LEWISTON ORCHARDS SEWER DISTRICT NO. 1

FINANCIAL STATEMENTS

Years Ended November 30, 2024 and 2023

LEWISTON ORCHARDS SEWER DISTRICT NO. 1

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PRESNELL GAGE, PLLC
ACCOUNTING AND CONSULTING

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lewiston Orchards Sewer District No. 1
Lewiston, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Lewiston Orchards Sewer District No. 1, as of and for the years ended November 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Lewiston Orchards Sewer District No. 1's basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lewiston Orchards Sewer District No. 1, as of November 30, 2024 and 2023, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Lewiston Orchards Sewer District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Lewiston Orchards Sewer District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audits of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lewiston Orchards Sewer District No. 1'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 Lewiston Orchards Sewer District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of Lewiston Orchards Sewer District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lewiston Orchards Sewer District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lewiston Orchards Sewer District No. 1's internal control over financial reporting and compliance.

Presnell Gage, PLLC

November 13, 2025
Lewiston, Idaho

LEWISTON ORCHARDS SEWER DISTRICT NO. 1

STATEMENTS OF NET POSITION
November 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	**$ 527,575**	$ 266,487
Service charges receivable	**280,902**	398,265
Total current assets	**808,477**	664,752
SEWER SYSTEM, MACHINERY, AND EQUIPMENT		
Less accumulated depreciation of $2,491,874 ($2,419,093 in 2023)	**2,235,457**	2,224,241
INVESTMENTS	**2,969,525**	2,720,602
LIENS RECEIVABLE	**20,956**	17,203
Total assets	**6,034,415**	5,626,798
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**265,575**	210,505
Total current liabilities	**265,575**	210,505
NET POSITION		
Net investment in capital assets	**2,235,457**	2,224,241
Restricted for system expansion	**87,891**	74,587
Unrestricted	**3,445,492**	3,117,465
TOTAL NET POSITION	**$ 5,768,840**	$ 5,416,293

See accompanying notes

LEWISTON ORCHARDS SEWER DISTRICT NO. 1

STATEMENTS OF EARNINGS
Years Ended November 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Charges for services	**$ 3,000,075**	$ 3,027,517
Other revenue	**1,690**	266
Total operating revenues	**3,001,765**	3,027,783
OPERATING EXPENSES		
Operating agreement with the City of Lewiston	**2,651,928**	2,488,518
Depreciation	**72,781**	69,892
Professional fees	**22,052**	19,202
Consultants	**48,000**	42,000
Miscellaneous	**9,908**	10,709
Total operating expenses	**2,804,669**	2,630,321
OPERATING INCOME	**197,096**	397,462
NONOPERATING REVENUES		
Interest earned on investments	**142,309**	112,059
Equity buy-in, collection system	**13,142**	13,513
Total nonoperating revenues	**155,451**	125,572
NET EARNINGS	**$ 352,547**	$ 523,034

See accompanying notes

LEWISTON ORCHARDS SEWER DISTRICT NO. 1

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

	2024	2023
NET POSITION		
Beginning balance	**$ 5,416,293**	$ 4,893,259
Net earnings	**352,547**	523,034
TOTAL NET POSITION	**$ 5,768,840**	$ 5,416,293

See accompanying notes

LEWISTON ORCHARDS SEWER DISTRICT NO. 1

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from customers	**$ 3,115,375**	$ 2,861,390
Cash expended for operating agreement	**(2,651,928)**	(2,488,518)
Cash expended for other expenses	**(24,890)**	(72,612)
Net cash provided by operating activities	**438,557**	300,260
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Equity buy-in, collection system	**13,142**	13,513
Sewer system improvements	**(83,997)**	(278,653)
Net cash used by capital financing activities	**(70,855)**	(265,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on general District investments	**142,147**	111,898
Interest earned on equity buy-in, collection system	**162**	161
Earnings reinvested, equity buy-in, collection system	**(162)**	(161)
Purchase of investments	**(248,761)**	(361,103)
Net cash provided by investing activities	**(106,614)**	(249,205)
NET CHANGE IN CASH	**261,088**	(214,085)
CASH, beginning	**266,487**	480,572
CASH, ending	**$ 527,575**	$ 266,487
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	**$ 197,096**	$ 397,462
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**72,781**	69,892
Changes in:		
Customer receivables	**113,610**	(166,393)
Accrued expenses	**55,070**	(701)
Net cash provided by operating activities	**$ 438,557**	$ 300,260

See accompanying notes

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Lewiston Orchards Sewer District No. 1 was incorporated February 9, 1956, in accordance with Title 42, Chapter 32, of the *Idaho Code.* The District operates under a Board of Directors, who is elected from the District on an at-large basis. The purpose of the District is to provide for sewage collection and disposal and to promote the health, safety, prosperity, security, and general welfare of the inhabitants of the District.

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

Measurement Focus and Basis of Accounting. The financial statements of the Lewiston Orchards Sewer District No. 1 have been prepared in accordance with United States generally accepted accounting principles as applied to governmental units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements or APB Opinions issued after November 30, 1989. The District uses the following basis of accounting in these financial statements.

Economic Resources Measurement Focus and Accrual Basis of Accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Revenue Recognition. District patrons are billed on a monthly basis and revenue recognized on the date of billing.

Nonoperating Revenues. Equity buy-in fees for the collection and wastewater treatment system are recognized as nonoperating revenue when paid to the District. System contributions from developers are recognized as revenue and the asset capitalized when the value of the contribution is known.

