

# Bayview Water & Sewer District

Financial Statements  
NOVEMBER 30, 2022

# Bayview Water and Sewer District

## TABLE OF CONTENTS November 30, 2022

### FINANCIAL SECTION:

**Independent Auditor's Report** ..... 1 - 2

#### **Basic Financial Statements:**

##### Government-wide Financial Statements:

Statement of Net Position.....3

Statement of Revenues, Expenses and Changes in Net Position .....4

Statement of Cash Flows .....5

Notes to the Financial Statements.....6 – 10

#### **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*..... 11 - 12

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, 2022, 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, 2022, 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 (CONCLUDED)

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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, 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

November 16, 2023

## Financial Section

### Basic Financial Statements

**Bayview Water and Sewer District**

**STATEMENT OF NET POSITION  
November 30, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 622,151	\$ 49,772	\$ 671,923
Accounts receivable	25,920	23,649	49,569
Tax roll receivable	15,399	6,242	21,641
Prepaid expenses	1,814	1,814	3,628
Special assessments receivable	46,528	200	46,728
Total current assets	<u>711,812</u>	<u>81,677</u>	<u>793,489</u>
Capital assets:			
Land	6,250	208,558	214,808
Construction in progress	438,720	16,243	454,963
Sewer system	-	3,804,544	3,804,544
Water system	2,599,072	-	2,599,072
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	<u>3,098,274</u>	<u>4,096,507</u>	<u>7,194,781</u>
Less: Accumulated depreciation	<u>(1,265,505)</u>	<u>(2,366,886)</u>	<u>(3,632,391)</u>
Net capital assets	<u>1,832,769</u>	<u>1,729,621</u>	<u>3,562,390</u>
Total assets	<u>\$ 2,544,581</u>	<u>\$ 1,811,298</u>	<u>\$ 4,355,879</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 18,684	\$ 9,669	\$ 28,353
Payroll liabilities	4,331	4,330	8,661
Unearned revenue	9,725	6,486	16,211
Accrued interest payable	4,707	-	4,707
Total current liabilities	<u>37,447</u>	<u>20,485</u>	<u>57,932</u>
Non-current liabilities:			
IDEQ Loan payable	400,041	-	400,041
Total liabilities	<u>437,488</u>	<u>20,485</u>	<u>457,973</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,432,728	1,729,621	3,162,349
Restricted for capital improvement	67,564	-	67,564
Unrestricted	606,801	61,192	667,993
Total net position	<u>\$ 2,107,093</u>	<u>\$ 1,790,813</u>	<u>\$ 3,897,906</u>
Total liabilities and net position	<u>\$ 2,544,581</u>	<u>\$ 1,811,298</u>	<u>\$ 4,355,879</u>

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, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Water	\$ 273,995	\$ -	\$ 273,995
Sewer	-	197,033	197,033
Late charges and miscellaneous	11,623	6,467	18,090
Total operating revenues	<u>285,618</u>	<u>203,500</u>	<u>489,118</u>
<b>OPERATING EXPENSES:</b>			
Auto expense	1,390	1,431	2,821
Bank and finance charges	109	93	202
Contracted services	36,088	53,698	89,786
Depreciation	56,830	81,044	137,874
Dues and subscriptions	1,600	1,600	3,200
Fee assessments	1,880	-	1,880
Insurance	4,368	4,368	8,736
Miscellaneous	400	349	749
Office expenses	3,650	3,014	6,664
Payroll expenses	29,180	29,180	58,360
Professional fees	14,600	15,600	30,200
Repairs and maintenance	196,895	59,612	256,507
Telephone	2,490	2,490	4,980
Utilities	30,138	30,143	60,281
Total operating expenses	<u>379,618</u>	<u>282,622</u>	<u>662,240</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(94,000)</u>	<u>(79,122)</u>	<u>(173,122)</u>
<b>NON-OPERATING REVENUES/(EXPENSES):</b>			
Hookup and cap fees	69,560	7,200	76,760
Interest income - general	160	65	225
Interest income - special assessments	3,102	471.00	3,573
Grants	10,032	-	10,032
Interest expense	(4,587)	-	(4,587)
Total non-operating revenues/(expenses)	<u>78,267</u>	<u>7,736</u>	<u>86,003</u>
<b>CHANGE IN NET POSITION</b>	(15,733)	(71,386)	(87,119)
<b>NET POSITION, beginning of year</b>	<u>2,122,826</u>	<u>1,862,199</u>	<u>3,985,025</u>
<b>NET POSITION, end of year</b>	<u>\$ 2,107,093</u>	<u>\$ 1,790,813</u>	<u>\$ 3,897,906</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, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 258,962	\$ 190,580	\$ 449,542
Cash paid to suppliers	(385,777)	(173,249)	(559,026)
Cash paid to employees	<u>(27,228)</u>	<u>(27,228)</u>	<u>(54,456)</u>
Net cash (used) by operating activities	<u>(154,043)</u>	<u>(9,897)</u>	<u>(163,940)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	(154,160)	-	(154,160)
Proceeds from special assessments	48,450	6,219	54,669
Capital grants	10,032	-	10,032
Proceeds from IDEQ Loan Payable	271,515	-	271,515
Hook ups and cap fees	<u>69,560</u>	<u>7,200</u>	<u>76,760</u>
Net cash provided by capital and related financing activities	<u>245,397</u>	<u>13,419</u>	<u>258,816</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income received	<u>4,212</u>	<u>621</u>	<u>4,833</u>
Net cash provided by investing activities	<u>4,212</u>	<u>621</u>	<u>4,833</u>
Net increase in cash	95,566	4,143	99,709
Cash, beginning of year	<u>526,585</u>	<u>45,629</u>	<u>572,214</u>
Cash, end of year	<u>\$ 622,151</u>	<u>\$ 49,772</u>	<u>\$ 671,923</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (94,000)	\$ (79,122)	\$ (173,122)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	56,830	81,044	137,874
Accounts receivable	(17,918)	(13,697)	(31,615)
Tax roll receivable	(4,259)	2,713	(1,546)
Prepaid expenses	(69)	(103)	(172)
Accounts payable	(92,100)	(748)	(92,848)
Payroll liabilities	1,952	1,952	3,904
Unearned revenue	<u>(4,479)</u>	<u>(1,936)</u>	<u>(6,415)</u>
Total adjustments	<u>(60,043)</u>	<u>69,225</u>	<u>9,182</u>
Net cash provided (used) by operating activities	<u>\$ (154,043)</u>	<u>\$ (9,897)</u>	<u>\$ (163,940)</u>

