Harbor View Estates Water and Sewer District

Financial Report

December 31, 2024

Harbor View Estates Water and Sewer District
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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Harbor View Estates Water and Sewer District
Hayden, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Harbor View Estates Water and Sewer District ("the District"), as of and for the year ended December 31, 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 business-type activities of the District, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 29, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters

The District's financial statements as of and for the year ended December 31, 2023 were audited by other auditors whose report, dated November 25, 2024, expressed an unmodified opinion on those financial statements.

DeCoria & Company, PC

DeCoria & Company, PC
Evanston, Wyoming

December 29, 2025

Basic Financial Statements

Harbor View Estates Water and Sewer District
Statements of Net Position - Enterprise Fund
December 31, 2024

ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	$	46,709
Accounts receivable		15,416
Prepaid expenses		2,913
Total current assets		65,038
Restricted assets:		
Cash and cash equivalents (Note 4)		7,899
Total restricted assets		7,899
Noncurrent assets:		
Capital assets, net (Note 5)		867,784
Total noncurrent assets		867,784
Total assets		940,721
LIABILITIES		
Current liabilities:		
Accounts payable		10,200
Unearned revenue		5,287
Total liabilities		15,487
Commitments and contingencies (Notes 7 and 9)		
NET POSITION		
Net investment in capital assets		867,784
Restricted for capital improvements		7,899
Unrestricted		49,551
Total net position	$	925,234

Harbor View Estates Water and Sewer District
Statements of Revenues, Expenses and Changes in Net Position - Enterprise Fund
For the Year Ended December 31, 2024

OPERATING REVENUES		
Water service revenues	$	159,824
Sewer service revenues		148,935
Late fees		293
Other income		315
Total operating revenues		309,367
OPERATING EXPENSES		
Payroll and related:		
Salaries and wages		56,436
Payroll taxes		5,974
Other operating expenses:		
Administrative expense		2,878
Chemicals and testing		7,887
Depreciation		74,284
Insurance		7,707
Kidd Island Bay Lots Sewer District treatment fees (Note 8)		82,656
Miscellaneous		245
Office		2,034
Professional fees		38,236
Repairs and maintenance		32,952
Supplies		441
Utilities		26,551
Total operating expenses		338,281
Operating loss		(28,914)
NONOPERATING REVENUES		
Interest income - reserves		548
Total nonoperating revenues		548
Changes in net position		(28,366)
Net position, beginning of year		953,600
Net position, end of year	$	925,234

Harbor View Estates Water and Sewer District
Statements of Cash Flows - Enterprise Fund
For the Year Ended December 31, 2024

		2024
Cash flows from operating activities:		
Receipts from customers	$	306,456
Payments to suppliers and contractors		(205,348)
Payments to and on behalf of employees		(62,410)
Other receipts and payments, net		315
Net cash provided by operating activities		39,013
Cash flows from investing activities:		
Interest received		548
Purchase of capital assets		(60,423)
Net cash used by investing activities		(59,875)
Net decrease in cash and cash equivalents		(20,862)
Cash and cash equivalents, beginning of year		75,470
Cash and cash equivalents, end of year	$	54,608
Reconciliation of cash and cash equivalents to the Statement of Net Position:		
Cash and cash equivalents	$	46,709
Restricted cash and cash equivalents		7,899
Total cash and cash equivalents	$	54,608
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(28,914)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		74,284
Change in assets:		
Accounts receivable		162
Prepaid expenses		(435)
Change in liabilities:		
Accounts payable		(3,326)
Unearned revenue		(2,758)
Net cash provided by operating activities	$	39,013

1. Organization

Harbor View Estates Water and Sewer District ("the District") is a local special purpose governmental unit governed by a five-member Board of Directors, each of whom serves six-year terms. The District was organized pursuant to the laws of the State of Idaho in January 2004, for the purpose of providing a quasi-governmental body, which could represent the water users associated with Harbor View Estates.

2. Summary of Significant Accounting Policies

Reporting Entity

The District's financial statements include the accounts of all District operations. The District meets the criteria established by the Governmental Accounting Standards Board (GASB) to be considered a primary governmental entity for financial reporting purposes. Component units are legally separate organizations that are financially accountable to the primary government. The District has no component units and is not a component unit of any other governmental unit based on the criteria established by the GASB.

