KINGSTON-CATALDO SEWER DISTRICT

Year Ended November 30, 2024

AUDITED FINANCIAL STATEMENTS
& Additional Information

Prepared By

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kingston-Cataldo Sewer District
Kingston, Idaho

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Kingston-Cataldo Sewer 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 Kingston-Cataldo 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kingston-Cataldo Sewer 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kingston-Cataldo 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.

Auditors' Responsibility for the Audit of the Financial Statements

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

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing 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 Kingston-Cataldo 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 Kingston-Cataldo 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of District's Share of Net Pension Liability and the Schedule of District's Contributions on pages 3-7 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Kingston-Cataldo 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 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 Kingston-Cataldo Sewer District's internal control over financial reporting and compliance.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, Idaho
May 12, 2025

MANAGEMENTS DISCUSSION & ANALYSIS

KINGSTON-CATALDO SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2024

The Management's Discussion and Analysis of the Kingston-Cataldo Sewer District's financial performance presents a narrative overview and analysis of the District's financial activities for the year ended November 30, 2024. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the end of Fiscal Year by $3,736,246. Of this amount, $570,492 (unrestricted Net Position) may be used to meet the District's obligations to its users.
- Revenues from sewer charges increased by $3,713.
- Revenues exceeded expenses during the year ended November 30, 2024. The change in net position in during the year was $620,197.

OVERVIEW OF THE FINANCIAL STATEMENTS

The minimum reporting requirements for Special Purpose Governments engaged in Business-Type Activities are established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. These financial statements consist of two sections – Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating (loss) to net cash provided by operating activities (indirect method) as required by GASB 34.

KINGSTON-CATALDO SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2024

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Restricted Net Position are those assets not available for spending as a result of loan agreements. Unrestricted Net Position are those without any limitations on their use.

Net Position of the District increased by $620,197 for the year ended November 30, 2024.

Table 1
Statements of Net Position
November 30

	2024	2023
ASSETS		
Current and Other Assets	$ 714,388	$ 682,555
Capital Assets	3,649,197	3,065,599
Total Assets	$ 4,363,585	$ 3,748,154
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	30,328	35,896
Total Deferred Inflows of Resources	$ 30,328	$ 35,896
LIABILITIES		
Current Liabilities	71,164	62,223
Non-current Liabilities	497,810	522,767
Net Pension Liability	85,581	79,895
Total Liabilities	654,555	664,885
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	3,112	3,116
Total Deferred Inflows of Resources	$ 3,112	$ 3,116
NET POSITION		
Net Investment in Capital Assets	3,126,754	2,518,867
Restricted for Debt Service	39,000	40,000
Unrestricted	570,492	557,182
Total Net Position	$ 3,736,246	$ 3,116,049

FINANCIAL ANALYSIS OF THE ENTITY (CONTINUED)

Changes in Net Position

Table 2
Statement of Revenues, Expenses & Changes in Net Position
For the Years Ended November 30

	2024	2023
Revenues:		
Program Revenues:		
Charges for Services - Sewer	380,570	376,857
Nonoperating Revenues:		
Grant Income	635,680	1,454,137
Property and Sales Tax	39,748	40,341
Other Income	44,259	20,614
Total Revenues	1,100,257	1,891,949
Expenses:		
Depreciation	97,269	101,287
Repairs and Maintenance	13,305	15,620
Sewer Treatment	115,779	102,249
Directors' Fees, Salaries & Wages	4,988	4,987
Other Expenses	207,601	172,393
Pension Expense	26,407	21,046
Interest Expense	14,711	15,353
Total Operating Expenses	480,060	432,935
Change in Net Position	620,197	1,459,014
Total Net Position - Beginning	3,116,049	1,657,035
Net Position - Ending	$ 3,736,246	$ 3,116,049

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of November 30, 2024, the District had $3,649,197 invested in land, buildings, office equipment, vehicles, and our sewer line system, net of accumulated depreciation. This figure represents a total overall net increase (including additions and deductions) of $583,598 over last year.

Debt

The District has outstanding debt in the amount of $522,443 owed to USDA-RD for the project financing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Effective December 1, 2024, the Residential Rates were increased $1.00 to $72 per month. The previous rate increase was in 2021.

SFSD treatment rate increased 47.4% on December 1, 2020, 7.4% on December 1, 2021 plus load penalties, 6.2% on December 1, 2022, 12.6% on December 1, 2023, and 4.2% on December 1, 2024

In early 2022, KCSD entered into an agreement with a backup operator.

