# Kootenai-Ponderay
# Sewer District

*Financial Report*

**September 30, 2024**

**Kootenai-Ponderay Sewer District**
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DECORIA, BLAIR & TEAGUE, PS

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# Independent Auditor's Report

Board of Directors
Kootenai-Ponderay Sewer District
Kootenai, Idaho

## Report on the Audit of the Financial Statements

### *Opinion*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Kootenai-Ponderay Sewer District, as of September 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 the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 23, and the schedules of employer's share of the net pension liability (asset) and employer contributions on pages 25 and 26, respectively, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 a separate report dated May 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

May 13, 2025

# Basic Financial Statements

**Kootenai-Ponderay Sewer District**
**Statement of Net Position - Enterprise Fund**
**September 30, 2024**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents (Note 3) | | $ 1,980,255 |
| Investments (Note 4) | | 1,324,913 |
| Accounts receivable, net | | 181,618 |
| Grants receivable | | 28,563 |
| Assessments receivable, due within one year (Note 5) | | 10,702 |
| Prepaid expenses | | 6,183 |
| | Total current assets | 3,532,234 |
| Restricted assets (Note 6): | | |
| Cash and cash equivalents (Note 3) | | 624,349 |
| Investments (Note 4) | | 4,278,282 |
| | Total restricted assets | 4,902,631 |
| Noncurrent assets: | | |
| Assessments receivable, due after one year (Note 5) | | 103,819 |
| Capital assets, net (Note 7) | | 4,002,854 |
| | Total noncurrent assets | 4,106,673 |
| | Total assets | 12,541,538 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows related to the net pension liability (Note 9) | | 73,383 |
| | Total deferred outflows of resources | 73,383 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | | 45,787 |
| Accrued payroll and related liabilities | | 46,851 |
| Unearned revenue | | 98,119 |
| | Total current liabilities | 190,757 |
| Noncurrent liabilities: | | |
| Net pension liability (Note 9) | | 309,382 |
| | Total noncurrent liabilities | 309,382 |
| | Total liabilities | 500,139 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows related to the net pension liability (Note 9) | | 7,583 |
| | Total deferred inflows of resources | 7,583 |
| Commitments and contingencies (Note 10) | | |
| **NET POSITION** | | |
| Net investment in capital assets | | 4,002,854 |
| Restricted for capital improvements | | 5,071,422 |
| Unrestricted | | 3,032,923 |
| | Total net position | $ 12,107,199 |

*The accompanying notes are an integral part of the basic financial statements.*

**Kootenai-Ponderay Sewer District**
**Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund**
**Year Ended September 30, 2024**

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Sewer service revenue (Note 11) | $ | 1,404,289 |
| Other income | | 46,316 |
| Total operating revenues | | 1,450,605 |
| **OPERATING EXPENSES** | | |
| Salaries, wages and payroll-related expenses | | 591,060 |
| Utilities | | 94,028 |
| Professional fees | | 78,768 |
| Repairs and maintenance | | 58,926 |
| Lab testing | | 51,144 |
| Office and general | | 24,981 |
| Supplies | | 18,549 |
| Insurance | | 16,667 |
| Dues and subscriptions | | 15,120 |
| Education | | 4,975 |
| Travel | | 3,556 |
| Other expenses | | 50 |
| Depreciation | | 248,377 |
| Total operating expenses | | 1,206,201 |
| Operating income | | 244,404 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Sewer hook-up fees (Note 10) | | 832,458 |
| Local Improvement District (LID) assessment interest income | | 5,795 |
| Interest income | | 280,816 |
| Capital grant income | | 28,563 |
| Total nonoperating revenues (expenses), net | | 1,147,632 |
| Change in net position | | 1,392,036 |
| Net position, beginning of year | | 10,715,163 |
| Net position, end of year | $ | 12,107,199 |

