Spring Valley Community Infrastructure District No. 1

Year Ended September 30, 2024

Audited Financial Statements



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SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1
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Independent Auditor's Report

Board of Directors
Spring Valley Community Infrastructure District No. 1

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Valley Community Infrastructure District No. 1 (the District), a component unit of the City of Eagle, Idaho, 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 respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 3, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Quest CPAs PLLC

Meridian, Idaho
February 3, 2025

SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1

Statement of Net Position

September 30, 2024

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	$56,103,877
Total Current Assets	56,103,877
Noncurrent Assets	
Accumulated Community Infrastructure Costs	100,950,726
Total Noncurrent Assets	100,950,726
Total Assets	$157,054,603
Liabilities	
Current Liabilities	
Accounts Payable	$20,979
Cash Reserve Deposit	30,050
Accrued Interest	638,152
Long-Term Liabilities, Current	2,493,000
Total Current Liabilities	3,182,181
Noncurrent Liabilities	
Long-Term Liabilities, Noncurrent	165,879,000
Total Noncurrent Liabilities	165,879,000
Total Liabilities	169,061,181
Net Position	
Net Investment in Capital Assets	(68,059,426)
Restricted - Debt Service	19,918,217
Restricted - Construction	36,183,372
Unrestricted	(48,741)
Total Net Position	(12,006,578)
Total Liabilities and Net Position	$157,054,603

SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1

Statement of Activities

Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Current Expenditures					
Admin & Professional Services	$128,479		$104,207		($24,272)
Debt Service - Interest	7,837,122				(7,837,122)
Total	$7,965,601	$0	$104,207	$0	(7,861,394)
	General Revenues				
	Property Taxes & Other				28,119
	Investment Income				3,270,632
	Total				3,298,751
	Change in Net Position				(4,562,643)
	Net Position - Beginning				(7,443,935)
	Net Position - Ending				($12,006,578)

See Accompanying Notes

SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1

Balance Sheet - Governmental Funds

September 30, 2024

	General Fund
Assets	
Cash & Investments	$56,103,877
Total Assets	$56,103,877
Liabilities	
Accounts Payable	$20,979
Cash Reserve Deposit	30,050
Total Liabilities	51,029
Fund Balances	
Restricted - Debt Service	19,918,217
Restricted - Construction	36,183,372
Unassigned	(48,741)
Total Fund Balances	56,052,848
Total Liabilities and Fund Balances	$56,103,877

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	
Total Governmental Fund Balances	$56,052,848
Amounts reported for governmental activities in the statement of net position are different because:	
Accumulated community infrastructure costs are not financial resources and therefore are not reported in the funds.	100,950,726
Long-term liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(169,010,152)
Net Position of Governmental Activities	($12,006,578)

SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2024

	General Fund
Revenues	
Property Taxes & Other	$28,119
Investment Income	3,270,632
Total Revenues	3,298,751
Expenditures	
Current Expenditures	
Admin & Professional Services	128,479
Debt Service - Principal	5,108,239
Debt Service - Interest	7,545,839
Capital Outlay - Infrastructure	44,221,263
Total Expenditures	57,003,820
Excess (Deficiency) of Revenues Over Expenditures	(53,705,069)
Other Financing Sources (Uses)	
Proceeds from Bond Issuance	48,000,000
Bond Discount	(960,000)
Administrative Advance	104,207
Total Other Financing Sources (Uses)	47,144,207
Net Change in Fund Balances	(6,560,862)
Fund Balances - Beginning	62,613,710
Fund Balances - Ending	$56,052,848

