

**INDIAN VALLEY
COMMUNITY SERVICES DISTRICT**

Financial Statements
and Independent Auditor's Report

As of and for the Year Ended June 30, 2024

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
Audited Financial Statements
June 30, 2024

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Independent Auditor's Report

Board of Directors
Indian Valley Community Services District
Greenville, CA

Report on the Audit of Financial Statements*Disclaimer of Opinion on Basic Financial Statements*

We were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Indian Valley Community Services District as of and for the year ended June 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.

Because of the significance of the matter described in the Basis of Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indian Valley Community Services District as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively compromise the District's basic financial statements as listed in the table of contents. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of 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 Indian Valley CSD 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 disclaimer of opinion.

Matter giving rise to Disclaimer of Opinion

As disclosed in Footnote 9 – Basis for Disclaimer of Opinion, the District was significantly impacted by the Dixie Fire, which resulted in destruction of assets and disruption of operations. As further explained in Note 9, due to staff turnover and lack of training, the accuracy of financial reports has made it difficult to substantiate account balances and reconcile transactions. We could not obtain adequate supporting documentation for material account balances for accounts receivable, revenues and grants. The lack of reliable evidence is both material and pervasive to the financial statements as a whole. As a result, we are unable to express an opinion on the financial statements.

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 condition of events, considered in the aggregate, that raise substantial doubt about the Indian Valley Community Service District's ability to continue as a going concern for twelve month beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

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 included our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not 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 judgement made by reasonable user based on the financial statements.

Except as explained in the Basis for Disclaimer of Opinion paragraph, 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 procedure include examining on a test basis, evidence regarding the amount and disclosures in the financial statements.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Indian Valley Community Services 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 finding and certain internal control related matter that we identified during the audit.

Other Matters

Required Supplementary Information

The District's management has omitted the Management Discussion and Analysis and the budgetary comparison information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a basic part of the 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, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the other supplementary information schedules and whether it is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Respectfully submitted,


SingletonAuman, PC
Susanville, CA
July 28, 2025

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash on Hand, in Banks, and in LAIF	\$ 6,973,019	\$ -	\$ 6,973,019
Accounts Receivable	427,696	(35,837)	391,859
Due from Other Funds	29,434	244,663	274,097
Total Current Assets	<u>7,430,149</u>	<u>208,826</u>	<u>7,638,975</u>
Property, Plant & Equipment, Net	<u>504,860</u>	<u>7,824,708</u>	<u>8,329,568</u>
Total Assets	<u><u>\$ 7,935,009</u></u>	<u><u>\$ 8,033,534</u></u>	<u><u>\$ 15,968,543</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 790,597	\$ 146,481	\$ 937,078
Customer Deposits	-	26,761	26,761
Grant Payable		159,432	159,432
Accrued Interest		21,253	21,253
Due to Other Funds	244,663	29,434	274,097
Current Portion of Long-Term Debt		175,377	175,377
Total Current Liabilities	<u>1,035,260</u>	<u>558,738</u>	<u>1,593,998</u>
Long-Term Debt	<u>-</u>	<u>1,541,605</u>	<u>1,541,605</u>
Total Liabilities	<u><u>\$ 1,035,260</u></u>	<u><u>\$ 2,100,343</u></u>	<u><u>\$ 3,135,603</u></u>
NET POSITION			
Net Investment in Capital Assets	\$ 504,860	\$ 6,107,726	\$ 6,612,586
Unrestricted	<u>6,394,889</u>	<u>(174,535)</u>	<u>6,220,354</u>
Total Net Position	<u><u>\$ 6,899,749</u></u>	<u><u>\$ 5,933,191</u></u>	<u><u>\$ 12,832,940</u></u>

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2024

	Program Revenue		Net (Expense)		Net (Expense)		Net (Expense)	
	Charges For Services	Capital Grants and Contributions	Revenue and Changes in Net Position		Revenue and Changes in Net Position		Revenue and Changes in Net Position	
Expenses			Governmental Activities		Business-Type Activities		Total	
<u>Governmental Activities</u>								
General Government	\$ 650,877	\$ 301,444	\$ 688,083	\$ 338,650	\$ -	\$ 338,650		
Total Governmental Activities	650,877	301,444	688,083	338,650	-	338,650		
<u>Business-Type Activities</u>								
Water Utility	1,030,252	401,452			(628,800)	(628,800)		
Sewer Utility	472,270	159,669			(312,601)	(312,601)		
Total Business Type Activities	1,502,522	561,121	-		(941,401)	(941,401)		
Total Primary Government	\$ 2,153,399	\$ 862,565	\$ 688,083	338,650	(941,401)	(602,751)		
General Revenues (Expenses):								
Property Taxes and Assessments			163,573		79,364	242,937		
Interest Income			116,556		260,257	376,813		
Capital Grants			21,891		537,647	559,538		
Other Income					215,229	215,229		
Interest Expense					(51,369)	(51,369)		
Net General Revenue (Expenses)			302,020		1,041,128	1,343,148		
Change in Net Postion			640,670		99,727	740,397		
Net Position Beginning (As Restated- Note 8)			6,259,079		5,833,464	12,092,543		
Net Position Ending			\$ 6,899,749		\$ 5,933,191	\$ 12,832,940		