*The accompanying notes are an integral part of the basic financial statements.*

**Kootenai-Ponderay Sewer District**
**Statement of Cash Flows - Enterprise Fund**
**Year Ended September 30, 2024**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers, net | $ | 1,587,587 |
| Payments to suppliers and contractors | | (341,538) |
| Payments to and on behalf of employees | | (549,400) |
| Other receipts and payments, net | | 46,266 |
| Net cash provided by operating activities | | 742,915 |
| **Cash flows from financing activities:** | | |
| Receipts from customers for sewer hook-up fees | | 832,458 |
| Receipt of Local Improvement District principal payments | | 12,344 |
| Receipt of Local Improvement District interest payments | | 5,795 |
| Net cash provided by financing activities | | 850,597 |
| **Cash flows from investing activities:** | | |
| Change in investments, net | | (1,405,816) |
| Purchases of capital assets | | (210,725) |
| Interest received on investments | | 280,816 |
| Net cash used by investing activities | | (1,335,725) |
| Net increase in cash and cash equivalents | | 257,787 |
| Cash and cash equivalents, beginning of year | | 2,346,817 |
| Cash and cash equivalents, end of year | $ | 2,604,604 |
| **Reconciliation of cash and cash equivalents to the Statement of Net Position:** | | |
| Cash and cash equivalents | $ | 1,980,255 |
| Restricted cash and cash equivalents | | 624,349 |
| Total cash and cash equivalents | $ | 2,604,604 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | $ | 244,404 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | | 248,377 |
| Changes in: | | |
| Accounts receivable, net | | 187,836 |
| Prepaid expenses | | (425) |
| Accounts payable | | 25,601 |
| Accrued payroll and related liabilities | | 3,686 |
| Unearned revenue | | (4,538) |
| Net pension asset (liability) and related deferred outflows (inflows) | | 37,974 |
| Net cash provided by operating activities | $ | 742,915 |

## 1. Organization

Kootenai-Ponderay Sewer District ("the District") provides sewer services to residents and businesses in the cities of Kootenai and Ponderay, Idaho, and adjacent unincorporated areas. The District, incorporated in September 1967 in the State of Idaho, is governed by a five-member Board of Directors.

## 2. Summary of Significant Accounting Policies

Reporting Entity

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

Accounting Principles Generally Accepted in the United States of America

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

Recent Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees.

This Statement addresses a variety of topics and includes specific provisions about the following:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Terminology used in Statement 53 to refer to resource flows statements

## 2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance. The requirements related to leases, PPPs and SBITAs were effective for fiscal years beginning after June 15, 2022. Implementation did not have a material impact on the District's financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 became effective for fiscal years beginning after June 15, 2023. Implementation did not have a material impact on the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

## 2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

Statement No. 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The District is currently evaluating the financial statement impact of adopting this statement.

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

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

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

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

## 2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Statement No. 104 also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Statement No. 104 is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the financial statement impact of adopting this statement.

Basis of Presentation

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

## 2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

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

Investments

The District invests in the State of Idaho Treasurer's Local Government Investment Pool (LGIP), as permitted by Idaho Code, section 67-1210. Deposits in the LGIP are stated at fair market value, which approximates cost, and consist of local certificates of deposit, repurchase agreements and U.S. government securities. Restricted investments consist of amounts required to be segregated pursuant to debt covenants and are presented as restricted investments in the Statement of Net Position – Enterprise Fund.

Accounts Receivable

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

Capital Assets

Capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. Major improvements and betterments are capitalized. The District uses a capitalization threshold of $1,000. Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets are charged to expense in the period incurred. When capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recorded in the Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund.

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

| | |
|---|---|
| Sewer infrastructure | 10 to 40 years |
| Buildings and improvements | 10 to 40 years |
| Equipment and vehicles | 5 to 10 years |

Fair Value Measurements

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

## 2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's, if any, are not included in Level 1, 2 or 3, but are separately reported.

At September 30, 2024, the assets or liabilities of the District that were measured at fair value on a recurring basis are summarized as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments in the LGIP | $ 5,603,195 | $ -- | $ -- | $ 5,603,195 |

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

Leases

The District is a lessee in certain immaterial noncancelable operating leases. Effective October 1, 2021, the District implemented the provisions of GASB Statement No. 87, *Leases* (GASB No. 87). In accordance with the provisions of GASB No. 87, if a contract provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the District's incremental borrowing rate. If the implicit rates of the District's leases are not readily determinable, the District has elected to use the State's Diversified Bond Fund (DBF) portfolio rate. This rate is used to calculate the present value of future lease payments. This rate is an alternative investment rate for other than short-term investments and is materially the same as the rate the District might incur from an external lender.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

## 2. Summary of Significant Accounting Policies, Continued

Leases, Continued

In addition, under the new standard, the District has adopted a policy which evaluates the material nature of long-term leases as a group. For group calculations which fall below the policy threshold for recording, the District will not recognize the lease liability and ROU, and will instead expense these costs as incurred.

