POST FALLS HIGHWAY DISTRICT

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

Post Falls Highway District

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HOOVER
Certified Public Accountant | Business Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Post Falls Highway District
Post Falls, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Post Falls 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Post Falls Highway District, as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Post Falls Highway District's 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; this includes 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 and 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 budgetary and GASB 68 pension information on pages 25 and 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 managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures by function are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures by function is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of Post Falls Highway District's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

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

February 19, 2025

Financial Section

Basic Financial Statements

Post Falls Highway District

STATEMENT OF NET POSITION
September 30, 2024

ASSETS	
Cash and cash equivalents	$ 22,007,716
Receivables:	
Property taxes	107,726
Due from other governments	830,209
Interest	94,063
State fund deposit	12,011
Prepaid expenses	66,610
Inventory	557,594
Land	2,412,974
Construction in process	2,829,018
Capital assets, net of accumulated depreciation	16,485,588
Total assets	45,403,509
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	254,538
Total deferred outflows of resources	254,538
LIABILITIES	
Accounts payable	100,015
Accrued expenses	81,224
Bond deposit	7,538
Noncurrent liabilities due in more than one year:	
Compensated absences	173,199
Net pension liability	1,052,799
Total liabilities	1,414,775
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	88,289
Total deferred inflows of resources	88,289
NET POSITION	
Net investment in capital assets	21,727,580
Restricted:	
Insurance	336,564
Unrestricted	22,090,839
Total net position	$ 44,154,983

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

Post Falls Highway District

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

EXPENSES		
Highway construction and maintenance:		
Administrative	$	437,469
Labor		1,854,366
Operations		703,361
Maintenance		780,345
Depreciation		927,949
Unallocated actual PERSI contributions		(164,490)
Change in net pension liability		282,172
Total program expenses		4,821,172
PROGRAM REVENUES		
Capital grants		452,420
Total program revenues		452,420
Net program expense		4,368,752
GENERAL REVENUES		
Taxes and assessments		2,907,161
Highway user		5,384,825
Federal forest funds		40,168
Sales tax		691,047
Other		318,971
Interest		966,756
Total general revenues		10,308,928
Change in net position		5,940,176
Net position- beginning		38,214,807
Net position- ending	$	44,154,983

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

Post Falls Highway District

GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2024

	General Fund
ASSETS	
Cash and cash equivalents	$ 22,007,716
Receivables:	
Property taxes	107,726
Due from other governments	830,209
Interest	94,063
State fund deposit	12,011
Prepaid expenses	66,610
Inventory	557,594
Total assets	$ 23,675,929
LIABILITIES	
Accounts payable	$ 100,015
Accrued expenses	81,224
Bond deposits	7,538
Total liabilities	188,777
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue- property taxes	98,839
Total deferred inflows of resources	98,839
FUND BALANCES	
Non-spendable:	
Prepaid expenses	66,610
Inventory	557,594
State fund deposit	12,011
Restricted:	
Insurance	336,564
Committed:	
Future road improvements and repair	11,759,432
Bridge construction	366,340
Equipment replacement and general capital facility	1,530,761
General operations reserve	1,069,530
Unassigned	7,689,471
Total fund balances	23,388,313
Total liabilities, deferred inflows of resources and fund balances	$ 23,675,929

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

Post Falls Highway District

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

Total fund balances - Governmental Funds, September, 30, 2024		$ 23,388,313
Cost of capital assets, September 30, 2024	$ 34,096,550	
Less: Accumulated depreciation, September 30, 2024		
Buildings and improvements	(559,659)	
Machinery and equipment	(3,661,622)	
Office equipment	(17,299)	
Infrastructure	(8,130,390)	21,727,580
Elimination of deferred inflows of resources- property taxes		98,839
Long-term liabilities at September 30, 2024		
Compensated absences		(173,199)
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
District's proportionate share of the net pension liability		(1,052,799)
Proportionate share of collective deferred outflows of resources		254,538
Proportionate share of collective deferred inflows of resources		(88,289)
Net position, September 30, 2024		$ 44,154,983

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

Post Falls Highway District

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

	General Fund
REVENUES:	
Taxes and assessments	$ 2,862,492
Highway user	5,384,825
Federal forest funds	40,168
Sales tax	691,047
Other	318,971
Interest	966,756
Federal and state grants	452,420
Total revenues	10,716,679
EXPENDITURES:	
Current:	
Administrative	437,469
Labor	1,814,704
Operations	703,361
Maintenance	780,345
Capital outlay	1,742,138
Total expenditures	5,478,017
Excess of revenues over expenditures	5,238,662
Net change in fund balance	5,238,662
Fund balance- beginning	18,149,651
Fund balance- ending	$ 23,388,313

