



Memo

To: Mayor and Hayden City Council

From: Jennifer Gahringer, Finance Director

Date: 5/12/2026

Agenda Item: Acceptance of FY 2025 annual audit

Agenda Item Location

New Business

Background and Recommended Action or Motion

Staff recommends council accept proposed fiscal year 2025 audit as presented.

Functional Impact of Authorizing

This authorization allows the City to finalize FY25 audit and be in compliance with Idaho law.

Functional Impact of Not Authorizing

Failing to authorize the reporting would cause the city to not be in compliance with Idaho laws.

Fiscal Impact

No fiscal impact.

Budget Funding Source / Transfer Request

Attachment

Audited Financial Statements

CITY OF HAYDEN

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2025

Prepared By

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Hayden
Hayden, ID 83835

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hayden as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Hayden's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hayden, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hayden and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 City of Hayden'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.

Auditors' Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hayden'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 City of Hayden'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 noted 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 (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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hayden, Idaho's financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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 May 7, 2026, on our consideration of the City of Hayden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hayden'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 City of Hayden's internal control over financial reporting and compliance.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, ID
May 7, 2026

BASIC FINANCIAL STATEMENTS

City of Hayden
STATEMENT OF NET POSITION
GOVERNMENT WIDE
September 30, 2025

	Primary Government			Component Unit
	Governmental	Business-type	Total	Hayden Urban Renewal Agency
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 15,106,305	\$ 15,284,859	\$ 30,391,164	\$ 4,000,049
Investments	2,576,746	352,850	2,929,596	-
Receivables, net of allowances	3,146,013	921,352	4,067,365	20,999
Receivable from city of Hayden	-	-	-	1,760,000
Lease receivable	100,781	-	100,781	-
HARSB O & M refund receivable	-	112,307	112,307	-
Prepaid expenses	28,667	-	28,667	1,535
Restricted cash and cash equivalents	3,208,805	1,116,079	4,324,884	-
Capital assets not being depreciated:				
Land and construction in progress	17,038,049	12,657,766	29,695,815	1,460,073
Capital assets, net of accumulated depreciation	23,546,283	7,050,749	30,597,032	162,728
Right to use assets, net of accumulated amortization	22,589	-	22,589	-
Total assets	<u>64,774,238</u>	<u>37,495,962</u>	<u>102,270,200</u>	<u>7,405,384</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	<u>276,554</u>	<u>65,210</u>	<u>341,764</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	2,190,412	2,987,314	5,177,726	14,569
Unearned revenue	-	722,939	722,939	-
Surety deposits	162,826	-	162,826	-
Accrued interest	15,075	-	15,075	-
Long-term liabilities:				
Due within one year	139,172	772,505	911,677	-
Due in more than one year	563,345	13,509,677	14,073,022	-
Advance on cap fees from developers	-	3,339,426	3,339,426	-
Net pension liability	1,006,357	117,471	1,123,828	-
Total liabilities	<u>4,077,187</u>	<u>21,449,332</u>	<u>25,526,519</u>	<u>14,569</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned lease contract revenue	98,979	-	98,979	-
Deferred pension inflows	519,809	38,020	557,829	-
	<u>618,788</u>	<u>38,020</u>	<u>656,808</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	40,133,228	19,708,515	59,841,743	1,622,801
Restricted	3,233,304	1,116,079	4,349,383	-
Unrestricted	16,988,285	(4,750,774)	12,237,511	5,768,014
Total net position	<u>\$ 60,354,817</u>	<u>\$ 16,073,820</u>	<u>\$ 76,428,637</u>	<u>\$ 7,390,815</u>

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF ACTIVITIES
GOVERNMENT WIDE
For the Year Ended September 30, 2025

FUNCTIONS/PROGRAMS:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 2,298,419	\$ -	\$ 522,799	\$ -
Public safety	1,338,354	-	-	-
Public works	3,623,738	1,536,584	-	1,132,503
Culture and recreation	666,482	335,088	-	-
Interest on long-term debt	24,136	-	-	-
Pension expense (income) - unallocated	221,875	-	-	-
Total governmental activities	8,173,004	1,871,672	522,799	1,132,503
Business-type activities				
Sewer	5,172,101	7,541,439	-	611,008
Interest expense	295,643	-	-	-
Pension expense (income)	21,356	-	-	-
Total business-type activities	5,489,100	7,541,439	-	611,008
Total primary government	\$ 13,662,104	\$ 9,413,111	\$ 522,799	\$ 1,743,511
Component unit:				
Hayden urban renewal agency	\$ 220,807	\$ -	\$ -	\$ -

General revenues:

Property taxes, levied for general purposes
Intergovernmental revenue
Franchise fees
Miscellaneous
Interest and investment earnings
Gain (loss) on disposal of assets
Total general revenues

SPECIAL ITEMS

Reimbursement to HURA (see note 13)
Reimbursement from ITD (see note 13)
Reimbursement to developers (see note 13)
Reimbursement to HARSB (see note 13)

Change in net position

Net position, previously reported at September 30, 2024
Prior period adjustment
Net position, as adjusted at September 30, 2024
Net position - September 30, 2025

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF ACTIVITIES
GOVERNMENT WIDE
For the Year Ended September 30, 2025

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Hayden Urban Renewal Agency
Governmental Activities	Business-type Activities	Total	
\$ (1,775,620)	\$ -	\$ (1,775,620)	\$ -
(1,338,354)	-	(1,338,354)	-
(954,651)	-	(954,651)	-
(331,394)	-	(331,394)	-
(24,136)	-	(24,136)	-
(221,875)	-	(221,875)	-
<u>(4,646,030)</u>	<u>-</u>	<u>(4,646,030)</u>	<u>-</u>
-	2,980,346	2,980,346	
-	(295,643)	(295,643)	
-	(21,356)	(21,356)	
-	2,663,347	2,663,347	
<u>(4,646,030)</u>	<u>2,663,347</u>	<u>(1,982,683)</u>	
-	-	-	(220,807)
2,672,010	-	2,672,010	1,230,954
3,778,861	-	3,778,861	-
1,470,894	-	1,470,894	-
102,196	-	102,196	19,740
1,499,285	76,519	1,575,804	140,700
1,454,006	-	1,454,006	-
<u>10,977,252</u>	<u>76,519</u>	<u>11,053,771</u>	<u>1,391,394</u>
(1,760,000)	-	(1,760,000)	1,760,000
2,000,000	-	2,000,000	-
-	(540,000)	(540,000)	
-	(1,894,677)	(1,894,677)	
<u>240,000</u>	<u>(2,434,677)</u>	<u>(2,194,677)</u>	<u>1,760,000</u>
<u>6,571,222</u>	<u>305,189</u>	<u>6,876,411</u>	<u>2,930,587</u>
53,783,595	19,108,058	72,891,653	4,460,228
-	(3,339,426)	(3,339,426)	-
<u>53,783,595</u>	<u>15,768,632</u>	<u>69,552,227</u>	<u>4,460,228</u>
<u>\$ 60,354,817</u>	<u>\$ 16,073,821</u>	<u>\$ 76,428,638</u>	<u>\$ 7,390,815</u>

See accompanying notes to the financial statements
and independent auditors' report.

**City of Hayden
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025**

	General	Impact Fees Circulation	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 11,109,813	\$ -	\$ 3,866,982
Investments	2,576,746	-	-
Miscellaneous receivables	919,244	24,499	2,000,000
Taxes receivable	41,920	-	-
Lease receivable	100,781	-	-
Prepaid insurance	28,667	-	-
Restricted cash and cash equivalents	400,588	282,867	-
Total assets	<u>\$ 15,177,759</u>	<u>\$ 307,366</u>	<u>\$ 5,866,982</u>
LIABILITIES			
Vouchers payable	\$ 245,605	\$ -	\$ 1,790,442
Accrued expenses	112,639	-	-
Other current liabilities	40,453	-	-
Surety deposits	162,826	-	-
Total liabilities	<u>561,523</u>	<u>-</u>	<u>1,790,442</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	26,121	-	-
Unavailable revenue-special assessments	-	-	-
Unearned lease contract revenue	98,979	-	-
Total deferred inflows of resources	<u>125,100</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable prepaid expenses	28,667	-	-
Restricted	400,588	307,366	-
Committed	-	-	-
Assigned	-	-	4,076,540
Unassigned	14,061,881	-	-
Total fund balances	<u>14,491,136</u>	<u>307,366</u>	<u>4,076,540</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,177,759</u>	<u>\$ 307,366</u>	<u>\$ 5,866,982</u>

See accompanying notes to the financial statements
and independent auditors' report.

