

GOLDEN VALLEY MUNICIPAL WATER DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2024

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
JUNE 30, 2024**

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FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Golden Valley Municipal Water District
Gorman, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Golden Valley Municipal Water District (the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2024, and the respective changes in financial position, and its cash flows thereof, for the year then ended in accordance 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

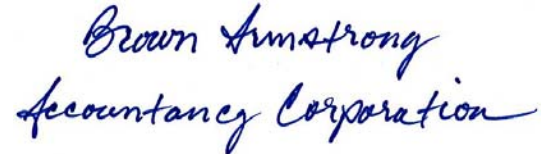
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 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 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
January 21, 2025

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

As management of Golden Valley Municipal Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and brief description of the District's basic financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's basic financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

The statement of net position includes all the District's assets and liabilities, with the difference between the two reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted for Debt Service
- Unrestricted

The statement of net position provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses, and changes in net position presents information that shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses, and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in three categories:

- Operating activities
- Capital and related financing activities
- Noncapital financing activities

This statement differs from the statement of revenues, expenses, and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the basic financial statements provide a description of the accounting policies used to prepare the basic financial statements and present material disclosures required by accounting principles generally accepted in the United States of America that are not otherwise present in the basic financial statements.

FINANCIAL HIGHLIGHTS

The key financial highlights for the year ended June 30, 2024, are as follows:

- Assets of the District exceeded its liabilities as of June 30, 2024, by \$182,074. As of June 30, 2023, assets exceeded liabilities by \$269,847 with unrestricted net position equaling \$3,244.
- Total net position decreased by \$87,773 for the year ended June 30, 2024. For the year ended June 30, 2023, total net position decreased by \$66,498.
- During the current year, the District's capital assets decreased by a net \$59,810. This decrease was attributable to the current year's depreciation, offset by acquisition of a manhole. Depreciation expense, the related amortization of the cost of fixed assets, amounted to \$70,640, for the current year. Prior year depreciation was \$70,572.
- Total debt decreased \$20,256 during the current year due to principal payments made. Total debt decreased \$12,598 in the prior year due to principal payments made.

Condensed Statement of Net Position – Analysis

	June 30, 2024	June 30, 2023	Increase (Decrease)	% Change
Current and Other Assets	\$ 173,234	\$ 172,351	\$ 883	1%
Capital Assets, Net	<u>1,168,584</u>	<u>1,228,394</u>	<u>(59,810)</u>	-5%
Total Assets	<u>\$ 1,341,818</u>	<u>\$ 1,400,745</u>	<u>\$ (58,927)</u>	-4%
Current Liabilities	\$ 126,150	\$ 73,735	\$ 52,415	71%
Noncurrent Liabilities	<u>1,033,594</u>	<u>1,057,163</u>	<u>(23,569)</u>	-2%
Total Liabilities	<u>1,159,744</u>	<u>1,130,898</u>	<u>28,846</u>	3%
Net Position:				
Net Investment in Capital Assets	115,155	154,709	(39,554)	-26%
Restricted	100,016	111,894	(11,878)	-11%
Unrestricted	<u>(33,097)</u>	<u>3,244</u>	<u>(36,341)</u>	-1120%
Total Net Position	<u>182,074</u>	<u>269,847</u>	<u>(87,773)</u>	-33%
Total Liabilities and Net Position	<u>\$ 1,341,818</u>	<u>\$ 1,400,745</u>	<u>\$ (58,927)</u>	-4%

Analysis of Changes in Total Net Position from June 30, 2023, to June 30, 2024

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2024, the District's assets exceeded its liabilities by \$182,074. A significant portion of the District's net position (63%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

In addition, an additional amount of net position (55%) is restricted for debt service and is not available for general spending.

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$1,168,584 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, and equipment.

Additional information on the District's capital assets can be found in Notes 1 and 3.

Long-Term Liabilities

The District's total long-term debt decreased \$20,256 during the current year due to principal payments made during the year ended June 30, 2024. Total long-term debt amounted to \$1,053,429 as of June 30, 2024.

Additional information on the District's long-term debt can be found in Note 4.

Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analytics

	June 30, 2024	June 30, 2023	Increase (Decrease)	% Change
Operating Revenues	\$ 294,271	\$ 287,307	\$ 6,964	2%
Operating Expenses	359,666	332,220	27,446	8%
Operating Loss	(65,395)	(44,913)	(20,482)	-46%
Property Tax Revenue	10,244	10,336	(92)	-1%
Interest Expense	(32,622)	(31,921)	(701)	-2%
Net Non-Operating Income (Expense)	(22,378)	(21,585)	(793)	-4%
Change in Net Position	(87,773)	(66,498)	(21,275)	-32%
Net Position - Beginning of Year	269,847	336,345	(66,498)	-20%
Net Position - End of Year	<u>\$ 182,074</u>	<u>\$ 269,847</u>	<u>\$ (87,773)</u>	-33%

Analysis of Changes in Operating Revenues from June 30, 2023, to June 30, 2024

Water sales and sewer usage revenue increased \$6,964, or 2%, in the year ended June 30, 2024, due to increased usage and rates.

Analysis of Changes in Operating Expenses from June 30, 2023, to June 30, 2024

Operating expenses increased \$27,446, or 8%, in the year ended June 30, 2024, due primarily to an increase in legal and professional services, and repairs and maintenance.

Non-Operating Income and Expenses

Analysis of Changes in Non-Operating Income (Expense) June 30, 2023, to June 30, 2024

Net non-operating income (expense) decreased 4% due to an increase in interest expense and decrease in property tax allocations to the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for the year ending June 30, 2025, projects a surplus of \$136. Operating revenue is anticipated to decrease by \$1,215 compared to actual revenues for the year ended June 30, 2024, while total operating expenses are expected to decrease by \$66,746.

Rates charged to customers of the District are not anticipated to increase or decrease during the year ending June 30, 2025.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Golden Valley Municipal Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office Manager, Golden Valley Municipal Water District, 49744 Gorman Post Road, Gorman, California 93243.

BASIC FINANCIAL STATEMENTS

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Water Operations	Sewer Operations	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 16,700	\$ 16,700	\$ 33,400
Accounts Receivable	17,233	17,233	34,466
Prepaid Expenses	2,676	2,676	5,352
Total Current Assets	36,609	36,609	73,218
OTHER ASSETS			
Restricted Assets - Cash	100,016	-	100,016
Capital Assets (Net of Depreciation)	672,422	496,162	1,168,584
Total Other Assets	772,438	496,162	1,268,600
Total Assets	\$ 809,047	\$ 532,771	\$ 1,341,818
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 29,564	\$ 61,937	\$ 91,501
Accrued Interest	11,910	2,704	14,614
Deposit	200	-	200
Current Portion of Noncurrent Liabilities	14,416	5,419	19,835
Total Current Liabilities	56,090	70,060	126,150
NONCURRENT LIABILITIES			
Bonds Payable	258,000	-	258,000
Notes Payable	462,844	312,750	775,594
Total Noncurrent Liabilities	720,844	312,750	1,033,594
Total Liabilities	776,934	382,810	1,159,744
<u>NET POSITION</u>			
NET POSITION			
Net Investment in Capital Assets	(62,838)	177,993	115,155
Restricted for Debt Service	100,016	-	100,016
Unrestricted	(5,065)	(28,032)	(33,097)
Total Net Position	32,113	149,961	182,074
Total Liabilities and Net Position	\$ 809,047	\$ 532,771	\$ 1,341,818

See accompanying notes to the basic financial statements.

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 136,159	\$ 158,112	\$ 294,271
Total Operating Revenues	<u>136,159</u>	<u>158,112</u>	<u>294,271</u>
OPERATING EXPENSES			
Repairs and Maintenance	25,589	91,508	117,097
Depreciation	43,817	26,823	70,640
Legal and Professional	40,477	40,477	80,954
Office Manager	12,000	12,000	24,000
Fees, Permits, and Testing	3,885	20,738	24,623
Rent	6,000	6,000	12,000
Utilities	6,200	6,200	12,400
Board of Directors Fees	1,250	1,250	2,500
Insurance	3,509	3,509	7,018
Office Supplies and Postage	3,036	481	3,517
Miscellaneous	4,868	49	4,917
Total Operating Expenses	<u>150,631</u>	<u>209,035</u>	<u>359,666</u>
Operating Loss	<u>(14,472)</u>	<u>(50,923)</u>	<u>(65,395)</u>
NON-OPERATING REVENUES (EXPENSES)			
Property Tax Revenue	10,244	-	10,244
Interest Expense	<u>(25,002)</u>	<u>(7,620)</u>	<u>(32,622)</u>
Total Non-Operating Revenues (Expenses)	<u>(14,758)</u>	<u>(7,620)</u>	<u>(22,378)</u>
Change in Net Position	(29,230)	(58,543)	(87,773)
Net Position - Beginning of Year	<u>61,343</u>	<u>208,504</u>	<u>269,847</u>
Net Position - End of Year	<u>\$ 32,113</u>	<u>\$ 149,961</u>	<u>\$ 182,074</u>

See accompanying notes to the basic financial statements.