The accompanying notes are an integral part of this statement

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>General</u>
ASSETS	
Cash	\$ 6,973,019
Accounts Receivable	427,696
Due From Other Funds	29,434
TOTAL ASSETS	<u>\$ 7,430,149</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 790,597
Due to Other Funds	244,663
Total Liabilities	<u>1,035,260</u>
Fund Balance:	
Unassigned Fund Balance	<u>6,394,889</u>
Total Fund Balance	<u>6,394,889</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,430,149</u>

The accompanying notes are an integral part of this statement.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$ 6,394,889
Reconciling Items:	
Capital Assets are not reported in the governmental funds	<u>504,860</u>
Total Net Position - Governmental Activities	<u><u>\$ 6,899,749</u></u>

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Governmental Funds</u>
	<u>General</u>
Revenues	
Property Taxes	\$ 163,573
Proprietary Funds Administrative Services	301,444
Capital Grants	688,083
Interest Income	116,556
Other Income	21,891
Total Revenues	<u>1,291,547</u>
Expenditures	
Personnel Services	360,773
Communication	5,900
Insurance	40,443
Material,Supplies, Rents and Services	57,107
Office	(13,932)
Adminstration Expense	33,774
Professional Services	127,498
Repairs and Maintenance	(3,835)
Vehicle expense	18,334
Permits and Inspections	3,454
Travel Education And Training	(1,322)
Utilities	16,809
Capital Outlay	(20,990)
Interest Expense	-
Total Expenditures	<u>624,013</u>
Excess Of Revenues Over (Under)	
Expenditures	667,534
Fund Balance - July 1 (As restated - See Note 8)	<u>5,727,355</u>
Fund Balance - June 30	<u><u>\$ 6,394,889</u></u>

The accompanying notes are an integral part of this statement.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Changes in fund balances - total governmental funds	\$ 667,534
Reconciling Items:	
Capital aquistions are treated as expenditures in the governmental funds	4,411
The depreciation of capital assets is not recorded in the governmental funds	<u>(31,275)</u>
Changes in net position of governmental activities - statement of activities	<u><u>\$ 640,670</u></u>

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash on Hand, in Banks, and in LAIF	\$ -	\$ -	\$ -
Accounts Receivable	(34,488)	(1,349)	(35,837)
Due from Other funds	244,663		244,663
Total Current Assets	210,175	(1,349)	(35,837)
Property, Plant & Equipment, Net	6,274,639	1,550,069	7,824,708
Total Assets	<u>\$ 6,484,814</u>	<u>\$ 1,548,720</u>	<u>\$ 8,033,534</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 130,606	\$ 15,875	\$ 146,481
Accrued Interest	21,253		21,253
Customer Deposits	14,538	12,223	26,761
Grant Payable	79,721	79,711	159,432
Due to General Fund	29,434		29,434
Current Portion of Long-Term Debt	160,094	15,283	175,377
Total Current Liabilities	435,646	123,092	558,738
Long-Term Debt	1,387,755	153,850	1,541,605
Total Liabilities	<u>\$ 1,823,401</u>	<u>\$ 276,942</u>	<u>\$ 2,100,343</u>
NET POSITION			
Net Investment in Capital Assets	\$ 4,726,790	\$ 1,380,936	\$ 6,107,726
Unrestricted (Deficit)	(65,377)	(109,158)	(174,535)
Total Net Position	<u>\$ 4,661,413</u>	<u>\$ 1,271,778</u>	<u>\$ 5,933,191</u>

