirements to amortize the above outstanding bonded debt are as follows:

Year Ending September 30,	Water Revenue Bond	Sewer Revenue Bond	Total
2025	73,914	40,191	114,105
2026	74,841	40,695	115,536
2027	75,779	41,205	116,984
2028	76,730	41,722	118,452
2029	77,692	42,245	119,937
Thereafter	1,485,927	805,164	2,291,091
	$ 1,864,883	$ 1,011,222	$ 2,876,105

NOTE 6: LONG-TERM DEBT

A summary of general long-term debt is as follows:

	Beginning Balance	Additions	Retired	Ending Balance	Current Portion
2016 Water Revenue Bond	$ 1,937,882	$ -	$ (72,999)	$ 1,864,883	$ 73,914
2016 Sewer Revenue Bond	1,050,916	-	(39,694)	1,011,222	40,191
Net Pension Liability	158,643	-	(617)	158,026	-
	$ 3,147,441	$ -	$ (113,310)	$ 3,034,131	$ 114,105

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

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

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

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. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2024, it was 6.74% for general employees and 9.83% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The District's contributions were $7,291 for the year ended September 30, 2024.

NOTE 7: PENSION PLAN (Continued)

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 0.00422457 percent

For the year ended September 30, 2024, the District recognized pension expense of $37,104. 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	$ 25,159	$ -
Changes in assumptions or other inputs	6,260	-
Net difference between projected and actual earnings on pension plan investments	-	2,868
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	14,824	-
District's contributions subsequent to the measurement date	6,232	-
Total	$ 52,475	$ 2,868

NOTE 7: PENSION PLAN (Continued)

$6,232 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending September 30, 2025.

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, 2022 the beginning of the measurement period ended June 30, 2023 is 4.6 years 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:

Year Ending September 30,	
2025	12,214
2026	33,878
2027	(667)
2028	(2,050)

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 assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1%

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%

NOTE 7: PENSION PLAN (Continued)

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 the 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.

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	0.0%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	-0.25%
TIPS	10.00%	-0.30%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

NOTE 7: PENSION PLAN (Concluded)

Discount Rate

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability	$ 300,299	$ 158,026	$ 41,826

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2024, the District had $2,652 in payables outstanding to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 8: RISK MANAGEMENT

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

Financial Section

Required Supplementary Information

West Bonner Water & Sewer District

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 the net pension liability (asset)	0.0042%	0.0040%	0.0034%	0.0040%	0.0039%	0.0037%	0.0037%	0.0032%	0.0040%	0.0052%
Employer's proportionate share of the net pension liability (asset)	158,026	158,643	133,970	(3,152)	89,483	43,732	$ 54,533	$ 49,830	$ 81,844	$ 68,310
Employer's covered-employee payroll	$ 205,792	$ 188,471	$ 129,154	$ 157,180	$ 150,127	$ 144,399	$ 124,875	$ 100,608	$ 116,361	$ 147,358
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.79%	84.17%	103.73%	-2.01%	59.60%	30.29%	43.67%	49.53%	70.34%	46.36%
Plan fiduciary net position as a percentage of the total pension liability (asset)	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

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

Date reported is measured as of June 30th

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 23,414	$ 22,098	$ 15,421	$ 18,767	$ 17,925	$ 14,860	$ 13,465	$ 11,146	$ 13,367	$ 16,448
Contributions in relation to the statutorily required contribution	(23,414)	(22,098)	(15,421)	(18,767)	(17,925)	(14,860)	(13,465)	(11,146)	(13,367)	(16,448)
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
Employer's covered-employee payroll	$ 205,792	$ 188,471	$ 129,154	$ 157,180	$ 150,127	$ 144,399	$ 124,875	$ 100,608	$ 116,361	$ 147,358
Contributions as a percentage of covered-employee payroll	11.38%	11.72%	11.94%	11.94%	11.94%	10.29%	10.78%	11.08%	11.49%	11.16%

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

Date reported is measured as of September 30th

Financial Section

Report Required by the GAO

HOOVER
Certified Public Accountant | Business Consultant

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*

Independent Auditor's Report

To the Board of Directors
West Bonner Water & Sewer District
Oldtown, ID 83822

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West Bonner Water & Sewer District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 23, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

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 (CONCLUDED)*

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.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

July 23, 2026