

**HONEY LAKE VALLEY
RECREATION AUTHORITY
SUSANVILLE, CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

HONEY LAKE VALLEY RECREATION AUTHORITY
SUSANVILLE, CALIFORNIA

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
Honey Lake Valley Recreation Authority
Susanville, California

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the Honey Lake Valley Recreation Authority (the "Authority"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Summary of Opinions:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
June 30, 2023 Enterprise Fund	Disclaimer
June 30, 2022 Enterprise Fund	Unmodified

Disclaimer of Opinion on Enterprise Fund (June 30, 2023)

We do not express an opinion on the financial statements of the Authority as of and for the year ended June 30, 2023. 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 financial statements of the Authority.

Unmodified Opinion on Enterprise Fund (June 30, 2022)

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion

The Authority's accounting records were incomplete and lacked sufficient underlying support. The Authority was unable to provide sufficient appropriate audit evidence for material account balances including cash, accounts receivable, accounts payable and deferred revenues. Further, our procedures identified unrecorded liabilities and several journal entries that lacked adequate supporting documentation. Finally, the Authority does not maintain a centralized accounting system or complete set of accounting records. These conditions prevented us from determining the completeness or accuracy of the financial statements.

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Basis for Unmodified Opinion

We conducted our audit of the financial statements of the Authority 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 Authority 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 unmodified audit opinion.

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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

For the year ended June 30, 2023: Our responsibility is to conduct an audit of the Authority's financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards* and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Authority.

For the year ended June 30, 2022: 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2026, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
August 10, 2026

BASIC FINANCIAL STATEMENTS

HONEY LAKE VALLEY RECREATION AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 174,994	\$ 166,829
Accounts receivable	34,075	2,114
Due from other governments	-	80,000
Total current assets	<u>209,069</u>	<u>248,943</u>
Noncurrent assets:		
Capital assets, nondepreciable	2,722	2,722
Capital assets, depreciable, net	<u>2,720,991</u>	<u>2,805,687</u>
Total noncurrent assets	<u>2,723,713</u>	<u>2,808,409</u>
Total assets	<u>\$ 2,932,782</u>	<u>\$ 3,057,352</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 27,490	\$ 32,669
Due to other governmental agencies	-	17,004
Deferred revenue	<u>-</u>	<u>24,668</u>
Total liabilities	<u>27,490</u>	<u>74,341</u>
NET POSITION		
Net investment in capital assets	2,723,713	2,808,409
Unrestricted	<u>181,579</u>	<u>174,602</u>
Total net position	<u>2,905,292</u>	<u>2,983,011</u>
Total liabilities and net position	<u>\$ 2,932,782</u>	<u>\$ 3,057,352</u>

The notes to the financial statements are an integral part of this statement.

HONEY LAKE VALLEY RECREATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$ 113,404	\$ 83,795
Operating expenses:		
Professional and specialized services	202,542	221,019
Publications and legal notices	150	318
Conference and training	-	607
Insurance expense	22,660	16,653
Maintenance and repairs	35,302	41,350
Office expense	352	2,621
Operating supplies expense	3,175	2,929
Utilities	24,153	25,116
Depreciation expense	84,697	86,357
Total operating expenses	<u>373,031</u>	<u>396,970</u>
Net operating income (loss)	<u>(259,627)</u>	<u>(313,175)</u>
Nonoperating revenues (expenses):		
Operating contributions from members	160,000	160,000
Interest income	2,454	1,478
Other income	19,454	84
Total nonoperating revenues (expenses)	<u>181,908</u>	<u>161,562</u>
Change in net position	(77,719)	(151,613)
Net position - beginning	<u>2,983,011</u>	<u>3,134,624</u>
Net position - ending	<u>\$ 2,905,292</u>	<u>\$ 2,983,011</u>

The notes to the financial statements are an integral part of this statement.

**HONEY LAKE VALLEY RECREATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 56,775	\$ 113,509
Payments to vendors for services and supplies	<u>(310,517)</u>	<u>(290,883)</u>
Net cash provided by (used for) operating activities	<u>(253,742)</u>	<u>(177,374)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	<u>-</u>	<u>(21,436)</u>
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(21,436)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions received from members	240,000	80,000
Other income	<u>19,454</u>	<u>84</u>
Net cash provided by (used for) noncapital and related financing activities	<u>259,454</u>	<u>80,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>2,454</u>	<u>1,478</u>
Net cash provided by (used for) investing activities	<u>2,454</u>	<u>1,478</u>
Net increase (decrease) in cash and cash equivalents	8,166	(117,248)
Cash and cash equivalents - beginning	<u>166,828</u>	<u>284,077</u>
Cash and cash equivalents - ending	<u><u>\$ 174,994</u></u>	<u><u>\$ 166,829</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (259,627)	\$ (313,175)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	84,696	86,357
Change in assets and liabilities:		
(Increase) decrease in accounts receivables	(31,960)	5,046
Increase (decrease) in accounts payable	(5,179)	32,669
Increase (decrease) in due to other governmental agencies	(17,004)	(12,939)
Increase (decrease) in deferred revenue	<u>(24,668)</u>	<u>24,668</u>
Net cash provided by (used for) operating activities	<u><u>\$ (253,742)</u></u>	<u><u>\$ (177,374)</u></u>

The notes to the financial statements are an integral part of this statement.

**HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Honey Lake Valley Recreation Authority (the Authority) was formed pursuant to a Joint Powers Agreement dated November 18, 2013. The Authority is a joint powers authority established by and between the County of Lassen (the County) and the City of Susanville (the City) pursuant to the Government Code of the State of California. Its purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional recreation system and swimming pool.

The Authority has a Board of Directors which consists of five persons, two from the County and two from the City, and one public member at-large who is appointed by the City and County members. The activities of the Authority are funded by contributions from its member agencies, the County and the City.

The Authority is not a component unit of the County or City. The Authority is legally separate and fiscally independent and the Authority itself has no component units. The Authority does not have employees and all services are supplied by County and City staff or contracted.

The financial statements present information on the financial activities of the Authority, which is considered an enterprise fund. The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting principles are described below.

B. Basis of Accounting and Measurement Focus

Enterprise funds are accounted for on a flow of "economic resources" measurement focus and the accrual basis of accounting. This method recognizes revenues in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the related fund liability is incurred. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include governmental contributions. Revenues from governmental contributions are recognized in the fiscal year in which all eligible requirements have been satisfied.

Operating revenues include charges to users and result from exchange transactions associated with the principal activities of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

When both restricted and unrestricted resources are available, unrestricted resources are used only after restricted resources are depleted.

**HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

The Authority maintains its cash in the Lassen County Treasury. The County pools these deposits with those of other entities in the County and invests the cash. Interest earned is deposited quarterly into participating funds. Investment losses, if any, are proportionately shared by all funds in the pool. The Lassen County Treasury Oversight Committee oversees the Treasurer's compliance with the County investment policy.

For purposes of the Statements of Cash Flows, all highly liquid investments with original maturities of three months or less at acquisition and the Authority's investment in the County Treasury Pool are considered to be cash equivalents. The Authority had no investments during the years ended June 30, 2023 and 2022.

D. Capital Assets

All capital assets acquired by the Authority are owned in common by the parties to the Joint Powers Agreement, in equal shares, unless otherwise determined in writing by all of the parties hereto. The Authority defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated cost if actual cost is not known. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and improvements	25 to 40 years
Equipment	5 to 30 years

Costs related to the construction of capital assets are not depreciated until they are placed into service.

E. Net Position

Net position is reported in three categories as follows:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position of the Authority that is not restricted for any projects or other purposes.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash in County Treasury	\$ 174,994	\$ 115,383
Cash in bank	<u>-</u>	<u>51,446</u>
 Total cash and cash equivalents	 <u>\$ 174,994</u>	 <u>\$ 166,829</u>

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code (the Code). The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual costs, and fair value.

The Code requires California banks and savings and loan associations to secure the Authority's and County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's or County's name, as applicable.

A. Credit Risk

State law and the County's Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the County's Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor's and Moody's Investors Service. The County does not have credit limits on government agency securities.

B. Concentration of Credit Risk

At June 30, 2023 and 2022, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. governments, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

**HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

C. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the entity will not be able to recover the value of its investments or deposits that are in the possession of an outside party. Until it is transferred to the County Treasury, the Authority maintains its cash balance in one financial institution: US Bank. The balances are insured by the federal deposit insurance corporation up to \$250,000. At June 30, 2023 and 2022, the Authority's cash in bank and the County's investment pool had no amount exposed to custodial credit risk.

D. Local Agency Investment Fund (LAIF)

The County is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2023 and 2022, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes – Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities – Generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

E. Investment Valuation

The Authority categorizes its fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's only investments, which are reported at fair value, are in the County's pooled investments. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, the County's pool investments are not an investment type that can be categorized in any particular level in the fair value hierarchy.

HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 2,722	\$ -	\$ -	\$ 2,722
Total capital assets, not being depreciated	2,722	-	-	2,722
Capital assets, being depreciated:				
Building and improvements	3,190,174	-	-	3,190,174
Equipment	36,082	-	-	36,082
Total capital assets, being depreciated	3,226,256	-	-	3,226,256
Less accumulated depreciation for:				
Building and improvements	(401,325)	(82,185)	-	(483,510)
Equipment	(19,244)	(2,511)	-	(21,755)
Total accumulated depreciation	(420,569)	(84,696)	-	(505,265)
Capital assets, net	\$ 2,808,409	\$ (84,696)	\$ -	\$ 2,723,713

Depreciation expense for the year ended June 30, 2023 was \$84,696.

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 2,722	\$ -	\$ -	\$ 2,722
Total capital assets, not being depreciated	2,722	-	-	2,722
Capital assets, being depreciated:				
Building and improvements	3,168,737	21,437	-	3,190,174
Equipment	36,082	-	-	36,082
Total capital assets, being depreciated	3,204,819	21,437	-	3,226,256
Less accumulated depreciation for:				
Building and improvements	(319,695)	(81,630)	-	(401,325)
Equipment	(14,516)	(4,728)	-	(19,244)
Total accumulated depreciation	(334,211)	(86,358)	-	(420,569)
Capital assets, net	\$ 2,873,330	\$ (64,921)	\$ -	\$ 2,808,409

Depreciation expense for the year ended June 30, 2022 was \$86,358.

