KIDDER HARRIS HIGHWAY DISTRICT

FINANCIAL STATEMENTS

Year Ended September 30, 2024

KIDDER HARRIS HIGHWAY DISTRICT

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PRESNELL GAGE, PLLC
ACCOUNTING AND CONSULTING

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Kidder Harris Highway District
Kooskia, Idaho

Report on the Audit of the Financial Statements

Qualified Opinions

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

Qualified Opinions on the General Fund and Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Kidder Harris Highway District, as of September 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified 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 Kidder Harris 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinions on the General Fund and Governmental Activities

Management has not tracked the changes in inventory from the prior period. Accounting principles generally accepted in the United States of America require that the District keep track of when additional inventory is purchased and when it is used. Since the District did not track inventory, the amount by which this departure would affect the assets, fund balance, and expenses of the governmental activities has not been determined.

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Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
Orofino Office: P.O. Box 632, 216 Johnson Avenue, Orofino, Idaho 83544, (208) 476-3012
Pullman Office: 1230 SE Bishop Blvd., Pullman, Washington 99163, (509) 332-6541
Eagle Office: 1159 E Iron Eagle Drive, Suite 100, Eagle, Idaho 83616, (208) 319-2929

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of pension funding and budgetary comparison information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America requires 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 the 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.

Reports on Comparative Information

The prior year comparative information has been derived from the District's 2023 financial statements and, in our report dated January 19, 2024, we expressed qualified opinions on the financial statements of the governmental activities and the general fund in our reports dated January 19, 2024, for not tracking inventory.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2025, on our consideration of the Kidder Harris Highway District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Kidder Harris Highway District's internal control over financial reporting and compliance.

PRESNELL GAGE PLLC

January 15, 2025
Lewiston, Idaho

KIDDER HARRIS HIGHWAY DISTRICT

STATEMENT OF NET POSITION
September 30, 2024

	2024	Prior Year 2023
ASSETS		
Current assets		
Cash and deposits	**767,634**	1,068,224
Investments	**3,694,538**	2,503,445
Property taxes receivable	**588**	588
Intergovernmental receivable	**121,969**	190,050
Grant receivable	**12,796**	511,659
Accounts receivable		41,623
Inventory	**116,505**	116,505
Prepaid expense	**94,298**	
Total current assets	**4,808,328**	4,432,094
Noncurrent assets		
Capital assets, net of accumulated depreciation	**1,411,634**	1,584,000
Total noncurrent assets	**1,411,634**	1,584,000
Total assets	**6,219,962**	6,016,094
Deferred Outflows of Resources		
Defined benefit pension	**41,565**	86,727
LIABILITIES		
Current liabilities		
Accounts payable	**38,173**	311,681
Accrued wages and payroll taxes	**18,159**	15,752
Accrued payroll taxes	**3,547**	2,915
Total current liabilities	**59,879**	330,348
Noncurrent liabilities		
Net pension liability	**174,241**	212,787
Total noncurrent liabilities	**174,241**	212,787
Total liabilities	**234,120**	543,135
Deferred Inflows of Resources		
Defined benefit pension	**21,725**	7,711
NET POSITION		
Invested in capital assets, net of related debt	**1,411,634**	1,584,000
Unrestricted	**4,594,048**	3,967,975
Total net position	**$ 6,005,682**	$ 5,551,975

See accompanying notes

KIDDER HARRIS HIGHWAY DISTRICT

STATEMENT OF ACTIVITIES
Year Ended September 30, 2024

	2024	Prior Year 2023
EXPENSES		
Functions/Programs		
Road and bridge maintenance	**$ 1,737,685**	$ 3,174,356
Depreciation expense	**172,366**	174,704
Total expenses	**1,910,051**	3,349,060
GENERAL REVENUES		
Property taxes	**8,323**	10,219
Highway User's revenue	**955,437**	675,433
Federal Forest funds	**464,907**	515,824
Grant revenue	**819,610**	2,370,073
Charges for services	**16,531**	50,822
Earnings on investments	**97,598**	30,750
Gain on disposition of capital assets		18,251
Other	**1,352**	459
Total general revenues	**2,363,758**	3,671,831
Change in net position	**453,707**	322,771
NET POSITION, beginning	**5,551,975**	5,229,204
NET POSITION, ending	**$ 6,005,682**	$ 5,551,975