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	
Net Change in Fund Balances - Total Governmental Funds	($6,560,862)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, on the statement of net position, such capital outlays are reported as assets. This is the amount of capital outlays expensed in the current period.	44,221,263
Proceeds from bonds are a financing source in the governmental funds, but increase long-term liabilities in the statement of net position.	(47,040,000)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,108,239
Bond discounts are amortized against interest expense over the term of the bond.	(32,000)
In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds.	(259,283)
Change in Net Position of Governmental Activities	($4,562,643)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Spring Valley Community Infrastructure District No. 1 (the District) provides community infrastructure services as authorized by Idaho Code. The District's board of directors, comprised of city council members, is appointed by the city council of the City of Eagle, Idaho (the City). A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. As such, the District is defined as a component unit of the City of Eagle, Idaho.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to community infrastructure districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements - Government-Wide Statements – The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the District's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

As the District has only one function (providing community infrastructure services) which is reported in one fund, all expenses are considered direct and, accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria

(percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the District include:

General Fund – The general fund is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Investments include government securities and are stated at fair value using quoted market prices (Level 1).

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Accumulated Community Infrastructure Costs – Accumulated community infrastructure costs include land and infrastructure under construction. Upon completion and acceptance, the community infrastructure assets will be transferred to other governments.

Leases/SBITAs and Amortization – Material long-term leases and subscription-based information technology arrangements (SBITAs) are reported in accordance with the provisions of GASB 87 *Leases* and GASB 96 *SBITAs*. When incurred, amortization over the appropriate lease or SBITA term is recorded using the straight-line method.

Administrative Advance – Certain expenditures of the District may be paid by funds provided via administrative advances from the developers.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the District first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the District first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The District is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Custodial Credit Risk – The District maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The District does not have a formal policy concerning custodial credit risk.

Risk Management – The District is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Subsequent Events – Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	$2,288
Investments - Government Securities	56,101,589
Total	$56,103,877

Deposits – At year end, the carrying amounts of the District's deposits were $2,288 and the bank balances were $13,902. The bank balances were insured.

Considerations for interest rate risk and credit rate risk relating to investments are shown below.

Interest rate risk:

	Investment Maturity Schedule (In Years)	
Investment Type	Less Than 1	Total
Government Securities	$56,101,589	$56,101,589
Total	$56,101,589	$56,101,589

Credit rate risk (Moody's rating scale)**:**

	Investment Rating Schedule	
Investment Type	AAA	Total
Government Securities	$56,101,589	$56,101,589
Total	$56,101,589	$56,101,589

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The District's investment policy complies with state statutes.

C. LONG-TERM LIABILITIES

Bonded Debt – At year end, the District's bonded debt was as follows:

General Obligation Bonds	Outstanding
2021 - $323,000 - general obligation bonds for infrastructure due in annual principal installments and semiannual interest payments with interest at 3% through 2051, secured by future taxes, paid through the general fund	$310,000
Total	$310,000

Maturities on the 2021 general obligation bonds are estimated as follows:

Year Ended	Principal	Interest
9/30/25	$14,000	$18,390
9/30/26	8,000	8,880
9/30/27	8,000	8,640
9/30/28	8,000	8,400
9/30/29	8,000	8,160
9/30/30-34	46,000	36,900
9/30/35-39	53,000	29,610
9/30/40-44	62,000	21,120
9/30/45-49	71,000	11,340
9/30/50-51	32,000	1,440
Total	$310,000	$152,880

Special Assessment Bonds	Outstanding
2021 - $120,990,000 - special assessment bonds for infrastructure due in annual principal installments and semiannual interest payments with interest at 3.75% through 2051, secured by pledged revenues, paid through the general fund	$120,990,000
Total	$120,990,000

Maturities on the 2021 special assessment bonds are estimated as follows:

Year Ended	Principal	Interest
9/30/25	$2,511,000	$4,537,125
9/30/26	2,605,000	4,442,963
9/30/27	2,702,000	4,345,275
9/30/28	2,804,000	4,243,950
9/30/29	2,909,000	4,138,800
9/30/30-34	16,265,000	18,973,575
9/30/35-39	19,551,000	15,686,438
9/30/40-44	23,503,000	11,735,175
9/30/45-49	28,252,000	6,985,312
9/30/50-51	19,888,000	1,255,275
Total	$120,990,000	$76,343,888