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities		
	Water	Sewer	Total
Operating Revenues:			
Utility Sales	\$ 401,452	\$ 159,669	\$ 561,121
Total Operating Revenue	401,452	159,669	561,121
Operating Expenses:			
Salaries and Benefits	198,149	157,989	356,138
Materials, Supplies, Rents and Services	76,310	31,976	108,286
Repairs and Maintenance	20,047	(76,457)	(56,410)
Vehicle expenses	19,772	21,449	41,221
Insurance	44,402	44,402	88,804
Utilities	14,500	13,724	28,224
Permits and Inspections	23,712	28,957	52,669
Administrative Services - General Fund	204,960	62,710	267,670
Professional Services	230,032	108,164	338,196
Other Expenses	19,715	16,633	36,348
Depreciation and Amortization	178,653	62,723	241,376
Total Operating Expenses	1,030,252	472,270	1,502,522
Operating Income (Loss)	(628,800)	(312,601)	(941,401)
Non-Operating Revenues and (Expenses):			
Interest Expense	(43,381)	(7,988)	(51,369)
Interest Income	159,574	100,683	260,257
Property Taxes	38,732	40,632	79,364
Capital Grant	269,152	268,495	537,647
Other Income	215,229	-	215,229
Total Non-Operating Revenues and (Expenses)	639,306	401,822	1,041,128
Change in Net Position	10,506	89,221	99,727
Total Net Position - July 1 (As Restated- Note 8)	4,650,907	1,182,557	5,833,464
Total Net Position - June 30	\$ 4,661,413	\$ 1,271,778	\$ 5,933,191

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Cash Received From Customers	\$ 668,465	\$ 314,576	\$ 983,041
Cash Payments to Employees	(198,149)	(157,989)	(356,138)
Cash Payments to Suppliers for Goods and Services	(541,084)	(258,579)	(799,663)
Net Cash Provided (Used) by Operating Activities	(70,768)	(101,992)	(172,760)
Cash Flows from Capital and Related Financing Activities:			
Purchases of Property and Equipment	(2,008,931)	(609,598)	(2,618,529)
Interest Paid on Long-Term Debt	(50,881)	(7,988)	(58,869)
Principal Paid on Long-Term Debt	(158,462)	(16,619)	(175,081)
Net Cash Provided (Used) by Capital Financing Activities	(2,218,274)	(634,205)	(2,852,479)
Cash Flows from NonCapital Financing Activities:			
Interfund Financing	(894,366)	(165,745)	(1,060,111)
Property Taxes	38,732	40,632	79,364
Interest Income	159,574	100,683	260,257
Capital Grant	348,873	348,206	697,079
Other Income	215,229	-	215,229
Net Cash Provided (Used) by NonCapital Financing Activities	(131,958)	323,776	191,818
Net Increase (Decrease) in Cash and Cash Equivalents	(2,421,000)	(412,421)	865,127
Cash and Cash Equivalents:			
Balance - July 1	2,421,000	412,421	2,833,421
Balance - June 30	\$ -	\$ -	\$ -
Reconciliation:			
Operating Income (Loss)	\$ (628,800)	\$ (312,601)	\$ (941,401)
Depreciation and Amortization	178,653	62,723	241,376
(Increase)/Decrease in Operating Accounts Receivable	271,054	144,851	415,905
Increase/(Decrease) in Accounts Payable	112,366	(7,021)	105,345
Increase/(Decrease) in Customer Deposits	(4,041)	10,056	6,015
Net Cash Provided by Operating Activities	\$ (70,768)	\$ (101,992)	\$ (172,760)

The accompanying notes are an integral part of this statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indian Valley Community Services District (District) was formed in 1974 and provides fire, pool, water, sewer, street lighting and other public services to residential and commercial customers within the boundaries of the District. The District accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities, and for the different business-type activities of the District. Direct expenses are those that are specifically associated with a specific function or identifiable activity. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs or activities, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The District reports the following major Governmental Fund:

The General Fund is used for all general revenues of the District that are not required to be accounted for in another fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major Proprietary Funds:

The Water Fund accounts for water revenue, expenses, and net position.
The Sewer Fund accounts for sewer revenue, expenses, and net position.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

b. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are received. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: These statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of property taxes. Revenues received from the State are recognized under the susceptible-to-accrual concept. Property tax revenues and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations are recorded on an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

3. Assets, Liabilities, and Equity

a. Cash, Cash Equivalents and Concentrations of Risk

For the purpose of the statement of cash flows, highly liquid investments, including restricted funds, are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. The District's cash balance exceeds FDIC insured limits by \$131,725 at June 30, 2024.