**City of Hayden
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025**

Other Governmental Funds	Total
\$ 129,510	\$ 15,106,305
-	2,576,746
160,350	3,104,093
-	41,920
-	100,781
-	28,667
2,525,350	3,208,805
\$ 2,815,210	\$ 24,167,317
\$ 1,273	\$ 2,037,320
-	112,639
-	40,453
-	162,826
1,273	2,353,238
-	26,121
160,350	160,350
-	98,979
160,350	285,450
-	28,667
2,525,350	3,233,304
128,237	128,237
-	4,076,540
-	14,061,881
2,653,587	21,528,629
\$ 2,815,210	\$ 24,167,317

See accompanying notes to the financial statements
and independent auditors' report.

City of Hayden
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2025

Total fund balances at September 30, 2025 - Governmental Funds	\$ 21,528,629
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:	
Cost of capital assets at September 30, 2025	\$ 118,927,012
Less: Accumulated depreciation as of September 30, 2025	<u>(78,342,680)</u>
	40,584,332
Right-to-use assets, net of accumulated amortization	22,589
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:	
Pension plan	276,554
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:	
Elimination of unavailable revenue	
Property taxes	26,121
Special assessments	160,350
	186,471
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:	
Pension plan	(519,809)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:	
Accrued interest	(15,075)
Net pension liability	(1,006,357)
Lease liability	(23,735)
Long-term debt	(451,104)
Compensated absences	<u>(227,678)</u>
	<u>(1,723,949)</u>
Net position of governmental activities at September 30, 2025	<u>\$ 60,354,817</u>

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General	Impact Fees Circulation	Capital Projects Fund
REVENUES			
Intergovernmental revenue	\$ 3,778,861	\$ -	\$ -
Taxes	2,646,433	-	-
Licenses and permits	1,425,159	-	-
Charges for services	335,088	-	-
Growth service fees	80,934	-	-
Grants	511,283	35,656	1,060,165
Interest income	1,283,896	84,642	-
Net increase (decrease) in fmv of investments	32,927	(1,701)	-
Fines and forfeitures	54,367	-	-
Impact fees	-	1,039,650	-
Contributions	11,516	-	-
Miscellaneous revenue	47,829	-	-
Special assessments payments	-	-	-
Total revenues	<u>10,208,293</u>	<u>1,158,247</u>	<u>1,060,165</u>
EXPENDITURES			
General government	2,304,142	-	-
Public safety	1,357,224	-	-
Public works	2,243,112	-	-
Recreation	510,955	-	-
Capital expenditures	571,465	1,486,830	3,392,715
Debt service - principal retirement	136,469	-	-
Debt service - interest expense	4,771	-	-
Total expenditures	<u>7,128,138</u>	<u>1,486,830</u>	<u>3,392,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,080,155</u>	<u>(328,583)</u>	<u>(2,332,550)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	66,105	-	1,732,295
Transfers in	-	-	859,000
Transfers out	(859,000)	-	-
Total other financing sources (uses)	<u>(792,895)</u>	<u>-</u>	<u>2,591,295</u>
SPECIAL ITEMS			
Reimbursement to HURA (see note 13)	-	-	(1,760,000)
Reimbursement from ITD (see note 13)	-	-	2,000,000
Total special items	<u>-</u>	<u>-</u>	<u>240,000</u>
NET CHANGE IN FUND BALANCES	2,287,260	(328,583)	498,745
FUND BALANCES - beginning	12,203,876	635,949	3,577,795
FUND BALANCES - ending	<u>\$ 14,491,136</u>	<u>\$ 307,366</u>	<u>\$ 4,076,540</u>

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

Other Governmental Funds	Total
\$ 36,682	\$ 3,815,543
-	2,646,433
45,735	1,470,894
-	335,088
-	80,934
-	1,607,104
100,945	1,469,483
(1,424)	29,802
-	54,367
416,000	1,455,650
-	11,516
-	47,829
7,868	7,868
<u>605,806</u>	<u>13,032,511</u>
74	2,304,216
-	1,357,224
3,612	2,246,724
32,532	543,487
217,700	5,668,710
21,216	157,685
20,074	24,845
<u>295,208</u>	<u>12,302,891</u>
<u>310,598</u>	<u>729,620</u>
-	1,798,400
-	859,000
-	(859,000)
<u>-</u>	<u>1,798,400</u>
-	(1,760,000)
-	2,000,000
<u>-</u>	<u>240,000</u>
310,598	2,768,020
2,342,989	18,760,609
<u>\$ 2,653,587</u>	<u>\$ 21,528,629</u>

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	\$ 2,768,020
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital Outlay	5,668,710
Depreciation	(1,747,578)
Amortization on right-to-use assets	(12,321)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Difference between revenue earned on property taxes on the modified accrual basis versus revenue on property taxes on the full accrual basis	25,577
Difference between revenue earned on special assessments on the modified accrual basis versus revenue on property taxes on the full accrual basis	(7,868)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.</p>	
Proceeds from the sale of capital assets	(1,798,400)
Gain (loss) on the sale of capital assets	1,454,006
<p>The issuance of long-term debt (e.g., bonds, leased) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Debt principal payments considered as an expenditure	145,100
Lease liability payments	12,585
Interest expense	709
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
(Increase)/ Decrease in Compensated Absence Liability	
Change in compensated absences	17,861
<p>The net pension effect related to the pension expense recognized for the year.</p>	
Current year PERSI contributions	266,696
PERSI pension plan expense	(221,875)
Change in net position of governmental activities	\$ 6,571,222

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 15,284,859
Restricted cash	1,116,079
Investments	352,850
HARSB O & M refund receivable	112,307
Receivables, net of allowance of \$41,252	921,352
Total current assets	17,787,447
Non-current assets:	
Land and construction in progress	12,657,766
Capital assets, net of accumulated depreciation	7,050,749
Total non-current assets	19,708,515
Total assets	37,495,962
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	65,210
Total deferred outflows of resources	65,210
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	2,990,639
Compensated absences, current portion	7,763
Unearned revenue	722,939
Current portion of DEQ loan	763,219
Total current liabilities	4,484,560
Non-current liabilities:	
Compensated absences, net of current portion	9,197
Advance on cap fees from developers	3,339,426
DEQ loans	13,498,677
Net pension liability	117,471
Total non-current liabilities	16,964,771
Total liabilities	21,449,331
 NET DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	38,020
Total deferred inflows of resources	38,020
 NET POSITION	
Invested in capital assets (net of related debt)	19,708,515
Restricted	1,116,079
Unrestricted	(4,750,773)
Total net position	\$ 16,073,821

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Sewer
OPERATING REVENUES	
Charges for services	\$ 7,541,439
Total operating revenues	7,541,439
OPERATING EXPENSES	
Personal services	474,392
Contractual services	4,325,637
Other services and charges	112,935
Depreciation	259,137
Pension expense	21,356
Total operating expenses	5,193,457
Operating income (loss)	2,347,982
NON-OPERATING REVENUES (EXPENSE)	
Interest income	70,155
Net increase (decrease) in the fair value of investments	6,364
Interest expense	(295,643)
Total non-operating revenues (expenses)	(219,124)
Income before contributions and transfers	2,128,858
Capital contributions	611,008
Change in net position before special items	2,739,866
SPECIAL ITEMS	
Reimbursement to developers (see note 13)	(540,000)
Reimbursement to HARSB (see note 13)	(1,894,677)
Total special items	(2,434,677)
Change in net position	305,189
Net position, previously reported at September 30, 2024	19,108,058
Prior period adjustment	(3,339,426)
Net position, as adjusted at September 30, 2024	15,768,632
Net position, at September 30, 2025	\$ 16,073,821

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 7,370,621
Payments to suppliers	(2,334,017)
Payments to employees	(483,102)
Net cash provided (used) by operating activities	4,553,502
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Net cash (used) by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on DEQ note	(574,133)
Long-term borrowings	1,228,461
Purchase of capital assets	(7,772,926)
Capital contributions	611,008
Interest paid	(956,759)
Reimbursement to developers	(540,000)
Reimbursement to HARSB	(1,894,677)
Net cash provided (used) by capital and related financing activities	(9,899,026)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(12,981)
Interest income	76,519
Net cash provided (used) by investing activities	63,538
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,281,986)
CASH, beginning of year	21,682,924
CASH, end of year	\$ 16,400,938
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,347,982
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	259,137
(Increase) decrease in accounts receivable	(101,355)
(Increase) decrease in deferred outflow of resources	4,676
Increase (decrease) in accounts payable and accrued expenses	2,121,515
Increase (decrease) in unearned revenues	42,844
Increase (decrease) in net pension liability	(45,884)
Increase (decrease) in deferred inflows of resources	36,894
Net cash provided by operating activities	\$ 4,553,502

See accompanying notes to the financial statements and independent auditors' report.