During the fiscal year ended December 31, 2021, the District and Kidd Island Bay Lots Sewer District entered into a Joint Powers Agreement with the duties and responsibilities to: 1) create and administer a local improvement district to finance the necessary improvements to the Kidd Island Bay Lots Sewer System, 2) qualify the local improvement district for an interim loan to finance the improvements, as well as permanent financing, in the form of a bond or note, to finance the costs of the improvements, and 3) upon completion of the improvements assess each District and its customers their pro rata share of the cost of the improvements to repay the permanent financing. See Note 7 for further discussion.

The Kidd Island/Harbor View Joint Sewer LID Board (Joint Sewer LID Board) is a legally separate entity, the sole purpose of which is to facilitate the above-mentioned objectives to the primary benefit of Kidd Island Bay Lots Sewer District. Based on these facts and circumstances, the Joint Sewer LID Board is not considered to be a component unit of Harbor View Estates Water and Sewer District. Accordingly, only the District's pro rata share of any costs related to improvements to the wastewater collection and treatment system are reflected in these financial statements.

Accounting Principles Generally Accepted in the United States of America

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The District has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement\ requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The District has applied the requirements of Statement No. 101 in the current fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in the notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. The District is currently evaluating the financial statement impact of adopting this statement.

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will revise and build upon the requirements in GASB Statement No. 34. Key changes in the new standard are summarized below.

- Revises the requirements for management's discussion and analysis (MD&A) with the goal of making it more readable and understandable
- Combines extraordinary items and special items into one category of "unusual or infrequent items"
- Defines operating and nonoperating revenues, specifically by defining nonoperating revenues and classifying all other revenues as operating
- Includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses, and changes in fund net position
- Requires the presentation of proprietary funds' statement of revenues, expenses, and changes in fund net position in the statistical section of the report to include the same categories of revenues and expenses as the face of the financial statements
- Removes the option to disclose major component units in a condensed form in the notes to the financial statements and requires them to be shown individually or in combining financial statements following the fund financial statements
- Requires budgetary comparisons to be presented as RSI and adds new columns for variances between original-to-final budget and final budget-to-actual results

Statement No. 103 is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the financial statement impact of adopting this statement.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the District, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The assets, liabilities and net position of the District are reported in one self-balancing fund. This fund is a proprietary fund and is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The District's Enterprise Fund consists of all operations required to provide water and sewer services within the District's service area.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized and recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

2. Summary of Significant Accounting Policies, Continued

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for water and sewer services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District considers all short-term deposits and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Restricted cash consists of amounts required to be segregated pursuant to debt covenants, if applicable, or other State and local statutes, and is presented as restricted cash and cash equivalents in the Statement of Net Position – Enterprise Fund.

Accounts Receivable

Accounts receivable primarily consist of amounts due from customers for water and sewer service. Because delinquent water and sewer bills can be turned over to the County Treasurer for collection through property tax liens, the District's management has determined that an allowance for doubtful accounts is unnecessary.

Special assessments are reported at their gross value. When the special assessments receivable becomes delinquent, they are removed from the special assessment receivable and certified with the County. At December 31, 2024, there were no delinquent special assessments listed as a certified receivable.

Prepaid Expenses

Prepaid expenses represent amounts paid in the current period for goods or services that will benefit future periods. Prepaid expenses are accounted for using the consumption method.

Capital Assets

Capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Major improvements and betterments are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. The District currently does not have a formal capitalization policy. Expenditures for repairs and maintenance are charged to expense in the period incurred. When capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is included in the Statements of Revenues, Expenses, and Changes in Net Position – Enterprise Fund.

2. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of those assets, as follows:

	Years
Water infrastructure	5-50
Sewer infrastructure	10-30
Computers and equipment	5-7

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the District's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the District. The District had no assets or liabilities measured at fair value on a recurring basis during 2024.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The District had no assets or liabilities measured at fair value on a nonrecurring basis during 2024.

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified within one or more of the following three components.

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of $7,899 at December 31, 2024 related to capital improvement funds, which represent a restriction resulting from State and local statutes.

Unrestricted net position – This component of net position consists of amounts that do not meet the definition of "net investment in capital assets" or "restricted net position."