See accompanying notes

KIDDER HARRIS HIGHWAY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2024

	2024	Prior Year 2023
ASSETS		
Cash and deposits	$ **767,634**	$ 1,068,224
Investments	**3,694,538**	2,503,445
Inventory	**116,505**	116,505
Property tax receivable	**588**	588
Intergovernmental receivable	**121,969**	190,050
Grant receivable	**12,796**	511,659
Accounts receivable		41,623
Prepaid expense	**94,298**	
Total assets	$ **4,808,328**	$ 4,432,094
LIABILITIES		
Accounts payable	$ **38,173**	$ 311,681
Accrued wages and payroll taxes	**21,706**	18,667
Unavailable revenue	**1,047**	1,047
Total liabilities	**60,926**	331,395
FUND BALANCES		
Nonspendable	**116,505**	116,505
Unassigned	**4,630,897**	3,984,194
Total fund balances	**4,747,402**	4,100,699
Total liabilities and fund balances	$ **4,808,328**	$ 4,432,094

See accompanying notes

KIDDER HARRIS HIGHWAY DISTRICT

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

	2024	Prior Year 2023
Total fund balances - governmental funds	**$ 4,747,402**	$ 4,100,699
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Cost of capital assets	**3,295,092**	3,295,092
Accumulated depreciation	**(1,883,458)**	(1,711,092)
Deferred outflows and deferred inflows for pension assets and liabilities are not due and payable in the current period and, therefore, are not reported in the fund:		
Deferred outflows	**41,565**	86,727
Deferred inflows	**(21,725)**	(7,711)
Delinquent property taxes receivable to be collected this year, but are not available soon enough to pay for the current period's expenditures, and, therefore, are unavailable in the funds	**1,047**	1,047
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension asset (liability)	**(174,241)**	(212,787)
Total net position - governmental activities	**$ 6,005,682**	$ 5,551,975

See accompanying notes

KIDDER HARRIS HIGHWAY DISTRICT

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

	2024	Prior Year 2023
REVENUES		
General property taxes	$ **8,323**	$ 10,219
Highway User's revenue	**955,437**	675,433
Federal Forest funds	**464,907**	515,824
Grant revenue	**819,610**	2,370,073
Charges for services	**16,531**	50,822
Earnings on investments	**97,598**	30,750
Other	**1,352**	
Total revenues	**2,363,758**	3,653,121
EXPENDITURES		
Administration		
Cold mix	**59,880**	44,136
Dues and subscriptions	**1,691**	2,463
Dust abatement	**82,691**	78,168
Equipment purchases		138,654
Equipment rent	**13,028**	18,887
Gas and oil	**39,563**	51,955
Gravel	**1,717**	169,606
Insurance	**22,005**	21,626
Miscellaneous	**6,548**	6,055
Travel and meals	**429**	2,288
Supplies	**19,211**	8,422
Payroll expenses	**312,639**	303,549
Professional fees	**8,665**	10,870
Repairs and maintenance	**56,585**	44,258
Road repairs	**968,237**	2,350,166
Seal coat and chip seal	**102,667**	11,591
Utilities	**6,799**	7,289
Weed spray	**14,700**	15,125
Total expenditures	**1,717,055**	3,285,108
EXCESS OF REVENUES OVER EXPENDITURES	**646,703**	368,013
OTHER FINANCING SOURCES		
Sale of capital assets		18,251
Total other financing sources	**0**	18,251
NET CHANGES IN FUND BALANCE	**646,703**	386,264
FUND BALANCES AT BEGINNING OF YEAR	**4,100,699**	3,714,435
FUND BALANCES AT END OF YEAR	$ **4,747,402**	$ 4,100,699