City of Hayden
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2025

	Museum Trust Funds	Section 457 Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 1,256	\$ -
Investments	-	106,485
Total assets	1,256	106,485
LIABILITIES	-	-
NET POSITION		
Restricted for:		
Museum expenses	1,256	-
Employee retirement	-	106,485
	\$ 1,256	\$ 106,485

*See accompanying notes to the financial statements
and independent auditors' report.*

City of Hayden
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2025

	Museum Trust Funds	Section 457 Custodial Funds
ADDITIONS		
Investment earnings	\$ 55	\$ 12,234
Total additions	55	12,234
DEDUCTIONS	-	-
Net increase (decrease) in fiduciary net position	55	12,234
Net position, beginning of year	1,201	94,251
Net position, end of year	\$ 1,256	\$ 106,485

*See accompanying notes to the financial statements
and independent auditors' report.*

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The City of Hayden (the City) is an incorporated City of the State of Idaho. The City operates under a Mayor/Council form of government. The City has oversight responsibility and control over all activities related to the City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City council members. The City provides a wide range of municipal service. Sewer and sewer expansion services are provided by the City and are accounted for as proprietary enterprise funds.

The accompanying financial statements include all aspects controlled by the City Council of the City of Hayden. A reporting entity consists of the primary government; organizations for which the primary government is financial accountable and other organizations for which the nature and significance of the relationship are such at exclusion would cause the reporting entity's financial statements to be misleading.

Under Idaho Code, in September 2005, the Hayden City Council passed an ordinance which created the Hayden Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in and around the City. A board of five directors, which are appointed by the Mayor and approved by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 61 for having financial accountability for the Agency. Based on the above, the Agency has been discretely presented in the accompanying financial statements of the City as a component unit. Separate statements for the Agency may be obtained from City Hall.

Under Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the proceeds of tax increment financing, and are not a debt of the City. The City Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls its disbursements independent of the City Council.

Payments between the City and Component Units

Resource flows (except those that affect the statement of net position, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses.

The Agency operates on the same fiscal year as the City. Complete financial statements of the Agency can be obtained directly from:

Hayden Urban Renewal Agency
8930 North Government Way
Hayden, ID 83835

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Government-Wide Statements and Fund Financial Statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government and its component units, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the business-type activities of the City and for each function of the City's and its component units' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund – Impact Fees Circulation - Developmental impact fees are charged on new construction. The revenue generated from these fees will be used for capital improvements for Streets.

Capital Projects Fund – Used to account for City capital projects.

The City reports the following major enterprise fund:

Sewer Fund – used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including capitalized infrastructure and depreciation) of providing sewer operation and maintenance services to the general public on a continuing basis are financed through user charges.

Additionally, the government reports the following non-major fund types:

Special Revenue Fund – Honeysuckle Boat Launch – Accounts for the accumulation of resources to be used for repairs and maintenance on the Honeysuckle boat launch.

Special Revenue Fund – Council Media Center – Accounts for the accumulation of resources to be used to purchase and maintain equipment for televising council meetings.

Special Revenue Fund – Impact Fees Parks - Developmental impact fees are charged on new construction. The revenue generated from these fees will be used for Parks expenses.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund – Impact Fees Law Enforcement – The City has not charged a law enforcement impact fee since June 30, 2016. It is the City's plan to use the fees already collected on law enforcement expenses.

Debt Service Fund - LID #2004-1 – Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

Additionally, the government reports the following fund types:

Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Assets held by the City for other parties (either as a trustee or as an agent) and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is responsible for ensuring that the activities reported in fiduciary funds are based on their intended purposes.

Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements. The City's fiduciary fund financial statements are presented on pages 16 and 17.

Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City pools all individual fund cash balances in bank accounts. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

For purposes of the Statement of Cash Flows, the City defines cash and cash equivalents as all cash and highly liquid investments with an original maturity of three months or less (both restricted and unrestricted). In addition, the City considers all unrestricted investments held in the pooled accounts of the City to be cash equivalents, as the City is able to access the funds at any time.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance for uncollectibles for the governmental funds was -0- and proprietary funds was \$41,252 as of September 30, 2025.

Receivables for State Highway User’s Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund.

The City records enterprise fund charges when earned, not when collected.

Lease Receivable

A lease is defined as a contractual agreement that conveys control of the right to use another entity’s nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City is the lessor on a nonfinancial asset which is land. The related lease receivables are presented in the amounts equal to the present value of lease receipts, during the remaining lease terms. As a lessor, a lease receivable and the associated leases deferred inflow of resources is recognized on the government-wide Statement of Net Position, the Balance Sheet - Governmental Funds, and Statement of Net Position - Proprietary Funds.

Due To and From Other Funds and Advances To and From Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Inventories and Prepaid Items

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 at an estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Land and construction in progress are not depreciated.

The other property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	30
Infrastructure	40-50
Equipment	5-25

See accompanying independent auditors’ report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively prior to October 1, 2003. The City has made the decision to not record infrastructure assets retroactively.

In December 2007, The City contracted with an independent appraisal firm to perform a complete inventory of fixed assets. When original costs were not available, assets were valued at an estimated historical cost. The City continues to update this inventory.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the non-current portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Compensated Absences

The City recognizes a liability for compensated absences for paid time off (PTO) and catastrophic leave (CAT) as they are earned by employees. Under GASB Statement No. 101, a liability is recognized for leave that has not been used if it is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise settled through cash or noncash means.

Employees earn PTO at various rates based on years of service. PTO is capped at a maximum of 330 hours. If the cap is exceeded, the PTO will automatically be rolled into the employee's catastrophic account (CAT) at the end of each pay period. If the maximum CAT accrual is achieved, accrual ceases until the PTO benefit is used. PTO is payable upon separation of services at the employees' then current hourly wage up to the maximum.

An employee's individual CAT account will be established upon hire with an initial City contribution of 24 hours in the account. Full-time employees will accrue an hour of CAT leave per pay period. Employees may accrue a maximum of 960 hours in their CAT account. CAT hours are not payable at separation from service.

The liabilities also include directly associated salary-related payments, such as the employer's share of Social Security and Medicare taxes as well as PERSI.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The City does have items that qualify for reporting in this category, note 9 outlines the outflows of resources associated with the PERSI base pension plan.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has three types of these items, which arise under the government-wide accrual basis of accounting that qualifies for reporting in this category and four items, which arise only under a modified accrual basis of accounting. See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide statements report unearned lease contract revenue, unavailable grant revenue and deferred pension inflows. The governmental funds report unavailable revenues from four sources: property taxes and special assessments, unearned lease contract revenue and unavailable grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Lease and Subscription-based IT Arrangement Obligations

A lease is defined as a lease contractual agreement or Subscription-based IT Arrangement (SBITA) that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City leases a nonfinancial equipment asset. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease terms. As a lessee, a lease liability and the associated lease asset (Right to Use Asset) is recognized on the government-wide Statement of Net Position. The present value of lease payments are discounted based on the incremental borrowing rate determined by the City.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classifications can be used.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumptions

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The county assessor establishes assessed values. Property tax payments are due in one-half installments every December and June.

Property tax becomes a lien on the property when it is levied. State statute sets maximum property tax rates from the various funds of the City of Hayden. For the general fund, the City cannot levy more than 103% of the prior year levy rate. For other funds, the 3% increase is not applicable but is limited by statute.

Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and service. The enterprise funds also recognize as operating revenue the portion of capitalization fees intended to recover the cost of connecting new customers to the system.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Contributed Capital

Contributed capital represents donations by developers, grants restricted for capital construction, and assets whose construction was financed by special assessments. Capitalization fees may be used only for expansion of the systems, improvement or expansion of the present plant, or the construction of additional electric, water and wastewater facilities. When the cash received for capitalization fees is spent, the assets purchased are recorded as plant and equipment.

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.

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

General

State statutes authorize the City's investments. The City of Hayden 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.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2025, the City’s deposits were exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:

Deposits

Amount insured by FDIC or other agencies	\$ 9,785,109
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Investments

Amounts registered in the name of the City	3,140,674
--	-----------

Total deposits/investments without exposure to custodial credit risk	12,925,783
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Deposits with exposure to custodial credit risk:

Amount collateralized with securities held in trust, but not in the City's name	25,137,170
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Total bank balance (deposits) and investments	\$ 38,062,953
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The carrying amount is displayed as follows in the financial statements:

Statement of net position

Cash and cash equivalents	\$ 30,391,164
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Investments	2,929,596
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Restricted cash and cash equivalents	4,324,884
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	\$ 37,645,644
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Statement of fiduciary net position-cash and cash equivalents	\$ 1,256
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Statement of fiduciary net position-investments	\$ 106,485
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Credit Risk

Credit risk is the risk that a debtor will not fulfill its obligations. All of the above securities registered in the City’s name carry a rating of AAA from Moody’s and Standard and Poor’s. The Idaho State Investment Pool does not have an established credit rating but invests in entities with a minimum credit rating of “A” as stipulated by Idaho code.

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements 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 pool does not include any involuntary participants.

The balances that the City has in the State Investment Pool are carried at its fair market value of \$25,177,389. The City’s portion of the State Investment Pool had an unrealized gain of \$40,219 as of September 30, 2025. This unrealized gain has been recorded in the City’s books. The unrealized gain was based on a fair market value adjustment factor of 1.0016 that was calculated by the State of Idaho’s Treasurer’s Office.

The City considers funds held in the Idaho State Investment Pool to be cash equivalents, as the City is able to liquidate their accounts at any time.

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The City’s exposure to credit risk is not available.

See accompanying independent auditors’ report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

The City does not have a policy for interest rate risk or concentration of credit risk, but does manage the portfolio to preserve the principal value. Additionally, the City carries an insurance policy, which guarantees that at a minimum, the City’s initial investment will be returned. Since all of the City’s cash needs cannot be anticipated, the above securities are traded in active secondary or resale markets.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Concentration of credit risk as defined by GASB exists when more than 5% of an investment portfolio is allocated to one security. As of September 30, 2025, the City had the following investments (and associated maturities) in its internal investment portfolio:

Investment	Maturity Date	Cusip #	Fair Value	Less than 2 years	2-5 Years	6 - 10 Years	10 Years or More
U.S. Agencies							
Federal Farm CR Bks	9/16/2033	2033 3133ELA38	\$ 583,268	\$ -	\$ -	\$ 583,268	\$ -
Federal Farm CR Bks	6/24/2032	2032 313ELP65	341,917	-	-	341,917	-
Federal Farm CR Bks	10/26/2035	2035 3133EMEL2	305,564	-	-	-	305,564
Federal Farm CR Bks	11/5/2035	2035 3133EMGC0	313,616	-	-	-	313,616
Federal Farm CR Bks	5/4/2033	2033 3133ELYF5	209,100	-	-	209,100	-
Federal Farm CR Bks	9/16/2033	2033 3133EL7L2	24,350	-	-	24,350	-
Federal Farm CR Bks	3/25/2037	2037 3133ENSQ4	97,588	-	-	-	97,588
Federal Home Loan Banks	5/4/2032	2032 3130AJJT7	301,620	-	-	301,620	-
Federal Home Loan Banks	2/25/2031	2031 3130AKX68	435,961	-	435,961	-	-
FNMA	9/9/2033	2033 3136G43A9	316,612	-	-	316,612	-
\$ 2,929,596				\$ -	\$ 435,961	\$ 1,776,867	\$ 716,768

Restricted cash and cash equivalents

The note payable to the Idaho Department of Rural Development requires a minimum of \$30,000 to be maintained in a separate bank account. The restricted cash and cash equivalents within the 2004-1 LID fund amount of \$284,517 represent the deposits the City has set aside to comply with this requirement.

Impact fees are restricted by statute for future capital improvements. Cash in these accounts are presented as restricted, total amounts restricted for impact fees amount to \$2,523,700.

NOTE 3 – RECEIVABLES

Receivables in the Government-wide Financial Statements consist of the following:

Governmental Activities Receivables	
Property tax receivables	\$ 41,920
Franchise fees receivables	75,101
State receivables	821,109
Special assessment receivables	160,350
Other receivables	47,533
Idaho Transportation Department	2,000,000
	<u>\$ 3,146,013</u>

See accompanying independent auditors’ report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 3 – RECEIVABLES

Business-type receivables:

Sewer fund receivables	\$ 881,058
Less allowance for doubtful accounts	(41,252)
Miscellaneous billings receivable	81,546
	<u>\$ 921,352</u>

NOTE 4 – CAPITAL ASSETS

The changes in capital assets during fiscal year 2025 were as follows:

	Balance 9/30/2024	Increases	Decreases	Transfers & Adjustments	Balance 9/30/2025
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,799,269	\$3,228,898	\$ 328,552	\$ -	\$ 8,699,615
Public art	171,395				171,395
Construction in progress	10,168,057	1,467,611	-	(3,468,629)	8,167,039
Total capital assets, not being depreciated	16,138,721	4,696,509	328,552	(3,468,629)	17,038,049
Capital assets being depreciated:					
Buildings and improvements	3,690,166	86,718	-	892,850	4,669,734
Machinery & equipment	5,558,519	335,648	51,346	4,214	5,847,035
Infrastructure	88,259,999	549,835	-	2,562,360	91,372,194
Total capital assets being depreciated	97,508,684	972,201	51,346	3,459,424	101,888,963
Less accumulated depreciation for:					
Buildings	1,979,486	106,352	-	-	2,085,838
Machinery & equipment	3,954,834	284,423	51,346	6,638	4,194,549
Infrastructure	70,705,490	1,356,803	-	-	72,062,293
Total accumulated depreciation	76,639,810	1,747,578	51,346	6,638	78,342,680
Total capital assets being depreciated, net	20,868,874	(775,377)	-	3,452,786	23,546,283
Total governmental activities capital assets, net	\$ 37,007,595	\$3,921,132	\$ 328,552	\$ (15,843)	\$ 40,584,332
	Balance 9/30/2024	Increases	Decreases	Transfers & Adjustments	Balance 9/30/2025
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 681,692	\$ -	\$ -	\$ -	\$ 681,692
Construction in progress	4,345,324	7,748,149	-	(117,399)	11,976,074
Total capital assets, not being depreciated	5,027,016	7,748,149	-	(117,399)	12,657,766
Capital assets being depreciated:					
Machinery and equipment	1,558,212	-			1,558,212
Sewer system	10,499,502	24,777	-	117,399	10,641,678
Total capital assets being depreciated	12,057,714	24,777	-	117,399	12,199,890
Less accumulated depreciation					
Total capital assets being depreciated, net	4,890,004	259,137	-	-	5,149,141
Total business-type activities capital assets, net	\$ 12,194,726	\$7,513,789	\$ -	\$ -	\$ 19,708,515

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 4 – CAPITAL ASSETS

Depreciation expense was charged to functions/programs for the primary government as follows:

Governmental activities:	
General government	\$ 90,749
Public safety	578
Highways and streets	1,502,558
Culture and recreation	153,693
Total depreciation expense-governmental activities	<u>\$ 1,747,578</u>
Business-type activities:	
Sewer	<u>\$ 259,137</u>

NOTE 5 – LEASE RECEIVABLES AND REVENUE

During the year ended September 30, 2025 the City established a 5-year commercial lease with Chomper Cafe for the Stoddard Barn located at 2345 W. Prairie Ave, Hayden, ID. The lease calls for monthly payments as follows:

- September 30, 2025 - \$2,083 per month
- September 30, 2026 - \$2,125 per month
- September 30, 2027 - \$2,167 per month
- September 30, 2028 - \$2,208 per month
- September 30, 2029 - \$2,250 per month

The following is a schedule of future payments included in the measurement of the lease receivable as of September 30, 2025.