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

b. Inventories

Inventories are expensed by the District when purchased. Although this method is not in compliance with generally accepted accounting principles, the departure is considered immaterial for financial statement purposes.

c. Capital Assets

Property, Plant and Equipment owned by the Proprietary Funds is stated at cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	40
Office Equipment	3-7
Machinery and Equipment	5-20
Utility Plant and Infrastructure	10-40

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

d. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Plumas bills and collects the taxes for the District. The District recognizes tax revenues when apportioned by the County.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end. See note regarding disclaimer of opinion due to mismanagement of accounts receivable system.

No provisions have been made for bad debts. The District does not currently have procedures for writing off accounts receivable. This departure from GAAP is immaterial to the financial statements.

f. Compensated Absences

Accumulated unpaid employee vacation leave benefits are recognized as liabilities of the District. The liabilities are recognized in the General Fund, Water Fund and Sewer Fund at year end if material. Sick leave is not due upon termination and, therefore, is not recorded as a liability of the District.

g. Equity Restrictions

The District has amounts that are Restricted by the lenders. These amounts have been set aside to pay future debt obligations or set aside for maintaining required capital reserves as required by the lender in debt contracts.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

i. Equity Classifications

Fund Financial Statements

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority. The District has chosen not to delegate this authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as obligated for future contracts). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board has provided otherwise in its commitment or assignment actions.

Government-Wide Financial Statements

For Government-Wide Financial Statements, equity is classified in three components as follows:

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Restricted Net Assets consists of net assets with restrictions placed on the use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consists of all other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Lack of Adequate Accounting System	Disclaimer of Opinion

2. Deficit Fund Net Position of Individual Funds

Following are funds having a deficit fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	N/A	N/A

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

A summary of changes in fixed assets for the General Fund follows:

	Balance <u>6/30/2023</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2024</u>
Land and Easements	\$ 85,000	\$ 111,333	\$ -	\$ 196,333
Buildings and Improvements	148,379			148,379
Machinery and Equipment	459,959	88,406		548,365
Construction In Progress	35,933	75,703		111,636
	<u>729,271</u>	<u>275,442</u>	<u>-</u>	<u>1,004,713</u>
Accumulated Depreciation	<u>(468,578)</u>	<u>(31,275)</u>		<u>(499,853)</u>
Property, Plant and Equipment, Net	<u>\$ 258,023</u>	<u>\$ 244,167</u>	<u>\$ -</u>	<u>\$ 504,860</u>

A summary of changes in fixed assets for the Water Fund follows:

	Balance <u>6/30/2023</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/2024</u>
Water System	\$ 6,565,268	\$ -	\$ -	\$ 6,565,268
Machinery and Equipment	160,910	29,200		190,110
Construction in Progress	393,172	1,979,731		2,372,903
	<u>7,119,350</u>	<u>2,008,931</u>	<u>-</u>	<u>9,128,281</u>
Accumulated Depreciation	<u>(2,674,988)</u>	<u>(178,653)</u>		<u>(2,853,641)</u>
Property, Plant and Equipment, Net	<u>\$ 4,605,829</u>	<u>\$ 1,830,278</u>	<u>\$ -</u>	<u>\$ 6,274,640</u>

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A summary of changes in fixed assets for the Sewer Fund follows:

	Balance 6/30/2023	Additions	Dispositions	Balance 6/30/2024
Sewer System	\$ 2,353,949	\$ 587,229		\$ 2,941,178
Construction in Progress	214,285	-		214,285
Machinery and Equipment	131,960	22,369		154,329
	<u>2,700,194</u>	<u>609,598</u>	<u>-</u>	<u>3,309,792</u>
Accumulated Depreciation	<u>(1,697,000)</u>	<u>(62,723)</u>		<u>(1,759,723)</u>
Property, Plant and Equipment, Net	<u>\$ 1,003,194</u>	<u>\$ 546,875</u>	<u>\$ -</u>	<u>\$ 1,550,069</u>

Depreciation was charged to functions as follows:

General	\$ 31,275
Water	178,653
Sewer	<u>62,723</u>
Total	<u>\$ 272,651</u>

NOTE 4 – LONG-TERM DEBT

Sewer Fund - Long Term Debt in the Sewer Fund is summarized as follows:

	Balance 6/30/2023	Increases	Decreases	Balance 6/30/2024
USDA Special Assessment Bonds	\$ 172,050	\$ -	\$ 8,900	\$ 163,150
Sewer Truck Loan	13,702		7,718	5,984
Total Bonds Payable	<u>\$ 185,752</u>	<u>\$ -</u>	<u>\$ 16,618</u>	169,134
Less Current Portion				(15,284)
Long-Term Portion of Debt				<u>\$ 153,850</u>

