

Bayview Water and Sewer District

Audited Financial Statements
NOVEMBER 30, 2023

Bayview Water and Sewer District

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Financial Section

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of Bayview Water and Sewer District (the "District"), as of and for the year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bayview Water and Sewer District, as of November 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity 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 these 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024, on our consideration of the Bayview Water and Sewer District's internal control over financial reporting and on our test of its compliance with certain provisions, 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 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.

Scott P. Hoover, CPA

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

August 15, 2024

Financial Section

Basic Financial Statements

Bayview Water and Sewer District

STATEMENT OF NET POSITION
November 30, 2023

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 552,481	\$ -	\$ 552,481
Accounts receivable	18,913	21,973	40,886
Tax roll receivable	17,763	1,973	19,736
Prepaid expenses	1,744	1,744	3,488
Special assessments receivable	10,060	-	10,060
Total current assets	600,961	25,690	626,651
Capital assets:			
Land	6,250	208,558	214,808
Construction in progress	3,163,749	-	3,163,749
Sewer system	-	3,847,830	3,847,830
Water system	2,649,826	-	2,649,826
Automotive	-	12,930	12,930
Office equipment	3,485	3,485	6,970
Office building	50,747	50,747	101,494
Total capital assets, at cost	5,874,057	4,123,550	9,997,607
Less: Accumulated depreciation	(1,322,411)	(2,449,666)	(3,772,077)
Net capital assets	4,551,646	1,673,884	6,225,530
Other assets:			
Due from Sewer Fund	106,330	-	106,330
Total assets	\$ 5,258,937	\$ 1,699,574	\$ 6,958,511
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 278,380	\$ 9,994	\$ 288,374
Payroll liabilities	5,775	5,775	11,550
Unearned revenue	8,689	6,110	14,799
Accrued interest payable	15,908	-	15,908
Total current liabilities	308,752	21,879	330,631
Non-current liabilities:			
Due to Water Fund	-	106,330	106,330
IDEQ Loan payable	1,621,413	-	1,621,413
Total non-current liabilities	1,621,413	106,330	1,727,743
Total liabilities	1,930,165	128,209	2,058,374
NET POSITION			
Net investment in capital assets	2,930,233	1,673,884	4,604,117
Restricted for capital improvement	69,672	-	69,672
Unrestricted	328,867	(102,519)	226,348
Total net position	\$ 3,328,772	\$ 1,571,365	\$ 4,900,137
Total liabilities and net position	\$ 5,258,937	\$ 1,699,574	\$ 6,958,511

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Bayview Water and Sewer District

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended November 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Water	\$ 313,936	\$ -	\$ 313,936
Sewer	-	186,193	186,193
Late charges and miscellaneous	8,251	4,347	12,598
Total operating revenues	<u>322,187</u>	<u>190,540</u>	<u>512,727</u>
OPERATING EXPENSES:			
Auto expense	1,073	1,073	2,146
Bank and finance charges	151	140	291
Contracted services	36,498	55,498	91,996
Depreciation	56,906	82,780	139,686
Dues and subscriptions	3,969	3,968	7,937
Fee assessments	1,880	-	1,880
Insurance	4,880	4,880	9,760
Miscellaneous	1,595	761	2,356
Office expenses	3,997	3,945	7,942
Payroll expenses	34,626	34,626	69,252
Professional fees	16,042	13,380	29,422
Repairs and maintenance	78,881	173,079	251,960
Telephone	2,859	2,859	5,718
Utilities	36,896	36,896	73,792
Total operating expenses	<u>280,253</u>	<u>413,885</u>	<u>694,138</u>
OPERATING INCOME (LOSS)	<u>41,934</u>	<u>(223,345)</u>	<u>(181,411)</u>
NON-OPERATING REVENUES/(EXPENSES):			
Hookup and cap fees	17,080	2,400	19,480
Interest income	3,565	1,497	5,062
Grant income	1,133,183	-	1,133,183
IDEQ Loan forgiveness	37,118	-	37,118
Interest expense	(11,201)	-	(11,201)
Total non-operating revenues/(expenses)	<u>1,179,745</u>	<u>3,897</u>	<u>1,183,642</u>
CHANGE IN NET POSITION	1,221,679	(219,448)	1,002,231
NET POSITION, beginning of year	<u>2,107,093</u>	<u>1,790,813</u>	<u>3,897,906</u>
NET POSITION, end of year	<u>\$ 3,328,772</u>	<u>\$ 1,571,365</u>	<u>\$ 4,900,137</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Bayview Water and Sewer District

