Kidd Island Bay
Lots Sewer District

Financial Statements
November 30, 2024

Kidd Island Bay Lots Sewer District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kidd Island Bay Lots Sewer District
Coeur d'Alene, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Kidd Island Bay Lots Sewer District (the "District"), as of and for the year ended November 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Kidd Island Bay Lots Sewer District, as of November 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2025, on our consideration of Kidd Island Bay Lots Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

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

May 12, 2025

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Financial Section

Basic Financial Statements

Kidd Island Bay Lots Sewer District

STATEMENT OF NET POSITION
November 30, 2024

ASSETS		
Current assets:		
Cash and cash equivalents	$	502,052
User fees receivable		39,401
Property taxes receivable		3,195
Prepaid expenses		2,876
Total current assets		547,524
Capital assets:		
Land		58,344
Land - property expansion		75,082
Building		46,061
Equipment		52,112
Sewer System		1,665,589
Total capital assets, at cost		1,897,188
Less: Accumulated depreciation		(1,149,632)
Net capital assets		747,556
Total assets		1,295,080
LIABILITIES		
Current liabilities:		
Accounts payable		10,140
Prepaid user fees		1,765
Total current liabilities		11,905
Non-current liabilities:		
IDEQ loan payable		162,490
Total non-current liabilities		162,490
Total liabilities		174,395
NET POSITION		
Net investment in capital assets		747,556
Unrestricted		373,129
Total net position	$	1,120,685

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

Kidd Island Bay Lots Sewer District

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended November 30, 2024

OPERATING REVENUES:		
Charges for services:		
Sewer	$	211,990
Permits and fees		275
Total operating revenues		212,265
OPERATING EXPENSES:		
Depreciation		36,307
Salaries and wages		7,732
Repairs and maintenance		28,480
Engineering and administration		4,556
Legal and professional fees		40,795
Utilities		11,228
Contract labor		69,161
Insurance		6,294
Payroll taxes		466
Outside billing service		750
Office and administrative		2,101
Property taxes		164
Lab tests		5,270
Total operating expenses		213,304
OPERATING (LOSS)		(1,039)
NON-OPERATING INCOME:		
Other income		1,500
Interest income		19,163
Gain from principal forgiveness		660
Property taxes		52,404
Total non-operating income/(expense)		73,727
CHANGE IN NET POSITION		72,688
NET POSITION, beginning of year		1,057,326
PRIOR PERIOD ADJUSTMENT		(9,329)
NET POSITION, end of year	$	1,120,685

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

Kidd Island Bay Lots Sewer District

STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2024

CASH FLOWS FROM OPERATING ACTIVITES:		
Cash received from customers	$	214,436
Cash paid to suppliers		(169,878)
Cash paid to employees		(7,732)
Net cash provided by operating activities		36,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other income		1,500
Property taxes received		52,893
Net cash provided by noncapital financing activities		54,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from IDEQ loan financing		5,816
Net cash provided by capital and related financing activities		5,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		19,163
Net cash provided by investing activities		19,163
Net increase in cash and cash equivalents		116,198
Cash and cash equivalents, beginning of year		385,854
Cash and cash equivalents, end of year	$	502,052
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	$	(1,039)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		36,307
(Increase) decrease in assets:		
Accounts receivable		406
Prepaids		(73)
Increase (decrease) in liabilities:		
Accounts payable		(22)
Accrued expenses		(518)
Prepaid user fees		1,765
Total adjustments		37,865
Net cash provided by operating activities	$	36,826

See accompanying "Notes to the Financial Statements"
and Independent Auditor's Report

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kidd Island Bay Lots Sewer District (the "District") was created by a vote of taxpayers in the District in 1976. The District is a governmental subdivision of the State of Idaho and a body corporate with all powers of a public or quasi-municipal corporation. The District has powers and duties similar to a municipality relative to domestic sewer services. The District provides sewer services for Kidd Island Bay residents as authorized by its charter.

During fiscal year ended November 30, 2021, the District and Harbor View Water and Sewer District entered into a Joint Powers Agreement with the duties and responsibilities to: 1) create and administer a Local Improvement District (LID) to finance the necessary improvements to the Kidd Island Bay Lots Sewer System, 2) qualify the local improvement district for an interim loan to finance the improvements, as well as permanent financing, in the form of a bond or note, to finance the costs of the improvements, and 3) upon completion of the improvements and improvements their pro rata share of the cost of the improvements to repay the permanent financing. See Footnote 5 for further discussion. The Kidd Island/Harbor View Joint Sewer LID Board is a legally separate entity, whose sole purpose is to facilitate the above-mentioned objectives to the primary benefit of Kidd Island Bay Lots Sewer District. Based on these facts and circumstances, the Joint Sewer LID Board is considered a blended component unit of Kidd Island Bay Lots Sewer District. Accordingly, this component unit's financial statements have been blended with those of the District's for presentation in the accompanying financials statements.

