NORTH KOOTENAI WATER DISTRICT

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2024



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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Kootenai Water District
Rathdrum, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of North Kootenai Water District (the 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 financial position of the business-type activities of North Kootenai Water District, as of September 30, 2024, and the 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 (GAAS) 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 *Auditors' 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.

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Auditors' 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 auditors' 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 GAAS 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 GAAS 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
May 15, 2025

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Unrestricted:	
Cash and Investments	$ 6,566,660
Customer Accounts Receivable	567,754
Customer Accounts Receivable - Unbilled	253,154
Interest Receivable	26,595
Prepaid Expenses	44,919
Total Unrestricted	7,459,082
Restricted:	
Cash and Investments	494,327
Interest Receivable	2,219
Assessments Receivable - Current Portion	35,574
Total Restricted	532,120
Total Current Assets	7,991,202
NONCURRENT ASSETS	
Restricted:	
Assessments Receivable, Less Current Portion	231,285
	231,285
Capital Assets Not Being Depreciated:	
Land and Land Improvements	5,716,007
Construction in Progress	7,451,176
Capital Assets Being Depreciated:	
Plant in Service	38,231,417
Less: Accumulated Depreciation	(15,539,166)
Net Capital Assets	35,859,434
Total Noncurrent Assets	36,090,719
Total Assets	$ 44,081,921
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	$ 223,668

See accompanying Notes to Financial Statements.

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable	$ 265,086
Accrued Payroll	48,190
Accrued Compensated Absences	87,751
Accrued Interest Payable	49,504
Customer Deposits	29,332
Long-Term Debt - Current Maturities	793,873
Total Current Liabilities	1,273,736
NONCURRENT LIABILITIES	
Long-Term Debt, Net of Current Maturities	6,907,484
Net Pension Liability	868,993
Total Noncurrent Liabilities	7,776,477
Total Liabilities	9,050,213
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	27,839
Deferred Gain on Refunding	25,586
Total Deferred Inflows of Resources	53,425
NET POSITION	
Net Investment in Capital Assets	28,132,491
Restricted for Debt Service	763,405
Unrestricted	6,306,055
Total Net Position	$ 35,201,951

See accompanying Notes to Financial Statements.

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES	
Water Sales	$ 4,305,054
Debt Service Income	814,739
Sewer Sales	538,327
Set Fee Income	5,844
Miscellaneous	21,368
Total Operating Revenues	5,685,332
OPERATING EXPENSES	
Depreciation	1,112,253
Salaries	1,181,552
Water Expenses	584,854
Insurance	296,873
Payroll Taxes and Employee Benefits	130,473
Professional Fees	116,514
Printing and Postage	53,527
Vehicle Operating	67,718
Repairs and Maintenance	96,515
Office and Related Expenses	55,543
Shop and Uniform	17,096
DEQ Testing	19,707
Telephone	25,416
Sewer Expenses	138,021
Chlorination Expense	36,118
Utilities	19,150
Computer Supplies and Maintenance Expenses	45,935
Miscellaneous	885
Travel and Entertainment	2,153
Licenses and Permits	4,975
Bank Charges	1,190
Change to Pension Expense	286,175
Total Operating Expenses	4,292,643
OPERATING INCOME	1,392,689

See accompanying Notes to Financial Statements.

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

NONOPERATING REVENUES (EXPENSES)	
Investment Income	$ 454,913
Assessment Interest	17,323
Gain on Sale of Assets, Net	5,000
Miscellaneous Fee Expense	(1,527)
Interest Expense	(179,649)
Total Nonoperating Revenues	296,060
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,688,749
CAPITAL CONTRIBUTIONS	
Cap Fees	330,940
Hook-Up Fees	80,644
Mitigation Income	22,572
Total Capital Contributions	434,156
CHANGE IN NET POSITION	2,122,905
Net Position - Beginning of Year	33,079,046
NET POSITION - END OF YEAR	$ 35,201,951

See accompanying Notes to Financial Statements.

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 5,896,541
Cash Paid to Vendors	(1,656,092)
Cash Paid to and for Employees and Commissioners	(1,411,816)
Net Cash Provided by Operating Activities	2,828,633
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	434,156
Collections on Impact Studies	(1,527)
Interest Received on Assessments	17,323
Collections on ULID Assessments	29,291
Proceeds from Sale of Assets	5,000
Principal Paid on Debt	(775,789)
Interest Paid on Debt	(181,425)
Acquisition of Capital Assets	(7,001,676)
Net Cash Used by Capital Financing Activities	(7,474,647)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	472,612
Net Cash Provided by Investing Activities	472,612
NET INCREASE IN CASH	(4,173,402)
Cash - Beginning of Year	11,234,389
CASH - END OF YEAR	$ 7,060,987
Cash and Cash Equivalents Balance is Comprised of the Following at September 30:	
Cash - Unrestricted	$ 6,566,660
Cash - Restricted	494,327
Total	$ 7,060,987

See accompanying Notes to Financial Statements.