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS – COMBINED TOTAL
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 279,880
Cash paid to suppliers	<u>(231,864)</u>
Net Cash Provided by Operating Activities	<u>48,016</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property Taxes Revenue Received	<u>10,244</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,244</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Noncurrent Liabilities	(20,256)
Interest Paid on Noncurrent Liabilities	(32,622)
Purchase of capital assets	<u>(10,830)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(63,708)</u>
Net Decrease in Cash and Cash Equivalents	(5,448)
Cash and Cash Equivalents - Beginning of Year	<u>138,864</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 133,416</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (65,395)
Adjustments to Reconcile Operating Loss to Net Cash Provided by:	
Depreciation	70,640
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivables	(5,591)
(Increase) in Prepaid Expenses	(740)
Increase in Accounts Payable	57,902
(Decrease) in Other Current Liabilities	<u>(8,800)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 48,016</u></u>
Summary of Cash, End of Year:	
Cash and Cash Equivalents - Current Assets	\$ 33,400
Cash and Cash Equivalents - Restricted Assets	<u>100,016</u>
	<u><u>\$ 133,416</u></u>

See accompanying notes to the basic financial statements.

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Golden Valley Municipal Water District (the District) is a California special district that was created in 1970 upon the approval of the Board of Supervisors of Los Angeles County. The District was organized to provide and maintain sewer operations in the community of Gorman, County of Los Angeles, State of California. In 1995, the District purchased the municipal water operations in the community of Gorman. The District is governed by a board of directors. As the District is a governmental unit, it is exempt from federal and California taxes on income.

B. Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis of accounting; as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connections with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and sewer usage. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

C. Cash and Investments

For the purpose of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

D. Restricted Assets

These assets consist of cash and other monetary assets restricted by outside parties for various purposes.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are valued at valued at cost. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Donated capital assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation are removed and any gain or loss arising from its disposal is credited or charged to operations.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	40 - 50
Furniture and Equipment	10 - 20
Infrastructure	40

F. Budgets and Budgetary Accounting

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the year, as well as estimated expenses and reserves for operation for District facilities.

G. Net Position

Net position comprise the various net earnings from operating income, non-operating revenue and expense, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted for Debt Service – This component of net position consists of amounts with 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.

Unrestricted – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

I. New Accounting Pronouncements – Implemented

The Governmental Accounting Standards Board (GASB) statements listed below were implemented in the current financial statements:

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective as follows:

- The requirements related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. New Accounting Pronouncements – Implemented (Continued)

- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for periods beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for periods beginning after June 15, 2023, and all periods thereafter.

There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The requirements of this statement are effective for accounting changes and error corrections made in periods beginning after June 15, 2023, and all periods thereafter. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

J. Future GASB Statements

The GASB statements listed below will be implemented in future financial statements:

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for periods beginning after December 15, 2023, and all periods thereafter. Earlier application is encouraged. The District will implement GASB Statement No. 101 if and where applicable.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all fiscal years thereafter. The District will implement GASB Statement No. 102 when and where applicable.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. The District will implement GASB Statement No. 103 when and where applicable.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. The District will implement GASB Statement No. 104 when and where applicable.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in financial institutions. For the years ended June 30, 2024, cash held in financial institutions was \$133,416.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the District). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

None of the District's deposits with financial institutions in excess of FDIC limits were held in uncollateralized amounts.