The accounting methods and procedures adopted by Kidd Island Bay Lots Sewer District conform to generally accepted accounting principles as applied to special-purpose governmental entities 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 following notes to the financial statements are an integral part of the District's basic financial statements.

B. Basis of Presentation and Accounting

Financial Reporting - The District follows: (1) All GASB pronouncements, and (2) FASB statements and interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 20, 1989, as defined by GASB Statement No. 20.

Financial Statement Presentation – In June 1999 the GASB issued Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The financial statement presentation required by GASB 34 provides comprehensive, entity-wide perspective of the District's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. The District's net position is classified in the following two components:

Net Investment in Capital Assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets, to the extent debt has been incurred but not yet expended for capital assets.

Unrestricted Net Position – Unrestricted net position represents resources from sewer fees charged. These resources are used for transactions related to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

D. Receivables

Charges for services are billed bi-monthly but are not due until the 15th of the following month. Accounts receivable consist of billings of fees that have not yet been collected. No allowance for uncollectible amounts has been estimated, as management believes all amounts to be collectible. The District has the authority to have delinquent customer accounts added to the County tax rolls.

E. Capital Assets

Property and equipment are stated at cost when purchased or constructed, net of accumulated depreciation. The District's capitalization policy is based on an estimated useful life of greater than one year and capital additions over $1,000. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Building	39 Years
Machinery & Equipment	5 – 50 Years
Sewer line system	50 Years

F. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of activities that have the characteristics of exchange transactions, such as providing sewer services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing-type activities and result from non-exchange transactions or ancillary activities, such as property tax revenues, which are a non-exchange transaction. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to the unrestricted net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

G. Income Taxes

The District is a political subdivision of the State of Idaho and is therefore not subject to taxation of its earnings.

H. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly-liquid investments with a maturity of three months or less, restricted deposits, and deposits with the State of Idaho Local Government Investment Pool to be cash equivalents.

I. Estimates

Management uses estimates and assumptions in preparing the financial statements. 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.

J. Property Taxes

Revenue for property taxes is recognized in the year the payments will be collected and the amount is budgeted for operations. The 2023 levy was budgeted for use in and collected in the fiscal year ended November 30, 2024.

The District's property tax is levied each November on the assessed value listed as of the prior September for all property located within the District's boundaries. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

NOTE 2: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the District's investments and deposits. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. The carrying amount of the District's deposits with financial institutions as of November 30, 2024 was $502,052. As of November 30, 2024, all amounts were either insured or collateralized by securities held in trust, but not in the District's name, resulting in the District having no custodial credit risk. The bank balances and investments are categorized as follows:

NOTE 2: CASH AND CASH EQUIVALENTS (Concluded)

Amounts insured by the FDIC	$ 116,993
Idaho State Investment Pool	385,059
	$ 502,052

Fair Value:

The District's investments in 2a-7-like pools are valued based upon the value of pool shares. The District invests in one 2a-7-like pool, the Idaho State Investment Pool (LGIP). The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of U.S. Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances that the District has in the State Investment Pool are carried at their cost of $385,059 which approximates their fair value.

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

Credit Risk:

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

NOTE 3: 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 insurance and general liability insurance.

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 58,344	$ -	$ -	$ 58,344
Property - Expansion	75,082	-	-	75,082
Total capital assets, not being depreciated	133,426	-	-	133,426
Capital assets, being depreciated:				
Building	46,061	-	-	46,061
Equipment	52,112	-	-	52,112
Sewer system	1,665,589	-	-	1,665,589
Total capital assets being depreciated	1,763,762	-	-	1,763,762
Less accumulated depreciation for:				
Building	11,908	1,181	-	13,089
Equipment	35,302	1,814	-	37,116
Sewer system	1,066,115	33,312	-	1,099,427
Total accumulated depreciation	1,113,325	36,307	-	1,149,632
Total capital assets, being depreciated, net	650,437	(36,307)	-	614,130
Total capital assets, net	$ 783,863	$ (36,307)	$ -	$ 747,556

NOTE 5: JOINT POWERS AGREEMENT AND LOCAL IMPROVEMENT DISTRICT

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

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

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

NOTE 5: JOINT POWERS AGREEMENT AND LOCAL IMPROVEMENT DISTRICT (Concluded)

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

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

As of November 30, 2024, the sewer upgrade project is still in its initial stages with preliminary surveying, legal, and engineering, and land acquisition activities underway. The District expects to begin the design phase in fiscal 2025.

