

**Bayview Water
and Sewer District**

**Audited Financial Statements
NOVEMBER 30, 2025**

Bayview Water and Sewer District

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Financial Section

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of Bayview Water and Sewer District (the "District"), as of and for the year ended November 30, 2025, 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 Bayview Water and Sewer District, as of November 30, 2025, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 these 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Management has omitted the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026, on our consideration of the Bayview Water and 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 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

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

June 18, 2026

Financial Section

Basic Financial Statements

Bayview Water and Sewer District

**STATEMENT OF NET POSITION
November 30, 2025**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 666,791	\$ -	\$ 666,791
Accounts receivable	28,240	25,348	53,588
Tax roll receivable	6,073	5,979	12,052
Prepaid expenses	6,819	6,819	13,638
Total current assets	<u>707,923</u>	<u>38,146</u>	<u>746,069</u>
Capital assets:			
Land	6,250	208,558	214,808
Construction in progress	5,402,970	-	5,402,970
Sewer system	-	3,923,907	3,923,907
Water system	2,674,545	-	2,674,545
Automotive	-	12,930	12,930
Office equipment	3,485	3,485	6,970
Office building	54,822	54,822	109,644
Total capital assets, at cost	<u>8,142,072</u>	<u>4,203,702</u>	<u>12,345,774</u>
Less: Accumulated depreciation	<u>(1,442,380)</u>	<u>(2,623,705)</u>	<u>(4,066,085)</u>
Net capital assets	<u>6,699,692</u>	<u>1,579,997</u>	<u>8,279,689</u>
Other assets:			
Due from Sewer Fund	<u>78,625</u>	<u>-</u>	<u>78,625</u>
Total assets	<u>\$ 7,486,240</u>	<u>\$ 1,618,143</u>	<u>\$ 9,104,383</u>
DEFERRED OUTFLOWS OF RESOURCES - pension plan	<u>3,603</u>	<u>3,602</u>	<u>7,205</u>
LIABILITIES			
Current liabilities:			
Accounts payable	248,171	10,069	258,240
Payroll liabilities	6,316	6,316	12,632
Unearned revenue	8,869	6,378	15,247
Accrued interest payable	100,036	-	100,036
Total current liabilities	<u>363,392</u>	<u>22,763</u>	<u>386,155</u>
Non-current liabilities:			
Due to Water Fund	-	78,625	78,625
IDEQ loan payable	3,031,283	-	3,031,283
Net pension liability	12,112	12,111	24,223
Total non-current liabilities	<u>3,043,395</u>	<u>90,736</u>	<u>3,134,131</u>
Total liabilities	<u>3,406,787</u>	<u>113,499</u>	<u>3,520,286</u>
DEFERRED INFLOWS OF RESOURCES - pension plan	<u>5,244</u>	<u>5,243</u>	<u>10,487</u>
NET POSITION			
Net investment in capital assets	3,668,409	1,579,997	5,248,406
Restricted for capital improvement	69,742	-	69,742
Unrestricted	339,661	(76,994)	262,667
Total net position	<u>\$ 4,077,812</u>	<u>\$ 1,503,003</u>	<u>\$ 5,580,815</u>

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

Bayview Water and Sewer District

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended November 30, 2025**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Water	\$ 341,126	\$ -	\$ 341,126
Sewer	-	313,702	313,702
Late charges and miscellaneous	5,895	4,794	10,689
Total operating revenues	<u>347,021</u>	<u>318,496</u>	<u>665,517</u>
OPERATING EXPENSES:			
Auto expense	2,931	2,931	5,862
Bank and finance charges	319	306	625
Contracted services	38,076	59,152	97,228
Depreciation	59,781	89,305	149,086
Dues and subscriptions	2,237	2,893	5,130
Fee assessments	1,880	-	1,880
Insurance	6,127	6,127	12,254
Miscellaneous	895	518	1,413
Office expenses	4,392	4,320	8,712
Payroll expenses	37,074	37,074	74,148
Employee retirement/pension	10,878	10,879	21,757
Professional fees	15,128	20,086	35,214
Repairs and maintenance	230,704	88,111	318,815
Telephone	3,283	3,283	6,566
Utilities	69,686	16,785	86,471
Total operating expenses	<u>483,391</u>	<u>341,770</u>	<u>825,161</u>
OPERATING INCOME (LOSS)	<u>(136,370)</u>	<u>(23,274)</u>	<u>(159,644)</u>
NON-OPERATING REVENUES/(EXPENSES):			
Hookup and cap fees	33,320	4,800	38,120
Interest income	7,170	1,793	8,963
Grant income	900,000	-	900,000
IDEQ Loan forgiveness	22,856	-	22,856
Interest expense	(48,209)	-	(48,209)
Total non-operating revenues/(expenses)	<u>915,137</u>	<u>6,593</u>	<u>921,730</u>
CHANGE IN NET POSITION	778,767	(16,681)	762,086
NET POSITION, beginning of year	<u>3,299,045</u>	<u>1,519,684</u>	<u>4,818,729</u>
NET POSITION, end of year	<u>\$ 4,077,812</u>	<u>\$ 1,503,003</u>	<u>\$ 5,580,815</u>