See accompanying notes

KIDDER HARRIS HIGHWAY DISTRICT

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

	2024	Prior Year 2023
Excess of revenues over expenditures - total governmental funds	**$ 646,703**	$ 386,264
Amounts reported for governmental activities in the statements of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statements of net position and allocated over their estimated useful lives as annual depreciation:		
Current year capital outlay		138,654
Current year depreciation	**(172,366)**	(174,704)
Some property taxes will not be collected for several months after the fiscal year-ends and they are not considered available revenues in the governmental funds. Instead, they are counted as unavailable tax revenues until collected. They are, however, recorded as revenues in the statements of activities.		
Current year unavailable tax revenues	**1,047**	1,047
Prior year unavailable tax revenues	**(1,047)**	(588)
Net pension asset, liability, and the related deferred outflows and deferred inflows are not considered available for the governmental funds in the current year.		
Current year net pension asset, liability, deferred outflows, and deferred inflows	**(20,630)**	(27,902)
Change in net position - governmental activities	**$ 453,707**	$ 322,771

See accompanying notes

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Kidder Harris Highway District was organized under Section 40-1301 of the *Idaho Code*. The District operates under a Board of Commissioners consisting of three individuals who are each elected from one of the three sub districts within the District. The purpose of the District is to construct, maintain, repair, and improve all highways within the District. The District's reporting entity includes the District government and all related organizations for which the District exercises oversight responsibility as defined by the Governmental Accounting Standards Board (GASB).

The District has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the District should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the District (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (e.g., final budget approval of assets, etc.). The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight, which would result in the District being considered a component unit of the entity.

Measurement Focus and Basis of Accounting. The financial statements of the Kidder Harris Highway District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard–setting body for establishing governmental accounting and financial reporting principles. The District uses the following two bases of accounting in these financial statements:

Economic Resources Measurement Focus and Accrual Basis of Accounting

Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, highway user's revenue, and federal forest funds. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from highway user's revenue and federal forest funds is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

Under this measurement focus, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 30 days after year-end. A 60-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes, highway user's revenue, and interest are considered to be susceptible to accrual.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting (Continued)

The District reports deferred revenue in its fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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 leases are reported as other financing sources.

Restricted Resources. Program expenses are allocated to restricted program revenue first and then to the next highest level of restricted net assets/fund balances when both restricted and unrestricted resources are available.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

District-Wide Financial Statements. The statement of net position and the statement of activities display information about the overall District using the economic resources measurement focus and the accrual basis of accounting. Eliminations have been made to minimize the double-counting of internal activities.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Financial Statements (Continued). These statements reflect only governmental activities of the District since there are no "business-type activities" within the highway district. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statements of activities present a comparison between direct expenses and program revenues for the District's sole function of maintaining roads and bridges within the District boundaries. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid 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 District's general fund. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Use of Estimates. The District uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that the District uses.

Cash and Investments. The District's cash accounts consist of checking and money market accounts in FDIC insured accounts.

The Public Depository Law authorizes the District to invest surplus or idle funds in certain investments, including obligations of the U.S. Treasury, the State of Idaho, certain Idaho political subdivisions, time deposit accounts and savings accounts. The District's investments are in certificates of deposit and savings accounts as permitted by *Idaho Code,* Section 67-1210.

Inventory. Inventory is valued at the lower of cost or market, using the first-in, first-out method. The District uses the consumption method for the governmental fund. The District considers inventory as gravel and other supplies and materials on hand.

Property Taxes. The District's property tax is levied by Idaho County in September and payable on December 20 and June 20 following the levy date. Taxes are remitted to the District in the month following collection. The taxes are delinquent and a lien is filed the day following the due dates. A tax deed is issued on property three years from the date of delinquency.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets. Capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The District records all capital assets at their original cost. Assets acquired prior to 1998 are recorded at their estimated original cost. Interest is capitalized on capital assets during the construction period. The District capitalizes equipment with an original unit cost of $3,000 or more and an expected life of more than 3 years.

The District has not capitalized infrastructure consisting of streets and bridges for years ended prior to September 30, 2003. Infrastructure assets include roads, bridges, and overlays. Seal coating is considered a preventive cost and is not capitalized. Neither their historical cost nor related depreciation had been reported in the financial statements prior to 2003.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 30 years; vehicles - 7 years; road equipment - 10 years; equipment and furniture - 7 years; computer equipment - 3 years; infrastructure – 7 - 30 years.

