

**Application of Pennsylvania-American Water Company for the Acquisition of  
the Water System Owned and Operated by  
Indian Creek Valley Water Authority (“ICVWA”)  
Docket No. A-2025-3055741**

**66 Pa. C.S. § 1329  
Application Filing Checklist – Water/Wastewater**

19. Cost of Service.  
a. Provide a copy of the seller’s two most recent audited financial statements.

**RESPONSE:** a. See attached the seller’s two most recent audited financial statements (2023 and 2024). Both financial statements are attached as **Appendix A-19-a**.

**INDIAN CREEK VALLEY WATER AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2023**

**Indian Creek Valley Water Authority  
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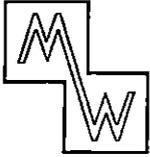
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**Indian Creek Valley Water Authority**

**Audit Report**

**I**

**Financial Statements**



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INDEPENDENT AUDITORS' REPORT

Members of the Board  
Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Indian Creek Valley Water Authority (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2023, and the changes in financial position and, where applicable, 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 (GAAS) 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 Auditors' 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 audit opinion.

***Responsibilities of Management for the Financial Statements***

The Authority's 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 GAAS 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***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 8 and budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 10, 2025, 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 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.

A handwritten signature in black ink that reads "McClure & Wolf, LLP". The signature is written in a cursive, flowing style.

McClure & Wolf, LLP  
Uniontown, Pennsylvania  
January 10, 2025

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2023**

This section of Indian Creek Valley Water Authority's (the Authority) annual financial statements presents Management's Discussion and Analysis of the Authority's financial performance during the year ended December 31, 2023.

**Financial Highlights**

- The Authority's total net position increased by approximately \$301,000 between 2023 and 2022.
- Operating revenues increased by approximately \$315,000 from 2022.
- Operating expenses decreased by approximately \$9,700 over the prior year.

**Overview of the Financial Statements**

In accordance with Government Accounting Standards Board Statement Number 34 (GASB 34), the Authority's basic financial statements consist of the following:

**Statement of Net Position**

The statement of net position presents information that includes all of the Authority's assets and liabilities, deferred inflows of resources, and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Authority as a whole is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position reports how the Authority's net position changed during the current year. All current year revenues and expenses are included, regardless of when cash is received or paid. This statement distinctly separates operating from nonoperating revenues and expenses. The change in net position at the end of the statement reconciles beginning and ending total net position as shown on the statement of net position.

**Statement of Cash Flows**

The statement of cash flows provides information regarding the increase or decrease in cash resulting from operating activities, capital and related financing activities, investing activities, and other activities.

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to a full understanding of the Authority's financial statements. The notes to the financial statements begin immediately following the basic financial statements indicated above.

**Financial Analysis**

**Net Position**

Total net position increased by approximately \$301,000 during the year ended December 31, 2023, as summarized below:

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2023**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 843,963
Accounts receivable	776,677
Inventory	590,752
Prepaid expenses	-
Capital assets, net	15,797,278
Total Assets	<u>\$ 18,008,670</u>
 <b>LIABILITIES</b>	
Current liabilities	\$ 754,528
Notes payable, net	2,303,291
Total Liabilities	<u>3,057,819</u>
 <b>NET POSITION</b>	
	<u>14,950,851</u>
Total Liabilities and Net Position	<u>\$ 18,008,670</u>
 <b>NET POSITION COMPONENTS</b>	
Invested in capital assets, net	\$ 13,111,377
Unrestricted	1,839,474
Total Net Position	<u>\$ 14,950,851</u>

A portion of net position, \$13,111,377, represents the Authority's investment in property, plant, and equipment, net of accumulated depreciation and related debt. Unrestricted net position is available to fund future projects or future operations. The balance of unrestricted net position increased by \$254,551 during the year ended December 31, 2023.

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2023**

Revenues

Operating revenues consist primarily of water sales revenues as follows:

Water services	\$ 2,604,005
Bulk water sales	72,827
Public fire protection	42,366
Supply sales	27,914
Other operating revenue	<u>39,989</u>
Total Operating Revenue	<u>\$ 2,787,101</u>

Water revenues were higher than the prior year due primarily to an increase in water billing rates.