NORTH KOOTENAI WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	1,392,689
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,112,253
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable		215,969
Prepaid Expenses		13,937
Deferred Outflows Related to Pensions		145,363
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Deposits		(92,599)
Accrued Salaries and Compensated Absences		22,022
Net Pension Liability		5,307
Deferred Inflows Related to Pensions		13,692
Net Cash Provided by Operating Activities	$	2,828,633

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

North Kootenai Water District (the District) was organized under and pursuant to the laws of the state of Idaho in December 1991, for the purpose of providing a quasi-governmental body, which could purchase the Allied Water Company and represent the water users. On November 25, 1998, the District purchased the water system of Allied Water Company for the purpose of providing domestic and irrigation water to the residents of the District. The District is located in the Rathdrum area of north Idaho. The District is governed by an elected five member board and has no component units.

The accounting methods and procedures adopted by the District conform to accounting principles generally accepted in the United States of America as applied to special-purpose governments engaged only in business-type activities. 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 in the following notes.

Basis of Accounting

For financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Cash and Cash Equivalents

The District considers cash to represent demand deposits and cash on hand, In addition, the District considers short-term, highly liquid investments, such as the Idaho Local Government Investment Pool (LGIP), that are both readily convertible to cash and so near their maturity that any changes in interest rates would cause only immaterial risk of change in value, as cash equivalents. The LGIP is invested in accordance with Section 67-1210 and Section 67-1210A Idaho Code. The State Treasurer is a custodian of the LGIP and no other regulatory oversight for the pool is established. The LGIP was not rated by a nationally recognized statistical rating organization (NRSRO). The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The District's monies placed with the LGIP for participation in the State's investment pool represent an interest in the pool rather than ownership of specific securities and are recorded at fair value.

Restricted Assets

The proceeds of certain revenue bonds and other loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is restricted by the applicable bond and loan agreements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The District utilizes the allowance method of accounting for doubtful accounts. The District believes all receivables on hand at year-end are fully collectible and, accordingly, has not established an allowance for doubtful accounts. Unbilled service receivables are recorded at year-end.

Capital Assets

Capital assets are stated at cost when purchased or constructed or where historical records are available and at an estimated cost where no historical records exist. Donated assets are valued at acquisition value, which is determined by the contributing party's costs, contract price, or appraised value. The District's capitalization policy is based on an estimated useful life of greater than one year and greater than $5,000. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Wells, Reservoirs, Systems, and Equipment	5 to 75 Years
Office, Equipment, and Building	5 to 30 Years
Master Plans	10 Years

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from 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.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to the pension plan subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to the pension plan. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension asset/liability in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through the plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of gains on refunding of debt and the District's proportionate share of deferred outflows related to the pension plan. The deferred gain on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Gains on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Deferred inflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through the plan.

Accrued Compensated Absences

The District's employees are entitled to vacation leave days based on their length of employment. District employees accumulate vacation leave hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Long-Term Debt

Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the interest method over the period the related debt is outstanding.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors, or others reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets".

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management's discretion.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products and services in connection with the District's water system. Operating expenses include the costs associated with providing the District's products and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Capital Contributions

Grants, local improvement district (LID) assessments, and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Budgetary Data

The District annually adopts a Budget Ordinance for its proprietary fund. The budget is on the same basis of accounting as the financial statements. All budget appropriations lapse at year-end. The District follows these procedures in establishing the annual budget.

1. Prior to the July board meeting, the secretary/treasurer submits to the board of directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures and the means of financing them.

2. The proposed budget is accepted by the board at its regular meeting in August and a public budget hearing is announced in September. The budget is also published in a local newspaper.

3. The budget is formally adopted by majority vote of the board following the public hearing.

4. Formal budgetary control is employed as a management control device during the year.

5. Budget amounts are as originally adopted. Individual amendments were not material in relation to the original appropriations.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

General

State statutes authorize the District's deposits and investments. 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 with the United States 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.

Credit Risk

The District does not have a formal policy for credit risk.

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 does not have a formal policy for custodial credit risk. As of September 30, 2024, the District's bank deposits did not have any exposure to custodial credit risk.

