CENTRAL ORCHARDS SEWER DISTRICT

FINANCIAL STATEMENTS

Years Ended November 30, 2024 and 2023

CENTRAL ORCHARDS SEWER DISTRICT

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PRESNELL GAGE, PLLC
ACCOUNTING AND CONSULTING

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Orchards Sewer District
Lewiston, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Central Orchards Sewer District, as of and for the years ended November 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Central Orchards Sewer 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 Central Orchards Sewer District, as of November 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Audits of the Financial Statements section of our report. We are required to be independent of the Central Orchards Sewer District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
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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 Central Orchards Sewer 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 Audits of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Central Orchards Sewer 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 Central Orchards Sewer 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension funding on pages 6 through 11 and 29, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Report on Summarized Comparative Information

We have previously audited the Central Orchards Sewer District's 2023 financial statements, and our report dated April 9, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2025, on our consideration of the Central Orchards Sewer 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 Central Orchards Sewer 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 Central Orchards Sewer District's internal control over financial reporting and compliance.

Presnell Gage, PLLC

March 12, 2025
Lewiston, Idaho

As management of the Central Orchards Sewer District (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year December 1, 2023 through November 30, 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis are intended to serve as an introduction to the District's basic financial statements.

One of the most important questions asked about the District's finances is: "Is the District as a whole better off or worse off as a result of the year's activities"? The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District as a whole and about its activities in a way that may help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. You can think of the District's net position—the difference between assets and the liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's sewer usage and population to assess the overall health of the District.

CONDENSED FINANCIAL POSITION INFORMATION

The statement of net position presents information concerning the District's assets, liabilities, and the net position. Net position is the difference between assets and liabilities. Increases or decreases in the net position indicate, over time, if either the financial position of the District is improving or deteriorating. The following highlights provide an overview of the District's financial position:

Financial Highlights

- The District's financial position increased in 2024 to $6,096,400, from $6,090,471 in 2023 and $6,024,412 in 2022.

- The District's investment in capital assets, net of the related debt amounts to $3,994,363, down from $4,204,806 in 2023 and $3,855,254 in 2022. The District continues to depreciate the existing collection system without the need for extensive capital replacement and repair.

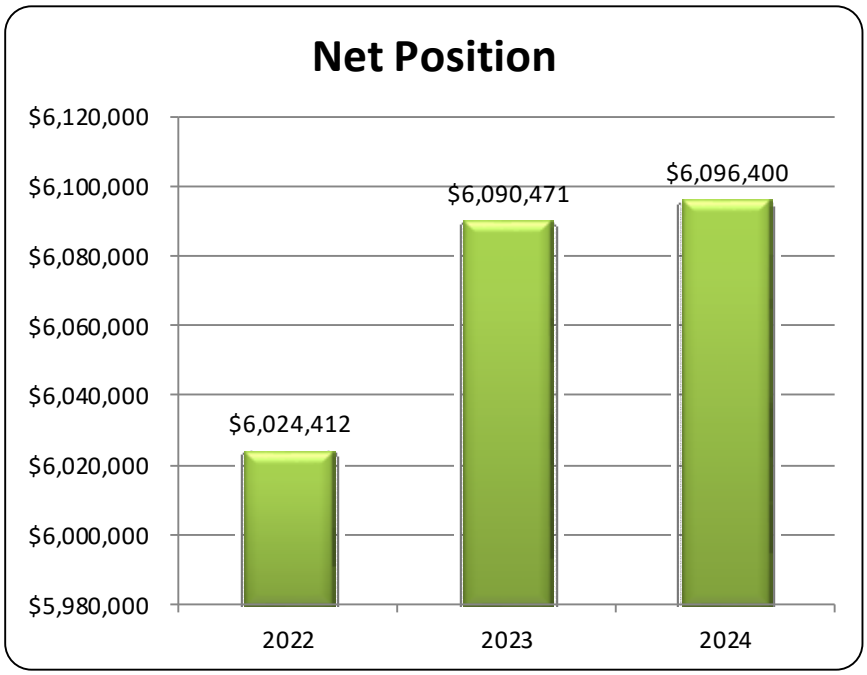
- Unrestricted net position amounts to $1,846,024 in 2024. This compares to $1,657,977 in 2023 and $1,975,446 in 2022.