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

USDA Special Assessment Bonds – The District borrowed \$312,103 at 4.5 % to help finance improvements to the Greenville sewer system. The note has annual principal payments and semiannual interest payments and matures in 2037.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	9,300	7,133	16,433
2026	9,800	6,703	16,503
2027	10,200	6,253	16,453
2028	10,700	5,783	16,483
2029	11,100	5,292	16,392
2030-2034	49,800	18,279	68,079
2034-2038	52,950	3,580	56,530
Totals	<u>\$ 153,850</u>	<u>\$ 53,023</u>	<u>\$ 206,873</u>

Sewer Truck Loan

In March, 2019 the District purchased a Ford F250 truck for the Sewer Fund and financed it with a loan of \$43,339. This loan has an interest rate of 3.9% and calls for 72 monthly payments of \$676.07. The loan is secured by the vehicle purchased. A summary of long-term debt requirements follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,984	\$ 98	\$ 6,085
	<u>\$ 5,984</u>	<u>\$ 98</u>	<u>\$ 6,085</u>

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Water Fund - Long Term Debt of the Water Fund is summarized as follows:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2024
CA Dept of Water Resources Note	\$ 31,795	\$ -	\$ 4,541	\$ 27,254
Umpqua Bank Note	1,655,187		143,031	1,512,156
Water Truck Loan	19,328		10,888	8,440
Total Long-Term Debt Payable	<u>\$ 1,706,310</u>	<u>\$ -</u>	<u>\$ 158,460</u>	1,547,850
Less Current Portion				(160,094)
Long-Term Portion of Debt				<u>\$ 1,387,756</u>

CA Dept of Water Resources Note – The District borrowed \$113,557 at 0% interest from the Department of Water Resources to meet safe drinking water standards. Semi-annual payments of \$2,271 are scheduled in the loan agreement.

Umpqua Bank Refinancing Loan - In July, 2017 the District refinanced with Umpqua Bank and paid off the USDA, RCAC, and County of Plumas notes in the Water fund. The new loan with Umpqua Bank includes interest at 2.85% and included a loan fee of \$122,450. Among other debt covenants it requires the District to maintain annual net revenues at 120% of the maximum debt service requirement. Water Fund revenues are pledged as collateral for this loan.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Annual payments on this note are shown in the table below:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 147,107	\$ 41,156	\$ 188,263
2026	151,300	36,904	188,204
2027	155,612	32,530	188,142
2028	160,047	28,031	188,078
2029	164,608	23,405	188,013
2030	169,299	18,647	187,946
2031	174,124	13,753	187,877
2032	183,629	8,655	192,284
2033	188,862	3,347	192,209
2034	17,568	328	17,896
Total:	<u>\$ 1,512,156</u>	<u>\$ 206,756</u>	<u>\$ 1,718,912</u>

Water Truck Loan

The District purchased a Ford F350 truck to be used by the Water fund in March, 2019. This loan requires payments of \$953.63 per month for 72 months and includes interest of 3.9%. A summary of debt requirements on this loan follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	8,440	138	8,578
Total	<u>\$ 8,440</u>	<u>\$ 138</u>	<u>\$ 8,578</u>

Interest Expense for all Long-Term Debt was charged to functions as follows:

Water fund	\$ 43,381
Sewer Fund	7,988
Total	<u>\$ 51,369</u>

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 – EXCESS OF EXPENSES (EXPENDITURES) OVER APPROPRIATIONS

<u>Appropriations Category</u>	<u>Amount</u>	<u>Explanation</u>
General Fund:		
Personnel Services	\$ 125,452	For all expense categories: Depreciation expense was not budgeted. All other expenditures exceeded budget due to unanticipated costs.
Communication	\$ 21,646	
Insurance	\$ 29,721	
Materials, Supplies Rents and Services	\$ 117,687	
Repairs and Maintenance	\$ 36,008	
Vehicle Expense	\$ 524	
Utilities	\$ 5,778	
Water Fund:		
Materials, Supplies Rents and Services	\$ 65,838	
Vehicle Expense	\$ 22,453	
Other Expenses	\$ 17,864	
Depreciation	\$ 181,248	
Repairs and Maintenance	\$ 56,530	
Insurance	\$ 15,552	
Professional Fees	\$ 126,092	
Sewer Fund:		
Materials, Supplies Rents and Services	\$ 62,977	
Repairs and Maintenance	\$ 415,481	
Insurance	\$ 35,879	
Administrative Services	\$ 33,552	
Professional Services	\$ 140,762	
Other Expenses	\$ 142,153	
Depreciation	\$ 55,556	