Special Assessment Bonds	Outstanding
2024 - $48,000,000 - special assessment bonds for infrastructure due in semiannual principal and interest payments based on lot sale proceeds with interest at 6.25% through 2053, secured by pledged revenues, paid through the general fund	$48,000,000
Total	$48,000,000

Maturities on the 2024 special assessment bonds are estimated as follows:

Year Ended	Principal	Interest
9/30/25	$0	*
9/30/26	0	*
9/30/27	0	*
9/30/28	721,000	*
9/30/29	766,000	*
9/30/30-34	4,613,000	*
9/30/35-39	6,248,000	*
9/30/40-44	8,458,000	*
9/30/45-49	11,453,000	*
9/30/50-53	15,741,000	*
Total	$48,000,000	*

*Interest accrues at 6.25% on this bond. However, due to actual payments being based on available lot sale proceeds at the redemption dates, the interest payment amount is not pre-generated and shown in the bond maturity schedule table.

Changes in long-term liabilities are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2021 GO Bond	$310,000			$310,000	$14,000
2021 SA Bond	120,990,000			120,990,000	2,511,000
2024 SA Bond	0	$48,000,000		48,000,000	0
Bond Discount	0	($960,000)	($32,000)	(928,000)	(32,000)
Note Payable	5,108,239		5,108,239	0	
Total	$126,408,239	$47,040,000	$5,076,239	$168,372,000	$2,493,000

Interest and related costs of $7,521,988 were charged to the debt service – interest program in the statement of activities. In addition, bond issuance costs of $315,134 were charged to the debt service – interest program.

D. TAX ABATEMENTS

Idaho counties are authorized by state statute to transact certain property tax activity with property owners in their respective taxing districts. The counties collect the property taxes, then allocate and remit those collections among the taxing districts within the counties. The counties are authorized to cancel or reduce property taxes due to various reasons, including the circuit breaker program, agricultural and other exemptions, and section 63-602NN exemptions under Idaho code for real property improvements.

SPRING VALLEY COMMUNITY INFRASTRUCTURE DISTRICT NO. 1

Budgetary Comparison Schedule - General Fund

Year Ended September 30, 2024

General Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Property Taxes & Other	$3,690	$3,690	$28,119	$24,429	
Investment Income	0	0	3,270,632	3,270,632	
Total Revenues	3,690	3,690	3,298,751	3,295,061	
Expenditures					
Current Expenditures					
Admin & Professional Services	199,501	199,501	128,479	71,022	
Debt Service - Principal	7,000	7,000	5,108,239	(5,101,239)	
Debt Service - Interest	34,009,300	34,009,300	7,545,839	26,463,461	
Capital Outlay - Infrastructure	136,000,000	136,000,000	44,221,263	91,778,737	
Total Expenditures	170,215,801	170,215,801	57,003,820	113,211,981	*
Excess (Deficiency) of Revenues Over Expenditures	(170,212,111)	(170,212,111)	(53,705,069)	116,507,042	
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	170,000,000	170,000,000	48,000,000	(122,000,000)	
Bond Discount	0	0	(960,000)	(960,000)	
Administrative Advance	182,111	182,111	104,207	(77,904)	
Total Other Financing Sources (Uses)	170,182,111	170,182,111	47,144,207	(123,037,904)	
Net Change in Fund Balances	(30,000)	(30,000)	(6,560,862)	(6,530,862)	
Fund Balances - Beginning	30,000	30,000	62,613,710	62,583,710	
Fund Balances - Ending	$0	$0	$56,052,848	$56,052,848	

**Total expenditures (over) under appropriations.*

Quest CPAs PLLC
Quality Expertise Service Timeliness

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
Spring Valley Community Infrastructure District No. 1

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 governmental activities and each major fund of the Spring Valley Community Infrastructure District No. 1 (the District), a component unit of the City of Eagle, Idaho, 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 February 3, 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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 District's internal control or compliance. This 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. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs PLLC

Meridian, Idaho
February 3, 2025