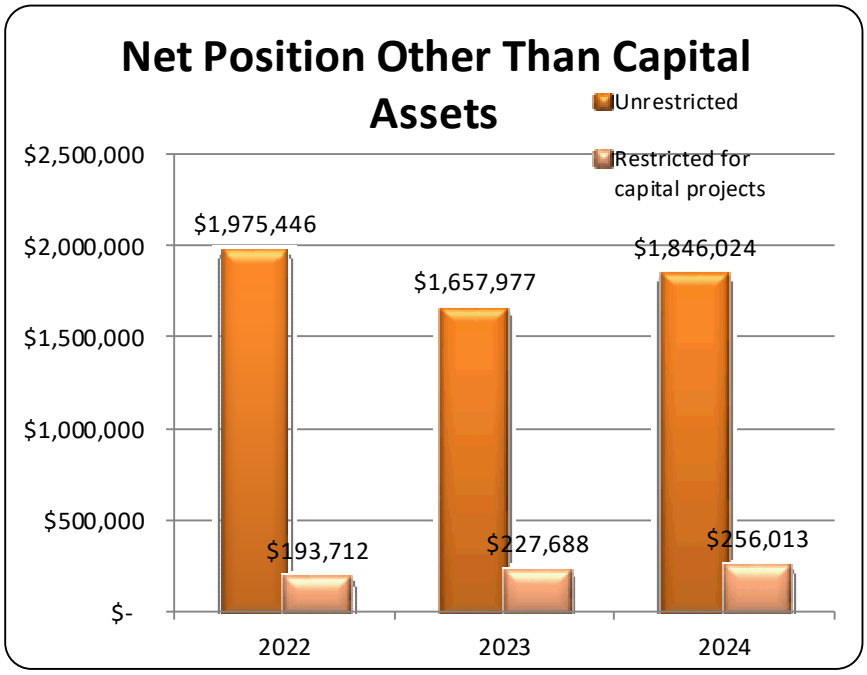
- The District recognized a net pension liability of $236,472 as its share of the unfunded liability of PERSI. The District has no long-term debt outstanding.

CONDENSED SUMMARY OF OPERATIONS

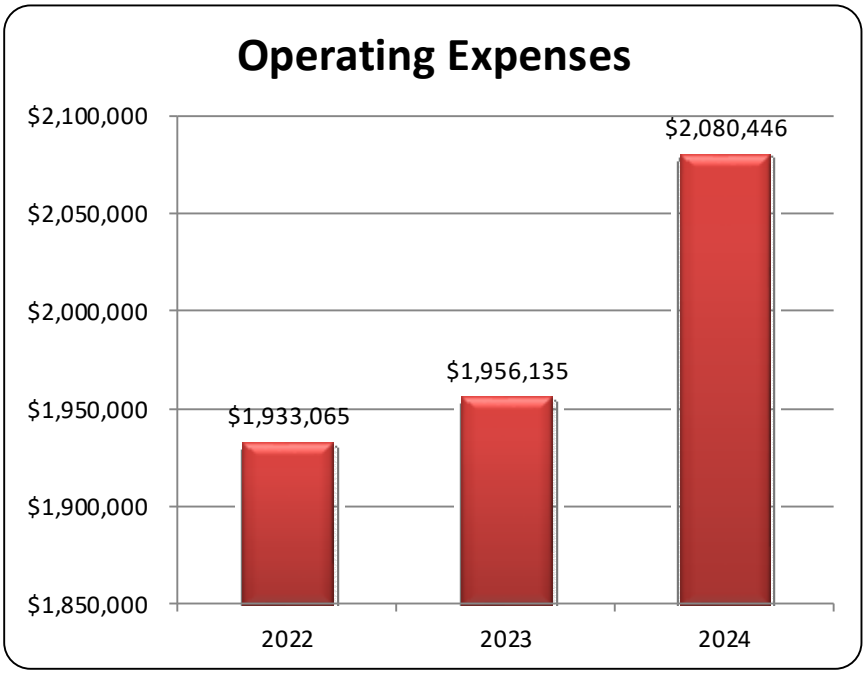
The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of when the related cash flows occur. Thus, some revenues are recognized prior to patrons paying their bills and some expenses are recognized prior to the District paying their bills. The following highlights provide an overview of the changes in the District's net position.

- The District's net position increased by $5,929 as a result of this year's operations, compared to an increase of $66,059 in 2023 and a decrease of $61,749 in 2022. The total net position represents the accumulated results of all past year's operations. Unrestricted net position (the part of net position that can be used to finance daily operations without legal restrictions or obligations) is $1,846,024 at year-end. The District can use these funds to finance continuing operations.