The District adopted the above capital asset policies retroactively in 2009 along with the adoption of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

Deferred Outflows/Inflows of Resources. The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the District's fiscal year, and (2) deferred outflows of resources related to the differences between the expected and actual demographics for the District's multi-employer defined benefit fund. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amount related to the actuarial assumptions for demographic factors in the pension fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the Plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The District's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and grants are reported in the governmental funds balance sheet.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions. For purposes of measuring the net pension liability, asset, 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 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.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the governmental funds.

Compensated Absences. The District reimburses employees for unused vacation time at the end of the fiscal year.

Reclassifications. Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

2. LEGAL COMPLIANCE – BUDGETS

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. At least 10 days prior to the public hearing, the District publishes a proposed budget for public review.

2. A public hearing is set to obtain patrons' comments.

3. The final budget is adopted by the Board of Commissioners no later than the Tuesday following the first Monday in September for the following fiscal year.

The budget is a non-appropriated plan of spending, adopted on the modified accrual basis of accounting. Expenditures may not exceed the budget at the individual fund level.

3. DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2024, the carrying amount of the District's deposits was $767,634 and the bank balance was $767,612. Deposits in the amount of $502,119 were covered by federal depository insurance in 2024. This insurance includes FDIC as well as NCUA coverage.

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments. Details of investments at cost at September 30, 2024, are as follows:

	Interest Rate	Amount
Potlatch No. 1 Federal Credit Union - MMA	1.45%	$ 526,207
Cottonwood Community Credit Union - Savings	3.60%	219,738
Freedom Northwest Credit Union		
CD	5.39%	1,137,034
MMA	0.35%	1,538,085
State Investment Pool	5.16%	41,612
Cottonwood Community Credit Union - CD	4.75%	231,862
		$ 3,694,538

The District's investments are classified in the following categories of credit risk:

Covered by FDIC and NCUA insurance	$ 682,611
Amounts in excess of FDIC and NCUA insurance held in the District's name	3,011,927
	$ 3,694,538

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will reduce the value of the District's investments. The District does not have a policy regarding interest rate risk.

Custodial Risk. Custodial risk is the risk that, in the event of the failure of the investment custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. The District does not have a policy regarding custodial risk.

Concentration of Credit Risk. The District has no policy on the amount they may invest in any one issuer.

4. CAPITAL ASSETS

A summary of changes in capital assets at September 30, 2024, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capitalized listing				
Nondepreciable assets				
Land	$ 232,115			$ 232,115
Depreciable assets				
Buildings and improvements	450,460			450,460
Road equipment	1,644,086			1,644,086
Vehicles	288,977			288,977
Infrastructure	679,454			679,454
	$ 3,295,092	$ -	$ -	$ 3,295,092
Depreciable assets				
Accumulated depreciation				
Buildings and improvements	$ 122,843	$ 12,348		135,191
Road equipment	1,234,645	93,327		1,327,972
Vehicles	168,828	25,505		194,333
Infrastructure	184,776	41,186		225,962
	$ 1,711,092	172,366	0	1,883,458
Capital assets, net				1,411,634

5. DEFINED BENEFIT PENSION PLAN

Plan Description. The District contributes to the Base Plan, which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Public Employee Retirement System of Idaho (PERSI) 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.

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits. The Base Plan provides for retirement, disability, death, and survivor benefits of eligible members or beneficiaries. Benefits are based upon members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with 5 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 classifications. The annual service retirement allowance for each month of credited service is 2.0 percent (2.3 percent 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 percent minimum cost of living increase per year provided the *Consumer Price Index* increases 1 percent 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 percent, whichever is less; however, any amount above the 1 percent 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 percent of the employer rate for general employees and 72 percent for police and firefighters. At September 30, 2024, it was 7.18 percent for general employees and 10.83 percent for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96 percent general employees and 14.65 percent for police and firefighters.

Pension Liabilities, Assets, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2024, the District reported a liability of $174,241 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the District's proportion was .00465805 percent.