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	$	231,953
Funds Held in the District's Name by the Idaho State Investment Pool		6,829,034
Total Deposits	$	7,060,987

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

Statement of Net Position:		
Cash and Investments	$	6,566,660
Cash and Investments, Restricted		494,327
Total	$	7,060,987

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits Without Exposure to Custodial Credit Risk (Continued)

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

Cash:	
Deposits with Financial Institutions	$ 231,953
Cash Investments:	
Idaho State Investment Pools	6,829,034
Total Cash and Investments	$ 7,060,987

NOTE 3 ASSESSMENTS RECEIVABLE

Assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2024:

Local Improvement District #1	$ 74,301
Local Improvement District #3	70,986
Local Improvement District #4	121,572
Total	266,859
Less: Current Maturities	35,574
Total Long Term Portion	$ 231,285

NOTE 4 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Being Depreciated:					
Land and Improvements	$ 5,768,187	$ -	$ -	$ (52,180)	$ 5,716,007
Construction in Progress	1,863,406	6,107,800	-	(520,030)	7,451,176
Total Capital Assets Not Being Depreciated	7,631,593	6,107,800	-	(572,210)	13,167,183
Capital Assets, Being Depreciated:					
Wells, Reservoirs, and Equipment	35,501,785	204,141	-	572,210	36,278,136
Office, Equipment, and Building	1,514,630	330,386	(26,200)	-	1,818,816
Master Plans	134,465	-	-	-	134,465
Total Capital Assets Being Depreciated	37,150,880	534,527	(26,200)	572,210	38,231,417
Less Accumulated Depreciation for:					
Wells, Reservoirs, and Equipment	13,724,333	970,256	-	-	14,694,589
Office and Building	605,699	140,699	(26,200)	-	720,198
Master Plans	123,081	1,298	-	-	124,379
Total Accumulated Depreciation	14,453,113	1,112,253	(26,200)	-	15,539,166
Capital Assets, Being Depreciated, Net	22,697,767	(577,726)	-	572,210	22,692,251
Business-Type Activities Capital Assets, Net	$ 30,329,360	$ 5,530,074	$ -	$ -	$ 35,859,434

NOTE 5 LONG TERM DEBT

Long-term debt at September 30 consisted of the following:

Description	Amount
Revenue and Refunding Bonds:	
$4,275,215 issued September 12, 2019 for refunding, due in annual principal payments through the year 2029 with interest payable semi-annually at 2.00 annual percentage rate. Secured by revenue of the system, excluding the Gozzer Ranch service area.	$ 2,243,259
$5,873,476 issued April 29, 2021 for refunding, due in semi-annual principal and interest payments through the year 2039. The interest is based on a 2.255 annual percentage rate. Secured by revenue of the system, including the Gozzer Ranch service area.	4,927,279
Direct Borrowings and Direct Placements:	
Idaho Department of Environmental Quality Local Improvement District (LID) Bonds:	
LID #1, $1,119,226, original loan date May 9, 2009, payable $77,382 annually through the year 2028, including interest at 3.25 annual percentage rate. Secured by LID 1 assessments receivable.	285,795
LID #3, $150,716, original loan date June 4, 2013, payable $5,221 annually through the year 2043, including interest at .25 annual percentage rate. Secured by LID 3 assessments receivable.	96,761
LID #4, $230,937, original loan date June 4, 2013, payable $8,000 annually through the year 2043, including interest at .25 annual percentage rate. Secured by LID 4 assessments receivable.	148,263
Subtotal	7,701,357
Less: Current Maturities	793,873
Total	$ 6,907,484

NOTE 5 LONG-TERM DEBT (CONTINUED)

Long-term debt service requirements to maturity are as follows:

	Revenue and Refunding Bonds		Direct Placement and Direct Borrowings		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2025	$ 713,171	$ 154,416	$ 80,702	$ 9,901	$ 958,190
2026	723,582	139,404	82,947	7,657	953,590
2027	738,620	110,445	85,264	5,339	939,668
2028	758,175	99,355	87,504	2,957	947,990
2029	771,814	87,984	12,735	486	873,019
2030-2034	1,635,576	309,419	64,154	1,953	2,011,102
2035-2039	1,829,600	115,365	64,958	1,147	2,011,070
2040-2043	-	-	52,555	330	52,885
Total	$ 7,170,538	$ 1,016,387	$ 530,819	$ 29,770	$ 8,747,515

NOTE 6 CHANGE IN LONG-TERM DEBT LIABILITIES

Changes in long-term liabilities were as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Revenue and Refunding Bonds	$ 7,867,831	$ -	$ (697,294)	$ 7,170,537	$ 713,171
Direct Borrowings and Direct Placements:					
IDEQ Loan	351,715	-	(65,920)	285,795	68,094
DEQ Loan #1203 (LID 3)	101,727	-	(4,966)	96,761	4,979
DEQ Loan #1204 (LID 4)	155,873	-	(7,609)	148,264	7,629
Total	$ 8,477,146	$ -	$ (775,789)	$ 7,701,357	$ 793,873

NOTE 7 DEFINED BENEFIT PENSION PLAN

Plan Description

The North Kootenai Water District contributes to the Base Plan which is a cost-sharing, multi-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.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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 10 years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the board.