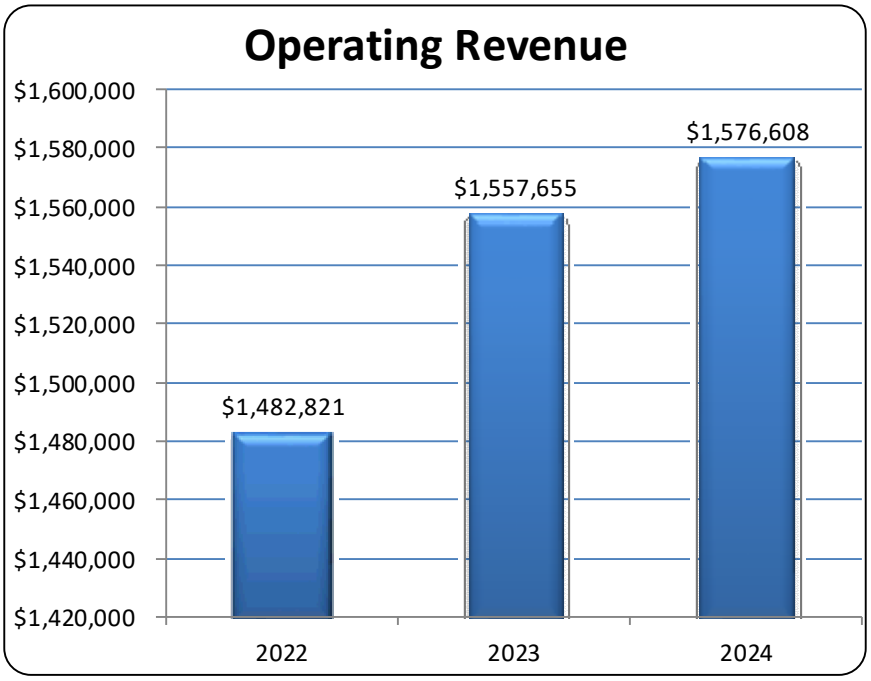




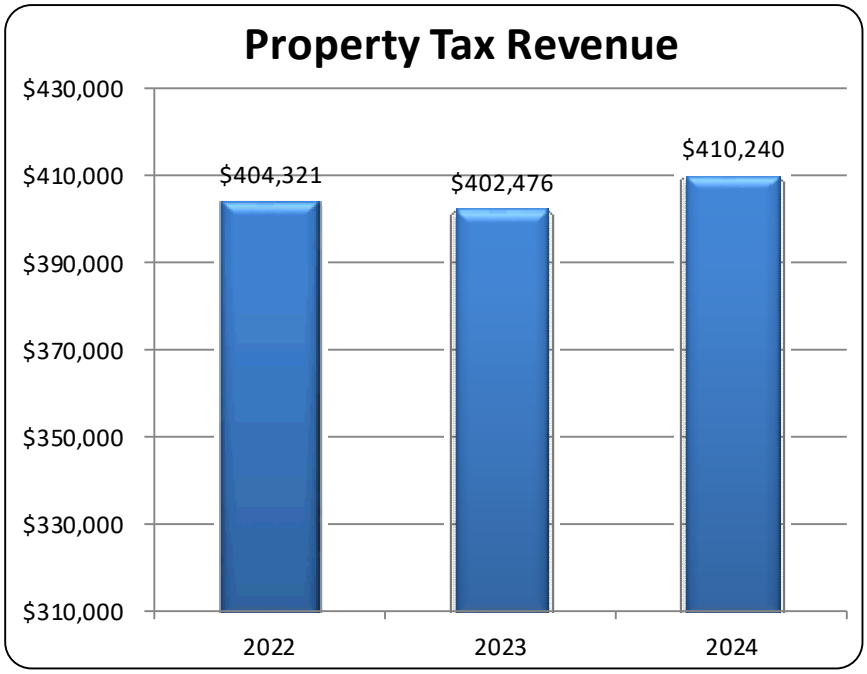
- The District's cost of operations increased by $124,311 to $2,080,446 from $1,956,135 in 2023 and $1,933,065 in 2022.



- Operating revenue of the District increased by $18,953 to $1,576,608 from $1,557,655 in 2023 and $1,482,821 in 2022. Sewer rates increased this year to $40.00 per month.



- Property tax revenue of the District increased to $410,240 from $402,476 in 2023 and $404,321 in 2022.



BUDGETARY HIGHLIGHTS

The District's budget was not revised during the last year.

District revenues were 7 percent below budget at $2,100,682. Budgetary basis operating expenses were $2,146,725 vs. the budgeted expenditures of $2,649,111 primarily due to minimizing the need for capital outlay, not expending the contingency budget in the current year, depreciation, and sewer line maintenance and sewage processing.

CAPITAL ASSETS

Capital assets - At the end of 2024, the District had $3,994,363, net of accumulated depreciation, invested in capital assets ($4,204,806 in 2023 and $3,855,254 in 2022). This amount represents a decrease of $210,443 from 2023 due to the less capital expenditures and deprecation. The District recognized current year depreciation of $276,722.

DEBT

As of November 30, 2024, the District did not have any notes or bonds payable outstanding.

Net Pension Liability. The District recognized a net pension liability of $236,472 for its share of PERSI's net pension liability. PERSI is one of the strongest retirement systems in the nation, with funding at approximately 86 percent of the pension obligation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Directors approved a budget with expenses of $2,649,111 for the year ending November 30, 2024, down from expenditures in 2023 of $3,231,531. This budget decrease includes operating expenditures of $2,211,527 (which represents a 3.7 percent increase in operating expenditures) and capital expenditures of $437,584 for updating the District's system.

The District has $256,013 in equity buy-in fees that are restricted for capital projects. There is also another $1,846,024 of unrestricted net position. The District may use restricted and unrestricted funds to finance capital improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 208-746-9689 or at 1522 Powers Avenue in Lewiston, Idaho.