Fiscal Year ending September 30	Principal	Interest	Total
2026	\$ 23,701	\$ 1,799	\$ 25,500
2027	24,684	1,316	26,000
2028	25,687	813	26,500
2029	26,709	291	27,000
	<u>\$ 100,781</u>	<u>\$ 4,219</u>	<u>\$ 105,000</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term obligations for the year ended September 30, 2025, are as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated absences	\$ 245,539	\$ -	\$ 17,861	\$ 227,678	\$ 104,215	\$ 123,463
Note payable - Rural Development	472,320	-	21,216	451,104	22,118	428,986
Lease liability GASB 87	36,320	-	12,585	23,735	12,839	10,896
Capital leases	123,884	-	123,884	-	-	-
	<u>\$ 878,063</u>	<u>\$ -</u>	<u>\$ 175,546</u>	<u>\$ 702,517</u>	<u>\$ 139,172</u>	<u>\$ 563,345</u>
Business-type Activities						
Compensated absences	\$ -	\$ 16,950	\$ -	\$ 16,950	\$ 7,763	\$ 9,187
DEQ Note payable WW1310	5,077,368	-	379,550	4,697,818	386,258	4,311,560
DEQ Note payable WW1904	8,530,200	1,228,461	194,583	9,564,078	376,961	9,187,117
	<u>\$ 13,607,568</u>	<u>\$ 1,245,411</u>	<u>\$ 574,133</u>	<u>\$ 14,278,846</u>	<u>\$ 770,982</u>	<u>\$ 13,507,864</u>

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 6 – LONG-TERM LIABILITIES

DEQ Loan WW1310

The City was the recipient of a loan program through the Department of Environmental Quality and the State of Idaho. Repayment terms are 20 years at 2.0% interest with semi-annual payments.

A reserve fund equal to one year’s payment of principal, fees and interest is required to be established. The City has ten years to establish the reserve, setting aside 10% of one year’s payment into the reserve fund each year. This requirement began in fiscal year ending September 30, 2017. The amount is shown as restricted cash on the Statement of Net Position of the sewer fund.

Presented below is a summary of debt service requirement to maturity by years:

<u>Fiscal Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 386,258	\$ 92,144	\$ 478,402
2027	394,022	84,380	478,402
2028	401,738	76,664	478,402
2029	410,017	68,385	478,402
2030	418,258	60,144	478,402
2031-2035	2,220,708	171,302	2,392,010
2036	466,817	11,185	478,002
	<u>\$ 4,697,818</u>	<u>\$ 564,204</u>	<u>\$ 5,262,022</u>

DEQ Loan WW1904

The City is the recipient of a loan program through the Department of Environmental Quality through the Idaho State Clean Water Revolving Fund. The total loan amount with capitalized interest is \$9,758,661. Repayment terms are 20 years at 2.75% interest with semi-annual payments.

A reserve fund equal to one year’s payment of principal, fees and interest is required to be established. The City has ten years to establish the reserve, setting aside 10% of one year’s payment into the reserve fund each year. The amount is shown as restricted cash on the Statement of Net Position of the sewer fund.

Presented below is a summary of debt service requirement to maturity by years:

<u>Fiscal Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 376,961	\$ 260,716	\$ 637,677
2027	387,399	250,278	637,677
2028	397,476	240,201	637,677
2029	409,131	228,546	637,677
2030	420,459	217,218	637,677
2031-2035	2,282,944	905,441	3,188,385
2036-2040	2,616,921	571,464	3,188,385
2041-2045	2,672,787	196,760	2,869,547
	<u>\$ 9,564,078</u>	<u>\$ 2,870,624</u>	<u>\$ 12,434,702</u>

See accompanying independent auditors’ report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 6 – LONG-TERM LIABILITIES

Note Payable – Rural Development

The City has a note payable to the Idaho Department of Rural Development. Proceeds from the note were used to finance construction costs related to the Government Way Project. The note has a fixed annual rate of 4.25% with payments due annually according to the following schedule:

<u>Fiscal Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 22,118	\$ 19,172	\$ 41,290
2027	23,058	18,232	41,290
2028	24,038	17,252	41,290
2029	25,060	16,230	41,290
2030	26,125	15,165	41,290
2031-2035	148,253	58,197	206,450
2036-2040	182,452	23,898	206,350
	<u>\$ 451,104</u>	<u>\$ 168,146</u>	<u>\$ 619,250</u>

City as Lessee under GASB No. 87

The City entered into an agreement to lease copiers for 5 years from Great America Financial Services beginning May of 2022. The lease terminates in July of 2027. Under the terms of the lease, the City pays a monthly fee of \$1,100. All lease payments are made by the general fund. The lease is recognized as a long-term liability in the statement of net position.

Future payments on the lease agreement are as follows:

<u>Fiscal Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,839	\$ 357	\$ 13,196
2027	10,896	100	10,996
	<u>\$ 23,735</u>	<u>\$ 457</u>	<u>\$ 24,192</u>

This lease agreement requires the City to also recognize a long-term asset identified as a right-to-use asset. The asset is amortized over the estimated life of the asset. During the fiscal year the City recorded \$12,321 in amortization. The City used an interest rate of 2% for the lease liability and right-to-use asset.

	<u>Balance</u>			<u>Balance</u>
	9/30/2024	Increases	Decreases	9/30/2025
Governmental activities:				
Right-to-use assets:				
Copiers	\$ 65,714	\$ -	\$ -	\$ 65,714
Less accumulated amortization	30,804	12,321	-	43,125
Total right-to-use assets, net	<u>\$ 34,910</u>	<u>\$ (12,321)</u>	<u>\$ -</u>	<u>\$ 22,589</u>

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 7 – FUND BALANCE CLASSIFICATIONS

The City has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned.

The City reports the following classifications:

Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance — Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the City can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances do not have to be made by the City Council, they are more easily imposed and removed and they may be assigned for specific purposes even after the City's year end.

Unassigned Fund Balance – All amounts not included in other spendable classifications.

NOTE 8 – RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. The City contracts with an insurance company for property insurance for property insurance and general liability insurance.

The City's workman's compensation coverage is provided by the Idaho State Insurance Fund.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN

PERSI BASE PLAN

Plan Description

The City of Hayden 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 (five 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 72% for police and firefighters. As of June 30, 2025, it was 7.18% for general employees and 10.36% for police and firefighters. The employer contribution as a percent of covered payroll is set by the Retirement Board and was 11.96% for general employees and 13.48% for police and firefighters.

The City's contributions were \$292,366 for the year ended September 30, 2025.

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

At September 30, 2025, the City 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 City's proportion of the net pension liability was based on the City'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 City's proportion was .04647445 percent.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN

For the year ended September 30, 2025, the City recognized pension expense (income) of \$243,231. At September 30, 2025, the City 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	\$ 211,778	\$ -
Changes in assumptions or other inputs	-	197,622
Net difference between projected and actual earnings on pension plan investments	-	288,898
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	61,801	71,309
City's contributions subsequent to the measurement date	68,185	-
Total	\$ 341,764	\$ 557,829

\$68,185 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

The 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 4.4 and 4.4 for the measurement period ended 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 June 30:	
2026	182,159
2027	(199,388)
2028	(166,631)
2029	(100,390)

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

Inflation	2.40%
Salary increases including inflation	3.15%
Investment rate of return-net of investment fees	6.55%
Cost-of-living (COLA) adjustments	1.00%

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries, as well as for the Judicial members. These rates were adopted for the valuation dated July 1, 2025.

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%

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

Disabled Members - Males Pub-2010 Disabled Tables, increased 38%.

Disabled Members - Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2020, through June 30, 2024, which reviewed all economic and demographic assumptions other than mortality.