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

Bayview Water and Sewer District

**STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2025**

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 363,700	\$ 314,711	\$ 678,411
Cash paid to suppliers	(545,038)	(232,059)	(777,097)
Cash paid to employees	(36,379)	(36,379)	(72,758)
Net cash provided (used) by operating activities	(217,717)	46,273	(171,444)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Repayment of interfund advances	48,791	(48,791)	-
Net cash provided (used) by noncapital financing activities	48,791	(48,791)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	(1,496,346)	(4,075)	(1,500,421)
Proceeds from special assessments	4,562	-	4,562
Capital grants	900,000	-	900,000
Proceeds from IDEQ Loan Payable	775,300	-	775,300
Hook ups and cap fees	33,320	4,800	38,120
Net cash provided (used) by capital and related financing activities	216,836	725	217,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	7,170	1,793	8,963
Net cash provided by investing activities	7,170	1,793	8,963
Net increase (decrease) in cash	55,080	-	55,080
Cash and cash equivalents, beginning of year	611,711	-	611,711
Cash and cash equivalents, end of year	\$ 666,791	\$ -	\$ 666,791
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (136,370)	\$ (23,274)	\$ (159,644)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	59,781	89,305	149,086
Accounts receivable	133	(2,980)	(2,847)
Tax roll receivable	17,181	(759)	16,422
Prepaid expenses	(3,789)	(3,789)	(7,578)
Accounts payable	(162,431)	(20,598)	(183,029)
Payroll liabilities	695	695	1,390
Net change in net pension liability	7,718	7,719	15,437
Unearned revenue	(635)	(46)	(681)
Total adjustments	(81,347)	69,547	(11,800)
Net cash provided (used) by operating activities	\$ (217,717)	\$ 46,273	\$ (171,444)

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

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Bayview Water and Sewer District (the "District") was organized under and pursuant to the laws of the State of Idaho in January 1972, for the purpose of constructing and operating water and sewer systems for the residents of Bayview, Idaho.

The District's financial statements include the accounts of all District operations.

The District has oversight responsibility and control over all activities related to the District's functions. The District is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board (GASB) pronouncements, since the public elects the District's board members.

B. Basis of Presentation and Accounting

Financial Statement Presentation – The accounting methods and procedures adopted by Bayview Water and Sewer District conform to generally accepted accounting principles as applied to special-purpose governmental entities engaged only in business-type activities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting – For financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the 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 three 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.

Restricted Net Position – This consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash Equivalents

The District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

E. Receivables

Charges for usage are billed monthly for the previous month's usage. Accounts receivable consists of billings of 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 Kootenai County tax rolls.

F. Capital Assets

Capital assets, which include property, plant, and equipment, with an original cost of \$5,000 or more are capitalized at historical cost or estimated historical cost when historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Replacements that improve or extend the useful life of capital assets are capitalized.

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

Sewer System	5 – 50 Years
Water System	5 – 50 Years
Automotive	5 Years
Office Equipment	5 – 8 Years
Office Building	5 – 20 Years

G. 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.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Income Taxes

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

I. 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.

J. Recently Issued Accounting Pronouncements

During the year ended November 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The implementation of this standard did not have a material effect on the District's financial statements.

K. Pension Plan

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 the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 investment pools and money market funds consisting of any of these securities listed. The District was in compliance with these investment limitations during the year ended November 30, 2025.

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. At November 30, 2025, the carrying amount of the District's deposits is \$666,791 and the bank balance is \$689,050.