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Assets, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). For the year ended September 30, 2024, the District recognized a net pension expense of $27,902. At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 6,000	
Differences between expected and actual experience	$ 27,741	
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	$ 920	$ 18,562
Changes in assumptions or other inputs	$ 6,904	
Net difference between projected and actual earnings on pension plan investments		$ 3,163

Contributions made subsequent to the measurement date in the above table, will be recognized as a decrease of the net pension liability in the subsequent fiscal year.

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, 2024, is 4.4 and 4.4 for the measurement period June 30, 2023.

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

2025	$ 3,206
2026	27,286
2027	(10,416)
2028	(6,237)
2029	0

Actuarial Assumptions. Valuations are based upon 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. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Section 59-1322, *Idaho Code*, is 25 years.

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued). 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	6.35%, net of pension plan investment expense
Cost of Living Adjustments (COLA)	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, service retirement members, and beneficiaries. These rates were adopted for the valuation dated July 1, 2024.

Contributing Members, Service Retirement Members, and Beneficiaries.

General Employees and All Beneficiaries – Male	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – Female	Pub-2010 General Tables, increased 21%
Teachers – Male	Pub-2010 Teacher Tables, increased 12%
Teachers – Female	Pub-2010 Teacher Tables, increased 21%
Fire & Police – Male	Pub-2010 Safety Tables, increased 21%
Fire & Police – Female	Pub-2010 Safety Tables, increased 26%
Disabled Members – Male	Pub-2010 Disabled Tables, increased 38%
Disabled Members – Female	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 other than mortality. The total pension liability as of June 30, 2024, is based on the results of an actuarial valuation date of July 1, 2024.

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

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

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

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued).

CAPITAL MARKET ASSUMPTIONS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	(0.25%)
TIPS	10%	(0.30%)
Real Estate	8%	3.75%
Private Equity	8%	6.00%

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the District's 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 proportionate share of the net pension liability	$ 331,112	$ 174,241	$ 46,117

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.

6. RISK MANAGEMENT

The District is a member of the Idaho County Reciprocal Management Program (ICRMP). ICRMP is an all-lines aggregate insurance program providing liability, property, and casualty insurance coverage to Idaho's counties and other political subdivisions on a voluntary participation basis. ICRMP assumes or reinsures all risk for covered claims. Participants are charged an annual insurance premium with no additional assessments for losses.

The general insurance limits are as follows:

General liability	$3,000,000 per claim
Property damage	Total insured value for listed property, stated at original cost, not including infrastructure
Automobile liability	$3,000,000 per claim
Errors and omissions liability	$3,000,000 per claim
Crime insurance and bonding	$500,000 per claim
Boiler and machinery	$1,000,000 per claim
Chemical spraying liability	$500,000 per claim
Spoilage damage	$1,000,000 per claim
Utility interruption	$2,500,000 per claim

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

KIDDER HARRIS HIGHWAY DISTRICT

SCHEDULE OF PENSION FUNDING

SCHEDULE OF THE DISTRICT'S SHARE OF NET PENSION ASSET AND LIABILITY - PERSI BASE PLAN
Data reported is measured as of June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension (asset) liability	0.00465805%	0.0053321%	0.0057583%	0.0055727%	0.0057417%	0.0054542%	0.0058594%	0.0057206%	0.0045760%	0.0042638%
Employer's proportionate share of the net pension (asset) liability	$ 174,241	212,787	$ 226,807	$ (4,401)	$ 133,000	$ 62,300	$ 86,000	$ 90,000	$ 93,000	$ 56,100
Employer's covered payroll	211,465	226,717	227,077	207,965	204,456	185,247	188,516	177,677	133,834	119,426
Employer's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	82%	94%	100%	-2%	65%	34%	46%	51%	69%	47%
Plan fiduciary net position as a percentage of the total pension liability	86%	84%	83%	100%	88%	94%	92%	91%	87%	91%