NOTE 3 – CAPITAL ASSETS

A schedule of changes in capital assets, as well as depreciation, for the year ended June 30, 2024, is shown below:

Water Operations	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Depreciable capital assets:				
Buildings and improvements	\$ 1,451,576	\$ -	\$ -	\$ 1,451,576
Furniture and equipment	24,066	-	-	24,066
Infrastructure	-	10,830	-	10,830
Total depreciable capital assets	1,475,642	10,830	-	1,486,472
Less: accumulated depreciation	759,403	43,817	-	803,220
Total depreciable capital assets, net	<u>\$ 716,239</u>	<u>\$ (32,987)</u>	<u>\$ -</u>	<u>\$ 683,252</u>
Sewer Operations	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Depreciable capital assets:				
Buildings and improvements	\$ 1,070,234	\$ -	\$ -	\$ 1,070,234
Furniture and equipment	1,100	-	-	1,100
Total depreciable capital assets	1,071,334	-	-	1,071,334
Less: accumulated depreciation	559,179	26,823	-	586,002
Total depreciable capital assets, net	<u>\$ 512,155</u>	<u>\$ (26,823)</u>	<u>\$ -</u>	<u>\$ 485,332</u>
Combined	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Depreciable capital assets:				
Buildings and improvements	\$ 2,521,810	\$ -	\$ -	\$ 2,521,810
Furniture and equipment	25,166	-	-	25,166
Infrastructure	-	10,830	-	10,830
Total depreciable capital assets	2,546,976	10,830	-	2,557,806
Less: accumulated depreciation	1,318,582	70,640	-	1,389,222
Total depreciable capital assets, net	<u>\$ 1,228,394</u>	<u>\$ (59,810)</u>	<u>\$ -</u>	<u>\$ 1,168,584</u>

Depreciation expense for the year ended June 30, 2024, was \$70,640.

NOTE 4 – LONG-TERM DEBT

Long-term debt of the District for the years ended June 30, 2024, are as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Note Payable, USDA #1 - Water	\$ 370,000	\$ -	\$ (5,000)	\$ 365,000	\$ 5,000
Note Payable, USDA #2 - Water	111,283	-	(5,023)	106,260	3,416
Note Payable, USDA #3 - Sewer	323,402	-	(5,233)	318,169	5,419
Bonds Payable, USDA - Water	269,000	-	(5,000)	264,000	6,000
Total	<u>\$ 1,073,685</u>	<u>\$ -</u>	<u>\$ (20,256)</u>	<u>\$ 1,053,429</u>	<u>\$ 19,835</u>

Note payable, USDA #1 was obtained to finance the purchase and installation of a new water storage tank. Payments are due semi-annually in February (principal and interest) and August (interest only), with the final payment due in February 2048. The interest rate on this obligation is 4.125 percent per annum. The following is a summary of future debt service requirements as of June 30, 2024:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 5,000	\$ 15,056	\$ 20,056
2026	10,000	14,850	24,850
2027	10,000	14,438	24,438
2028	10,000	14,025	24,025
2029	10,000	13,613	23,613
2030-2034	50,000	61,875	111,875
2035-2039	70,000	50,325	120,325
2040-2044	90,000	34,444	124,444
2045-2048	110,000	11,963	121,963
	<u>\$ 365,000</u>	<u>\$ 230,589</u>	<u>\$ 595,589</u>

Note payable, USDA #2 was obtained to finance the rehabilitation of the District's water system. Payments are due annually in July, with the final payment in June 2044. The interest rate on this obligation is 4.750 percent per annum. Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,416	\$ 5,131	\$ 8,547
2026	3,578	4,969	8,547
2027	3,748	4,799	8,547
2028	3,926	4,621	8,547
2029	4,113	4,434	8,547
2030-2034	23,686	19,049	42,735
2035-2039	29,872	12,863	42,735
2040-2044	33,921	5,062	38,983
	<u>\$ 106,260</u>	<u>\$ 60,928</u>	<u>\$ 167,188</u>

NOTE 4 – LONG-TERM DEBT (Continued)

Note payable, USDA #3 was obtained to finance the rehabilitation of the District's sewer system. Payments are due annually in August, with the final payment in 2060. The interest rate on this obligation is 2.375 percent per annum. Future debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,419	\$ 7,494	\$ 12,913
2026	5,548	7,365	12,913
2027	5,679	7,234	12,913
2028	5,814	7,099	12,913
2029	5,952	6,961	12,913
2030-2034	31,951	32,614	64,565
2035-2039	35,930	28,635	64,565
2040-2044	40,404	24,161	64,565
2045-2049	45,436	19,129	64,565
2050-2054	51,093	13,472	64,565
2055-2059	57,459	7,109	64,568
2060	27,484	888	28,372
	<u>\$ 318,169</u>	<u>\$ 162,161</u>	<u>\$ 480,330</u>