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries, as well as for the Judicial members. These rates were adopted for the valuation dated 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.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Asset Class	Target Allocation	10-Year Projected Real Rate of Return
Large Cap US Equity	22%	4.75%
Small/Mid Cap US Equity	10%	4.95%
International Equity	11%	4.75%
Emerging Markets Equity	11%	4.95%
Domestic Fixed	20%	2.25%
TIPS	10%	2.05%
Core Real Estate	8%	3.75%
Private Equity	8%	6.00%

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 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 City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.55 percent, as well as what the City'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:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
City's proportionate share of the net pension liability (asset)			
Total Plan	\$ 2,703,935	\$ 1,123,828	\$ (167,050)

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.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 10 – INTER-FUND TRANSFERS

Individual fund inter-fund transfers at September 30, 2025 were as follows:

	Transfers in	Transfers out
General fund	\$ -	\$ 859,000
Capital projects fund	859,000	-
	\$ 859,000	\$ 859,000

The principle purpose for the transfer of funds from the general fund to the capital projects fund, was to account for capital projects of the City in a separate fund from the general fund.

NOTE 11 – DEFERRED COMPENSATION PLAN

The City of Hayden had a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments), which employees were able to participate in.

This plan is now closed and there is one prior employee that has funds remaining in this account.

The deferred compensation plan is administered by a financial advisor unrelated to the City. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City, subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that it is unlikely that plan assets will be needed to satisfy any claims of general creditors. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The deferred compensation plan assets are reported at market value in an agency fund.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Intergovernmental Grants

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

Litigation

The City is party to legal claims arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses or insurance coverage relative to these actions. Management does not believe any actions will materially affect the City's operations or financial position.

Wastewater Treatment Plant Upgrade and Expansion

By a Joint Powers Agreement between the City, the Hayden Lake Sewer District and Kootenai County Airport, the Hayden Area Regional Sewer Board ("HARSB" or "the Board") was created. HARSB was formed to construct and operate the sewage collection and treatment system. The sewer treatment system serves the County Airport, Hayden Lake Sewer District, and the City of Hayden. The City, District, and County each appoint representatives to the Board of Directors of HARSB.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 12 – COMMITMENTS AND CONTINGENCIES

HARSB was originally organized to perform administrative, billing, maintenance, etc., of the system. Expenses paid by HARSB are reimbursed by the entities when they are billed. Individual audited financial statements are available from each entity.

The Board has been engaged in an ongoing matter with the IDAHO Department of Environmental Quality (IDEQ) regarding obtaining a renewed 401 Certification and resulting NPDES permit. The IDEQ has mandated significantly more stringent requirements related to the allowable Total Maximum Daily Load (TMDL) that the Board may discharge into the Spokane River. Noncompliance with these water quality standards would result in substantial and unsustainable fines imposed by regulators and would have a detrimental impact on the Board's finances and its ability to provide wastewater treatment services to its constituents.

In order to meet the revised TMDL limits as set forth by regulators and avoid such unsustainable financial penalties, the Board began to move forward with major wastewater treatment plant improvement and expansion plans in fiscal 2013, with construction starting in fiscal 2014. Accordingly, in November of 2012, the Board adopted a Facility Master Plan, which has served as a roadmap to bring the Board into compliance with the cleaner water quality standards mandated by the new permit. The final permit was issued in early fiscal 2015 and contained specific measurable compliance milestones over a 10-year period that the Board must meet with respect to water quality standards as set forth in the permit.

The Board's ability to successfully meet these requirements and avoid potential fines is dependent upon the Joint Powers Board members' ability to obtain the financing to pay for the necessary plant improvements as well as its ability to manage the phases of the upgrade and expansion project to completion in an effective and efficient manner so as to timely meet the agreed-upon compliance milestones.

In addition to the regulatory upgrades as discussed above, certain components of the existing treatment facility are in need of replacement due to obsolescence, wear, safety, overload and operating beyond the design life. A third component of the Facility Master Plan consists of expansion of existing capabilities to meet anticipated future needs due to growth.

Wastewater Treatment Plant Upgrade and Expansion Construction Commitments

The Board has completed Phase 1 of the facility master plan. The total costs incurred on Phase 1 were \$13,178,453. The City's portion, which was financed by a loan through the Idaho Department of Environmental Quality, was \$7,852,936.

Phase 2 of the Plan, which will complete the current draft permit regulatory and facility replacement requirements, is estimated to cost \$18,878,000. Of this amount, the City will be responsible for \$9,478,000. The City has obtained a loan through the Idaho Department of Environmental Quality for this amount. Construction began in 2021 and was completed in fiscal year 2025.

Wastewater Treatment Plant Upgrade and Expansion Financing of the Facility Master Plan

Each member of the Joint Powers Board is responsible for financing its share of the replacement and regulatory upgrade portion of the construction project. For Phase 2, each member's share of the costs was determined based upon the proportionate share of committed ER's as of January 1, 2013, with all uncommitted ER's assigned to the City. The expansion portion of the costs will be paid by HARSB, as agreed upon between HARSB & the City.

Wastewater Treatment Plant Upgrade and Expansion Accounting Treatment

HARSB is responsible for paying construction costs as incurred, and subsequently invoices the members of the Joint Powers Board for their respective allocated share of the costs. The amounts contributed by the Joint Powers Board members are being accounted for as a non-operating contribution of capital to HARSB.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 13 – SPECIAL ITEMS

Governmental Funds

Reimbursement to HURA:

Pursuant to the Participation Agreement with the Hayden Urban Renewal Agency for improvements for Ramsey Road, Wyoming Ave to Lancaster, should any gap funding paid by the City be returned, HURA would be reimbursed up to \$1,760,000 of their contributions. It was determined prior to September 30, 2025, that the City would receive at least \$2,000,000 of the gap funding, therefore, in March of 2026, the City reimbursed the Agency their initial contribution of \$1,760,000.

Reimbursement from Idaho Transportation Department of Gap Funding:

Pursuant to the Ramsey Road extension state and local agreement signed in June of 2024 which required the city to pay for its match funding at 7.34% and any gap funding that wasn't covered by the federal money and local match. Before bidding the city was required to submit to ITD a total of \$3,423,257, which included match funds at \$652,739 and Gap funds at \$2,770,518.

Once the project was estimated to be completed, it was apparent that the city would get back a portion of the GAP funding. In September of 2025, city staff made the request to ITD to return 2-million of the over allocated gap funds to the city. That payment was provided to the city on 3/16/26 via check by the state.

Sewer Fund

Reimbursement to Developers:

Pursuant to the construction cost share and reimbursement agreement with Stafford Holdings, Lennar and SUF, for the H-6 sanitary sewer basin construction, the City would reimburse the developer's gap funds contributions with 80% of all sewer cap fees collected from building permits sold within the Hayden Canyon Development. This was to commence when project was completed and submitted on a quarterly basis.

Reimbursement to HARSB:

Pursuant to the cooperative agreement with Hayden Area Regional Sewer Board for the H-6 Lift Station Force Main project, HARSB would provide 100% of its share of project costs up front to allow the City to begin the bidding process. The bid yielded a lower number than anticipated so this reimbursement is to return the unused portion back to HARSB.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the current year, the City discovered a financial statement error that caused the overstatement of September 30, 2024’s net position of the sewer fund/business-type activities in the amount of \$3,339,426, and a corresponding understatement of liabilities.

Money received from developers for the H-6 Sewer project that was to be repaid at project end with the revenue received from cap fees collected from building permits sold in the development was recorded as revenue when it should have been recorded as a liability.

Net Position - Business Type Activities - at September 30, 2024, as previously reported	\$ 19,108,058
Understatement of liabilities	<u>(3,339,426)</u>
Net Position - Sewer Fund - at September 30, 2024, as restated	<u><u>\$ 15,768,632</u></u>

NOTE 15 – COMPONENT UNIT DISCLOSURES

As disclosed in Note 1, Hayden Urban Renewal Agency meets the criteria for discrete presentation in the City’s financial statements as a component unit. The following paragraphs describe significant transactions between the two entities and provide relevant disclosures related to the Agency.

Cash and Investments

General

State statutes authorize the Agency’s investments and deposits. The Agency 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 bank failure, the Agency’s deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2025, the Agency’s deposits were exposed to custodial credit risk as follows:

Custodial Credit Risk

<i>Deposits without exposure to custodial credit risk:</i>	
Amount insured by FDIC or other agencies	\$ 216,762
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured	-
Amount collateralized with securities held in trust, but no in the Agency's name	<u>3,783,287</u>
Total bank balance (deposits)	<u><u>\$4,000,049</u></u>

See accompanying independent auditors’ report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 15 – COMPONENT UNIT DISCLOSURES

Fair value

The Agency's investments in 2a-7-like pools are valued based upon the value of pool shares. The Agency 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 requirements 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 pool does not include any involuntary participants.