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

Post Falls 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	$ 5,238,662
Add: Capital outlay, which is considered expenditures	1,742,138
Less: Depreciation expense for the year ended September 30, 2024	(927,949)
Less: Change in compensated absence accrual	(39,662)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	44,669
Less: Change in net pension liability	(117,682)
Change in net position for the year ended September 30, 2024	$ 5,940,176

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

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

Based on the aforementioned criteria, the District has no component units.

The District is a municipality of the State of Idaho. The District has oversight responsibility and control over all activities related to the District's functions. The District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the District's Board of Commissioners.

The financial statements of Post Falls Highway 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-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds.

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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation- Fund Financial Statements (Concluded)

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 the following governmental funds:

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.

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 liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

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 government 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. Issuances of long-term debt and acquisitions under capital 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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash Equivalents and Short-term Investments

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.

During the fiscal year ended September 30, 2024, cash and cash equivalents were limited to bank deposits, certificates of deposit, and the Idaho State Investment Pool. The Idaho State Investment Pool is an investment pool, which allows districts within the State of Idaho to pool their funds for investment purposes. Investments in Idaho State Investment Pool are valued at cost, which materially equals market value.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. It also includes certificates of deposit with a maturity beyond three months, as the entity is able to access the funds at any time with minimal penalty.

F. Inventories and Prepaid Items

The inventories of the District are stated at lower of cost or market value. The District uses the purchase method. Under the purchase method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. The amount of physical inventory is adjusted at the end of each year and a portion of fund balance is designated for the amount of inventory on hand at the end of each fiscal year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Capital Assets

General capital assets usually 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. General infrastructure assets acquired prior to October 1, 2003 are not reported in the basic 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Concluded)

Land and construction in progress are not depreciated. All other reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Infrastructure	50 years
Buildings and improvements	15 – 40 years
Machinery and equipment	5 – 20 years
Office Equipment	3 – 10 years

H. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation 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 time when earned for all employees who qualify.

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

Employees eligible for leave include full-time equivalent employees. At employment, a full-time equivalent employee accrues leave as follows:

Term of Continuous Employment Employment	Accrual Rates		
	Per Pay Period (based on 24 pp/yr)	Per Year	Maximum Accrual Carried Over
0 - 5.999 years	3.33 hours	2 wks - 80 hrs	120 max Jan 1
6 - 11.999 years	5 hours	3 wks - 120 hrs	160 max Jan 1
12 - 19.999 years	6.67 hours	4 wks - 160 hrs	200 max Jan 1
20+ years	8.33 hours	5 wks - 200 hrs	240 max Jan 1

The District's sick leave policy permits the accumulation of four hours per pay period up to a maximum of 720 hours. Upon termination of employment, employees are compensated for unused sick leave by the District's contribution to the employee's HRA/VEBA account at the amount based on the following table:

Years of Service	% Earned
0 - 9	0%
10 -19	25%
20 - 29	50%
30 and beyond	75%

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

J. 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which arises only 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, deferred pension inflows, is reported only on the government-wide statement of net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position Flow Assumption

Net position represents the difference between assets and liabilities. Net investment in capital assets (net of any 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 is 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.

L. Fund Balance Classifications

Fund Balance Reserves – 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 as applicable:

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 the appropriate due process by the Board of Commissioners. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance Classifications (Concluded)

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 – Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. 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 funds 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 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.

N. 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 could differ from those estimates.

O. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

P. Pensions

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

The 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 hearings 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.

NOTE 3: CASH AND CASH EQUIVALENTS (CONTINUED)

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:

Amounts insured by the FDIC or other agencies collateralized with securities held by the agency in the District's name	$	101,237
Total deposits without exposure to custodial credit risk		101,237

Deposits with exposure to custodial credit risk:

Amounts collateralized with securities held in trust, but not in the District's name		22,012,684
Total deposits with exposure to custodial credit risk		22,012,684
Total deposits	$	22,113,921

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

Cash:		
Deposits with financial institutions	$	(4,968)
Cash equivalents:		
Idaho State Investment Pools		22,012,684
Total cash and cash equivalents	$	22,007,716

Fair Value:

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

The balance above that the District has in the Idaho State Investment Pool is carried at cost which approximates fair market value. The District's portion of the Idaho State Investment Pool had an unrealized gain of $57,200 as of September 30, 2024, as the difference between fair market value and cost is immaterial; the unrealized gain has not been recorded in the District's general ledger.