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CENTRAL ORCHARDS SEWER DISTRICT

STATEMENTS OF NET POSITION
November 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash	**$ 128,496**	$ 171,320
Investments	**1,819,513**	1,584,534
Accounts receivable	**138,987**	138,062
Liens receivable	**59,091**	43,514
Property tax receivable	**4,293**	5,444
Prepaid expenses	**15,227**	11,889
Total current assets	**2,165,607**	1,954,763
Capital assets		
Capital assets	**8,510,810**	8,444,531
Less accumulated depreciation	**(4,516,447)**	(4,239,725)
Net capital assets	**3,994,363**	4,204,806
Other assets		
Restricted investments	**256,013**	227,688
Total other assets	**256,013**	227,688
Total assets	**6,415,983**	6,387,257
DEFERRED OUTFLOWS OF RESOURCES		
Defined benefit pension	**61,448**	118,170
LIABILITIES		
Current liabilities		
Accounts payable	**101,229**	97,086
Accrued wages and benefits	**39,038**	34,691
Total current liabilities	**140,267**	131,777
Noncurrent liabilities		
Net pension liability	**236,472**	283,179
Total liabilities	**376,739**	414,956
DEFERRED INFLOWS OF RESOURCES	**4,292**	0
NET POSITION		
Invested in capital assets, net of related debt	**3,994,363**	4,204,806
Restricted for capital projects	**256,013**	227,688
Unrestricted	**1,846,024**	1,657,977
TOTAL NET POSITION	**$ 6,096,400**	$ 6,090,471

See accompanying notes

CENTRAL ORCHARDS SEWER DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended November 30, 2024 and 2023

	2024	2023
OPERATING REVENUE		
Charges for services and hookups	**$ 1,533,704**	$ 1,521,902
Other operating revenue	**42,904**	35,813
	1,576,608	1,557,715
OPERATING EXPENSES		
Sewage treatment	**1,137,814**	1,110,309
Collection system		
Sewer line maintenance and utilities	**36,199**	29,376
Shop supplies	**4,441**	1,873
Office expense	**18,805**	16,922
Telephone and office utilities	**7,779**	7,516
Vehicle expenses	**19,511**	10,017
Insurance	**15,979**	13,238
Professional fees	**35,715**	25,551
Grounds maintenance	**6,152**	7,390
Wages	**317,191**	305,573
Payroll taxes and benefits	**170,173**	156,013
Depreciation	**276,722**	241,871
Other expense	**33,965**	30,486
	2,080,446	1,956,135
UTILITY OPERATING LOSS	**(503,838)**	(398,420)
OTHER INCOME (EXPENSE)		
Interest income	**98,234**	80,460
Loss on disposal of equipment		(5,212)
Property and other taxes	**410,240**	402,476
Equity buy-in, collection system	**15,600**	24,764
Equity buy-in, treatment plant facilities	**27,622**	37,763
Treatment plant facilities paid to the City of Lewiston		
Equity buy-in treatment plant facilities	**(27,622)**	(37,763)
Net pension actuarial benefit (expense)	**(14,307)**	(38,009)
	509,767	464,479
CHANGE IN NET POSITION	**5,929**	66,059
NET POSITION, beginning of year	**6,090,471**	6,024,412
NET POSITION, end of year	**$ 6,096,400**	$ 6,090,471

See accompanying notes

CENTRAL ORCHARDS SEWER DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended November 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	**$ 1,560,106**	$ 1,543,062
Cash expended for operating agreement	**(1,133,671)**	(1,114,430)
Cash expended for payroll and benefits	**(483,017)**	(455,797)
Cash expended for accounts payable and other expenses	**(181,884)**	(145,686)
Net cash used by operating activities	**(238,466)**	(172,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Equity buy-in, collection system	**15,600**	24,764
Equity buy-in, treatment plant facilities	**27,622**	37,763
Equity buy-in, plant facilities paid to the City of Lewiston	**(27,622)**	(37,763)
Acquisition of buildings and improvements	**(66,279)**	(596,635)
Property and other tax collected	**411,391**	401,898
Net cash provided (used) by capital and related financing activities	**360,712**	(169,973)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Restricted Investments	**(28,325)**	(33,976)
Interest received on investments	**98,234**	80,460
Net cash provided by investing activities	**69,909**	46,484
Net change in cash	**192,155**	(296,340)
CASH AND CASH EQUIVALENTS, beginning of year	**1,755,854**	2,052,194
CASH AND CASH EQUIVALENTS, end of year	**$ 1,948,009**	$ 1,755,854
CASH COMPONENTS		
Cash	**$ 128,496**	$ 171,320
Investments	**1,819,513**	1,584,534
	$ 1,948,009	$ 1,755,854

See accompanying notes

CENTRAL ORCHARDS SEWER DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended November 30, 2024 and 2023

	2024	2023
RECONCILE UTILITY OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Utility operating loss	**$ (503,838)**	$ (398,480)
Adjustments to reconcile utility operating loss to net cash used by operating activities		
Depreciation	**276,722**	241,871
Changes in:		
Accounts receivable accruals	**(16,502)**	(14,593)
Accounts payable and expense accruals	**5,152**	(1,649)
Net cash used by operating activities	**$ (238,466)**	$ (172,851)

See accompanying notes

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Central Orchards Sewer District conform to United States generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA) in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (FASB) when applicable.