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the General Fund, Water Fund and Sewer Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District estimates that the amount of actual or potential claims against the District as of June 30, 2024 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

NOTE 8 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains enterprise funds, which provide water and sewer services. Segment information for the year ended June 30, 2024 is as follows:

CONDENSED STATEMENT OF NET POSITION

	Water Services	Sewer Services
Assets:		
Current assets	\$ 210,175	\$ (1,349)
Capital assets	6,274,639	1,550,069
Total assets	<u>\$ 6,484,814</u>	<u>\$ 1,548,720</u>
Liabilities:		
Current liabilities	\$ 435,646	\$ 123,092
Noncurrent liabilities	1,387,755	153,850
Total liabilities	<u>\$ 1,823,401</u>	<u>\$ 276,942</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,726,790	\$ 1,380,936
Restricted for Debt Service		
Unrestricted	(65,377)	(109,158)
Total Net Position	<u>\$ 4,661,413</u>	<u>\$ 1,271,778</u>

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

	<u>Water Services</u>	<u>Sewer Services</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$ 401,452	\$ 159,669
Depreciation expense	(178,653)	(62,723)
Other operating expense	(851,599)	(409,547)
Operating income (loss)	<u>\$ (628,800)</u>	<u>\$ (312,601)</u>
Nonoperating revenues (expenses):		
Property taxes and other Income	682,687	409,810
Interest expense	(43,381)	(7,988)
Change in net position	<u>\$ 10,506</u>	<u>\$ 89,221</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	\$ (70,768)	\$ (101,992)
Capital and related financing activities	(2,218,274)	(634,205)
NonCapital financing activities	(131,958)	323,776
Net increase (decrease)	(2,421,000)	(412,421)
Beginning cash and cash equivalents	2,421,000	412,421
Ending cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 – BASIS FOR DISCLAIMER OF OPINION

The District was significantly impacted by the Dixie Fire, which resulted in the destruction of assets and a significant disruption in operations.

There was high turnover among staff and the General Manager since the fire. The loss of key personnel resulted in a lack of institutional knowledge and continuity, impeding our ability to gather necessary information. Remaining staff had a limited understanding of the utility software and struggled to generate accurate and timely financial reports.

The current accountant has expended significant effort to reconstruct records, however, inconsistencies and unclear processes from the multiple prior accountants have made it difficult to substantiate account balances and reconcile transactions.

INDIAN VALLEY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

The District received COVID relief funds but misapplied these funds to customer accounts, further complicating the accounting records. The District was unable to determine the proper accounting and allocation of these funds due to insufficient documentation and unclear processes.

The District did not have adequate supporting documentation for various material account balances, including fixed assets, utility revenue, accounts receivable, and grant revenue. Alternative procedures were not feasible considering the state of the accounting records. The lack of reliable evidence is both material and pervasive to the financial statements as a whole. As a result, no assurance was provided on the financial statements.

NOTE 10 – RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET POSITION

As a partial result of the accounting problems enumerated in Note 9, we made the following adjustments to beginning fund balances in order to balance the funds:

	Fund Balance Per Audit <u>June 30, 2023</u>	<u>Adjustment</u>	June 30, 2023 <u>As Restated</u>
Sewer Fund	\$ (91,378)	1,273,935	\$ 1,182,557
Water Fund	\$ 3,594,727	1,056,180	\$ 4,650,907
General Fund	\$ 8,474,092	(2,215,013)	\$ 6,259,079

The effect on prior years changes in net position or fund balances could not be determined, as a result of this prior period adjustment.

**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
Indian Valley Community Services District
Greenville, California

We were engaged to 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indian Valley Community Services District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Indian Valley Community Services District's basic financial statements and have issued a disclaimer of opinion thereon dated July 28, 2025.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Indian Valley Community Services District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 to 2024-004 that we consider to be material weaknesses.

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 that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Indian Valley Community Services District's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Report

This 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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SingletonAuman PC', followed by a small mark that looks like a stylized 'P' or 'K'.

SingletonAuman PC
Susanville, CA
July 28, 2025

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

EXECUTIVE SUMMARY

The Indian Valley Community Services District was formed in 1974. The quality of the District's internal controls is highly dependent upon the involvement in the day to day operations by the volunteer District Board Members. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Disclaimer of opinion
2. **Internal Control Findings:** 4 Material Weaknesses
3. **Material Noncompliance Noted:** None

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Internal Control – Material Weakness

Finding 2024-001: Overall Weakness in Internal Controls

Criteria upon which audit finding is based (Legal Citation):

AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.