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO PENSION PLANS - PERSI BASE PLAN
Data reported is measured as of September 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 26,819	$ 26,732	$ 26,286	$ 26,208	$ 24,886	$ 21,449	$ 21,156	$ 20,652	$ 16,185	$ 13,913
Contributions in relation to the statutorily required contribution	26,819	26,732	26,286	26,208	24,886	21,449	21,156	20,652	16,185	13,913
Contribution (deficiency) excess	0	0	0	0	0	0	0	0	0	0
Employer's covered payroll	230,501	227,510	220,150	219,497	208,400	187,600	186,900	181,600	143,000	122,900
Contributions as a percentage of covered payroll	11.64%	11.75%	11.94%	11.94%	11.94%	11.43%	11.32%	11.37%	11.32%	11.32%

KIDDER HARRIS HIGHWAY DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2024

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
REVENUES				
General property taxes	$ 10,391	$ 10,391	$ 8,323	$ (2,068)
Highway User's revenue	417,110	417,110	955,437	538,327
Federal Forest funds	523,000	523,000	464,907	(58,093)
Grant revenue	1,167,281	1,167,281	819,610	(347,671)
Charges for services			16,531	16,531
Earnings on investments	7,000	7,000	97,598	90,598
Other	317,767	317,767	1,352	(316,415)
Total revenues	2,442,549	2,442,549	2,363,758	(78,791)
EXPENDITURES				
Cold Mix	75,000	75,000	59,880	15,120
Dues and subscriptions	3,000	3,000	1,691	1,309
Dust abatement	95,000	95,000	82,691	12,309
Equipment purchases				
Equipment rent	25,000	25,000	13,028	11,972
Gas and oil	78,000	78,000	39,563	38,437
Gravel	100,000	100,000	1,717	98,283
Insurance	18,000	18,000	22,005	(4,005)
Miscellaneous	5,800	5,800	6,548	(748)
Travel and meals	2,500	2,500	429	2,071
Supplies	79,000	79,000	19,211	59,789
Payroll expenses	353,468	353,468	312,639	40,829
Professional fees	8,000	8,000	8,665	(665)
Repairs and maintenance	60,000	60,000	56,585	3,415
Road repairs	1,417,281	1,417,281	968,237	449,044
Seal coat	95,000	95,000	102,667	(7,667)
Utilities	12,000	12,000	6,799	5,201
Weed Spray	15,500	15,500	14,700	800
Total expenditures	2,442,549	2,442,549	1,717,055	725,494
EXCESS OF REVENUES OVER EXPENDITURES			646,703	646,703
FUND BALANCES AT BEGINNING OF YEAR			4,100,699	
FUND BALANCES AT END OF YEAR			$ 4,747,402	

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT – *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Kidder Harris Highway District
Kooskia, Idaho

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 and the major fund of the Kidder Harris Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Kidder Harris Highway District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Kidder Harris Highway District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kidder Harris 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 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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, item #2024-001 that we consider to be a significant deficiency.

Lewiston Office: 1216 Idaho Street, Lewiston, Idaho 83501, (208) 746-8281
Moscow Office: 609 South Washington, Suite 202, Moscow, Idaho 83843, (208) 882-2211
Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
Orofino Office: P.O. Box 632, 216 Johnson Avenue, Orofino, Idaho 83544, (208) 476-3012
Pullman Office: 1230 SE Bishop Blvd., Pullman, Washington 99163, (509) 332-6541
Eagle Office: 1159 E Iron Eagle Drive, Suite 100, Eagle, Idaho 83616, (208) 319-2929

Report on Compliance and Other Matters

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

Kidder Harris Highway District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the 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.

PRESNELL GAGE PLLC

January 15, 2025
Lewiston, Idaho

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding #2024-001

Criteria: Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system.

Condition: Kidder Harris Highway District has concentrated a minimal number of accounting duties to one individual such that a complete segregation of duties is not possible. There are a limited number of personnel available to provide for a complete "segregation of duties."

Effect: A minimal number of accounting duties are performed by a single individual with limited oversight available within the Kidder Harris Highway District.

Response: The District's management and Board of Commissioners believe that the cost of hiring additional accounting staff outweighs the benefits that additional segregation of duties would provide.

Recommendation: We concur with the District's response.