The balances that the Agency has in the State Investment Pool are carried at its fair market value of \$3,783,287. The Agency's portion of the State Investment Pool had an unrealized gain of \$6,044 at September 30, 2025, which has been recorded and recognized in the financial statements.

The Agency considers funds held in the State Investment Pool to be cash equivalents, as the Agency is able to liquidate their account 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 rating of "A" as stipulated by Idaho code. The Agency does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

Capital Assets

The following is a summary of fixed asset activity for the year ended September 30, 2025:

	Balance 9/30/2024	Increases	Decreases	Balance 9/30/2025
Capital assets, not being depreciated				
Land	\$ 1,425,273	\$ 34,800	\$ -	\$ 1,460,073
Capital assets, being depreciated				
Buildings and improvements	197,245	-	-	197,245
Less accumulated depreciation	29,586	4,931	-	34,517
Total capital assets being depreciated, net	167,659	(4,931)	-	162,728
Total capital assets, net	\$ 1,592,932	\$ 29,869	\$ -	\$ 1,622,801

Transactions with Primary Government

Effective August of the fiscal year ending September 30, 2017, the Agency has a contract with the City of Hayden whereby amounts paid to the City of Hayden would be based on actual hours worked by support staff. In total, the amounts paid to the City of Hayden for administrative services totaled \$4,942 for the fiscal year ending September 30, 2025, included in general government expenditures.

See accompanying independent auditors' report.

City of Hayden
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

NOTE 15 – COMPONENT UNIT DISCLOSURES

Commitments & Contingencies

Rock Properties is a subdivision that created 19 commercial lots. The OPA was approved January 2022 for reimbursement of up to \$1,685,000 for Warren Street and Lancaster Road frontage improvements, as well as other public infrastructure paid through 75% of the HURA tax increment collected on the subject property. HURA received final costs, and the promissory note was executed in September 2022. The first reimbursement of increment was paid to Rock Properties in FY24 because the Hayden Village OPA was paid in full. The payment to Rock Properties in FY25 was \$50,274.

Marketplace at Miles OPA was approved August 2022 for reimbursement of up to \$40,000 for demolition of existing building at the intersection of Miles Avenue and Government Way paid through 75% of the HURA tax increment collected on the subject property. HURA received final costs, and the promissory note was executed in May 2024. The payment to Marketplace in FY25 was \$701.

Chubbs, LLC OPA was approved in September 2020 for removal of blighted structures and Hayden Avenue frontage improvements paid through 75% of the HURA tax increment collected on the subject property. The promissory note was executed in February 2023. The HURA obligation for this OPA is \$80,956. The payment to Chubbs, LLC in FY25 was \$14,998.

Risk Management

The Agency 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 Agency contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

An outside insurance company protects professional liability with a \$2,000,000 liability and a \$3,000,000 umbrella. Errors and omissions liability have a \$2,000,000 liability with \$2,000,000 in the aggregate annually per insured. Additionally, crime, boiler and machinery insurance are maintained. Automobile liability has a \$2,000,000 single limit of liability.

Redevelopment Projects

Expenditures for redevelopment projects for Hayden Urban Renewal Agency for the fiscal year ended September 30, 2025, related to projects on Ramsey Road, Hayden City Hall as well as improvements at Croffoot Park.

Pursuant to the Participation Agreement with the Hayden Urban Renewal Agency for improvements for Ramsey Road, Wyoming Ave to Lancaster, should any gap funding paid by the City be returned, HURA would be reimbursed up to \$1,760,000 of their contributions. It was determined prior to September 30, 2025, that the City would receive at least \$2,000,000 of the gap funding, therefore, in March of 2026, the City reimbursed the Agency their initial contribution of \$1,760,000.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hayden
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET AND ACTUAL
For the Year Ended September 30, 2025

	*		
	Final	Actual	Variance
	Budgeted	Amounts	With Final
	Amounts	Amounts	Budget
REVENUES			
Intergovernmental revenue	\$ 3,938,043	\$ 3,778,861	\$ (159,182)
Taxes	2,632,406	2,646,433	14,027
Licenses and permits	914,500	1,425,159	510,659
Charges for services	239,270	335,088	95,818
Growth service fees	80,000	80,934	934
Grants	-	511,283	511,283
Interest income	56,400	1,283,896	1,227,496
Net increase (decrease) in the fair value of investments	-	32,927	32,927
Fines and forfeits	45,000	54,367	9,367
Contributions	-	11,516	
Miscellaneous revenues	57,200	47,829	(9,371)
Total revenues	<u>7,962,819</u>	<u>10,208,293</u>	<u>2,233,958</u>
EXPENDITURES			
General government	2,268,065	2,304,142	(36,077)
Public safety	1,494,301	1,357,224	137,077
Public works	3,415,129	2,243,112	1,172,017
Recreation	487,934	510,955	(23,021)
Capital expenditures	30,000	571,465	(541,465)
Debt service - principal retirement	16,461	136,469	(120,008)
Debt service - interest expense	5,943	4,771	1,172
Total expenditures	<u>7,717,833</u>	<u>7,128,138</u>	<u>589,695</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>244,986</u>	<u>3,080,155</u>	<u>2,823,653</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	1,000	66,105	65,105
Transfers in	-	-	-
Transfers out	(859,000)	(859,000)	-
Total other financing sources	<u>(858,000)</u>	<u>(792,895)</u>	<u>65,105</u>
NET CHANGE IN FUND BALANCES	<u>(613,014)</u>	<u>2,287,260</u>	<u>2,888,758</u>
FUND BALANCES, beginning	613,014	12,203,876	11,590,862
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ 14,491,136</u>	<u>\$ 14,479,620</u>

* The budget was not amended

See accompanying notes to the financial statements independent auditors' report.

City of Hayden
IMPACT FEES - CIRCULATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET AND ACTUAL
For the Year Ended September 30, 2025

	*		
	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES			
Grants	\$ 2,200,000	\$ 35,656	\$ (2,164,344)
HURA reimbursements	2,200,000	-	\$ (2,200,000)
Interest income	30,000	84,642	54,642
Net increase (decrease) in fmv of investments	-	(1,701)	(1,701)
Impact fees	456,394	1,039,650	583,256
Total revenues	4,886,394	1,158,247	(3,728,147)
EXPENDITURES			
Public works	6,003,900	-	6,003,900
Capital expenditures	-	1,486,830	(1,486,830)
Total expenditures	6,003,900	1,486,830	4,517,070
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,117,506)	(328,583)	788,923
OTHER FINANCING SOURCES			
Sale of general capital assets	-	-	-
Total other financing sources	-	-	-
NET CHANGE IN FUND BALANCES	(1,117,506)	(328,583)	788,923
FUND BALANCES - beginning	1,117,506	635,949	(481,557)
FUND BALANCES - ending	\$ -	\$ 307,366	\$ 307,366

* Budget was not amended

See accompanying notes to the financial statements
independent auditors' report.

City of Hayden
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2025

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation. The budget was not amended in the current fiscal year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the administrator and directors, the mayor, and the City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Council by following the same budgetary procedures used to adopt the original budget may amend it to a greater amount if additional revenue will accrue to the City as a result of increases in state or federal grants or allocations, as a result of an increase in revenues from any source other than ad valorem tax revenues or as a result of an increase in enterprise funds to finance the operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges.
5. Budgets are prepared on the modified accrual basis of accounting.
6. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital project funds.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

The City properly prepared and published its budget for the year, as required by US generally accepted accounting principles and Idaho Code 33-2713A.