Expenses

Operating expenses consisted of the following at December 31:

Water collection system	\$ 1,901,299
Administrative	<u>658,549</u>
Total Operating Expenses	<u>\$ 2,559,848</u>

Operating expenses decreased approximately \$9,700 over the prior year due primarily to operating efficiencies and subtle variances in operational needs.

**Nonoperating Revenues (Expenses)**

Nonoperating revenues (expenses) include interest income, interest expense, services charges, arrears, tap fees, and other revenues totaling approximately \$74,000, for the year ended December 31, 2023. This represents a net decrease in nonoperating revenues (expenses) of approximately \$508,000 from the prior year due primarily to decreased intergovernmental revenue.

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2023**

Income/(loss) before capital contributions and special items decreased \$184,022 from \$466,322 in 2022 to \$282,300 in 2023, primarily due to a decrease in intergovernmental revenue.

**Capital Contributions and Special Items**

Capital contributions and special items increased \$570, due primarily to extending water lines for the local townships.

**Budgetary Information**

The following is a comparison of actual revenues and expenses for the year ended December 31, 2023, to original budgeted amounts for the same time period. As indicated below, total revenues ended the year at \$94,824 over budget. Regular water sales were short of expectations due to a wetter than normal year which caused customers to not need to purchase as much water as they would have normally. Other water service revenues were up due to an increase in bulk water sales purchased by water haulers, liquid fuels tax rebates from operating fuels purchases and a health benefits reimbursement from the Authority's health plan provider. Non-operating revenues were over budget primarily due to new tap fees collected during the year, a slowed economy causing customers to fall behind in their monthly payments which increased late fee penalties and intergovernmental water line extension support provided by a Fayette County Redevelopment Authority.

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under) Budget</u>
<b>OPERATING REVENUES</b>			
Regular water sales	\$ 2,604,005	\$ 2,674,220	\$ (70,215)
Bulk water sales	72,827	5,850	66,977
Fire protection	42,366	36,190	6,176
Sale of supplies	27,914	35,000	(7,086)
Other operating revenue	<u>39,989</u>	<u>10,050</u>	<u>29,939</u>
Total Operating Revenues	<u>2,787,101</u>	<u>2,761,310</u>	<u>25,791</u>
<b>NONOPERATING REVENUES</b>			
Tap on fees	19,000	-	19,000
Interest income	2,657	1,600	1,057
Arrears	49,534	40,000	9,534
Service charges	6,025	4,500	1,525
Intergovernmental revenue	<u>37,917</u>	<u>-</u>	<u>37,917</u>
Total Nonoperating Revenues	<u>115,133</u>	<u>46,100</u>	<u>69,033</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,902,234</u>	<u>\$ 2,807,410</u>	<u>\$ 94,824</u>

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2023**

The following is a comparison of actual expenses for the year ended December 31, 2023, to original budgeted amounts for the same time period. Depreciation expense in the amount of \$703,714 is not included in the actual column for operations as it is not current year cash outflows and, therefore, was not a budgeted expense. As indicated below, operating expenses were \$788,498 over budget.

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under) Budget</u>
<b>OPERATING EXPENSES</b>			
Water system expense	\$ 1,901,299	\$ 1,199,450	\$ 701,849
General office and administration expense	<u>658,549</u>	<u>571,900</u>	<u>86,649</u>
Total Operating Expenses	<u>\$ 2,559,848</u>	<u>\$ 1,771,350</u>	<u>\$ 788,498</u>

**Capital Assets**

At December 31, 2023, the Authority had \$15,797,278 invested in property, plant, and equipment. This represents a net increase of \$812,651 compared to the prior year.

Additions to the Authority's capital assets during the year ended December 31, 2023, consisted primarily of water tank improvements and a new office building.

