INDEPENDENT HIGHWAY DISTRICT

FINANCIAL STATEMENT
SEPTEMBER 30, 2024

INDEPENDENT HIGHWAY DISTRICT
SEPTEMBER 30, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MAGNUSON • McHUGH • DOUGHERTY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Independent Highway District
Sandpoint, ID 83864

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Independent Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Independent Highway District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent Highway District, as of September 30, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS),* 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 Independent Highway District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Highway District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAAS and GAS, 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 Independent Highway District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Highway District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and certain GASB No. 68 pension 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.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information (Concluded)

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of Independent Highway District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Independent Highway District's internal control over financial reporting and compliance.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

March 24, 2025

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Independent Highway District

STATEMENT OF NET POSITION
September 30, 2024

ASSETS	
Cash and cash equivalents	$ 5,131,548
Prepaid expenses	14,743
Receivables:	
Taxes	77,000
Highway user	170,881
Property liens	8,031
Other receivables	6,333
Land	368,658
Fixed assets, net of accumulated depreciation	2,414,618
Total assets	8,191,812
DEFERRED OUTFLOWS OF RESOURCES	
Proportionate share of collective deferred outflows of resources	77,827
Total deferred outflows of resources	77,827
LIABILITIES	
Current liabilities:	
Accounts payable	6,635
Accrued payroll and benefits	19,160
Due to other governments	8,110
Other liabilities	8,030
Total current liabilities	41,935
Long-term liabilities:	
Compensated absences, due in more than one year	98,721
Net pension liability	326,368
Total long-term liabilities	425,089
Total liabilities	467,024
DEFERRED INFLOWS OF RESOURCES	
Proportionate share of collective deferred inflows of resources	6,928
Total deferred inflows of resources	6,928
NET POSITION	
Net investment in capital assets	2,783,276
Restricted:	
Highway user road maintenance	48,717
The Spires - Planned Unit Development (PUD)	12,041
Unrestricted	4,951,653
Total net position	$ 7,795,687

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Independent Highway District

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

EXPENSES		
Salaries	$	470,617
Fringe benefits and payroll taxes		121,158
Administrative, utilities and overhead		46,156
Public liability insurance		20,050
Professional and contract services		83,478
Building and grounds maintenance and operations		1,035
Street maintenance		60,352
Traffic operations		27,473
Snow removal and emergency response		88,670
Equipment maintenance and operations		93,140
Depreciation expense		339,542
Grant refund		57,779
Change in net pension liability		83,673
Total program expenses		1,493,123
GENERAL REVENUES		
Highway user revenue		1,236,287
Federal forest funds		47,012
Property taxes		900,572
Sales tax		216,674
Other revenues		96,412
Interest income		19,304
Gain on disposal of assets		2,850
Total general revenues		2,519,111
Change in net position		1,025,988
NET POSITION, beginning		6,769,699
NET POSITION, ending	$	7,795,687

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Independent Highway District

GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2024

ASSETS		
Cash and cash equivalents	$	5,131,548
Prepaid expenses		14,743
Receivables:		
Taxes		77,000
Highway user		170,881
Property liens		8,031
Other receivables		6,333
Total assets	$	5,408,536
LIABILITIES		
Accounts payable	$	6,635
Accrued payroll and liabilities		19,160
Due to other governments		8,110
Other liabilities		8,030
Total liabilities		41,935
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		43,685
Total deferred inflows of resources		43,685
FUND BALANCES		
Nonspendable - prepaid expenses		14,743
Restricted:		
Highway user road maintenance		48,717
The Spires - Planned Unit Development (PUD)		12,041
Unassigned		5,247,415
Total fund balance		5,322,916
Total liabilities, deferred inflows of resources and fund balances	$	5,408,536

The accompanying "Notes to Financial Statements"
are an integral part of this statement.