Pensions

For purposes of measuring the net pension liability and pension expense (revenue), information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan), and additions to, or 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.

Operating Revenues and Expenses

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

Grant Revenue

The District occasionally receives financial assistance from governmental agencies in the form of grants. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at November 30, 2021 are recorded as unearned revenue.

Net Position

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

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

*Restricted net position*. This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

## 2. Summary of Significant Accounting Policies, Continued

Use of Restricted Resources

When expenditures qualify to be paid out of both restricted and unrestricted resources, it is the policy of the District to use restricted resources first.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary process. Encumbrances outstanding at fiscal year-end are reported as net position since they do not constitute expenditures or liabilities. An appropriation equal to the outstanding year-end encumbrance is made in the succeeding year. Unspent appropriations lapse at year-end.

Budgetary Comparison Schedule

The budgetary comparison schedule is presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the District's legally adopted budget. The District may revise the original budget over the course of the year for various reasons. Under the reporting model prescribed by the GASB, budgetary information is provided, and includes comparisons of the District's original adopted budget to the final budget and actual results.

Use of Estimates

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

Subsequent Events

The District has evaluated subsequent events through May 13, 2025, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since September 30, 2024 that required recognition or disclosure in these financial statements.

## 3. Cash and Cash Equivalents

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

The combined carrying amount of cash and cash equivalents on the District's books at September 30, 2024 was $2,604,604 and bank balances totaled $2,653,842. The differences between the carrying amount of cash and cash equivalents on the District's books and the bank balances consisted of cash on hand and outstanding checks and deposits not processed by the bank as of September 30, 2024.

## 3. Cash and Cash Equivalents, Continued

The carrying amount of cash and cash equivalents on the District's books at September 30, 2024 consisted of and appears in the financial statements as summarized below:

| | |
|---|---|
| Cash and cash equivalents, Statement of Net Position | $ 1,980,255 |
| Restricted cash and cash equivalents, Statement of Net Position | 624,349 |
| | $ 2,604,604 |

A summary of the total insured and uninsured bank balances at September 30, 2024 is as follows:

| | |
|---|---|
| Total bank balances | $ 2,653,842 |
| Portion insured by FDIC | (250,000) |
| Uninsured bank balances | $ 2,403,842 |

## 4. Investments

The District has not adopted a formal investment policy. The carrying amount of investments on the District's books at September 30, 2024 consisted of and appears in the financial statements as summarized below:

| | |
|---|---|
| Investments, Statement of Net Position | $ 1,324,913 |
| Restricted investments, Statement of Net Position | 4,278,282 |
| | $ 5,603,195 |

| Investment | Maturities | Interest Rate | Fair Value |
|---|---|---|---|
| State Local Government Investment Pool | 84 days average | n/a | $ 5,603,195 |

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

*Credit Risk.* State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State of Idaho investment pools and funds. The District has no investment policy that would further limit its investment choices. At September 30, 2024, the District's investments in the State Local Government Investment Pool are not rated.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in the State Local Government Investment Pool (100% of total investments).

The Idaho State Local Government Investment Pool is overseen and managed by the State of Idaho Treasurer's Office.

## 5. Assessments Receivable

During 2003, the District approved a Local Improvement District (LID) to repay a bond issued through the United States Department of Agriculture for a treatment facility. Each property owner was assessed $630.86 for each portion of capacity held. There were 2,167 capacity positions for a total assessment of $1,367,074.

The property owners had an option to prepay the entire assessment of $630.86 per capacity position by July 31, 2003. If the property owner did not prepay the assessment, they were presumed to have made an automatic election to pay the assessment over 30 years at 4.25% interest, with annual payments of $37.60 per capacity position. Principal payments collected by the District during 2024 totaled $12,344.