Reporting Entity. The Central Orchards Sewer District (the District), was created in 1976 as a sewer district under Title 42, Chapter 32 of the *Idaho Code*. The District's office is in Lewiston, Idaho, and serves a portion of the Orchards area.

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

The District, being a political subdivision for the State of Idaho, is exempt from federal and Idaho income taxes. Accordingly, no provision for income taxes is shown in the financial statements.

Measurement Focus and Basis of Accounting. The financial statements of the Central Orchards Sewer District have been prepared in accordance with the United States generally accepted accounting principles as applied to governmental units. The District uses the following basis of accounting in these financial statements.

Economic Resources Measurement Focus and Accrual Basis of Accounting. The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues from operations, investments, and other sources are recognized when earned. Property taxes are recognized as revenues in the year for which they are levied. Expenses are recognized when liabilities are incurred. Operating revenues and expenses result from the ongoing principal operation of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses are related to financing and investing type activities and result from non-exchange transactions.

When an expense is incurred for purposes in which both restricted and unrestricted net positions are available, it is the District's policy to first apply restricted resources.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-Wide Financial Statements. The statement of net position and the statement of revenues, expenses, and changes in net position display information about the overall District. These statements reflect only "business-type" activities of the District since there are no "governmental activities" within the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of revenues, expenses, and changes in net position presents a comparison between direct expenses and program revenues for the District's sole function of providing sewer collection and disposal services within the District boundaries. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all investment earning and taxes, are presented as general revenues.

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

Revenue Recognition. District patrons are billed on a month-to-month basis with all of the accounts billed each month. At the end of the fiscal year, revenue is recognized for the period since the last billing. All charges for services are treated as operating revenues. Property taxes are treated as non-operating revenues, at the date that the taxes are levied.

Capital Contributions. Equity buy-in fees charged to new patrons who are connecting on to the District's system are to be used only to finance capital expenditures for the replacement of the District's collection facilities and are recorded as contributed capital. Sewer expansions constructed by developers and conveyed to the District and grants received from other governmental agencies are recorded as contributed capital.

Receivables. Accounts are billed every month during the year. An account is considered delinquent if not paid within 6 months from the billing date. Sewer account receivables are stated at gross charges to users without allowance for doubtful accounts, which are considered minor. Such accounts, which have been charged off as uncollectible have been recorded as a bad debt expense. Delinquent accounts are turned over to Nez Perce County to be collected as a lien.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, deposits in a local bank, and funds deposited in a local government investment pool maintained by the Idaho State Treasurer. The pooled deposits are available upon demand and are considered cash equivalents when preparing these financial statements. Any certificate of deposit or marketable security having an original maturity of 90 days or less is also considered to be a cash equivalent.

Restricted Cash and Cash Equivalents. Restricted cash and cash equivalents consist of funds deposited in a local government investment pool maintained by the Idaho State Treasurer in accordance with resolutions and formal actions of the District. The restrictions are to be used for the replacement and expansion of sewage collection facilities.

Deposits and Investments. State statutes authorize the District to invest in obligations of the State of Idaho and its agencies, U.S. Treasury and U.S. agencies, district coupon and local improvement district bonds, repurchase agreements, tax and revenue anticipation bonds, notes, and the State Treasurer's Local Government Investment Pool.

Deposits in the State Treasurer's Local Government Investment Pool are stated at a fair value, which is the same as the value of the pool shares. The Idaho State Treasurer oversees the State Treasurer's Local Government Investment Pool under the Joint Exercises of Power provisions of *Idaho Code.* The State Treasurer combines deposits from all governmental entities in the State, which participate in the Pool and purchases the following types of investments:

Local Certificate of Deposits
Repurchase Agreements
U.S. Government Securities
Bonds and debentures of "A" rated companies

The entities participating in the Pool own a percentage of each investment held. This percentage is calculated by dividing the individual entity's deposits by the total deposits held in the Pool. The purpose of this is to:

Increase the overall rate of return
Reduce the risk of default
Place each entity under the FDIC and SLIC limits of $250,000

Fair value of the investments approximates the cost as disclosed in Note 2.

The Local Government Investment Pool issues a publicly available financial report that includes financial statements and the required supplementary information for the LGIP. That report may be obtained on the state's website at https://sto.idaho.gov/Investments/Local-Government-Investment-Pool-LGIP.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Risk. Custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held by third parties in street name for the District.

Credit Risk. Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation. It is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The District has no formal policy on the credit risk rating of investments. At November 30, 2024, the District's investment in the Idaho State Treasurer's Local Government Investment Pool is not rated by Standard and Poor's Rating Services.

Allowance for Doubtful Accounts. Sewer accounts receivables are stated at gross charges to users without allowance for doubtful accounts, which are considered immaterial. Delinquent accounts are turned over to Nez Perce County to be collected as a lien against the property.