City of Hayden
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY
PERSI – Base Plan
Last 10 – Fiscal years

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
City of Hayden's portion of the net pension liability	0.0464745%	0.0440143%	0.0491675%	0.0486049%	0.0481758%	0.0508668%	0.0508388%	0.0526270%	0.0534658%	0.0538430%
City of Hayden's proportionate share of the net pension liability (asset)	\$1,123,828	\$1,123,828	\$1,962,115	\$1,914,431	\$ (38,048)	\$1,181,194	\$ 580,311	\$ 776,257	\$ 840,391	\$1,091,480
City of Hayden's covered-employee payroll	2,444,533	2,210,633	\$2,039,334	\$1,935,058	\$1,819,956	\$1,832,707	\$1,724,987	\$1,705,408	\$1,667,382	\$1,644,803
City of Hayden's proportional share of the net pension liability as a percentage of its Plan fiduciary net position as a percentage of the total pension liability	45.97%	50.84%	96.21%	98.93%	-2.09%	64.45%	33.64%	45.52%	50.40%	66.36%
	90.89%	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%

Data reported is measured as of June 30, 2025 (measurement date)

SCHEDULE OF CITY'S CONTRIBUTIONS
PERSI - Base Plan
Last 10 - Fiscal Years

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Statutorily required contribution	\$ 288,992	\$ 286,291	\$ 214,743	\$ 225,073	\$ 190,212	\$ 199,571	\$ 194,530	\$ 204,372	\$ 180,293	\$ 160,055
Contributions in relation to the statutorily required contribution	\$ 288,992	\$ 244,019	\$ 252,637	\$ 231,562	\$ 217,250	\$ 219,052	\$ 198,312	\$ 194,267	\$ 190,535	\$ 179,854
Contribution (deficiency) excess	\$ -	\$ 42,272	\$ (37,894)	\$ (6,489)	\$ (27,037)	\$ (19,481)	\$ (3,783)	\$ 10,106	\$ (10,242)	\$ (19,799)
City's covered-employee payroll	\$2,444,533	\$2,210,633	\$2,039,334	\$1,935,058	\$1,819,956	\$1,832,707	\$1,724,987	\$1,705,408	\$1,667,382	\$1,644,803
Contributions as a percentage of covered-employee payroll	11.82%	11.04%	12.39%	11.97%	11.94%	11.95%	11.50%	11.39%	11.43%	10.93%

Data reported is measured as of June 30, 2025 (measurement date)

See accompanying notes to the financial statements independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

City of Hayden
COMBINING BALANCE SHEET – BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2025

	Special Revenue Funds	Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	\$ 129,510	\$ -	\$ 129,510
Other receivables	-	160,350	160,350
Restricted cash and cash equivalents	2,240,833	284,517	2,525,350
Total assets	<u>\$ 2,370,343</u>	<u>\$ 444,867</u>	<u>\$ 2,815,210</u>
LIABILITIES			
Vouchers payable	\$ 1,273	-	\$ 1,273
Total liabilities	<u>1,273</u>	<u>-</u>	<u>1,273</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-special assessments	<u>-</u>	<u>160,350</u>	<u>160,350</u>
FUND BALANCES			
Restricted	2,240,833	284,517	2,525,350
Committed	128,237	-	128,237
Total fund balances	<u>2,369,070</u>	<u>284,517</u>	<u>2,653,587</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,370,343</u>	<u>\$ 444,867</u>	<u>\$ 2,815,210</u>

*See accompanying notes to the financial statements
independent auditors' report.*

City of Hayden
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND NET BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	Special Revenue Funds	Debt Service Funds	Total
REVENUES			
Licenses and permits	\$ 45,735	\$ -	\$ 45,735
Intergovernmental revenue	36,682	-	36,682
Interest income	79,319	21,626	100,945
Net increase (decrease) in the fair value of investments	(1,424)	-	(1,424)
Impact fees	416,000	-	416,000
Special assessments payments	-	7,868	7,868
Total revenues	<u>576,312</u>	<u>29,494</u>	<u>605,806</u>
EXPENDITURES			
General government	74	-	74
Public works	-	3,612	3,612
Recreation	32,532	-	32,532
Capital expenditures	217,700	-	217,700
Debt service - principal payments	-	21,216	21,216
Debt service - interest expense	-	20,074	20,074
Total expenditures	<u>250,306</u>	<u>44,902</u>	<u>295,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>326,006</u>	<u>(15,408)</u>	<u>310,598</u>
NET CHANGE IN FUND BALANCES	<u>326,006</u>	<u>(15,408)</u>	<u>310,598</u>
FUND BALANCES - beginning	2,043,064	299,925	2,342,989
FUND BALANCES - ending	<u>\$ 2,369,070</u>	<u>\$ 284,517</u>	<u>\$ 2,653,587</u>

See accompanying notes to the financial statements
independent auditors' report.

City of Hayden
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2025

	Honeysuckle Boat Launch	Council Media Center	Impact Fees Parks	Impact Fees Law Enforcement	Total
ASSETS					
Cash and cash equivalents	\$ 117,746	\$ 11,764	\$ -	\$ -	\$ 129,510
Restricted cash and cash equivalents	-	-	2,228,910	\$ 11,923	2,240,833
Total assets	<u>\$ 117,746</u>	<u>\$ 11,764</u>	<u>\$ 2,228,910</u>	<u>\$ 11,923</u>	<u>\$ 2,370,343</u>
LIABILITIES					
Vouchers payable	1,217	56	-	-	\$ 1,273
Total liabilities	<u>1,217</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>\$ 1,273</u>
FUND BALANCES					
Restricted	-		2,228,910	11,923	2,240,833
Committed	116,529	11,708	-	-	128,237
Total fund balances	<u>116,529</u>	<u>11,708</u>	<u>2,228,910</u>	<u>11,923</u>	<u>2,369,070</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 117,746</u>	<u>\$ 11,764</u>	<u>\$ 2,228,910</u>	<u>\$ 11,923</u>	<u>\$ 2,370,343</u>

*See accompanying notes to the financial statements
independent auditors' report.*

City of Hayden
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND NET BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2025

	Honeysuckle Boat Launch	Council Media Center	Impact Fees Parks	Impact Fees Law Enforcement	Total
REVENUES					
Licenses and permits	\$ 45,735	\$ -	\$ -	\$ -	\$ 45,735
Intergovernmental revenue	-	-	36,682	-	36,682
Interest income	5,027	641	70,816	2,835	79,319
Net increase (decrease) in the fmv of investments	-	-	(1,424)	-	(1,424)
Impact fees	-	-	416,000	-	416,000
Total revenues	<u>50,762</u>	<u>641</u>	<u>522,074</u>	<u>2,835</u>	<u>576,312</u>
EXPENDITURES					
General government	-	74	-	-	74
Recreation	32,531	-	1	-	32,532
Capital expenditures	33,625	-	184,075	-	217,700
Total expenditures	<u>66,156</u>	<u>74</u>	<u>184,076</u>	<u>-</u>	<u>250,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,394)</u>	<u>567</u>	<u>337,998</u>	<u>2,835</u>	<u>326,006</u>
NET CHANGE IN FUND BALANCES					
	(15,394)	567	337,998	2,835	326,006
FUND BALANCES - beginning	131,923	11,141	1,890,912	9,088	2,043,064
FUND BALANCES - ending	<u>\$ 116,529</u>	<u>\$ 11,708</u>	<u>\$ 2,228,910</u>	<u>\$ 11,923</u>	<u>\$ 2,369,070</u>

See accompanying notes to the financial statements independent auditors' report.

REPORT REQUIRED BY GAO



1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Hayden
Hayden, ID 83835

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hayden, Idaho, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Hayden's basic financial statements and have issued our report thereon dated May 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hayden, Idaho'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 City of Hayden, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness City of Hayden, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as 2025-1 that we consider to be a material weakness.

2025-1 – Restatement of sewer fund net position

Condition: The client identified developer contributions for a construction project that had been previously recorded as revenue in prior years, however, should have been recorded as a liability as the funds provided were to be repaid through sewer collection capitalization fees that the city collects from building permits issued in the Hayden Canyon PUD.

Criteria: The City of Hayden’s management is responsible for identifying and making adjusting and closing entries to their trial balance accounts for them to be materially stated.

Cause: Developer contributions that were to be repaid were recorded as revenues versus liabilities in the previous year.

Effect of Condition: The aggregate effect on the financial statements, if not corrected, would have been material to the financial statements.

Recommendation: We recommend that the financial management of the City continue to implement formal processes that would include a review and analysis of all accounts during their year-end closing process.

Response: The City acknowledges the error in reporting the contributions as revenue versus a liability and has created stability within their finance staff to ensure these types of things are handled correctly in the future. The finance department was in a position of high turnover and volatility at the time and that left room for these types of errors to happen.

Report on Compliance and Other Matters

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

City of Hayden, Idaho’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hayden, Idaho’s response to the findings identified in our audit and described above. The city of Hayden, Idaho’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, ID
May 7, 2026