LID assessments receivable at September 30, 2024 are summarized as follows:

| | |
|---|---|
| Assessments receivable | $ 114,521 |
| Less amounts due within one year | (10,702) |
| Amounts due after one year | $ 103,819 |

## 6. Restricted Assets

At September 30, 2024, the District has certain amounts, as detailed below, that are classified as restricted assets. The capital improvement funds represent a restriction resulting from State and local statutes and, therefore, represent restricted net position. The other amounts have been accrued as liabilities in the Statement of Net Position.

| | |
|---|---|
| Capital improvements | $ 4,815,514 |
| Sewer main extensions deposits | 85,317 |
| Food truck deposit and hardship funds | 1,800 |
| | $ 4,902,631 |

## 7. Capital Assets

Capital asset activity for the year ended September 30, 2024 is as follows:

| | Balance September 30, 2023 | Additions | Transfers | Disposals | Balance September 30, 2024 |
|---|---|---|---|---|---|
| Sewer infrastructure | $ 5,974,256 | $ 49,425 | $ -- | $ -- | $ 6,023,681 |
| Buildings and improvements | 538,347 | -- | -- | -- | 538,347 |
| Equipment and vehicles | 1,061,062 | 96,090 | -- | -- | 1,157,152 |
| Accumulated depreciation | (3,840,450) | (248,377) | -- | -- | (4,088,827) |
| | 3,733,215 | (102,862) | -- | -- | 3,630,353 |
| Land | 307,105 | -- | -- | -- | 307,105 |
| Construction in progress | 6,401 | 58,995 | -- | -- | 65,396 |
| | $ 4,046,721 | $ (43,867) | $ -- | $ -- | $ 4,002,854 |

The District requires sewer main extensions (SME) to be paid for by the developers. After the extension has passed inspection, the District will take responsibility for future maintenance and records the extension as a capital contribution. The contribution is recorded at estimated fair market value at the time the District assumes responsibility. During 2024, the District did not accept any SME and, therefore, recorded no amount for sewer infrastructure as capital contributions related to these sewer main extensions.

## 8. Short-Term Borrowings

The District had no short-term borrowings at September 30, 2024, nor were there any short-term borrowings or repayments for the year then ended.

## 9. Public Employee Retirement System of Idaho Base Plan

Plan Description

The District contributes to the Public Employee Retirement System of Idaho (PERSI or "the System") Base Plan, which is a cost-sharing, multiple-employer defined benefit pension plan 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 PERSI Board, which is 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 be Idaho citizens who are not members of the Base Plan, except by reason of having served on the Board.

Pension Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percentage of covered compensation and earnings from investments. 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, which are expressed as percentages of annual covered payroll, if current rates are actuarially determined to be inadequate or in excess of the rates needed to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2024, the required contribution rate as a percentage of covered payroll for members was 6.71%. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.18%. Beginning July 1, 2024, the rates increased to 7.18% and 11.96%, respectively. The District's employer contributions required and paid were $46,002 for the year ended September 30, 2024.

## 9. Public Employee Retirement System of Idaho Base Plan, Continued

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

At September 30, 2024, the District reported a liability (asset) of $309,382 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the Base Plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the District's proportionate allocation was 0.000082708.

For the year ended September 30, 2024, the District recognized net pension expense (expense offset) of $83,976.

At September 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 |
|---|---|---|
| Contributions made subsequent to the measurement date | $ 11,870 | $ -- |
| Change in proportionate share | -- | 1,967 |
| Differences between expected and actual experience | 49,257 | -- |
| Changes in assumptions or other inputs | 12,256 | -- |
| Net difference between projected and actual earnings on investments | -- | 5,616 |
| Total | $ 73,383 | $ 7,583 |

The amount reported as deferred outflows of resources related to pensions resulting from the District's contributions made subsequent to the measurement date, in the amount of $11,870, will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

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

| Year Ending September 30, | |
|---|---|
| 2025 | $ 12,665 |
| 2026 | 57,336 |
| 2027 | (9,238) |
| 2028 | (6,833) |
| | $ 53,930 |

The amortization of the net difference between projected and actual earnings on investments is amortized over a closed 5-year period, beginning in the current fiscal year. The amortization period for changes in assumptions or other inputs and differences between expected and actual experience is based on the average expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees). The amortization period, which was determined at July 1, 2023, the beginning of the measurement period ended June 30, 2024, is 4.4 years.

## 9. Public Employee Retirement System of Idaho Base Plan, Continued

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 including inflation | 3.05% |
| Investment rate of return, net of investment expenses | 6.35% |
| Cost-of-living adjustments | 1.00% |

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

*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%. 5% of Fire & Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2021. |
| Disabled Members - Males | Pub-2010 Disabled Tables, increased 38%. |
| Disabled Members - Females | Pub-2010 Disabled Tables, increased 36%. |

An experience study was performed for the period from July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions other than 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## 9. Public Employee Retirement System of Idaho Base Plan, Continued

Actuarial Assumptions, Continued

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.