STATEMENT OF CASH FLOWS
For the Year Ended November 30, 2023

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 325,794	\$ 196,109	\$ 521,903
Cash paid to suppliers	108,163	(296,084)	(187,921)
Cash paid to employees	(33,182)	(33,181)	(66,363)
Net cash provided (used) by operating activities	400,775	(133,156)	267,619
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Water fund advances to sewer fund	(106,330)	106,330	-
Net cash provided (used) by noncapital financing activities	(106,330)	106,330	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	(2,775,783)	(27,043)	(2,802,826)
Proceeds from special assessments	36,468	200	36,668
Capital grants	1,133,183	-	1,133,183
Proceeds from IDEQ Loan Payable	1,221,372	-	1,221,372
Hook ups and cap fees	17,080	2,400	19,480
Net cash provided (used) by capital and related financing activities	(367,680)	(24,443)	(392,123)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	3,565	1,497	5,062
Net cash provided by investing activities	3,565	1,497	5,062
Net increase (decrease) in cash	(69,670)	(49,772)	(119,442)
Cash, beginning of year	622,151	49,772	671,923
Cash, end of year	\$ 552,481	\$ -	\$ 552,481
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 41,934	\$ (223,345)	\$ (181,411)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	56,906	82,780	139,686
Accounts receivable	7,007	1,676	8,683
Tax roll receivable	(2,364)	4,269	1,905
Prepaid expenses	70	70	140
Accounts payable	296,814	325	297,139
Payroll liabilities	1,444	1,445	2,889
Unearned revenue	(1,036)	(376)	(1,412)
Total adjustments	358,841	90,189	449,030
Net cash provided (used) by operating activities	\$ 400,775	\$ (133,156)	\$ 267,619

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Bayview Water and Sewer District (the "District") was organized under and pursuant to the laws of the State of Idaho in January 1972, for the purpose of constructing and operating water and sewer systems for the residents of Bayview, Idaho.

The District's financial statements include the accounts of all District operations.

The District has oversight responsibility and control over all activities related to the District's functions. The District is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board (GASB) pronouncements, since the public elects the District's board members.

The accounting methods and procedures adopted by Bayview Water and Sewer District conform to generally accepted accounting principles as applied to special-purpose governmental entities engaged only in business-type activities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the District's basic financial statements.

B. Basis of Presentation and Accounting

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

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

Basis of Accounting – For financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

C. Net Position

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

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

Restricted Net Position – This consists of 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.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Net Position (Concluded)

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

D. Cash Equivalents and Investments

The District considers all highly-liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents.

E. Receivables

Charges for usage are billed monthly for the previous month's usage. Accounts receivable consist of billings of fees that have not yet been collected. No allowance for uncollectible amounts has been estimated, as management believes all amounts to be collectible. The District has the authority to have delinquent customer accounts added to the Kootenai County tax rolls.

F. Capital Assets

Capital assets, which include property, plant, and equipment, with an original cost of \$5,000 or more are capitalized at historical cost or estimated historical cost when historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Replacements that improve or extend the useful life of capital assets are capitalized.