The Facility Plan was completed, the environmental review was completed and DEQ issued a categorical exclusion for the wastewater improvement project. The grant was closed in February 2024.

On May 17, 2022, the KCSD passed a bond levy to approve the full amount of $6.2M for the Reuse/Land Application Project. November 2022, KCSD was awarded an ARPA funded grant through DEQ for 100% of the $6.2M Reuse/Land Application Project. Poor soils were found in the Geotech samples taken so the plans for the ponds had to be moved to the upper part of the property. This in conjunction of having to relocate the main, changes in the design of the lift stations, and DEQ required changes affected the cost of the project significantly. In August 2024, KCSD was awarded additional $4,522,600 ARPA grant.

KCSD started discussions with South Fork Sewer District regarding boundary adjustments, Wright Road and Electric Street customers. The options offered by SFSD are not cost prohibitive and KCSD is looking to retain the customers and recapture the flows by pumping them to the new lift station.

The District anticipates replacing the shop truck in 2025.

The project is set to bid. Bid opening will be the beginning of December 2024 and construction will commence spring of 2025.

KCSD build a temporary door for elections that can be put into the front garage door and removed afterwards. This allows KCSD to keep the office locked and secured.

To be compliant with our CDL drivers, KCSD adopted a Drug and Alcohol Policy and contract Weinhoff to manage random pools, clearinghouse queries, MHR reports and training.

KCSD signed up to belong to Sourcewell.

KCSD purchased new pumps for LS#5 &#7. LS #4 pump was rebuilt in house and LS #1 was in progress of having a thorough rebuild.

The Board of Directors approved and applied for a District Credit Card.

New Permits sold for 2024 tallied 7 and KCSD bought back 2 permits in 2024.

Total flows for 2024 (12,738,188 gallons) were the second lowest in 20 years.

KINGSTON-CATALDO SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2024

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Robin Hei, Kingston-Cataldo Sewer District Clerk/Treasurer at the district office, 42784 Silver Valley Road, PO Box 31, Kingston, Idaho 83839.

BASIC FINANCIAL STATEMENTS

KINGSTON-CATALDO SEWER DISTRICT
STATEMENT OF NET POSITION
November 30, 2024

ASSETS		
Current Assets:		
Cash & Cash Equivalents	$	128,452
Investments		449,000
Taxes Receivable		36,151
Certified Sewer User Fee Receivable		27,175
User Fee Receivable		32,417
Prepaid Insurance		2,193
Total Current Assets		675,388
Current Restricted Assets:		
Restricted Investment		39,000
Total Current Restricted Assets		39,000
Non-current Assets:		
Capital Assets:		
Capital Assets Not Being Depreciated		2,193,714
Capital Assets, Net of Accumulated Depreciation		1,455,483
Total Capital Assets		3,649,197
Total Non-current Assets		3,649,197
Total Assets		4,363,585
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan		30,328
Total Deferred Inflows of Resources		30,328
LIABILITIES		
Current Liabilities:		
Accounts Payable		34,970
Accrued Payroll		4,338
Compensated Absences		7,223
Bond Payable - Current		24,633
Total Current Liabilities		71,164
Non-current Liabilities:		
Net Pension Liability		85,581
Bond Payable - Noncurrent		497,810
Total Non-current Liabilities		583,391
Total Liabilities		654,555
DEFERRED INFLOWS OF RESOURCES		
Pension Plan		3,112
Total Deferred Inflows of Resources		3,112
NET POSITION		
Net Investment in Capital Assets		3,126,754
Restricted for Debt Service		39,000
Unrestricted		570,492
Total Net Position	$	3,736,246

See accompanying notes to the financial statements and independent auditors' report.

KINGSTON-CATALDO SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended November 30, 2024

Operating Revenues:		
Connection Fees and Facility Income	$	380,570
Total Operating Revenues		380,570
Operating Expenses:		
Alarm System		30
Capital Improvements		-
Communications		1,896
Depreciation		97,269
Directors' Fees		4,988
General Expense		1,690
Insurance		14,794
Legal and Professional		10,983
Repairs and Maintenance		13,305
Miscellaneous		4,327
Office Expense		2,187
Payroll Expense:		
Salaries and Wages		132,126
Payroll Taxes & Benefits		10,512
Pension Expense (Benefit)		26,407
Postage and Shipping		1,749
Sewer Treatment		115,779
Training and travel		4,554
Truck Expense		6,309
Utilities		16,444
Total Operating Expenses		465,349
Net Operating Income (loss)		(84,779)
Nonoperating Revenues (Expenses):		
Grant Income		635,680
Property and Sales Tax		39,748
Interest & Penalty Income		18,780
Rental Income		2,520
Lease Agreement		22,959
Interest Expense		(14,711)
Total Nonoperating Revenues (Expenses)		704,976
Change in Net Position		620,197
Total Net Position - Beginning		3,116,049
Net Position - Ending	$	3,736,246

See accompanying notes to the financial statements and independent auditors' report.