The following are the Board's adopted asset allocation policies for the Pension Trust Funds (DB Plans, adopted November 2019), as of June 30, 2024:

| *Asset Class* | DB Plans |
|---|---|
| Fixed Income | 30.00% |
| US/Global Equity | 55.00% |
| International Equity | 15.00% |
| Cash | 0.00% |
| Total | 100.00% |

The following capital market assumptions are as of 2024.

| *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)% |
| Treasury Inflation-Protected Securities (TIPS) | 10.00% | (0.30)% |
| Real Estate | 8.00% | 3.75% |
| Private Equity | 8.00% | 6.00% |

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the Base Plan's 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.

## 9. Public Employee Retirement System of Idaho Base Plan, Continued

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability (Asset)

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

| | 1% Decrease (5.35%) | Current Rate (6.35%) | 1% Increase (7.35%) |
|---|---|---|---|
| Employer's proportionate share of net pension liability (asset) | $ 587,922 | $ 309,382 | $ 81,886 |

Pension Plan Fiduciary Net Position

Detailed information about the Base 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.

Payables to the Pension Plan

At September 30, 2024, the District reported $3,824 in payables to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

## 10. Commitments and Contingencies

Environmental Liabilities

The District is required to comply with the provisions of permits and regulations issued by the U.S. Environmental Protection Agency and the Idaho Department of Environmental Quality. If the District fails to meet the requirements of the permits and regulations, it could be subject to fines or other censures. If the District determines that it is probable that a liability has been incurred and the amount can be reasonably estimated, the District will record a liability in the Statement of Net Position – Enterprise Fund. At September 30, 2024, the District's management is of the opinion that no liability for environmental matters is necessary.

Refunded Hook-up Fees

The District regularly receives revenues related to new hook-ups in the form of capacity-related receipts and new user facility fees (NUFF). Occasionally, these amounts are paid in advance by customers before the new hook-up is actually needed. Requests to refund unused hook-up fees are evaluated on a case-by-case basis by the Board of Directors. The District recognizes the expense of refunded hook-up fees in the year the request is made and the Board approves the refund. The District records these amounts as part of other expenses in the Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund. The District recorded no refunds for the year ended September 30, 2024.

## 10. Commitments and Contingencies, Continued

Risk Pool

The District participates in the Idaho Counties Risk Management Pool (ICRMP) to provide general liability and property insurance. The District, along with other participating entities, contributes annual amounts determined by the ICRMP management. As claims arise, they are submitted to and paid by the ICRMP. If necessary, the ICRMP may assess members additional amounts to cover losses. No such additional assessments were made during 2024, or in any of the previous three years. The District has a $500 deductible on most coverage. Insurance coverage limits at September 30, 2024 were as follows:

| | |
|---|---|
| Comprehensive general liability, per occurrence | $ 3,000,000 |
| Liability, aggregate | 5,000,000 |
| Auto liability | 3,000,000 |
| Uninsured motorist | 300,000 |
| Errors and omissions | 3,000,000 |

Litigation

The District's management is not aware of any pending claims against the District at September 30, 2024. The District has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

## 11. Related Party Transactions

Kootenai-Ponderay Sewer District Board members are all District customers. Each member account is charged for monthly sewer services. Board members and related parties were billed approximately $8,610 for the year ended September 30, 2024. At September 30, 2024, amounts due from Board members and related parties totaled approximately $360.

# Required Supplementary Information

**Kootenai-Ponderay Sewer District**
**Budgetary Comparison Schedule - Enterprise Fund**
**Year Ended September 30, 2024**