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

Sewer System	5 – 50 Years
Water System	5 – 50 Years
Automotive	5 Years
Office Equipment	5 – 8 Years
Office Building	5 – 20 Years

G. Operating Revenues and Expenses

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

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS

November 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Income Taxes

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

I. Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

J. Assessments Receivable

Assessments receivable are amounts due from benefitted property owners of public improvements to the water and sewer systems. Installments of principal and interest due from property owners are billed annually.

NOTE 2: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the District's investments and deposits. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the fiscal year ended November 30, 2023.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. The carrying amount of the District's deposits is \$552,481 and the bank balance is \$757,025.

The District uses sweep accounts as well as FDIC insurance coverage to ensure that its deposits are not exposed to custodial credit risk. Accordingly, as of November 30, 2023, none of the District's deposits were exposed to custodial credit risk.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS November 30, 2023

NOTE 3: CAPITAL ASSETS

The following schedule represents the detail of changes in capital asset balances for the fiscal year ending November 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 214,808	\$ -	\$ -	\$ -	\$ 214,808
Construction in progress	454,963	2,725,029	-	(16,243)	3,163,749
Total capital assets, not being depreciated	<u>669,771</u>	<u>2,725,029</u>	<u>-</u>	<u>(16,243)</u>	<u>3,378,557</u>
Capital assets, being depreciated:					
Sewer system	3,804,544	27,043	-	16,243	3,847,830
Water system	2,599,072	50,754	-	-	2,649,826
Automotive	12,930	-	-	-	12,930
Office equipment	6,970	-	-	-	6,970
Office building	101,494	-	-	-	101,494
Total capital assets being depreciated	<u>6,525,010</u>	<u>77,797</u>	<u>-</u>	<u>16,243</u>	<u>6,619,050</u>
Less accumulated depreciation for:					
Sewer system	2,302,876	80,315	-	-	2,383,191
Water system	1,214,425	54,440	-	-	1,268,865
Automotive	12,930	-	-	-	12,930
Office equipment	6,969	-	-	-	6,969
Office building	95,191	4,931	-	-	100,122
Total accumulated depreciation	<u>3,632,391</u>	<u>139,686</u>	<u>-</u>	<u>-</u>	<u>3,772,077</u>
Total capital assets, being depreciated, net	<u>2,892,619</u>	<u>(61,889)</u>	<u>-</u>	<u>16,243</u>	<u>2,846,973</u>
Business-type activities capital assets, net	<u>\$ 3,562,390</u>	<u>\$ 2,663,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,225,530</u>

NOTE 4: 2020 WATER REVENUE BONDS

In May of 2020, a special election was held whereby eligible voters of the District approved the issuance of water revenue bonds in the aggregate principal amount not to exceed \$3,400,000, for the purpose of providing the funds for the acquisition, construction, and installation of certain improvements, additions and betterments of the District's water system.

In June 2020, the District signed and entered into the State of Idaho Department of Environmental Quality (IDEQ) Loan Offer and Acceptance Agreement. Under the loan agreement, the District finalized its terms for financing the water system improvement project. Per the agreement, the District may borrow up to \$3,317,000 at 1.75% (interest of 0.75% and loan fee of 1.0%) and \$97,830 of principal forgiveness to be repaid in biannual installments over 30 years for a total repayment obligation of \$3,219,170. The IDEQ loan will be evidenced and secured by the voter-approved water revenue bonds in the amount of \$3,219,170, which will be issued upon certified completion of the project.

Bayview Water and Sewer District

NOTES TO THE FINANCIAL STATEMENTS November 30, 2023

NOTE 4: 2020 WATER REVENUE BONDS (Concluded)

During the fiscal year ended November 30, 2021, the District received \$132,432 in funding on the loan as it began incurring the initial planning and design costs of the project. IDEQ forgave \$3,906 in principal per the terms of the loan during fiscal 2021. During the fiscal year ended November 30, 2022, the District received an additional \$279,766 in loan funding and \$8,251 in additional forgiveness, resulting in an ending loan balance of \$400,041 as of November 30, 2022. During the fiscal year ended November 30, 2023, the water improvement project continued to progress and the District received an additional \$1,258,489 in loan funding and \$37,117 in loan principal forgiveness, resulting in an ending loan balance of \$1,621,413 as of November 30, 2023. Given that the project is still ongoing, the final total amounts of loan funding are still unknown. Accordingly, no future amortization or current portion of the loan is available to be disclosed.