2. Summary of Significant Accounting Policies, Continued

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 by the District.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management of the District to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

The District has evaluated subsequent events through December 29, 2025, the date these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2024 that required recognition or disclosure in these financial statements.

3. Budgetary Information

The District's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). An annual appropriated budget is adopted for the District's fund. Reported budgeted amounts are as originally adopted or as amended by Board resolution. The original budget was properly approved by resolution during the year. The level of budgetary control for the District is at "the total fund level." All annual budget appropriations lapse at year-end.

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 January 1, the budget is adopted by resolution of the Board of Directors and published.
d) The final budget is then filed with the State of Idaho. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of budgetary control is the functional level at which the Directors must approve any over-expenditures of appropriations or transfers of appropriated amounts.

The budget was not amended for the fiscal year ended December 31, 2024.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits held in a checking account and a money market account with local banks. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. All deposits in the checking and money market accounts with the local banks were insured at December 31, 2024.

The combined carrying amount of cash and cash equivalents on the District's books December 31, 2024 was $54,608, and the bank balances totaled $44,146. The differences between the carrying amounts of cash and cash equivalents on the District's books and the bank balances, consisted of outstanding checks and deposits not processed by the banks as of December 31, 2024. The carrying amount of cash and cash equivalents on the District's books at December 31, 2024 consisted of and appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Position	$ 46,709
Restricted cash and cash equivalents, Statement of Net Position	7,899
	$ 54,608

Interest Rate Risk The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State of Idaho investment pools and funds. The District has no investment policy that would further limit its investment choices. At December 31, 2024, the District had no investments.

5. Capital Assets

Capital asset activity for the year ended December 31, 2024 is as follows:

	Balance December 31, 2023	Additions	Transfers	Disposals	Balance December 31, 2024
Water infrastructure	$ 930,632	$ 60,423	$ --	$ --	$ 991,055
Sewer infrastructure	1,577,252	--	--	--	1,577,252
Computers and equipment	1,411	--	--	--	1,411
	2,509,295	60,423	--	--	2,569,718
Accumulated depreciation	(1,627,650)	(74,284)	--	--	(1,701,934)
	$ 881,645	$ (13,861)	$ --	$ --	$ 867,784

6. Short-Term Borrowings

The District had no short-term borrowings at December 31, 2024, nor were there any short-term borrowings or repayments for the year then ended.

7. Joint Powers Agreement and Local Improvement District

Pursuant to a 1988 Sewer Participation Agreement between Kidd Island Bay Lots Sewer District ("Kidd") and the District, Kidd currently provides sewer services to 126 equivalent residential units in the Harbor View District (the maximum equivalent residential units to be served is 164). Under the Sewer Participation Agreement, Harbor View is obligated to pay its pro rata share of any improvements to the System required by any governmental regulations, laws, or court order.

In 2019, Kidd entered into a Consent Order with the Idaho Department of Environmental Quality (IDEQ) to resolve certain violations outlined by IDEQ under a Notice of Violation dated January 9, 2019 with respect to the wastewater collection and treatment system (the "System"). Under the Consent Order, Kidd agreed to generate and submit to IDEQ for review a new facility planning study wherein Kidd set forth activities to improve the System to resolve the violations cited by IDEQ.

During 2021, the Districts determined to begin construction of the required improvements to the System. Accordingly, on August 25, 2021, the District and Kidd entered into a Joint Powers Agreement with the duties and responsibilities to: 1) create and administer a local improvement district to finance the necessary improvements to the System, 2) qualify the local improvement district for an interim loan to finance the improvements, as well as permanent financing, in the form of a bond or note, to finance the costs of the improvements, and 3) upon completion of the improvements and preparation of the final assessment roll, assess the property owners benefitting from the improvements their pro rata share of the cost of the improvements to repay the permanent financing.

In March 2022, the newly formed Kidd Island/Harbor View Joint Sewer LID Board adopted Resolutions 2022-01 and 2022-02, which served to initiate and declare the intention to create a local improvement district to be known as "Kidd Island/Harbor View Joint Sewer LID Board Local Improvement District No. 1" (the "LID"), for the purpose of financing the costs of the improvements to the sewer collection and treatment system.