NOTE 3: CASH AND CASH EQUIVALENTS (CONCLUDED)

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

Credit Risk:

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The District does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

NOTE 4: RECEIVABLES

Governmental receivables consist of the following at September 30, 2024:

Highway user	$ 747,341
Federal project reimbursements	91,694
Other receivables	(8,826)
Total	$ 830,209

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Government activities:					
Capital assets, not being depreciated:					
Land	$ 2,412,974	$ -	$ -	$ -	$ 2,412,974
Construction in process	2,556,388	1,449,806	-	(1,177,176)	2,829,018
Total capital assets, not being depreciated	4,969,362	1,449,806	-	(1,177,176)	5,241,992
Capital assets, being depreciated:					
Buildings and improvements	860,160	-	-	890,830	1,750,990
Machinery and equipment	5,413,262	292,332	-	-	5,705,594
Office equipment	17,299	-	-	-	17,299
Infrastructure	21,094,329	-	-	286,346	21,380,675
Total capital assets being depreciated	27,385,050	292,332	-	1,177,176	28,854,558
Less accumulated depreciation for:					
Buildings and improvements	534,278	25,381	-	-	559,659
Machinery and equipment	3,402,854	258,768	-	-	3,661,622
Office equipment	17,299	-	-	-	17,299
Infrastructure	7,486,590	643,800	-	-	8,130,390
Total accumulated depreciation	11,441,021	927,949	-	-	12,368,970
Total capital assets, being depreciated, net	15,944,029	(635,617)	-	1,177,176	16,485,588
Governmental activities capital assets, net	$ 20,913,391	$ 814,189	$ -	$ -	$ 21,727,580

Depreciation expense of $927,949 for the year ended September 30, 2024 was charged to the highway construction and maintenance governmental function.

NOTE 6: LONG-TERM DEBT

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

	Beginning Balance	Additions	Retired	Ending Balance	Amount Due in One Year
Compensated absences	$ 133,537	$ 39,662	$ -	$ 173,199	$ -
Net pension liability	1,268,265	-	215,466	1,052,799	-
	$ 1,401,802	$ 39,662	$ 215,466	$ 1,225,998	$ -

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The Post Falls 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.

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for 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 public safety. The District's contributions were $164,490 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 District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the District's proportion was 0.02814486 percent.

For the year ended September 30, 2024, the District recognized pension expense of $282,172. At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 167,615	$ -
Changes in assumptions or other inputs	41,707	-
Net difference between projected and actual earnings on pension plan investments	-	19,110
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	69,179
District's contributions subsequent to the measurement date	45,216	-
Total	$ 254,538	$ 88,289

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

$45,216 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending September 30, 2025.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2022, the beginning of the measurement period ended June 30, 2023, is 4.6 and 4.6 years for the measurement period June 30, 2024.

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

Year Ending September 30,	
2025	28,902
2026	173,237
2027	(56,911)
2028	(24,195)

Actuarial Assumptions

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

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

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

Capital Market Assumptions

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

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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

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

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability	$ 2,000,647	$ 1,052,799	$ 278,650

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2024, the District had no payables outstanding to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 8: RISK MANAGEMENT

The District participates in the Idaho Counties Risk Management Program (ICRMP) to provide general liability, property insurance, and public officials' insurance. The District, along with other participating entities, contributes annual amounts determined by ICRMP management. As claims arise, they are submitted to and paid by ICRMP. The District's workers compensation coverage is provided by the Idaho State Insurance Fund.