**Proposed 2024 Capital Expenditures**

In 2024, the Authority plans to pursue water line extensions as funding opportunities became available, perform a renovation of Pritts Spring Slow Sand Filter Plant per a mandate from the Pennsylvania Department of Environmental Protection, upgrade the Supervisory Control and Data Acquisition with new technologies, and continue in their five-year plan to upgrade and replace all our water meters on the system.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

**Indian Creek Valley Water Authority  
Statement of Net Position  
December 31, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 843,963
Accounts Receivable:	
Customers	763,436
Taps and assessments	13,241
Inventory	<u>590,752</u>
Total Current Assets	<u>2,211,392</u>

**NONCURRENT ASSETS**

Property, plant, and equipment, net of accumulated depreciation	13,885,618
Construction in progress	<u>1,911,660</u>
Total Capital Assets, Net	<u>15,797,278</u>
 Total Assets	 <u>18,008,670</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	261,502
Accrued payroll liabilities	35,699
Accrued sales and use tax	608
Customer deposits	74,109
Current portion of long-term debt	<u>382,610</u>
Total Current Liabilities	<u>754,528</u>

**NONCURRENT LIABILITIES**

Long-term debt, net of current portion	<u>2,303,291</u>
Total Noncurrent Liabilities	<u>2,303,291</u>
 Total Liabilities	 <u>3,057,819</u>

**NET POSITION**

Net investment in capital assets	13,111,377
Unrestricted	<u>1,839,474</u>
Total Net Position	<u>\$ 14,950,851</u>

**Indian Creek Valley Water Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2023**

**OPERATING REVENUES**

Water services	\$ 2,604,005
Bulk water sales	72,827
Public fire protection	42,366
Sales of supplies	27,914
Other operating income	39,989
<b>Total Operating Revenues</b>	<u>2,787,101</u>

**OPERATING EXPENSES**

Water system	1,901,299
Administrative expenses	658,549
<b>Total Operating Expenses</b>	<u>2,559,848</u>

Income (Loss) From Operations	<u>227,253</u>
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**NONOPERATING REVENUES (EXPENSES)**

Interest income	2,657
Service charges	6,025
Arrears	49,534
Intergovernmental revenue	37,917
Interest expense	(41,086)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>55,047</u>

Income (Loss) Before Capital Contributions and Special Items	<u>282,300</u>
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**CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS**

Connection and tap fees	19,000
<b>Total Capital Contributions and Special Items</b>	<u>19,000</u>

<b>INCREASE IN NET POSITION</b>	301,300
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<b>NET POSITION—BEGINNING</b>	<u>14,649,551</u>
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<b>NET POSITION—ENDING</b>	<u>\$ 14,950,851</u>
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**Indian Creek Valley Water Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 2,686,055
Payments to suppliers, vendors, and professional services	<u>(1,639,811)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,046,244</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from issuance of long-term debt	1,122,333
Tap fees	19,000
Other income	93,475
Principal payments of long-term debt	(356,430)
Payment of interest	(41,086)
Purchase of capital assets	<u>(1,516,365)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(679,073)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt of interest income	<u>2,657</u>
Net Cash Provided (Used) by Investing Activities	<u>2,657</u>

Net Increase (Decrease) in Cash and Cash Equivalents	369,828
Cash and Cash Equivalents at January 1,	<u>474,135</u>
Cash and Cash Equivalents at December 31,	<u>\$ 843,963</u>

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Income (loss) from operations	\$ 227,253
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	703,714
Change in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in accounts receivable	(101,046)
(Increase) decrease in inventory	(16,728)
(Increase) decrease in prepaid expenses	9,756
Increase (decrease) in accounts payable	228,668
Increase (decrease) in customer deposits	(871)
Increase (decrease) in accrued expenses	<u>(4,502)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,046,244</u>

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

**NOTE 1: NATURE OF OPERATIONS AND REPORTING ENTITY:**

The Indian Creek Valley Water Authority (the Authority) was incorporated on September 20, 1965, pursuant to the Municipality Authorities Act of 1945 (the Act), under the provisions of the Commonwealth of Pennsylvania. A five-member board, all of whom are appointed by Saltlick and Springfield Township supervisors, administers the Authority. Board members are appointed to five-year terms, with one board member subject to reappointment each year. The annual budget is approved by the Authority governing board. The Authority currently owns, operates, and maintains water facilities in nine municipalities. These municipalities consist of the following townships in Fayette County and Westmoreland County: Saltlick, Springfield, Bullskin, Connellsville, Stewart, Donegal, and Mount Pleasant. The Authority also owns, operates, and maintains water facilities in the following boroughs in Fayette County and Westmoreland County: Ohiopyle and Donegal. This coverage area encompasses over 140 square miles of distribution system and serves 2,664 customers.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Authority has no component units.

