

Helendale Community Services District

Management Report

June 30, 2024

Presentation Version

Helendale Community Services District

Management Report

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Presentation Version

CONFIDENTIAL

Board of Directors
Helendale Community Services District
Helendale, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Helendale Community Services District (District) as of and for the year ended June 30, 2024, 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, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Summary of Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process these adjustments varied throughout the engagement. These entries were made during the engagement directly between audit fieldwork and during the production and translation of the trial balance comparative to prior year. The adjustments are attached at the end of the Audit/Finance Committee Letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the District as of June 30, 2024.

Summary of Previous Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process these adjustments varied throughout the engagement. These entries were made during the engagement directly between audit fieldwork and during the production and translation of the trial balance comparative to prior year. The adjustments are attached at the end of the Audit/Finance Committee Letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the District as of June 30, 2023.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
December 5, 2024

APPENDIX

Helendale Community Services District

Audit/Finance Committee Letter

June 30, 2024

Presentation Version

Board of Directors
Helendale Community Services District
Helendale, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Helendale Community Services District (District) for the year ended June 30, 2024, and have issued our report thereon dated December 5, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 4, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated December 5, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards:

As auditors of the District, we are required per AU-C Section 240, "Consideration of Fraud in a Financial Statement Audit", to "ordinarily" presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Watermaster's financial statements relate to:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's defined benefit pension plan in Note 8 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on page 5 discloses all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated December 5, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual, Schedules of District's Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the cooperation extended us by Kimberly Cox, General Manager and Cindy Byerrum of Eide Bailly, in the performance of our audit testwork. We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company, CPAs
Cypress, California
December 5, 2024

Presentation Version

**Helendale Community Services District
Schedule of Audit Adjusting Journal Entries
June 30, 2024**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
AJE - To reclassify wastewater asset addition (Asset #375) from Structures and Improvements to Equipment at June 30, 2024.			
02-160400	Sewer - Equipment	15,270.76	
02-162000	Sewer - Buildings & Structures		15,270.76
Total		<u>15,270.76</u>	<u>15,270.76</u>
Adjusting Journal Entries JE # 2			
AJE - To expense asset addition (Asset # < \$5,000 cap threshold per financial statements at June 30, 2024.			
10-554500-00-0	Equipment Maintenance & Supplies	4,754.03	
10-166400	Computers & Office Equipment		4,754.03
Total		<u>4,754.03</u>	<u>4,754.03</u>
Adjusting Journal Entries JE # 3			
CPE - To record Nobel Software Subscription based IT arrangement in accordance with GASB 96 at June 30, 2024.			
01-182000	SBITA Asset	36,322.89	
02-182000	SBITA Asset	7,122.13	
01-229000	SBITA Lease Liability		36,322.89
02-229000	SBITA Lease Liability		7,122.13
Total		<u>43,445.02</u>	<u>43,445.02</u>
Adjusting Journal Entries JE # 4			
AJE - To remove stale construction meter deposits at June 30, 2024.			
01-221000	Construction Deposits - Meter	4,500.00	
01-712000-00-0	Other Income		4,500.00
Total		<u>4,500.00</u>	<u>4,500.00</u>
Adjusting Journal Entries JE # 5			
AJE - To remove the compensated absences balance from the parks and rec fund and add to the water fund as an employee was switched from parks to water fully in FY 2023 at June 30, 2024.			
01-500001-00-0	Salaries - Full Time	2,061.31	
05-212600	Accrued Vacation & Sick Payable	2,061.31	
01-212600	Accrued Vacation & Sick Payable		2,061.31
05-500001-00-0	Salaries - Full Time		2,061.31
Total		<u>4,122.62</u>	<u>4,122.62</u>
Total Adjusting Journal Entries		<u>72,092.43</u>	<u>72,092.43</u>
Total All Journal Entries		<u>72,092.43</u>	<u>72,092.43</u>

Legend:

AJE	Audit Adjusting Journal Entry
CPE	Client Prepared Adjusting Journal Entry