Required Supplementary Information

Post Falls 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	Actual Amounts	Variance With Final Budget
REVENUES:			
Taxes and assessments	$ 2,833,333	$ 2,862,492	$ 29,159
Highway user	4,147,126	5,384,825	1,237,699
Federal forest funds	50,000	40,168	(9,832)
Sales tax	433,714	691,047	257,333
Other	201,283	318,971	117,688
Interest	170,290	966,756	796,466
Federal and state grants	2,750,000	452,420	(2,297,580)
Property tax penalties and interest	11,000	-	(11,000)
Total revenues	10,596,746	10,716,679	119,933
EXPENDITURES:			
Current:			
Administrative	577,380	437,469	139,911
Labor	2,169,694	1,814,704	354,990
Operations	2,107,377	703,361	1,404,016
Maintenance	1,622,000	780,345	841,655
Capital outlay	4,908,000	1,742,138	3,165,862
Future needs and contingency allocation	1,050,336	-	1,050,336
Total expenditures	12,434,787	5,478,017	6,956,770
Net change in fund balance	(1,838,041)	5,238,662	7,076,703
Fund balance- beginning	1,838,041	18,149,651	18,149,651
Fund balance- ending	$ -	$ 23,388,313	$ 25,226,354

**** Budget was not amended during the year***

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

Post Falls Highway District

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.028145%	0.031781%	0.032804%	0.034411%	0.033360%	0.033792%	0.034083%	0.035976%	0.036174%	0.036255%
Employer's proportionate share of the net pension liability (asset)	$ 1,052,799	$ 1,268,265	$ 1,292,073	$ (27,177)	$ 774,666	$ 385,724	$ 1,052,799	$ 565,482	$ 733,307	$ 477,414
Employer's covered-employee payroll	$ 1,426,711	$ 1,363,132	$ 1,298,879	$ 1,283,813	$ 1,218,009	$ 1,167,638	$ 1,096,806	$ 1,115,566	$ 1,064,781	$ 1,023,010
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.79%	93.04%	99.48%	-2.12%	63.60%	33.03%	95.99%	50.69%	68.87%	46.67%
Plan fiduciary net position as a percentage of the total pension liability (asset)	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

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

Date reported is measured as of June 30th.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 164,490	$ 159,948	$ 154,264	$ 153,524	$ 147,345	$ 133,672	$ 123,435	$ 126,427	$ 120,234	$ 115,805
Contributions in relation to the statutorily required contribution	(164,490)	(159,948)	(154,264)	(153,524)	(147,345)	(133,672)	(123,435)	(126,427)	(120,234)	(115,805)
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 1,426,711	$ 1,363,132	$ 1,298,879	$ 1,283,813	$ 1,218,009	$ 1,167,638	$ 1,096,806	$ 1,115,566	$ 1,064,781	$ 1,023,010
Contributions as a percentage of covered-employee payroll	11.53%	11.73%	11.88%	11.96%	12.10%	11.45%	11.25%	11.33%	11.29%	11.32%

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

Date reported is measured as of September 30th.

Other Supplementary Information

Post Falls Highway District

SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION
For the Year Ended September 30, 2024

ADMINISTRATIVE:		
Advertising	$	3,649
Association		6,020
Commissioner		28,800
Payroll taxes		109,004
Retirement		164,490
Professional fees		44,006
Life insurance- clerical		1,360
Office expense		25,292
Workers' compensation		26,637
Property insurance		12,447
Telephone		9,125
Travel and meetings- admin		6,639
Total administrative		437,469
LABOR:		
Wages		1,464,940
Medical insurance		339,331
Life insurance		2,848
Safety clothing		7,585
Total labor		1,814,704
OPERATIONS:		
Insurance		44,181
Utilities		54,477
Engineering fees		76,299
Fuel and oil		135,732
Repairs and maintenance		175,456
Tires		27,290
Supplies and tools		23,596
Radio		18,505
Rentals		21,030
Other		126,795
Total operations		703,361

Post Falls Highway District

SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION
For the Year Ended September 30, 2024

MAINTENANCE:		
Hot mix	$	220,860
Oil and seal		201,117
Signs and posts		19,845
Spraying		34,957
Safety items		3,317
Striping		54,420
Magnesium chloride		227,213
Miscellaneous road maintenance		18,157
Rock crushing		459
Total maintenance		780,345
CAPITAL OUTLAY:		
Construction in progress		664,804
Machinery, equipment and buildings		1,077,334
Total capital		1,742,138
TOTAL EXPENDITURES	$	5,478,017

Report Required by the GAO

HOOVER
Certified Public Accountant | Business Consultant

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

Independent Auditor's Report

To the Board of Commissioners
Post Falls Highway District
Post Falls, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Post Falls Highway District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Post Falls Highway District's basic financial statements and have issued our report thereon dated February 19, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Post Falls 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 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*.

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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)*

Purpose of this Report

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

Scott P. Hoover, CPA

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

February 19, 2025