**HONEY LAKE VALLEY RECREATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – CONTRIBUTIONS FROM MEMBERS

In accordance with the Authority's Joint Powers Agreement, members of the Authority are required to provide annual funding to the Authority to support operating costs. The agreement requires each member, the County and the City, to contribute \$80,000 per year, ending on June 30, 2029. However the agreement was amended where for fiscal years 2026 through 2032, the contribution requirement increases to \$120,000 per member. During the years ended June 30, 2023 and 2022, member contributions totaled \$160,000 per year.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority has contracted with the County to provide various services to the Authority, including purchasing, warrant preparation and general accounting. During the years ended June 30, 2023 and June 30, 2022, the County charged the Authority \$6,960 and \$3,009, respectively for these services through the Countywide Cost Allocation Plan.

The Authority has contracted with the City to provide various services, including general administration and overseeing the operations of the pool. During the years ended June 30, 2023 and June 30, 2022, the City incurred expenses reimbursable from the Authority totaling \$200,199 and \$193,518, respectively. The total amount due to the City at the years ended June 30, 2023 and June 30, 2022, was \$0 and \$17,004, respectively.

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. As such, the Authority participates in a Joint Powers Authority named CAPRI (California Association for Park and Recreation Indemnity), to provide coverage for workers' compensation and general liability exposure and to pay for the administration of the program. Primary and excess workers' compensation insurance, as well as excess property and general liability insurance are reinsured through a commercial company. There is a self-insured retention of \$25,000,000 for general liability and \$1,000,000 for property.



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

To the Governing Board of
Honey Lake Valley Recreation Authority
Susanville, 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 the Honey Lake Valley Recreation Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 10, 2026. That report included a Disclaimer of Opinion for the year ended June 30, 2023 due to the Authority's accounting records being incomplete and unsupported which prevented us from determining the completeness or accuracy of the financial statements.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
August 10, 2026

FINDINGS AND QUESTIONED COSTS

**HONEY LAKE VALLEY RECREATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Disclaimer</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified - not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2023-001 – Financial Close and Reporting Process (Material Weakness)

Condition:

The Authority's accounting records were incomplete and lacked sufficient underlying support. The Authority was unable to provide sufficient appropriate audit evidence for material account balances including cash, accounts receivable, accounts payable and deferred revenues. Further, our procedures identified unrecorded liabilities and several journal entries that lacked adequate supporting documentation. Finally, the Authority does not maintain a centralized accounting system or complete set of accounting records. These conditions prevented us from determining the completeness or accuracy of the financial statements.

Criteria:

A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause:

The Authority has not established a centralized accounting system, formalized accounting processes, or sufficient supervisory review to ensure the accuracy and completeness of its financial information. Responsibilities for recording, reconciling, and reviewing financial activity are not clearly assigned, resulting in inconsistent practices and unsupported balances.

Effect:

Due to the lack of complete accounting records, inadequate supporting documentation, incomplete bank reconciliations, unsupported journal entries, and material unrecorded accruals, we were unable to determine whether adjustments might be necessary to the financial statements. These deficiencies collectively represent a material weakness in internal control over financial reporting and resulted in the disclaimer of opinion.

**HONEY LAKE VALLEY RECREATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Recommendation:

We recommend that the Authority:

1. Implement a centralized accounting system to record all financial activity.
2. Establish formal procedures requiring complete supporting documentation for all transactions, including accounts receivable, accounts payable, deferred revenue, and journal entries.
3. Perform timely and accurate bank reconciliations that agree to the general ledger.
4. Assign clear responsibility for maintaining accounting records and performing supervisory review to ensure completeness and accuracy.
5. Conduct periodic internal reviews to ensure adherence to established policies and to identify missing support or incomplete records early

Response:

Management agrees with this recommendation and will take the necessary steps to remediate this finding moving forward.

**HONEY LAKE VALLEY RECREATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENT FINDINGS

Finding 2022-001 – Financial Close and Reporting Process (Material Weakness)

Condition:

The Authority did not properly record or adjust multiple accounts during the year-end closing process. We identified these errors during our audit and proposed necessary accounting entries to correct the balances of these accounts. Management agrees with our adjustments and will post the entries to ensure the Authority's trial balance reconciles to the issued financial statements.

Criteria:

A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause:

Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.

Effect:

As a result of this condition, receivables and revenues related to contributions and accounts payable and expenditures related to contract staff were initially materially misstated.

Recommendation:

The Authority should enhance its year-end financial close procedures to include the additional steps necessary to ensure proper reconciliation and reporting of all significant account balances, in addition to ensuring there are supporting schedules to support those balances. Detailed reviews should be performed and adequately documented to ensure all activity is recorded in accordance with U.S. GAAP.

Status:

Not implemented, see current year finding.