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2024, it was 6.71% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees. The North Kootenai Water District contributions were $132,751 for the year ended September 30, 2024.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At September 30, 2024, the North Kootenai Water 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 North Kootenai Water District proportion of the net pension liability was based on the North Kootenai Water District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. North Kootenai Water District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share June 30, 2023	Proportionate Share June 30, 2024	Change in Proportion
Base Plan	0.021643%	0.023231%	0.001588%

For the year ended September 30, 2024, the North Kootenai Water District recognized pension expense of $242,597.

At September 30, 2024, the North Kootenai Water 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	$ 138,352	$ -
Changes in Assumptions	34,425	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(15,774)
Changes in the Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Contributions	17,619	43,613
North Kootenai Water District's Contributions Subsequent to the Measurement Date	33,272	-
Total	$ 223,668	$ 27,839

The amount of $33,272 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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 June 30, 2022, the beginning of the measurement period ended June 30, 2023, is 4.6 and 4.6, respectively, for the measurement period June 30, 2024.

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

Year Ended June 30,	Amount
2025	$ 44,571
2026	166,996
2027	(28,356)
2028	(20,654)
Total	$ 162,557

Actuarial Assumptions

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

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

Inflation	2.30%
Salary Increases	3.05%
Salary Inflation	3.05%
Investment Rate of Return, Net of Investment Expenses	6.35%
Cost of Living Adjustments	1.00%

Mortality rates were based on the Pub-2010 General Tables for healthy males or females as appropriate.

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 July 1, 2024.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

Asset Class	DB Plans	Sick Leave
Fixed Income	30.0%	39.3%
US/Global Equity	55.0%	50.0%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total	100.00%	100.00%

Discount Rate

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

	1% Decrease (5.35%)	Discount Rate (6.35%)	1% Increase (7.35%)
Employer's Net Position Liability (Assets) - Employer	$ 1,651,358	$ 868,993	$ 230,001

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.

NOTE 8 COMMITMENTS AND CONTINGENCIES

The District is involved in several construction projects that are in various stages of completion. As a result, the District has contractual agreements with several construction, engineering, and other contracting agencies as of September 30, 2024. Actual costs could differ from budgeted project costs. The District is not currently aware of any built-in losses on these ongoing projects. At September 30, 2024, the District was obligated in the amount of $4,455,857 of which $4,372,505 has been expended.

The District is a party to legal actions arising in the ordinary course of its business. Management is not aware of any legal actions that could have a material effect on the financial statements.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District contracts with an insurance company for property (including boiler and machinery), crime, and liability insurance. In the years ended September 30, 2024, 2023, and 2022, there were no claim settlements, per occurrence or in aggregate, that have exceeded the coverage.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH KOOTENAI WATER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULES OF EMPLOYER CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2024

Schedules of Employer's Share of Net Pension Liability
June 30 (Measurement Date)
PERSI — Base Plan
Last 10 Fiscal Years

Year	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.023231%	$ 868,993	$ 1,135,692	76.52%	85.54%
2023	0.021643%	863,686	920,230	93.86%	83.83%
2022	0.022519%	886,976	888,030	99.88%	83.09%
2021	0.024147%	(19,071)	801,130	-2.38%	100.36%
2020	0.021393%	496,776	764,833	64.95%	88.22%
2019	0.021433%	244,647	727,938	33.61%	93.79%
2018	0.021427%	316,055	689,390	45.85%	91.69%
2017	0.021998%	345,775	683,247	50.61%	90.68%
2016	0.024049%	487,514	735,520	66.28%	87.26%
2015	0.023402%	308,168	660,758	46.64%	91.38%

Schedules of Employer Contributions
September 30 (Employer Reporting Date)
PERSI — Base Plan
Last 10 Fiscal Years

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2024	$ 132,751	(132,751)	$ -	$ 1,171,107	11.34%
2023	115,048	(115,048)	-	976,605	11.78%
2022	100,065	(100,065)	-	838,062	11.94%
2021	99,466	(99,466)	-	833,051	11.94%
2020	91,724	(91,724)	-	768,207	11.94%
2019	84,627	(84,627)	-	739,620	11.44%
2018	78,808	(78,808)	-	696,184	11.32%
2017	76,768	(76,768)	-	678,166	11.32%
2016	83,261	(83,261)	-	735,520	11.32%
2015	74,812	(74,812)	-	660,758	11.32%

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITORS' 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
North Kootenai Water District
Rathdrum, 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 business-type activities of North Kootenai Water District (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 15, 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
May 15, 2025



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