Property Taxes. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the first Monday in November and are payable in two installments, December 20 and June 20, following the levy. The taxes are accounted for and collected by Nez Perce County, Idaho, and remitted to the District in the month after collection.

Capital Assets. Capital assets, which include land, sewer lines, buildings, and equipment, are stated at cost. Property donated as capital contributions is stated at estimated fair value at the date of contribution. Costs of depreciable sewer lines retired are charged to accumulated depreciation. Depreciation is computed on the straight-line method applied over the estimated useful lives of the assets as follows:

Sewer Lines	10-75 years
Buildings	40 years
Machinery and equipment	5-10 years
Vehicles	5 years
Office equipment	5-10 years

Capital Contributions. Equity buy-in fees charged to new patrons who are connecting to the District's system are to be used only to finance capital expenditures for the replacement of the District's collection facilities and are recorded as contributed capital. Sewer expansions constructed by developers and conveyed to the District and grants received from other governmental agencies are recorded as contributed capital.

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

Compensated Absences. The District's policy allows employees to accumulate and vest unused sick and vacation leave. Employees who have completed one full year of employment earn five days of vacation. The number of days earned increases based on the number of years employed. The maximum that can be earned is 40 days after 25 years of service.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued). Additionally, the District allows employees to take three days as floating holidays each year and this day is added to the total vacation available. Vacation normally is taken in the year earned; however, it may be carried over. The maximum employees may accumulate is 20 days or twice their annual vacation entitlement, whichever is greater. Upon termination or retirement, employees are entitled to be paid all accumulated unused vacation leave. Sick leave is earned at the rate of one day per month. Sick leave may be carried over with no restrictions but is fifty percent payable upon termination under favorable circumstances. The accumulated leave is recorded as a liability.

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

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported in this year's financial statements include amounts related to the District's participation in PERSI as outlined in Note 6 – Defined Benefit Pension Plan.

The District reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources reported in this year's financial statements include amounts related to the District's participation in PERSI as outlined in Note 6 – Defined Benefit Pension Plan.

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

Subsequent Events. Subsequent events have been evaluated through March 12, 2025, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

Cash consists of the bank accounts on deposit at November 30. At year-end the carrying amount of the District's deposits was $128,496. The bank balances amounted to $160,751. This amount is considered covered by FDIC.

Investments. District investments are held with the State of Idaho Local Government Investment Pool and a local financial institution.

2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued). Investment funds at November 30 are as follows:

	2024	2023
P1FCU CD	$ 325,011	$ 310,151
State Treasurer's investment pool		
Undesignated investments	$ 1,402,313	$ 1,186,924
Designated investment pool funds		
Joint depreciation	9,701	9,203
Emergency repair	36,607	34,729
Capital expenditures	30,728	29,151
Depreciation	15,153	14,376
Restricted for system equity buy-in fees	256,013	227,688
Total investments	$ 2,075,526	$ 1,812,222
Total investments on the financial statements		
Unrestricted	$ 1,819,513	$ 1,584,534
Restricted	256,013	227,688
Total	$ 2,075,526	$ 1,812,222

The stated value of the investment pool funds at year-end is considered to be the fair market value.

3. RESTRICTED INVESTMENTS

System Equity Buy-in Fees. Effective October 1, 1999, the District approved an equity buy-in fee to be assessed for any new connections to the District's lines. The fee is graduated to reflect the level of service provided to the customer. The use of these funds is restricted (by the *Idaho Code*) to replacement of the District's sewer system and cannot be used for any other purpose. For the years ended November 30, 2024 and 2023, the balance of restricted funds was $256,013 and $227,688, respectively.

Plant Equity Buy-in Fees. The District entered into a contract with the City of Lewiston (City) to allow the City to assess and collect an equity buy-in fee from each new connection to the District's sewer system. The fees are to be used for improvements to the City's wastewater treatment facility.

These amounts are not reflected as assets of the District in these financial statements, since the likelihood of receiving these fees is considered remote. The funds are recorded as revenue to the District when collected and as expense when paid to the City.

4. CAPITAL ASSETS

Capital assets activity during the years ended November 30, 2024 and 2023, are as follows:

	2024			
	Beginning Balance	Additions	Disposals	Ending Balance
Depreciable assets				
Buildings	$ 468,983	$ 52,133		$ 521,116
Sewer lines	7,512,088	14,146		7,526,234
Machinery and equipment	188,240			188,240
Vehicles	252,350			252,350
Office equipment	17,297			17,297
Non-depreciating asset				
Land	5,573			5,573
	$ 8,444,531	$ 66,279	$ 0	$ 8,510,810
Accumulated depreciation				
Buildings	$ 380,064	$ 12,481		$ 392,545
Sewer lines	3,547,335	234,003		3,781,338
Machinery and equipment	63,158	24,378		87,536
Vehicles	232,719	5,860		238,579
Office equipment	16,449			16,449
	$ 4,239,725	$ 276,722	$ 0	$ 4,516,447