NOTE 5: LONG-TERM DEBT

Long-term debt activity for the year ended November 30, 2023 is summarized as follows:

	Beginning Balance	Additions	Repayments	Principal Forgiven	Ending Balance	Due Within One Year
IDEQ Water Loan	\$ 400,041	\$ 1,258,489	\$ -	(37,117)	\$ 1,621,413	\$ -
	\$ 400,041	\$ 1,258,489	\$ -	\$ (37,117)	\$ 1,621,413	\$ -

NOTE 6: AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

In September of 2022, the Idaho Department of Environmental Quality's (IDEQ) Grant and Loan Bureau awarded the District \$750,000 in ARPA State and Local Fiscal Recovery Funds for the purpose of supplementing material and labor cost overruns for the District's ongoing water system improvement project.

Additionally, in April 2023, the District was awarded and accepted a second round of ARPA funding through the IDEQ in the amount of \$393,215 for the supply and distribution improvements aspect of the District's ongoing water system improvement project.

These funds effectively reduced the necessary amount of IDEQ loan financing that is currently in place for the ongoing water system improvement project (See Note 4). The ARPA funds were funded to the District on a reimbursement basis as the District incurred eligible expenditures on the water system improvement project during fiscal 2023. As of November 30, 2023, the District has expended the full amount of ARPA funding in the amount of \$1,143,215.

Financial Section

Report Required by the GAO



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

Independent Auditor's Report

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

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 Bayview Water and Sewer District (the "District"), as of and for the year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 15, 2024.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Purpose of this Report

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

Scott P. Hoover, CPA

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

August 15, 2024



REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Directors
Bayview Water and Sewer District
Bayview, ID 83803

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bayview Water and Sewer District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended November 30, 2023. Bayview Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bayview Water and Sewer District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive of those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONCLUDED)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott P. Hoover, CPA

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

August 15, 2024

Bayview Water and Sewer District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2023

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through the Idaho Department of Environmental Quality</i>			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW2012	\$ 1,239,953
Total Drinking Water State Revolving Fund Cluster			1,239,953
Total U.S. Department of Environmental Protection Agency			1,239,953
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>Passed through the Idaho Department of Environmental Quality</i>			
ARPA-Coronavirus State and Local			
Fiscal Recovery Funds (CSLFRF), SLFRF	21.027	DW2012AP	739,968
Fiscal Recovery Funds (CSLFRF), SLFRF	21.027	DW2325AP	393,215
Total U.S. Department of the Treasury			1,133,183
Total Expenditures of Federal Awards			\$ 2,373,136

Bayview Water & Sewer District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS November 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bayview Water and Sewer District under programs of the federal government for the fiscal year ended November 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bayview Water and Sewer District, it is not intended to, and does not present, the financial position or changes in net position of Bayview Water and Sewer District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The District has not elected to use the 10% de minimis indirect cost rate.

**BAYVIEW WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended November 30, 2023**

Section I Summary of Auditors Results

Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Non-compliance material to the financial statements noted?	No

Federal Awards

Internal control over compliance in major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with the Uniform Guidance Title 2 CFR 200	No
Identification of major programs included:	
U.S. Dept. of Treasury: Coronavirus States and Local Fiscal Recovery Funds	CFDA # 21.027
U.S. Dept. of Environmental Protection Agency: Capitalization Grants for Drinking Water State Revolving Funds	CFDA # 66.468
Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	No

**BAYVIEW WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended November 30, 2023**

Section II - Financial Statement Findings

No matters reported

Section III – Major Federal Award Programs Findings and Questioned Costs

No matters reported