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, 2022

### 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, 2022

### 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, such as gains and losses from CD redemptions. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to the unrestricted net position.

# Bayview Water and Sewer District

## NOTES TO THE FINANCIAL STATEMENTS

November 30, 2022

### 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, 2022.

#### 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 \$671,923 and the bank balance is \$674,413.

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, 2022, none of the District's deposits were exposed to custodial credit risk.

# Bayview Water and Sewer District

## NOTES TO THE FINANCIAL STATEMENTS November 30, 2022

### NOTE 3: CAPITAL ASSETS

The following schedule represents the detail of changes in capital asset balances for the fiscal year ending November 30, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 214,808	\$ -	\$ -	\$ 214,808
Construction in progress	300,803	154,160	-	454,963
Total capital assets, not being depreciated	<u>515,611</u>	<u>154,160</u>	<u>-</u>	<u>669,771</u>
Capital assets, being depreciated:				
Sewer system	3,804,544	-	-	3,804,544
Water system	2,599,072	-	-	2,599,072
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>-</u>	<u>-</u>	<u>6,525,010</u>
Less accumulated depreciation for:				
Sewer system	2,224,298	78,578	-	2,302,876
Water system	1,160,061	54,364	-	1,214,425
Automotive	12,930	-	-	12,930
Office equipment	6,969	-	-	6,969
Office building	90,259	4,932	-	95,191
Total accumulated depreciation	<u>3,494,517</u>	<u>137,874</u>	<u>-</u>	<u>3,632,391</u>
Total capital assets, being depreciated, net	<u>3,030,493</u>	<u>(137,874)</u>	<u>-</u>	<u>2,892,619</u>
Business-type activities capital assets, net	<u>\$ 3,546,104</u>	<u>\$ 16,286</u>	<u>\$ -</u>	<u>\$ 3,562,390</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, 2022

### 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 water improvement project continued to progress and 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. Given that the project is in its initial stages and the final total amounts of loan funding are still pending, 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, 2022 is summarized as follows:

	Beginning Balance	Additions	Repayments	Principal Forgiven	Ending Balance	Due Within One Year
IDEQ Water Loan	\$ 128,526	\$ 279,766	\$ -	(8,251)	\$ 400,041	\$ -
	\$ 128,526	\$ 279,766	\$ -	\$ (8,251)	\$ 400,041	\$ -
					\$ -	

### 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 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 will effectively reduce 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 will be funded to the District on a reimbursement basis as the District incurs eligible expenditures on the water system improvement project. The District did not receive any ARPA funds during the fiscal year ended November 30, 2022. However, subsequent to November 30, 2022 up through the date these financial statements were available to be issued (See Audit Report opinion date), the District has spent 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, 2022, 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 16, 2023.

***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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**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

November 16, 2023