Bonds payable, USDA, represents permanent financing for a water line replacement project. Total financing will be provided by a United States Department of Agriculture (USDA) Rural Utilities Service Loan (\$299,000) and a USDA Rural Utilities Grant (\$216,000). Repayment terms are approximately \$11,500 in annual payments, including interest at the rate of 2.250 percent per annum. The bonds mature May 1, 2058. Future debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 6,000	\$ 5,940	\$ 11,940
2026	6,000	5,805	11,805
2027	6,000	5,670	11,670
2028	6,000	5,535	11,535
2029	6,000	5,400	11,400
2030-2034	30,000	24,975	54,975
2035-2039	35,000	21,375	56,375
2040-2044	40,000	17,213	57,213
2045-2049	46,000	12,488	58,488
2050-2054	50,000	7,088	57,088
2055-2058	33,000	1,485	34,485
	<u>\$ 264,000</u>	<u>\$ 112,974</u>	<u>\$ 376,974</u>

NOTE 5 – RESTRICTED NET POSITION

Net position as of June 30, 2024, has been restricted for debt service in the amount of \$100,016. A like amount of cash has been set aside as restricted assets.

NOTE 6 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 21, 2025, the date on which the financial statements were available to be issued.

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

To the Board of Directors
Golden Valley Municipal Water District
Gorman, California

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 Golden Valley Municipal Water District (the 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 and have issued our report thereon dated January 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2024-01, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings and recommendations as item 2024-01.

District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 21, 2025

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2024**

2024-01 – Lack of Closing Procedures

Condition: Several accounts and balances of Golden Valley Municipal Water District's (the District) general ledger were not properly reconciled, reviewed, and analyzed during the year. Certain accounts contained errors that would have been identified if an in-depth review of analysis of the accounts had been done on a regular basis. Management relies on the external auditor to assist in preparing the financial statements. Adjusting journal entries were necessary for the following:

- To adjust beginning net position to agree prior year audited financial statements.
- To reduce debt by principal payments made.
- To adjust prepaid expenses and related expenses to actual amounts.
- To remove pending transfers that were not actual reconciling items from cash.
- To book depreciation expense to actual.
- To depreciate a manhole that exceeds the capitalization threshold

Criteria: Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Effect: Failure to appropriately post adjusting and closing entries can lead to potential misstatements in the District's financial records.

Cause: The size of the District's accounting and administrative staff, and lack of accounting policies and procedures, precludes the District from performing the necessary adjusting and closing entries.

Recommendation: We recommend the District implement formal accounting policies and procedures for year-end closing procedures to ensure proper recording of receivables, payables, prepaid expenses, and beginning net position.

Management's Response: The District agrees with the auditor's recommendations and will implement policies and procedures to ensure all adjustments are made at the close of each accounting period.

**GOLDEN VALLEY MUNICIPAL WATER DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

2023-01 – Lack of Closing Procedures

Condition: Several accounts and balances of Golden Valley Municipal Water District's (the District) general ledger were not properly reconciled, reviewed, and analyzed during the year. Certain accounts contained errors that would have been identified if an in-depth review of analysis of the accounts had been done on a regular basis. Management relies on the external auditor to assist in preparing the financial statements. Adjusting journal entries were necessary for the following:

- To adjust beginning net position to agree prior year audited financial statements.
- To remove pending transfers that were not actual reconciling items from cash.
- To accrue accounts receivable to actual.
- To book depreciation expense to actual.
- To record principal payments made.
- To accrue accounts payable to actual.
- To adjust prepaid expenses and related expenses to actual amounts.
- To book the total settlement for the Public Records Request.

Criteria: Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Effect: Failure to appropriately post adjusting and closing entries can lead to potential misstatements in the District's financial records.

Cause: The size of the District's accounting and administrative staff, and lack of accounting policies and procedures, precludes the District from performing the necessary adjusting and closing entries.

Recommendation: We recommend the District implement formal accounting policies and procedures for year-end closing procedures to ensure proper recording of receivables, payables, prepaid expenses, and beginning net position.

Management's Response: The District agrees with the auditor's recommendations and will implement policies and procedures to ensure all adjustments are made at the close of each accounting period.

Current Year Status: See finding 2024-01.