Independent Highway District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balance - Governmental Fund, September 30, 2024		$ 5,322,916
Cost of capital assets, September 30, 2024	$ 7,372,158	
Less: Accumulated depreciation, September 30, 2024	(4,588,882)	2,783,276
Less: Compensated absences		(98,721)
Add: Unavailable revenue - property taxes		43,685
Less: Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
District's proportionate share of the net pension liability		(326,368)
Proportionate share of collective deferred outflows of resources		77,827
Proportionate share of collective deferred inflows of resources		(6,928)
Net position, September 30, 2024		$ 7,795,687

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Independent Highway District

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2024

REVENUES	
Highway user revenue	$ 1,236,287
Federal forest funds	47,012
Property taxes	900,084
Sales tax	216,674
Other revenues	96,412
Interest income	19,304
Total revenues	2,515,773
EXPENDITURES	
Salaries	457,595
Employee retirement	49,502
Fringe benefits and payroll taxes	121,158
Administrative, utilities and overhead	46,156
Public liability insurance	20,050
Professional and contract services	83,478
Building and grounds maintenance and operations	1,035
Street maintenance	60,352
Traffic operations	27,473
Snow removal and emergency response	88,670
Equipment maintenance and operations	93,140
Grant refund	57,779
Capital outlay	130,047
Total expenditures	1,236,435
OTHER FINANCING SOURCES (USES)	
Proceeds on sale of fixed assets	3,000
Total other financing sources (uses)	3,000
Net change in fund balance	1,282,338
FUND BALANCE, beginning	4,040,578
FUND BALANCE, ending	$ 5,322,916

The accompanying "Notes to Financial Statements"
are an integral part of this statement.

Independent Highway District

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Total net changes in fund balances for the year ended September 30, 2024		$ 1,282,338
Add:	Capital outlay, which is considered expenditures	130,047
Less:	Depreciation expense for the year ended September 30, 2024	(339,542)
Less:	Proceeds from sale of assets	(3,000)
Add:	Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	488
Less:	Change in net pension liability	(34,171)
Less:	Change in compensated absences	(13,022)
Add:	Gain on disposal of assets	2,850
Change in net position for the year ended September 30, 2024		$ 1,025,988

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Independent Highway District (the "District") operates under a locally elected board form of government and maintains the public streets and roads in its jurisdiction, except for those streets maintained by city street departments. Commissioners are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters as defined by Idaho Code 40-1310 Powers and Duties of Highway District Commissioners.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations.

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of debt, or the levying of taxes. The District has no component units.

The financial statements of the District 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 principles. The most significant of the District's accounting policies are described below.

B. Basis of Presentation – Government-wide Financial Statements

While separate government-side and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – Fund Financial Statements

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has the following fund types:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The District has one governmental fund, the general fund:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to the laws of the State of Idaho.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type 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 financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. When applicable, the fair value of donated assets used during the year is reported in the operating statement as an expense with a like amount reported as donated assets revenue.

E. Cash and Cash Equivalents

In the general fund, cash received by the District is pooled for investment purposes and is presented as “Cash and Cash Equivalents” on the financial statements.

For presentation in the financial statements, investments with an original maturity of one year or less are considered to be cash equivalents. Investments with an initial maturity of three months or less are reported as cash equivalents.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital and Intangible Assets

Capital and intangible assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, etc.), are generally a result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. Improvements and interest incurred during the construction of capital assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Land and construction in process are not depreciated. The other property, plant and equipment are depreciated over the remaining useful lives using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	35 – 40 years
Vehicles	5 years
Heavy equipment	10 years
Furniture, fixtures and equipment	5 years

Intangible right-of-use assets are recorded at net present value, and lease liabilities are amortized using the straight-line method over the life of the lease.

G. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Paid time off and compensatory time off benefits are accrued as a liability as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation pay and sick leave when earned for all employees who qualify.

The entire compensated absence liability is reported on the government-wide financial statements.

At September 30, 2024, the District had a compensated absence liability of $98,721.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 noncurrent portion of 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 sixty 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.