The District utilizes sweep account arrangements and FDIC insurance coverage to mitigate custodial credit risk associated with deposits. Accordingly, management believes the District's deposits were not exposed to custodial credit risk as of November 30, 2025.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS November 30, 2025

NOTE 3: CAPITAL ASSETS

The following schedule represents the detail of changes in capital asset balances for the fiscal year ending November 30, 2025:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 214,808	\$ -	\$ -	\$ 214,808
Construction in progress	3,910,699	1,492,271	-	5,402,970
Total capital assets, not being depreciated	<u>4,125,507</u>	<u>1,492,271</u>	<u>-</u>	<u>5,617,778</u>
Capital assets, being depreciated:				
Sewer system	3,923,907	-	-	3,923,907
Water system	2,674,545	-	-	2,674,545
Automotive	12,930	-	-	12,930
Office equipment	6,970	-	-	6,970
Office building	101,494	8,150	-	109,644
Total capital assets being depreciated	<u>6,719,846</u>	<u>8,150</u>	<u>-</u>	<u>6,727,996</u>
Less accumulated depreciation for:				
Sewer system	2,467,241	88,830	-	2,556,071
Water system	1,328,369	59,305	-	1,387,674
Automotive	12,930	-	-	12,930
Office equipment	6,969	1	-	6,970
Office building	101,490	950	-	102,440
Total accumulated depreciation	<u>3,916,999</u>	<u>149,086</u>	<u>-</u>	<u>4,066,085</u>
Total capital assets, being depreciated, net	<u>2,802,847</u>	<u>(140,936)</u>	<u>-</u>	<u>2,661,911</u>
Business-type activities capital assets, net	<u>\$ 6,928,354</u>	<u>\$ 1,351,335</u>	<u>\$ -</u>	<u>\$ 8,279,689</u>

NOTE 4: 2020 WATER REVENUE BONDS

In May of 2020, a special election was held whereby eligible voters of the District approved the issuance of water revenue bonds in the aggregate principal amount not to exceed \$3,400,000, for the purpose of providing the funds for the acquisition, construction, and installation of certain improvements, additions, and betterments of the District's water system.

In June 2020, the District signed and entered into the State of Idaho Department of Environmental Quality (IDEQ) Loan Offer and Acceptance Agreement. Under the loan agreement, the District finalized its terms for financing the water system improvement project. Per the agreement, the District may borrow up to \$3,317,000 at 1.75% (interest of 0.75% and loan fee of 1.0%) and \$97,830 of principal forgiveness to be repaid in biannual installments over 30 years for a total repayment obligation of \$3,219,170. The IDEQ loan will be evidenced and secured by the voter-approved water revenue bonds in the amount of \$3,219,170, which will be issued upon certified completion of the project.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 4: 2020 WATER REVENUE BONDS (Concluded)

Beginning in fiscal year ended November 30, 2021 and continuing up through November 30, 2025, the District has received a total of \$3,123,393 in funding on the loan and has received \$92,110 in loan principal forgiveness to date, resulting in an ending loan balance at November 30, 2025 of \$3,031,283. Given that the project is still ongoing, the final total amounts of loan funding and the timing and amounts of repayments of principal and interest are still unknown. Accordingly, no future amortization or current portion of the loan is available to be disclosed.

NOTE 5: LONG-TERM DEBT

Long-term debt activity for the year ended November 30, 2025 is summarized as follows:

	11/30/2024 Beginning Balance	Additions	Repayments	Principal Forgiven	11/30/2025 Ending Balance	Due Within One Year
IDEQ Water Loan	\$ 2,278,839	\$ 775,300	\$ -	(22,856)	\$ 3,031,283	\$ -
	<u>\$ 2,278,839</u>	<u>\$ 775,300</u>	<u>\$ -</u>	<u>\$ (22,856)</u>	<u>\$ 3,031,283</u>	<u>\$ -</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description

Bayview Water and Sewer 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.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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 72% for public safety. As of June 30, 2025, it was 7.18% for general employees and 10.36% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96% for general employees and 13.48% for public safety. The District's contributions were \$6,320 for the year ended November 30, 2025.

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

At November 30, 2025, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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 portion 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, 2025, the District's proportion was 0.00100173 percent.

For the year ended November 30, 2025, the District recognized pension expense of \$21,757. At November 30, 2025 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	\$ 4,565	\$ -
Changes in assumptions or other inputs	-	4,260
Net difference between projected and actual earnings on pension plan investments	-	6,227
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
District's contributions subsequent to the measurement date	2,640	-
Total	\$ 7,205	\$ 10,487

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

\$2,640 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending November 30, 2026.

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, 2023 the beginning of the measurement period ended June 30, 2024 is 4.6 and 4.6 for the measurement period June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended:

2026	4,143
2027	(4,048)
2028	(3,705)
2029	(2,312)

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 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, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.15%
Salary Inflation	3.15%
Investment rate of return	6.55%, net of investment expenses
Cost-of-living adjustments	1.00%

Contributing Members, Service Retirement Members, and Beneficiaries

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

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS November 30, 2025

NOTE 6: DEFINED BENEFIT 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, 2025 is based on results of an actuarial valuation date July 1, 2025.