Finding (Condition):

The following internal control weaknesses were noted during the fiscal year:

1. Substantial amounts were paid to the District's General Manager without clear justification for the cost
2. Charges to grants were not supported by detailed invoices from the District's independent contractors, to ensure proper documentation and accountability.
3. There is no reconciliation process between the billing software and the accounting software.
4. Due to the number of personnel assigned to duties that involve access to the general ledger, the utility billing software, and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.
5. Employees have District credit cards linked to personal vendor accounts, such as Amazon.
6. In our testing of cash disbursements, 4 of 20 transactions tested had no prior authorization. 1 of 20 transactions had no supporting documentation, 2 of 20 transactions had no indication of receipt of goods or services.
7. The District does not have a sufficient policy for District personnel obtaining prior authorization before obligating the District for purchases.

Amount of Questioned Cost, How Computed and Prevalence:

Undetermined

Effect:

The District has exposure to risk of financial statement misstatement and the potential risk for fraud. The internal control weaknesses have also contributed to the current year disclaimer of opinion on the financial statements.

Cause:

The District experienced significant key employee turnover, as well as turnover on governance. Additionally, the Dixie Fire, which destroyed 70% of the town of Greenville, and damaged or destroyed many District assets, created an environment of chaos. Overall, the District has experienced lack of effective leadership since the fires.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Finding 2024-001: Overall Weakness in Internal Controls (continued)

Recommendation:

The District should develop and implement policies and procedures to address this weakness.

District's Response:

The District concurs with this finding.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Internal Control-Material Weakness

Finding 2024-002: Inadequate Utility Billing Processes

Criteria upon which audit findings is based (Legal citation)

Internal Control Standards; GASB Statement No. 34, Section 112 (Revenue and Receivables Recognition)

Findings (Conditions)

During our review of the District's utility billing and revenue recognition processes, the following issues were identified:

1. Utility billing reports were not generated and reviewed on a timely basis; in some instances, reports were not run for two or more months.
2. COVID relief funds were misapplied to utility customer accounts, resulting in inaccurate balances and customer confusion.
3. There was no documented reconciliation between the utility billing software and the District's accounting software.
4. Accounts receivable balances from the utility billing system were not routinely managed.
5. District personnel displayed limited familiarity with the utility billing software, contributing to errors and delays.

Amount of Questioned Cost, How Computed and Prevalence

Due to the misapplication of grant (COVID relief) funds and inconsistent billing and payment application processes, the exact amount of questioned cost could not be determined.

These deficiencies impacted all utility customers during the period under audit, with particular prevalence among customers who received credits funded by grants.

The District business manager devoted significant time and effort to reconstructing account balances and researching customer records; however, due to a lack of complete documentation and reconciliations, the full extent of any misstatements or questioned costs remains undeterminable.

Effect

Increased risk of misstated revenue and accounts receivable balances.

Greater potential for uncollected accounts to go unnoticed.

Reduced confidence in the accuracy of customer statements and District financial reports.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Finding 2024-002: Inadequate Utility Billing Processes (continued)

Possible delays in cash collection and increased customer dissatisfaction.

Cause

Insufficient training and lack of established procedures for routine billing, payment application, and reconciliation.

Inadequate oversight and review of billing and receivables processes.

Recommendation

We recommend the District develop and implement policies and procedures to address these weaknesses.

District's Response

The District concurs with this finding.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Internal Control- Material Weakness

Finding 2024-003 Incomplete Fixed Asset Inventory

Criteria upon which audit finding is based (Legal Citation)

Internal Control Standards; GASB Statement No. 34 (Capital Assets and Depreciation Reporting Requirements)

Findings (Conditions)

The District was unable to provide complete and accurate fixed asset records for the year ended June 30, 2024. The mass destruction caused by the Dixie Fire resulted in the loss of critical records and uncertainty regarding which assets were destroyed, impaired, or remain in service. Efforts to verify fixed assets were hampered by insufficient documentation and a lack of detailed asset tracking.

Amount of Questioned Cost, How Computed and Prevalence

The exact amount of asset loss or misstatement could not be determined due to incomplete records and lack of post-disaster inventory.

Effect

Increased risk of materially misstated fixed asset balances on the financial statements.

Potential for insurance claims, disaster relief reimbursement, and financial reporting to be incomplete or inaccurate.

Impaired ability of management to plan for replacement, maintenance, or recovery of district assets.

Cause

Loss of records and physical assets.

Recommendation

We recommend the District develop and implement policies and procedures to address these weaknesses.