I. 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 District only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

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 District has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications

The District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). 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 District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The District reports the following classifications:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form – such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

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 District 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 Board of Commissioners. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board of Commissioners. 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 District's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by: (a) the District Clerk/Treasurer, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Board of Commissioners have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

K. Fund Balance Flow Assumptions

Sometimes the District 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 District'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.

L. 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the District 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 District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Property Taxes

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

O. Pensions

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

(Continued)

NOTE 2: 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 amended in the current fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a) The District publishes a proposed budget for public review.

b) Public hearing(s) are set to obtain taxpayer comments.

c) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published.

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.

NOTE 3: CASH AND CASH EQUIVALENTS

General:

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

(Continued)

NOTE 3: CASH AND CASH EQUIVALENTS (CONCLUDED)

Custodial credit risk:

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

Deposits without exposure to custodial credit risk:

Amount insured by the FDIC or other agencies collateralized with securities held by the agency in the District's name	$2,551,858
Total deposits without exposure to custodial credit risk	$2,551,858

Deposits with exposure to custodial credit risk:

Amount not insured by FDIC	$2,591,304
Total deposits with exposure to custodial credit risk	$2,591,304
Total deposits	$5,143,162

Cash and cash equivalents at September 30, 2024 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	$ 5,131,548

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

Cash and cash equivalents:

Deposits with financial institutions	$ 5,131,548
Total cash and cash equivalents	$ 5,131,548

Fair value:

The District is authorized to invest in 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, government pool and money market funds consisting of any of these securities listed. The District does not have any of these investments as of September 30, 2024.

(Continued)

NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2024:

	September 30, 2023	Adjustments			September 30, 2024
		Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land and land improvements	$ 368,658	$ -	$ -	$ -	$ 368,658
Construction in progress	964,284	54,712	-	(1,018,996)	-
Total, capital assets not being depreciated	1,332,942	54,712	-	(1,018,996)	368,658
Capital assets, being depreciated:					
Buildings and improvements	174,758	-	-	-	174,758
Equipment	2,511,517	75,335	(91,825)	-	2,495,027
Roads	3,305,418	-	-	1,018,996	4,324,414
Furniture and fixtures	10,733	-	(1,432)	-	9,301
Total capital assets being depreciated	6,002,426	75,335	(93,257)	1,018,996	7,003,500
Less accumulated depreciation for:					
Buildings and improvements	93,668	5,762	-	-	99,430
Equipment	1,587,787	146,919	(91,675)	-	1,643,031
Roads	2,656,418	186,157	-	-	2,842,575
Furniture and fixtures	4,574	704	(1,432)	-	3,846
Total accumulated depreciation	4,342,447	339,542	(93,107)	-	4,588,882
Capital assets, being depreciated, net	1,659,979	(264,207)	(150)	1,018,996	2,414,618
Governmental activities capital assets, net	$ 2,992,921	$ (209,495)	$ (150)	$ -	$ 2,783,276

Depreciation expense of $339,542 for the year ended September 30, 2024, was charged to the highway construction and maintenance governmental activities.

NOTE 5: ACCRUED PAYROLL AND BENEFITS

Accrued payroll includes amounts due employees and related payroll taxes and benefits at September 30, 2024, which were not paid until October 2024, in conformity with payroll system function.

(Continued)

NOTE 6: CHANGES IN LONG-TERM LIABILITIES

Changes in governmental long-term liabilities are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due Within One Year
Compensated absences	$ 85,699	$ 13,022	$ -	$ 98,721	$ -
	$ 85,699	$ 13,022	$ -	$ 98,721	$ -

Compensated absences are paid from the general fund in the form of vacation pay and sick leave. The entire balance of compensated absences is considered due in more than one year.

NOTE 7: DEFINED BENEFIT PENSION PLANS

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

(Continued)

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percentage of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for public safety. As of June 30, 2024, it was 6.71% for general employees and 9.83% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The Independent Highway District's contributions were $49,502 for the year ended September 30, 2024.