KINGSTON-CATALDO SEWER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended November 30, 2024

Cash Flows From Operating Activities		
Cash Received from Customers	$	374,948
Cash Paid to Suppliers		(210,053)
Cash Paid for Employees		(139,010)
Net Cash From Operating Activities		25,885
Cash Flows From Non-Capital Financing Activities		
Grant Income		635,680
Property and Sales Tax		33,486
Net Cash From Non-Capital Financing Activities		669,166
Cash Flows From Capital and Related Financing Activities		
Principal Payments on Debt		(24,289)
Interest expense on note payable		(14,711)
Payments for capital acquisitions		(680,867)
Net Cash From Capital and Related Financing Activities		(719,867)
Cash Flows From Investing Activities		
Rent Received		2,520
Lease Agreement		22,959
Investment maturity		(276,000)
Purchase of investments		204,000
Interest Received		18,780
Net Cash From Investing Activities		(27,741)
Net Change in Cash and Cash Equivalents		(52,557)
Cash and Cash Equivalents, Beginning of Year		181,009
Cash and Cash Equivalents, End of Year	$	128,452
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Operating Income (loss)	$	(84,779)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation Expense		97,269
Change in assets and liabilities:		
(Increase) decrease in Receivables		(5,622)
(Increase) decrease in prepaid expenses and other assets		(506)
(Increase) decrease in deferred outflows of resources		5,568
Increase (decrease) in accounts payable		7,719
Increase (decrease) in accrued expenses		554
Increase (decrease) in net pension liability		5,686
Increase (decrease) in deferred inflows of resources		(4)
Net Cash From Operating Activities	$	25,885

See accompanying notes to the financial statements and independent auditors' report.

KINGSTON-CATALDO SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
Year Ended November 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Kingston-Cataldo Sewer District (the "District") was organized under and pursuant to the laws of the state of Idaho in 1976. The District was organized for the purpose of constructing and operating a sewer system for residents within specified boundaries of the area near and including Kingston and Cataldo, Idaho.

The accounting methods and procedures adopted by Kingston-Cataldo Sewer District conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental account and financial reporting principles. The following notes to the financial statements are an integral part of the District's basic financial statements.

Measurement Focus and Basis of Accounting
The District's basis financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with separate set of self-balancing accounts that comprise the District's assets, liabilities, deferred inflows/outflows of resources, net position, revenues, and expenses.

Enterprise Funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted for debt service and unrestricted.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash Equivalents
The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes bank certificates of deposit.

Investments
Investments, which consist primarily of certificates of deposit, are presented at cost plus accrued interest, which estimates fair value.

Prepaid Expenses
Expenses are recognized in the period that they are incurred, as such, if expenses are paid in advance of the period they are incurred, they are recorded as prepaid expenses on the Statement of Net Position.

Restricted Assets
Certain proceeds of the sewer revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

User Fees Receivable
Charges for usage are billed quarterly but are not due until the 25th of the third month of the billing cycle. Accounts receivable consist of billings of fees that have not yet been collected. No allowance for uncollectible amounts has been estimated, the District has the authority to have delinquent accounts added to the Shoshone and Kootenai County tax rolls. These amounts are shown on the financial statements as Certified Receivables.

Property Tax Revenue and Receivables
Property tax receivable represents levied but uncollected property taxes. Property taxes attach as an enforceable lien on property as of January 1, but the tax amounts are not actually levied until the following November. Taxpayers may pay one-half on December 20 and the remaining half the following June 20. Because the levied amounts are not measurable until well after the end of the fiscal year, the District does not record the revenue levied until the following year. Property tax receivable represents prior years' taxes yet uncollected, without a provision for uncollected taxes, as it is the District's experience to fully collect all delinquent taxes, including penalties and interest.

Capital Assets
Capital assets are stated at cost when purchased or constructed or where historical records are available and at an estimated cost where no historical records exist. The District's capitalization policy is based on an estimated useful life of greater than one year. 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:

Sewer system	50 years
Buildings and improvements	5-40 years
Equipment and vehicles	5-7 years

Operating vs. Nonoperating
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. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities, such as gains and losses from CD redemptions. 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.