| | Budgeted Amounts | | Actual Budgetary Basis | Variances Positive/(Negative) | |
|---|---|---|---|---|---|
| | Original | Final | | Original to Final | Final to Actual |
| **OPERATING REVENUES** | | | | | |
| Sewer service revenue | $ 1,346,936 | $ 1,346,936 | $ 1,404,289 | $ - | $ 57,353 |
| Other income | 22,135 | 30,102 | 46,316 | 7,967 | 16,214 |
| Total operating revenues | 1,369,071 | 1,377,038 | 1,450,605 | 7,967 | 73,567 |
| **OPERATING EXPENSES** | | | | | |
| Salaries, wages and payroll-related expenses | 613,600 | 603,550 | 591,060 | 10,050 | 12,490 |
| Utilities | 86,650 | 101,450 | 94,028 | (14,800) | 7,422 |
| Professional fees | 161,000 | 161,000 | 78,768 | - | 82,232 |
| Repairs and maintenance | 293,500 | 331,000 | 58,926 | (37,500) | 272,074 |
| Lab testing | 58,000 | 59,000 | 51,144 | (1,000) | 7,856 |
| Office and general | 24,500 | 28,200 | 24,981 | (3,700) | 3,219 |
| Supplies | 38,000 | 38,500 | 18,549 | (500) | 19,951 |
| Insurance | 19,862 | 18,362 | 16,667 | 1,500 | 1,695 |
| Dues and subscriptions | 17,000 | 18,000 | 15,120 | (1,000) | 2,880 |
| Education | 9,000 | 9,500 | 4,975 | (500) | 4,525 |
| Travel | 5,000 | 5,000 | 3,556 | - | 1,444 |
| Other expenses | 300 | 300 | 50 | - | 250 |
| Total charges to appropriations | 1,326,412 | 1,373,862 | 957,824 | (47,450) | 416,038 |
| Budgetary operating income | 42,659 | 3,176 | 492,781 | (39,483) | 489,605 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Sewer hook-up revenue | 800,460 | 850,000 | 832,458 | 49,540 | (17,542) |
| LID assessment interest income | 15,903 | 15,903 | 5,795 | - | (10,108) |
| Interest income | 119,000 | 209,000 | 280,816 | 90,000 | 71,816 |
| Grant income | - | - | 28,563 | - | 28,563 |
| Capital outlay | (690,000) | (983,900) | (204,510) | (293,900) | 779,390 |
| Total nonoperating revenues (expenses), net | 245,363 | 91,003 | 943,122 | (154,360) | 852,119 |
| Change in budgetary net position | 288,022 | 94,179 | 1,435,903 | (193,843) | 1,341,724 |
| **RECONCILIATION TO GAAP BASIS** | | | | | |
| Capital outlay | - | - | 204,510 | - | 204,510 |
| Depreciation | (125,000) | (125,000) | (248,377) | - | (123,377) |
| Net position, beginning of year | 10,715,163 | 10,715,163 | 10,715,163 | - | - |
| Net position, end of year | $ 10,878,185 | $ 10,684,342 | $ 12,107,199 | $ (193,843) | $ 1,422,857 |

**Kootenai-Ponderay Sewer District**
**Notes to Budgetary Comparison Schedule**
**September 30, 2024**

## 1. Basis of Presentation

With the exception of capital outlays and depreciation, the budgetary comparison schedule has been prepared on the accrual basis of accounting, which is the same basis of accounting used in the Enterprise Fund financial statements.

## 2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, with the exception of capital outlays and depreciation, the budgetary comparison schedule has been prepared in conformance with the presentation used in the preparation of the Enterprise Fund financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of Directors' budgetary control at the functional level. There were no instances in which Enterprise Fund expenditures exceeded budgeted expenditures at the functional levels required by Idaho Statutes.

**Kootenai-Ponderay Sewer District**
**Schedule of Employer's Share of the Net Pension Liability (Asset) - PERSI Base Plan**
**Last 10 Plan Years**

| Plan Year | Employer's Portion of NPL | Employer's Proportionate Share of NPL ( a ) | Employer's Covered Employee Payroll ( b ) | Employer's NPL as a Percentage of Covered Payroll ( a / b ) | Plan Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 2015 | 0.000071679 | $ 94,390 | $ 200,772 | 47.01% | 91.38% |
| 2016 | 0.000095054 | 192,689 | 278,001 | 69.31% | 87.26% |
| 2017 | 0.000092639 | 145,613 | 287,731 | 50.61% | 90.68% |
| 2018 | 0.000093718 | 138,236 | 301,524 | 45.85% | 91.69% |
| 2019 | 0.000099584 | 113,672 | 338,227 | 33.61% | 91.69% |
| 2020 | 0.000093403 | 216,894 | 333,924 | 64.95% | 88.22% |
| 2021 | 0.000087253 | (6,891) | 325,624 | -2.12% | 100.36% |
| 2022 | 0.000081394 | 320,590 | 320,972 | 99.88% | 83.09% |
| 2023 | 0.000081514 | 325,296 | 346,588 | 93.86% | 83.83% |
| 2024 | 0.000082708 | 309,382 | 403,167 | 76.74% | 85.54% |

Data reported is measured as of June 30 of each respective plan year.