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2025.

Asset Class	Index	Target Allocation*	10-Year Projected Real Rate of Return**
Large Cap US Equity	S&P 500	22%	4.75%
Small/Mid Cap US Equity	Russell 2500	10%	4.95%
Developed ex-US Equity	MSCI World ex USA	11%	4.75%
Emerging Markets Equity	MSCI Emerging Markets	11%	4.95%
Core US Fixed	Bloomberg Aggregate	20%	2.25%
TIPS	Bloomberg TIPS	10%	2.05%
Core Real Estate	NCREIF ODCE	8%	3.75%
Private Equity	Cambridge Private Equity	8%	6.00%
Portfolio 10-Year Projected Real Rate of Return, Net of Investment Expenses			4.71%
Portfolio Standard Deviation			12.57%

Valuation Assumptions Chosen by PERSI Board

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.15%
Assumed Inflation	<u>2.40%</u>
Long-Term Expected Nominal Rate of Return, Net of Investment Expenses	6.55%

* PERSI strategic policy

** Net of investment expenses

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Concluded)

Discount Rate

The discount rate used to measure the total pension liability was 6.55%. 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 plan’s net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the Discount Rate

The following presents the Employer’s proportionate share of the net pension liability calculated using the discount rate of 6.55%, as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.55 percent) or 1-percentage-point higher (7.55 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.55%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.55%)</u>	<u>1% Increase</u> <u>(7.55%)</u>
Employer's proportionate share of the net pension liability	\$ 58,282	\$ 24,223	\$ (3,601)

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At November 30, 2025, the District reported no payables 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.

Financial Section

Required Supplementary Information

Bayview Water and Sewer District

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

	<u>2025</u>	<u>2024</u>
Employer's portion of the net pension liability	0.001002%	0.000431%
Employer's proportionate share of the net pension liability	\$ 24,223	\$ 17,785
Employer's covered-employee payroll	\$ 52,847	\$ 44,377
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.84%	40.08%
Plan fiduciary net position as a percentage of the total pension liability	90.89%	85.54%

* 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 ***

	<u>2025</u>	<u>2024</u>
Statutorily required contribution	\$ 6,320	\$ 5,070
Contributions in relation to the statutorily required contribution	\$ (6,320)	\$ (5,070)
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 52,847	\$ 44,377
Contributions as a percentage of covered-employee payroll	11.96%	11.42%

* 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 November 30th.

Financial Section

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***

Independent Auditor's Report

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

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 Bayview Water and Sewer District (the "District"), as of and for the year ended November 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 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 opinions 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 or significant deficiencies may exist that were not 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 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*.

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

June 18, 2026



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bayview Water and Sewer District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended November 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bayview Water and Sewer District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONCLUDED)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott P. Hoover, CPA

Scott Hoover CPA, PLLC
Liberty Lake, WA

June 18, 2026

Bayview Water and Sewer District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2025

<u>Federal Grantor/Program Title:</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through the Idaho Department of Environmental Quality</i>			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW2012	\$ 462,793
Total Drinking Water State Revolving Fund Cluster			462,793
Total U.S. Environmental Protection Agency			462,793
 <u>U.S. DEPARTMENT OF DEFENSE</u>			
Office of Local Defense Community Cooperation			
Community Investment - FAIN: HQ00052310044 Award No. CIP2084-23-01	12.600		900,000
Total U.S. Department of Defense			900,000
Total Expenditures of Federal Awards			\$ 1,362,793

Bayview Water and Sewer District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS November 30, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bayview Water and Sewer District under programs of the federal government for the fiscal year ended November 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bayview Water and Sewer District, it is not intended to, and does not present, the financial position or changes in net position of Bayview Water and Sewer District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The District has not elected to use the 15% de minimis indirect cost rate.

**BAYVIEW WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended November 30, 2025**

Section I Summary of Auditors Results

Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Non-compliance material to the financial statements noted?	No

Federal Awards

Internal control over compliance in major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with the Uniform Guidance Title 2 CFR 200	No
Identification of major programs included:	
U.S. Dept. of Defense:	
Defense Community Investment	ALN # 12.600
Dollar threshold used to distinguish between Type A and Type B programs?	\$1,000,000
Auditee qualified as low-risk auditee?	No

**BAYVIEW WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended November 30, 2025**

Section II - Financial Statement Findings

No matters reported

Section III – Major Federal Award Programs Findings and Questioned Costs

No matters reported