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

At September 30, 2024, the Independent Highway District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Independent Highway District's proportion of the net pension liability was based on the Independent Highway District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the Independent Highway District's proportion was 0.00872492 percent.

For the year ended September 30, 2024, the Independent Highway District recognized pension expense of $83,673. At September 30, 2024, the Independent Highway District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (5,924)
Changes of assumptions	12,929	-
Net difference between projected and actual earnings on pension plan investments	51,961	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	12,852
Independent Highway District contributions subsequent to the measurement	12,937	-
Total	$ 77,827	$ 6,928

(Continued)

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

$12,937 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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, 2024, the beginning of the measurement period ended June 30, 2023, is 4.4 and 4.4 for the measurement period June 30, 2024.

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

Year ended September 30:	
2025	16,108
2026	60,852
2027	(10,494)
2028	(7,501)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return-net of investment fees	6.35%
Cost-of-living (COLA) adjustments	1.00%

(Continued)

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Contributing Members, Service Retirement Members, and Beneficiaries

- General Employees and All Beneficiaries - Males Pub-2010 General Tables increased 11%.
- General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%.
- Teachers – Males Pub-2010 Teacher Tables, increased 12%.
- Teachers – Females Pub-2010 Teacher Tables, increased 21%.
- Fire & Police – Males Pub-2010 Safety Tables, increased 21%.
- Fire & Police – Females Pub-2010 Safety Tables, increased 26%.
- Disabled Members – Males Pub-2010 Disabled Tables, increased 38%.
- Disabled Members – Females Pub-2010 Disabled Tables, increased 36%.

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

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

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

(Continued)

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Concluded)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2024.

	2024	
Asset Class	DB Plans	Sick Leave
Fixed Income	30.0%	39.3%
US/Global Equity	55.0%	50.0%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's net pension liability (asset)	$ 620,201	$ 326,368	$ 86,382

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.

(Continued)

NOTE 7: DEFINED BENEFIT PENSION PLANS (CONCLUDED)

Payables to the Pension Plan

At September 30, 2024, the Independent Highway District reported payables to the defined benefit pension plan of $1,952 for legally required employer contributions. The Independent Highway District also reported $1,172 for legally required employee contributions withheld from employee wages but not yet remitted to PERSI.

NOTE 8: RISK MANAGEMENT

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

The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 9: CLASSIFICATION OF FUND BALANCES AND NET POSITION

The governmental fund balance and statement of net position have funds restricted for the following purposes:

Highway user road maintenance	$	48,717
The Spires - Planned Unit Development (PUD)		12,041
	$	60,758

The district maintains $14,743 in their general fund as non-spendable prepaid expenses.

NOTE 10: NORTHWEST PASSAGE SKI TRAIL BRIDGE

The District received state grant funds of $1,076,775 in March 2023 for replacement of the Northwest Passage Ski Trail Bridge. The project was completed in January 2024 under budget. Unused grant funds of $57,779 were returned to the state in February 2024 and are shown as a grant refund expense on the current fiscal year financial statements.

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Independent Highway District