NOTE 6: IDEQ Loan Payable

In connection with the above-discussed LID formation (See Note 5), the newly-formed Kidd Island/Habor View Joint Sewer LID board entity entered into a loan agreement with the Idaho Department of Environmental Quality ("IDEQ") for the purpose of financing the necessary improvements to the wastewater collection and treatment system (the "System"). The total amount of financing authorized per the agreement is $6,857,000. Interest on loan balance is set at 1.5% annually. As of November 30, 2024, the Kidd Island/Harbor View Joint Sewer LID board entity had drawn $183,284 in loan advances to cover qualified expenditures on the overall project incurred to date. Per the terms of the loan agreement, the IDEQ has forgiven a total of $20,794 in principal forgiveness as of November 30, 2024. The principal loan balance as of November 30, 2024 is $162,490.

As the project is still in its beginning stages, and the District/LID continue to draw on the loan financing, the final amortization of the ending loan balance is not yet calculable. Accordingly, no current portion of the loan balance is presented in the accompanying statement of net position.

NOTE 7: BLENDED COMPONENT UNIT

Condensed combining information for the District's sole blended component unit for the fiscal year ended November 30, 2024 is presented as follows:

Condensed Statement of Net Position:

	Kidd Island Bay Lots Sewer District	Joint Sewer LID Board	Eliminations	Total
ASSETS:				
Current assets	$ 542,176	$ 5,348	$ -	$ 547,524
Capital assets, net	747,556	-	-	747,556
Due from Joint Powers Board	14,174	-	(14,174)	-
Total assets	1,303,906	5,348	(14,174)	1,295,080
LIABILITIES:				
Current liabilities	10,839	1,066	-	11,905
Due to Kidd Island Bay Lot Sewer District	-	14,174	(14,174)	-
IDEQ loan payable	-	162,490	-	162,490
Total liabilities	10,839	177,730	(14,174)	174,395
NET POSITION:				
Net investment in capital assets	747,556	-	-	747,556
Unrestricted	545,511	(172,382)	-	373,129
Total net position	$ 1,293,067	$ (172,382)	$ -	$ 1,120,685

Condensed Statement of Revenues, Expenses, and Changes in Net Position:

	Kidd Island Bay Lots Sewer District	Joint Sewer LID Board	Eliminations	Total
OPERATING REVENUES:				
Charges for services:				
Sewer	$ 211,990	$ -	$ -	$ 211,990
Permits and fees	275	-	-	275
Total operating revenues	212,265	-	-	212,265
OPERATING EXPENSES:				
Operating expenses	166,300	14,197	(3,500)	176,997
Depreciation	36,307	-	-	36,307
Total operating expenses	202,607	14,197	(3,500)	213,304
OPERATING INCOME/(LOSS)	9,658	(14,197)	3,500	(1,039)
NON-OPERATING INCOME:				
Other income	-	5,000	(3,500)	1,500
Interest income	19,163	-	-	19,163
Gain from principal forgiveness	-	660	-	660
Property taxes	52,404	-	-	52,404
Total non-operating income/(expense)	71,567	5,660	(3,500)	73,727
CHANGE IN NET POSITION	81,225	(8,537)	-	72,688
NET POSITION, beginning of year (as restated)	1,211,842	(163,845)	-	1,047,997
NET POSITION, end of year	$ 1,293,067	$ (172,382)	$ -	$ 1,120,685

NOTE 7: BLENDED COMPONENT UNIT (Concluded)

Condensed Statement of Cash Flows:

	Kidd Island Bay Lots Sewer District	Joint Sewer LID Board	Eliminations	Total
Net cash provided (used) by operating activities	$ 51,732	$ (14,906)	$ -	$ 36,826
Net cash provided by noncapital financing activities	49,393	5,000	-	54,393
Net cash provided (used) by capital and related financing activities	(3,899)	9,715	-	5,816
Net cash provided by investing activities	19,163	-	-	19,163
Net increase (decrease) in cash and cash equivalents	116,389	(191)	-	116,198
Cash and cash equivalents, beginning of year	381,304	4,550	-	385,854
Cash and cash equivalents, end of year	$ 497,693	$ 4,359	$ -	$ 502,052

NOTE 8: COMMITTED FUNDS

During fiscal year ending November 30, 2024, the District's board of directors passed a motion to commit $10,000 of its State Investment Pool cash balance for the purpose of establishing a reserve for future capital asset replacements/acquisitions. Additionally, during FY24, the District's board committed $75,000 for its future Westway Sewer Line capital project.

NOTE 9: PRIOR PERIOD ADJUSTMENT

Beginning net position and user fees accounts receivable have been reduced by $9,329, which was the result of an adjusting journal entry recorded during the fiscal 2023 audit inadvertently not being posted through to the audited fiscal 2023 financial statements before they were issued.

Report Required by the GAO

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

Independent Auditor's Report

To the Board of Directors
Kidd Island Bay Lots Sewer District
Coeur d'Alene, 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 the Kidd Island Bay Lots Sewer District (the "District"), as of and for the year ended November 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 12, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kidd Island Bay Lots 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 of those charged with governance.

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

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May 12, 2025