Risk Management
The District may be liable for certain claims or damage of property, which may arise, in the ordinary course of operations. The District accounts for all transactions involving insurance claims, deductibles and expenses in the enterprise fund.

Insurance is maintained through Idaho Counties Risk Management Program (ICRMP). ICRMP is an insurance pool, which serves most public entities in Idaho through provision of property, general liability, auto liability and physical damages, and public officials' insurance. ICRMP provides loss prevention training to enable its subscribers to minimize their exposure to loss through implementation of proper policies and procedures. Cost of insurance is charged to the proprietary fund.

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

Net Position
Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following 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.

Restricted for debt service – This represents the District's annual debt payment for the bond payable with USDA.

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

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions.*

Cost Sharing
The District shares expenses, facilities, and personnel with the Kingston Water District.

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

Vacation and Sick Leave Policy
District employees are entitled to vacation and sick leave days based on their length of employment. This time is accumulated and is recorded as a liability at year end.

Estimates
Management uses estimates and assumptions in preparing 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.

Reclassifications
Certain amounts have been reclassified from the prior year presentation, including beginning cash in the statement of cash flows.

NOTE 2 – CASH AND INVESTMENTS

General
State statutes authorize the District's policies regarding cash and investments. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating 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 and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. At November 30, 2024, all cash and investments were covered by FDIC insurance. The bank balances of the deposits at year-end were $110,773

Cash and cash equivalents at November 30, 2024, consisted of the following:

Cash		
Cash on hand	$	200
Deposits with financial institutions		128,252
	$	128,452

Investments

GASB Statement No. 40 requires the District to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The District's investments are categorized for risk as follows:

1. Insured or registered, or securities held by the District or its agents in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its agent, but not in the District's name.
4. Investments that are guaranteed directly or indirectly by the U.S. Government.

As of November 30, 2024, the District's investment deposits were exposed to custodial credit risk and matures as follows:

		Investment Maturities (in Years)			
Investment Type	Category	2024	2025-2029	2030-2034	
		Less than 1	1 - 5	6 - 10	More than 10
Certificates of Deposit	1	110,000	378,000	-	-

NOTE 3 – CAPITAL ASSETS

Changes in the Capital Assets for fiscal year 2024 are as follows:

	Balance 11/30/2023	Additions	Balance 11/30/2024
Capital Assets not being Depreciated:			
Land	$ 1,273,356	$ -	$ 1,273,356
Construction in Progress	270,619	649,739	920,358
Total Capital Assets not being Depreciated	1,543,975	649,739	2,193,714
Capital assets being depreciated:			
Sewer System	4,347,742	-	4,347,742
Buildings & Improvement	80,621	-	80,621
Vehicles	35,385	-	35,385
Equipment	134,922	31,128	166,050
Total capital assets being depreciated	4,598,670	31,128	4,629,798
Accumulated depreciation for			
Sewer System	2,860,319	86,168	2,946,487
Buildings & Improvement	59,538	1,756	61,294
Vehicles	35,385	-	35,385
Equipment	121,804	9,345	131,149
Total Accumulated Depreciation	3,077,046	97,269	3,174,315
Net Capital Assets Being Depreciated	1,521,624	(66,141)	1,455,483
Net Capital Assets	$ 3,065,599	$ 583,598	$ 3,649,197

Depreciation for the year ended November 30, 2024, was $97,269.

NOTE 4 – LONG-TERM OBLIGATIONS

DEQ Revenue Bonds

Long-term liability activity for the year ended November 30, 2024, was as follows:

	Beginning Balance	Debt Payments	Ending Balance	Due Within One Year
USDA Loan	$ 546,732	$(24,289)	$ 522,443	$ 24,633

During 2012 the District was the recipient of a $784,000 loan through the United State Department of Agriculture. Repayment terms are 30 years at 2.75% with annual payments.

Presented below is a schedule of debt service payments by years:

Year ended November 30	Principal	Interest	Total
2025	24,633	14,367	39,000
2026	25,310	13,690	39,000
2027	26,006	12,994	39,000
2028	26,721	12,279	39,000
2029	27,456	11,544	39,000
2030-2034	149,031	45,969	195,000
2035-2039	170,681	24,319	195,000
2040-2041	72,605	2,976	75,581
	$ 522,443	$ 138,138	$ 660,581

NOTE 6 – PENSION PLAN

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

NOTE 6 – PENSION PLAN (Continued)

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters.