The Resolutions established the boundaries of the proposed LID, the property proposed to be assessed, generally described the improvements proposed to be constructed, and the method of assessment. The total estimated cost of the proposed improvements was $6,857,000, all of which shall be borne by and assessed against the properties specially benefitted by such improvements according to a benefits-derived method as set forth by Idaho Code. Properties within Kidd Island District boundary shall be assessed for the cost of improvements related to the treatment and collection system, while properties within the Harbor View District will be assessed only for the costs of improvements related to the treatment system.

As of December 31, 2024, the sewer upgrade project is still in its preliminary stages. The LID is finalizing the required land purchase and is working with the power supplier to upgrade the power service to the site. Preliminary surveying, legal, and engineering activities are underway. The Districts expect to begin the design phase in 2024 once the land purchase has been finalized.

Through December 31, 2024, the LID has spent approximately $193,000 on the project, with loan advances of approximately $171,000 to cover qualified expenditures incurred on the project to date. Per the terms of the loan agreement, IDEQ has forgiven a total of approximately $22,000 in principal forgiveness through December 31, 2024. The District's final portion of qualified project expenditures will be calculated at the end of the project. Accordingly, no portion of the loan balance is presented in the accompanying financial statements.

8. Related Party Transactions

As described in Note 7, the District and Kidd are parties to a Sewer Participation Agreement dated September 20, 1988. Pursuant to the agreement, Kidd provides sewer services to property owners located within the District. During the year ended December 31, 2024, the District recorded expenses totaling $82,656 for these services.

9. Commitments and Contingencies

Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in the Idaho Counties Risk Management Pool (ICRMP) to provide general liability and property insurance. The District, along with other participating entities, contributes annual amounts determined by the ICRMP management. As claims arise, they are submitted to and paid by the ICRMP. If necessary, the ICRMP may assess members additional amounts to cover losses. No such additional assessments were made during 2024, or in any of the previous three years.

Environmental Liabilities

The District is required to comply with provisions of permits and regulations issued by the U.S. Environmental Protection Agency and the Idaho Department of Environmental Quality. If the District fails to meet the requirements of the permits and regulations, it could be subject to fines or other censures. If the District determines that it is probable that a liability has been incurred and the amount can be reasonably estimated, the District will record a liability in the Statements of Net Position – Enterprise Fund. At December 31, 2024, the District's management is of the opinion that no liability for environmental matters is necessary.

Litigation

The District is occasionally named as a defendant in lawsuits arising principally in the normal course of operations. The District's management is not aware of any pending litigation or claims against the District at December 31, 2024 and, accordingly, no provision for loss has been recorded.

Compliance Report

DeCoria & Company PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Harbor View Estates Water and Sewer District
Hayden, 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 business-type activities of Harbor View Estates Water and Sewer District ("the District"), as of and for the year ended December 31, 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 December 29, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 one deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2024-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

District's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The sole purpose of this report is 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.

DeCoria & Company, PC

DeCoria & Company, PC.
Evanston, Wyoming

December 29, 2025

Harbor View Estates Water and Sewer District
Schedule of Findings and Responses
Year Ended December 31, 2024

Section I – Summary of Auditor's Results

Financial Statements

The independent auditor's report expressed an unmodified opinion on the basic financial statements of Harbor View Estates Water and Sewer District.

The audit of the financial statements of Harbor View Estates Water and Sewer District disclosed one significant deficiency in internal control over financial reporting.

The audit of the financial statements of the District disclosed no material weaknesses in internal control over financial reporting.

The audit disclosed no compliance findings material to the financial statements of Harbor View Estates Water and Sewer District.

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2024-001

Condition	The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.
Criteria	An effective system of internal control over financial reporting requires that closely related duties be segregated.
Effect	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The District's staff is too small to permit an adequate segregation of duties.
Recommendation	Although the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist.
Management's Response	Management and the District's Board of Directors are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

Harbor View Estates Water and Sewer District
Status of Prior Audit Findings
Year Ended December 31, 2024

Finding 2023-001

Condition — The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.

Status — This condition continues to exist at December 31, 2024. See Finding 2024-001.

Finding 2023-002

Condition — Due in part to the District's size and limited resources, month-end and year-end closing procedures are not fully formalized and documented for certain accounts and have not consistently been performed in a timely manner.

Status — This condition has been resolved at December 31, 2024.