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Depreciable assets				
Buildings	$ 416,672	$ 52,311		$ 468,983
Sewer lines	7,105,040	475,053	$ 68,005	7,512,088
Machinery and equipment	129,980	69,271	11,011	188,240
Vehicles	252,350			252,350
Office equipment	17,297			17,297
Non-depreciating asset				
Land	5,573			5,573
	$ 7,926,912	$ 596,635	$ 79,016	$ 8,444,531
Accumulated depreciation				
Buildings	$ 368,923	$ 11,141		$ 380,064
Sewer lines	3,404,667	209,723	$ 67,055	3,547,335
Machinery and equipment	57,906	12,001	6,749	63,158
Vehicles	223,913	8,806		232,719
Office equipment	16,249	200		16,449
	$ 4,071,658	$ 241,871	$ 73,804	$ 4,239,725

Depreciation expense was $276,722 for the year ended November 30, 2024, and $241,871 for November 30, 2023.

5. COMPENSATED ABSENCES

The District's liabilities for accumulated compensated absences as of November 30 are as follows:

	Balance 12/1/2023	Additions	Repayment	Balance 11/30/2024
Compensated absences				
Vacation time	$ 19,794	$ 1,690		$ 21,484
Sick leave	13,877	2,657		16,534
Total compensated absences	$ 33,671	$ 4,347	$ 0	$ 38,018

6. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Member and Employer Contributions (Continued). The contribution rates for employees are set by statute at 60 percent of the employer rate for general employees. As of November 30, 2024, it was 7.18 percent for general employees. The employer contribution rate, as a percentage of covered payroll, is set by the Retirement Board and was 11.96 percent for general employees. The District's contributions required and paid were $36,812, $35,528 and $34,628 for the three years ended November 30, 2024, 2023, and 2022, respectively.

Pension Liabilities, Assets, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At November 30, 2024, the District reported a liability of $236,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the District's proportion was 0.0063217 percent.

For the year ended November 30, 2024, the District recognized a net change in pension expense of $14,307. At November 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 14,432	
Differences between expected and actual experience	37,648	
Changes in assumptions or other inputs	9,368	
Net difference between projected and actual earnings on pension plan investments		4,292

Deferred outflows of resources in the amount of $14,432 related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending November 30, 2025.

The average of the expected remaining service lives of all employees that are provided with pensions through PERSI (active and inactive employees) determined at July 1, 2023, the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.4 for the measurement period June 30, 2024.

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

2025	11,671
2026	44,091
2027	(7,603)
2028	(5,435)

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return	6.35%, net of pension plan investment expense
Cost of Living Adjustments (COLA)	1.00%

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

Contributing Members, Service Retirement Members, and Beneficiaries:

General Employees and All Beneficiaries – Male	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – Female	Pub-2010 General Tables, increased 21%
Disabled Members – Male	Pub-2010 Disabled Tables, increased 38%
Disabled Members – Female	Pub-2010 Disabled Tables, increased 36%

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

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

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

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

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued).

CAPITAL MARKET ASSUMPTIONS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	(.25%)
TIPS	10%	(.30%)
Real Estate	8%	3.75%
Private Equity	8%	6.00%

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

Sensitivity – a 1% change in the discount rate would affect the District's net pension liability as follows:			
	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's proportionate share of the net pension liability (asset)	$ 449,371	$ 236,472	$ 62,588

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.

7. DEFERRED COMPENSATION PLANS

The District contributes up to 5 percent of the employees' wages as a matching contribution to their retirement account. The District's expense for these contributions was $15,957, $15,211, and $14,451 for the three years ended November 30, 2024, 2023, and 2022, respectively.

8. SUPPLEMENTARY DISCLOSURES FOR CASH FLOWS STATEMENTS

There were no constructed sewer lines conveyed to the District during the year ended November 30, 2024.

9. COMMITMENTS AND CONTINGENCIES

The District contracted with the City of Lewiston in 2017 to operate the wastewater treatment plant to process sewage collected within the District's service area. The agreement is renewable for 4 one-year periods ending September 30, 2021. The agreement provides that the District will pay the City for these services on the volume of effluent discharged as measured by the District's metering stations. This contract has ended and the District is in ongoing negotiations with the City over new rates. Sewage processing expenses were $1,137,814 for 2024. Sewage processing expenses were $1,110,309 for 2023.

The District agreed to assess and collect an equity buy-in fee from each new connection to the District's sewer system. The fees are paid to the City to be used for improvements to the City's wastewater treatment facility.

10. 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 purchases commercial insurance to limit its exposure to such risks. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from the identified risks have not exceeded commercial insurance coverage in any of the past three years.

A summary of District insurance coverage follows:

Property - stated property values with a $1,000 deductible.

Machinery - stated property values with a $1,000 deductible.

General Liability - $500,000 per covered occurrence plus defense costs.

Crime and Employee Dishonesty - $250,000 per covered occurrence with a $5,000

Automobile - $500,000 per covered occurrence plus defense costs.