As of June 30, 2024 the employee rate was 6.71% for general employees and 9.83% for police and firefighters. As of July 1, 2024, the employee rate increased to 7.18% for general employees and increased to 10.83% for police and firefighters.

The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters during the period July 1, 2023, through June 30, 2024. As of July 1, 2024 the employer rates for general employees increased to 11.96% and increased for police and firefighters to 14.65%.

The District's contributions were $12,535 for the year ended November 30, 2024

Pension Liabilities, 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 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 0.0022879 percent.

For the year ended November 30, 2024, the District recognized pension expense of $26,407. 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
Differences between expected and actual experience	$ 13,625	$ -
Changes in assumptions or other inputs	3,390	-
Net difference between projected and actual earnings on pension plan investments	-	1,553
Change in the District's proportion and differences between the District's contributions and the District's proportionate contributions	16,758	15,377
Amortized change in prior year's proportionate share	(10,145)	(13,818)
District's contributions subsequent to the measurement date	6,700	-
Total	$ 30,328	$ 3,112

NOTE 6 – PENSION PLAN (Continued)

$6,700 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending November 30, 2024.

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

Year ended November 30:	
2025	6,136
2026	16,974
2027	(1,288)
2028	(1,306)

Actuarial Assumptions

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

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

Inflation	2.30%
Salary increases	3.05%
Salary inflation *	3.05%
Investment rate of return**	6.35%
Cost-of-living adjustments	1.00%

* there is an additional component of assumed salary growth (on top of the 3.05%) that varies for each individual member based on year of services
** net of pension plan investment expense

Contributing Members, Service Retirement Members, and Beneficiaries

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

NOTE 6 – PENSION PLAN (Continued)

The Total Pension Liability as of June 30, 2024 is based on the results of an actuarial valuation date of July 1, 2024.

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 PERSI's assets.

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

Capital Market Assumptions

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

NOTE 6 – PENSION PLAN (Continued)

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

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:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's proportionate share of the net pension liability (asset)	$ 162,631	$ 85,581	$ 22,651

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.

REQUIRED SUPPLEMENTARY INFORMATION

KINGSTON-CATALDO SEWER DISTRICT

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
PERSI – Base Plan
Last 10 – Fiscal Year *

	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's portion of the net pension liability	0.0022879%	0.0020021%	0.0021047%	0.0021962%	0.0017915%	0.0021176%	0.0022395%	0.0023860%	0.0022792%
District's proportionate share of the net pension liability (asset)	$ 85,581	$ 79,895	$ 82,900	$ (1,735)	$ 41,601	$ 24,169	$ 33,033	$ 37,504	$ 46,203
District's covered-employee payroll	$ 104,634	$ 84,782	$ 82,643	$ 81,627	$ 63,527	$ 71,618	$ 72,099	$ 76,249	$ 67,509
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	81.79%	94.24%	100.31%	-2.13%	65.49%	33.75%	45.82%	49.19%	68.44%
Plan fiduciary net position as a percentage of the total pension liability	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%

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

Data reported is measured as of July 1, 2024.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PERSI – Base Plan
Last 10 – Fiscal Year *

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 14,882	$ 8,744	$ 9,746	$ 8,671	$ 8,617	$ 6,855	$ 8,162	$ 8,631	$ 7,642
Contributions in relation to the statutorily required contribution	$ (12,684)	$ (10,287)	$ (9,491)	$ (9,904)	$ (9,458)	$ (6,988)	$ (8,162)	$ (8,631)	$ (7,642)
Contribution (deficiency) excess	$ 2,197	$ (1,543)	$ 255	$ (1,233)	$ (841)	$ (133)	$ -	$ -	$ -
District's covered-employee payroll	$ 104,634	$ 84,782	$ 82,643	$ 81,627	$ 81,627	$ 63,527	$ 71,618	$ 72,099	$ 76,249
Contributions as a percentage of covered-employee payroll	12.12%	12.13%	11.48%	12.13%	11.59%	11.00%	11.40%	11.97%	10.02%

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

Data reported is measured as of July 1, 2024.

REPORT REQUIRED BY GAO

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

Board of Directors
Kingston-Cataldo Sewer District
Kingston, ID

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 Kingston-Cataldo Sewer District as of and for the year ended *November* 30, 2024, and the related notes to the financial statements, which collectively comprise Kingston-Cataldo Sewer 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 Kingston-Cataldo Sewer District's internal control over financial reporting (internal control) as a basis for designing *audit* procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kingston-Cataldo Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kingston-Cataldo 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. 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 Kingston-Cataldo Sewer 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, Idaho
May 12, 2025