**Kootenai-Ponderay Sewer District**
**Schedule of Employer Contributions - PERSI Base Plan**
**Last 10 Fiscal Years**

| Fiscal Year | Statutorily Required Contribution ( a ) | Actual Employer Contribution ( b ) | Contribution Excess (Deficiency) ( b - a ) | Employer's Covered Employee Payroll ( c ) | Contributions as a Percentage of Covered Employee Payroll ( b / c ) |
|---|---|---|---|---|---|
| 2015 | $ 24,875 | $ 24,875 | $ - | $ 219,747 | 11.32% |
| 2016 | 32,753 | 32,753 | - | 289,335 | 11.32% |
| 2017 | 31,599 | 31,599 | - | 279,142 | 11.32% |
| 2018 | 35,663 | 35,663 | - | 315,041 | 11.32% |
| 2019 | 38,826 | 38,826 | - | 339,743 | 11.43% |
| 2020 | 39,734 | 39,734 | - | 332,780 | 11.94% |
| 2021 | 38,159 | 38,159 | - | 319,590 | 11.94% |
| 2022 | 39,431 | 39,431 | - | 330,242 | 11.94% |
| 2023 | 42,178 | 42,178 | - | 357,461 | 11.80% |
| 2024 | 46,002 | 46,002 | - | 406,665 | 11.31% |

Data reported is measured as of September 30 of each respective fiscal year.

**Kootenai-Ponderay Sewer District**
**Notes to PERSI Base Plan Schedules**
**September 30, 2024**

## 1. Changes in Benefit Terms

There were no changes in benefit terms during the Plan year ended June 30, 2024.

## 2. Changes in Composition of the Population

There were no changes in the composition of the population during the Plan year ended June 30, 2024.

## 3. Changes in Assumptions

There were no significant changes in actuarial assumptions during the Plan year ended June 30, 2024.

# Compliance Report

DECORIA, BLAIR & TEAGUE, PS

Certified Public Accountants
Business Consultants
Micheal A. DeCoria, CPA
Brandon J. Blair, CPA
David W. Teague, CPA

# 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
Kootenai-Ponderay Sewer District
Kootenai, 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 Kootenai-Ponderay Sewer District ("the District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 13, 2025.

## Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2024-001, that we consider to be a significant deficiency.

## Report on Compliance and Other Matters

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

**The District's Response to the Finding**

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

**Purpose of this Report**

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

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

May 13, 2025

**Kootenai-Ponderay Sewer District**
**Schedule of Findings and Responses**
**Year Ended September 30, 2024**

## Section I – Summary of Auditor's Results

*Financial Statements*

The independent auditor's report expressed an unmodified opinion on the basic financial statements of the District.

The audit of the financial statements of the District disclosed one significant deficiency in internal control over financial reporting.

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

The audit disclosed no compliance findings material to the financial statements of the District.

## Section II – Financial Statement Findings

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

**Finding 2024-001**

| | |
|---|---|
| Condition | The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting. |
| Criteria | An effective system of internal control over financial reporting requires that closely related duties be segregated. |
| Effect | The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. |
| Cause | The District's staff is too small to allow an adequate segregation of duties. |
| Recommendation | Although the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist. |
| Management's Response | The District's management and Board of Directors believe the cost to add additional staff to properly segregate all duties would put a significant strain on the resources of the District. In order to mitigate the risk of fraud or errors in financial reporting, the Board of Directors reviews the financial statements for unusual fluctuations and significant variances from budget at each meeting. In addition, all checks require two signatures. Members of the Board of Directors have access to the bank account to review the images of cashed checks to ensure they were appropriately approved. |

**Kootenai-Ponderay Sewer District**
**Status of Prior Year Findings**
**Year Ended September 30, 2024**

**Finding 2023-001**

| | |
|---|---|
| Condition | The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting. |
| Status | This condition continues to exist at September 30, 2024. See Finding 2024-001. |