Employment Practices Liabilty and Errors and Omissions - $500,000 per covered claim plus

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL ORCHARDS SEWER DISTRICT

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension (asset) liability	0.0063217%	0.0070960%	0.0071382%	0.0062556%	0.0062199%	0.0066188%	0.0063788%	0.0065570%	0.0068498%	0.0087883%
Employer's proportionate share of the net pension (asset) liability	236,472	283,179	281,000	(5,000)	144,000	76,000	94,000	103,000	139,000	115,700
Employer's covered payroll	316,708	305,661	290,017	250,310	226,499	215,428	204,284	206,935	200,786	235,177
Employer's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	75%	93%	97%	-2%	64%	35%	46%	50%	69%	49%
Plan fiduciary net position as a percentage of the total pension liability	86%	84%	83%	100%	88%	92%	91%	87%	91%	95%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 36,812	$ 35,528	$ 34,628	$ 29,887	$ 27,044	$ 24,943	$ 23,125	$ 23,425	$ 22,729	$ 26,622
Contributions in relation to the statutorily required contribution	36,812	35,528	34,628	29,887	27,044	24,943	23,125	23,425	22,729	26,622
Contribution (deficiency) excess	0	0	0	0	0	0	0	0	0	0
Employer's covered payroll	317,191	305,573	288,654	254,143	229,299	214,108	208,891	209,463	201,227	240,767
Contributions as a percentage of covered payroll	11.61%	11.62%	11.94%	11.94%	11.94%	11.58%	11.32%	11.32%	11.32%	11.32%

SUPPLEMENTARY INFORMATION

CENTRAL ORCHARDS SEWER DISTRICT

BUDGETARY COMPARISON SCHEDULE
Year Ended November 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary	Variance with
	Original	Final	Basis	Final Budget
REVENUES				
Charges for services	$ 1,631,688	$ 1,631,688	$ 1,533,704	$ (97,984)
Property and other taxes	453,100	453,100	410,240	(42,860)
Interest income	68,000	68,000	98,234	30,234
Equity buy-in's	65,000	65,000	15,600	(49,400)
Other revenue	42,400	42,400	42,904	504
Total revenues	2,260,188	2,260,188	2,100,682	(159,506)
EXPENSES				
Wages	331,416	331,416	317,191	14,225
Payroll taxes	25,353	25,353	24,759	594
Retirement	53,001	53,001	52,769	232
Employee benefits	81,298	81,298	92,645	(11,347)
Sewer line maintenance and utilities	42,260	42,260	36,199	6,061
Sewage processing	1,338,000	1,338,000	1,137,814	200,186
Shop supplies	2,375	2,375	4,441	(2,066)
Office expense	22,230	22,230	18,805	3,425
Telephone and office utilities	10,600	10,600	7,779	2,821
Vehicle expenses	14,800	14,800	19,511	(4,711)
Insurance	15,945	15,945	15,979	(34)
Professional fees	61,200	61,200	35,715	25,485
Grounds maintenance	5,350	5,350	6,152	(802)
Safety Equipment	10,000	10,000	5,088	4,912
Other expense	43,580	43,580	28,877	14,703
Capital expenditures	437,584	437,584	66,279	371,305
Depreciation	154,119	154,119	276,722	(122,603)
Total expenses	2,649,111	2,649,111	2,146,725	502,386
EXCESS OF RECEIPTS OVER EXPENDITURES	(388,923)	(388,923)	(46,043)	342,880
CHANGE IN NET POSITION	$ (388,923)	$ (388,923)	$ (46,043)	$ 342,880

RECONCILE BUDGETARY BASIS TO ACCRUAL BASIS	
Change in Net Position - Budgetary Basis	$ (46,043)
Capital expenditures	66,279
Net actuarial pension benefit (expense) under GASB	(14,307)
Change in Net Position, GAAP basis	$ 5,929

The District budgets expenses on a comprehensive basis of accounting other than United States generally accepted accounting principles (GAAP). Capital expenditures are budgeted when expended. Pension expense is budgeted to only include actual payments required to be deposited to PERSI.

INDEPENDENT AUDITOR'S REPORT - *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Central Orchards Sewer District
Lewiston, 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 the Central Orchards Sewer District, as of and for the year ended November 30, 2024, and the related notes to the financial statements, which collectively comprise the Central Orchards Sewer District's basic financial statements, and have issued our report thereon dated March 12, 2025.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Orchards Sewer 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 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*.

Central Orchards Sewer District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Central Orchards Sewer District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Central Orchards Sewer District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Presnell Gage, PLLC

March 12, 2025
Lewiston, Idaho

SIGNIFICANT DEFICIENCY

Finding #2024-001

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

Condition: Central Orchards Sewer District has concentrated many accounting duties to one individual such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired "segregation of duties."

Effect: Many accounting duties are performed by a single individual with limited oversight available within the Central Orchards Sewer District.

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

Recommendation: We concur with the District's response.