District's Response

The District concurs with this finding.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Internal Control-Material Weakness

Finding 2024-004 Untimely Bank Reconciliations

Criteria Upon Which Audit Finding Is Based (Legal Citation)

Best practices in governmental accounting require that bank reconciliations be performed monthly and in a timely manner to ensure the accuracy of financial records and timely detection of errors or irregularities.

Findings (Conditions)

During our audit of cash and bank reconciliations, we noted that the District did not consistently perform timely reconciliations of its bank accounts. In several instances, bank account reconciliations were completed up to three months after the end of the respective month. Delays in the reconciliation process can result in delayed detection of errors, omissions, or unauthorized transactions.

Amount Of Questioned Cost, How Computed And Prevalence

While no specific monetary misstatements were identified as a direct result of the untimely reconciliations, untimely performance of monthly reconciliations increases the risk of undetected errors or irregularities within District finances.

Of the 6 accounts reviewed, all were noted to have been reconciled in a period that exceeded 30 days.

Effect

Untimely bank reconciliations increase the risk of:
Financial misstatements going undetected.
Failure to identify errors or unauthorized transactions in a timely manner.
Delays in corrective actions to resolve discrepancies.

Cause

The delay in performing monthly bank reconciliations appears to be the result of a lack of established procedures and/or insufficient staffing or oversight to ensure timely completion as well as employee turnover.

Recommendation

We recommend the District implement a formal policy requiring all bank accounts to be reconciled within 30 days of month-end. Management should monitor compliance with this policy to ensure reconciliations are completed timely and reviewed for accuracy.

District's Response

The District concurs with this finding.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2023 AUDIT REPORT)
JUNE 30, 2024**

Finding 2023-001

An inadequate segregation of duties exists.

Status

Partially Implemented. See Finding 2024-001.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2024**

Person Monitoring Corrective Action Plan

The Board of Directors and General Manager

Finding 2024-001 Overall Weakness in Internal Controls

Finding (Condition):

The following internal control weaknesses were noted during the fiscal year:

1. Substantial amounts were paid to the District's General Manager without clear justification for the cost
2. Charges to grants were not supported by detailed invoices from the District's independent contractors, to ensure proper documentation and accountability.
3. There is no reconciliation process between the billing software and the accounting software.
4. Due to the number of personnel assigned to duties that involve access to the general ledger, the utility billing software, and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.
5. Employees have District credit cards linked to personal vendor accounts, such as Amazon.
6. In our testing of cash disbursements, 4 of 20 transactions tested had no prior authorization. 1 of 20 transactions had no supporting documentation, 2 of 20 transactions had no indication of receipt of goods or services.
7. The District does not have a sufficient policy for District personnel obtaining prior authorization before obligating the District for purchases.

Corrective Action Planned

The District is developing policies and procedures to correct these weaknesses.

Expected Completion Date

Ongoing.

Finding 2024-002 Inadequate Utility Billing Processes

Findings (Conditions)

During our review of the District's utility billing and revenue recognition processes, the following issues were identified:

1. Utility billing reports were not generated and reviewed on a timely basis; in some instances, reports were not run for two or more months.
2. COVID relief funds were misapplied to utility customer accounts, resulting in inaccurate balances and customer confusion.

**INDIAN VALLEY COMMUNITY SERVICES DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2024**

3. There was no documented reconciliation between the utility billing software and the District's accounting software.
4. Accounts receivable balances from the utility billing system were not routinely managed.
5. District personnel displayed limited familiarity with the utility billing software, contributing to errors and delays.

Corrective Action Planned

The District is developing policies and procedures to correct these weaknesses.

Expected Completion Date

Ongoing.

Finding 2024-003 Incomplete Fixed Asset Inventory

Findings (Conditions)

The District was unable to provide complete and accurate fixed asset records for the year ended June 30, 2024. The mass destruction caused by the Dixie Fire resulted in the loss of critical records and uncertainty regarding which assets were destroyed, impaired, or remain in service. Efforts to verify fixed assets were hampered by insufficient documentation and a lack of detailed asset tracking.

Corrective Action Planned

The District is developing policies and procedures to correct these weaknesses.

Expected Completion Date

Ongoing.

Finding 2024-004 Untimely Bank Reconciliations

Findings (Conditions)

During our audit of cash and bank reconciliations, we noted that the District did not consistently perform timely reconciliations of its bank accounts. In several instances, bank account reconciliations were completed up to three months after the end of the respective month. Delays in the reconciliation process can result in delayed detection of errors, omissions, or unauthorized transactions.

Corrective Action Planned

The District is developing policies and procedures to correct these weaknesses.

Expected Completion Date

Ongoing.