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2024

	ORIGINAL Budgeted Amounts	AMENDED Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Highway user revenue	$ 833,158	$ 1,333,058	$ 1,236,287	$ (96,771)
Federal forest funds	71,000	71,000	47,012	(23,988)
Property taxes	917,417	917,576	900,084	(17,492)
Sales tax	225,000	225,000	216,674	(8,326)
Other revenues	84,700	101,690	96,412	(5,278)
Interest income	12,500	21,000	19,304	(1,696)
Total revenues	2,143,775	2,669,324	2,515,773	(153,551)
EXPENDITURES				
Salaries	529,362	529,362	457,595	71,767
Employee retirement	53,331	53,331	49,502	3,829
Fringe benefits and payroll taxes	156,356	156,356	121,158	35,198
Administrative, utilities and overhead	54,900	55,325	46,156	9,169
Public liability insurance	20,050	20,050	20,050	-
Professional and contract services	77,500	102,500	83,478	19,022
Building and grounds maintenance and operations	10,000	10,000	1,035	8,965
Rights-of-way and vegetation management	3,500	3,500	-	3,500
Street maintenance	550,000	553,000	60,352	492,648
Traffic operations	47,000	47,000	27,473	19,527
Snow removal and emergency response	110,000	110,000	88,670	21,330
Equipment maintenance and operations	135,000	135,000	93,140	41,860
Contingency	126,000	586,612	-	586,612
Capital outlay	720,000	800,047	130,047	670,000
Grant refund	-	57,779	57,779	-
Dedicated funds	225,000	225,000	-	225,000
Total expenditures	2,817,999	3,444,862	1,236,435	2,208,427
(Deficiency) excess of revenues (under) over expenditures	(674,224)	(775,538)	1,279,338	2,054,876
OTHER FINANCING SOURCES (USES)				
Proceeds on sale of fixed assets	13,000	13,000	3,000	16,000
Total other financing sources (uses)	13,000	13,000	3,000	16,000
Net change in fund balances	(661,224)	(762,538)	1,282,338	2,070,876
FUND BALANCES, beginning	661,224	762,538	4,040,578	3,278,040
FUND BALANCES, ending	$ -	$ -	$ 5,322,916	$ 5,348,916

Independent Highway District

GASB 68 Required Supplementary Information
For the Year Ended September 30, 2024

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

	2024	2023
Employer's portion of the net pension liability	0.00872492%	0.0093805%
Employer's proportionate share of the net pension liability (asset)	$ 326,368	$ 374,346
Employer's covered-employee payroll	$ 432,395	$ 414,563
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	75.48%	90.30%
Plan fiduciary net position as a percentage of the total pension liability	85.54%	83.83%

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

Data reported is measured as of June 30, 2024 (measurement date).

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

	2024	2023
Statutorily required contribution	$ 49,502	$ 48,960
Contributions in relation to the statutorily required contribution	49,502	48,960
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll of its covered employee payroll	$ 432,395	$ 414,563
Contributions as a percentage of covered-employee payroll	11.45%	11.81%

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

Data reported is reported as of September 30, 2024.

2022	2021	2020	2019	2018	2017	2016	2015
0.0090242%	0.0084906%	0.0086810%	0.0085982%	0.0085780%	0.0084496%	0.0100491%	0.0099894%
$ 355,440	$ (6,706)	$ 201,584	$ 98,146	$ 126,527	$ 132,813	$ 203,711	$ 131,544
$ 348,854	$ 317,660	$ 321,991	$ 289,968	$ 282,553	$ 261,946	$ 288,908	$ 282,650
101.89%	-2.11%	62.61%	33.85%	44.78%	50.70%	70.51%	46.54%
83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

2022	2021	2020	2019	2018	2017	2016	2015
$ 41,739	$ 37,929	$ 38,666	$ 33,402	$ 31,985	$ 29,663	$ 32,722	$ 31,982
41,739	37,929	38,666	33,402	31,985	29,663	32,722	31,982
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 348,854	$ 317,660	$ 321,991	$ 289,968	$ 282,553	$ 261,946	$ 288,908	$ 282,650
11.96%	11.94%	12.01%	11.52%	11.32%	11.32%	11.33%	11.32%

REPORT REQUIRED BY GAO

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Independent Highway District
Sandpoint, ID 83864

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 (Government Auditing Standards), the financial statements of the governmental activities and each major fund of Independent Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Independent Highway District's basic financial statements, and have issued our report thereon dated March 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent Highway District's internal control over financial reporting (internal control) as a basis for designing 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 Independent Highway District's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent Highway District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONCLUDED)

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent Highway District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering Independent Highway District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

March 24, 2025

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