Receivables. An account is considered delinquent if not paid within 30 days from the billing date and is subject to shutoff of utility services 90 days after delinquency. The District may file a lien against the property for unpaid delinquent sewer bills. Therefore, no allowance for uncollectible accounts has been provided.

Sewer System, Machinery, and Equipment. Improvements to the sewer system are capitalized at the time they are incurred, and the sewer system, machinery, and equipment are all accounted for at historical cost or contributed value. In general, improvements greater than $3,000 and a life of over 5 years are capitalized.

The District computes depreciation using the straight-line method of accounting applied over the useful lives of the assets - generally, 40 years for the sewer system and 7 to 10 years for machinery and equipment.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Local certificates of deposits.
- Repurchase agreements.
- U.S. Government securities.
- Bonds and debentures of "A" rated companies.

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

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

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

Fair value of the investments approximates the cost as disclosed in Note 3. The District's investments with the Idaho State Treasurer's Local Government Investment Pool have not been issued an external credit quality rating.

Cash Flows. For the purpose of the cash flows statement, the District classifies cash to be the District checking account.

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

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

Credit Risk. The District has no formal policy on the credit risk rating of investments. The District's investments with the Idaho State Treasurer's Local Government Investment Pool have not been issued an external credit quality rating.

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

2. SEWER SYSTEM, MACHINERY, AND EQUIPMENT

The District reflects the sewer system, machinery, and equipment at cost or contributed value net of accumulated depreciation. Details of these assets at November 30, 2024 and 2023, are as follows:

	2024			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets				
Sewer collection system	$4,576,306	$ 77,296		$4,653,602
Machinery and equipment	67,028	6,701		73,729
	$4,643,334	$ 83,997	$ 0	4,727,331
Accumulated depreciation				
Sewer collection system	$2,352,065	$ 71,824		$2,423,889
Machinery and equipment	67,028	957		67,985
	$2,419,093	$ 72,781	$ 0	2,491,874
Capital assets, net				$2,235,457

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets				
Sewer collection system	$4,297,653	$ 278,653		$4,576,306
Machinery and equipment	67,028			67,028
	$4,364,681	$ 278,653	$ 0	4,643,334
Accumulated depreciation				
Sewer collection system	$2,282,173	$ 69,892		$2,352,065
Machinery and equipment	67,028			67,028
	$2,349,201	$ 69,892	$ 0	2,419,093
Capital assets, net				$2,224,241

3. CASH AND INVESTMENTS

Cash. At November 30, 2024, the carrying amount of the District's deposits was $527,575 ($266,487 in 2023) of which $250,000 was covered by federal depository insurance.

Investments. Investments, other than those held with other governmental entities, are categorized as either (1) insured or registered, for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered, for which the securities are held by the counterparty's trust department or agent in the District's name, or (3) uninsured and unregistered, for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	2024	2023
Uncategorized investments held with other governmental entities:		
State Treasurer's Local Government Investment Pool	2,881,634	2,646,015
City of Lewiston	87,891	74,587
	$ 2,969,525	$ 2,720,602

4. AGREEMENT WITH THE CITY OF LEWISTON

On January 14, 2019, a revised 5-year contract was entered into with the City of Lewiston to provide for the operation and maintenance of the District's sewage collection system by the City. In general, the contract provides for the operation of the system by the City and the payment of a monthly fee to the City by the District. The revenues accrue to the District, and operating and maintenance expenses are paid by the City. Under the prior contract, the District was billed in equal payments each month and the payments were reconciled at the end of the year. Under the new contract, the District is billed each month based upon usage. The contract calls for an annual review of the operating costs for purposes of determining the monthly fee.

The District entered into a contract with the City of Lewiston during 1994 to allow the City to assess and collect an equity buy-in fee from each new connection to the District's sewer system. The fees are to be used for improvements to the City's wastewater treatment facility with the consent of the District.

5. DESIGNATED RETAINED EARNINGS AND EQUITY BUY-IN

At November 30, 2024, a balance of retained earnings has been restricted by state law or designated by the Board for capital improvements.

	2024	2023
Equity buy-in fees restricted by state law	$ 87,891	$ 74,587
Designated by the Board for capital improvement	$ 924,969	$ 793,840

Effective October 1, 1999, the District approved an equity buy-in fee to be assessed for any new connections to the District's lines. The fee is graduated to reflect the level of service provided to the customer. The use of these funds is restricted (by the *Idaho Code*) to replacement of the District's sewer system, and they cannot be used for any other purpose.

Each year the Board chooses to set aside or designate certain funds for future capital expenditure needs. Under Board direction, these funds are to be used for future capital expenditures only.

6. RISK MANAGEMENT

The District shares in liability and property insurance on jointly operated facilities with the City of Lewiston and shares in high deductible unemployment and workers compensation insurance for City workers who help maintain District operations. The general insurance limits are as follows:

General liability	$3,000,000 per claim; $5,000,000 aggregate
Property	At reported value

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT - *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Lewiston Orchards Sewer District No. 1
Lewiston, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lewiston Orchards Sewer District No. 1, as of and for the year ended November 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 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) 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 Lewiston Orchards Sewer District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewiston Orchards Sewer District No. 1's internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewiston Orchards Sewer District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing* Standards.

Lewiston Orchards Sewer District No. 1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lewiston Orchards Sewer District No. 1's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Lewiston Orchards Sewer District No. 1'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 the response.

Purpose of this Report

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

Presnell Gage, PLLC

November 13, 2025
Lewiston, Idaho

SIGNIFICANT DEFICIENCY

Finding #2024-001

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

Condition: The District has concentrated many accounting duties to certain individuals such that the desired segregation of duties is not possible.

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

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

Recommendation: We concur with the District's response.