Therefore, the amounts contained in this report are strictly those of the Authority.

The Authority is not included as a component unit on any other financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. BASIS OF PRESENTATION AND ACCOUNTING:**

The financial statements included herein were prepared using the accrual method of accounting, recognizing revenue when earned and expenses when incurred.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for based upon a flow of economic resources measurement focus. Accordingly, all assets and all liabilities associated with operations are included on the statements of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted for capital activity and debt service; and unrestricted elements.

**B. RECENTLY ANNOUNCED ACCOUNTING STANDARDS:**

The Government Accounting Standards Board (GASB) has issued the following standards:

GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements" (SBITAs). GASB Statement No. 96 is based on the standards established in Statement 87, Leases. It defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs) those with a maximum possible term of 12 months. The standard also provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement are effective and have been implemented for the Authority's December 31, 2023, financial statements.

GASB has issued Statement No. 101, "Compensated Absences." GASB Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments. Generally, a liability for leave that has been used would be recognized if the leave is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid or settled. The provisions of this statement are effective for the Authority's December 31, 2024, financial statements.

**C. CONCENTRATION OF CREDIT RISK:**

Financial instruments that potentially subject the Authority to credit risk consist principally of accounts receivable from customers, substantially all of whom are residents and businesses located in the counties of Fayette and Westmoreland.

**D. USE OF ESTIMATES:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

**E. BUDGETARY ACCOUNTING:**

The Authority adopts flexible annual operating budgets and capital budgets, as needed for planned projects. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**F. NET POSITION:**

Net position represents the difference between assets, liabilities, deferred inflows and deferred outflows as presented in the statement of net position. Net position invested in property, plant, and equipment consists of the net book value of the Authority's capital assets, reduced by the outstanding debt used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by legislation or by creditors, grantors, laws, or regulations of other governments.

**G. OPERATING AND NONOPERATING ITEMS:**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All other revenues and expenses are nonoperating.

**H. ACCOUNTS RECEIVABLE:**

Receivables consist of amounts due from customers for water and miscellaneous services. The Authority provides billings to customers monthly. The Authority recognizes uncollectible accounts at the time they are deemed to be uncollectible. The Authority's policy of filing a lien against delinquent accounts assists in collection of accounts receivable. All receivables are current, and therefore, due within one year.

**I. INVENTORY:**

Inventory is valued at cost using the last in first out (LIFO) and the average cost method and consists primarily of expendable parts and supplies held for future consumption.

**J. PROPERTY, PLANT, AND EQUIPMENT:**

Purchases of property, plant, and equipment in excess of \$500 are capitalized and are recorded at cost. Contributed capital additions are recorded at cost as determined by the party making the contribution. Repairs and minor replacements are charged to operating expense when incurred. Depreciation is calculated utilizing the straight-line method over estimated useful lives as follows:

Buildings	30-40 years
Water systems	40 years
Furniture and equipment	5-10 years
Vehicles	6 years
Leasehold improvements	7-40 years

Land and construction in progress are not depreciated.

Depreciation expense for the year ended December 31, 2023, was \$703,714.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

**K. COMPENSATED ABSENCES:**

Compensated absences unused by employees expire as of December 31 each year with no carry forward provisions, with the exception of sick time. The amount of sick time was deemed immaterial, therefore no liability for compensated absences is recorded in the December 31, 2023 financial statements.

**L. FAIR VALUE MEASUREMENT:**

The Authority applies Accounting Standards Codification (ASC) 820-10 for fair value measurements of financial instruments that are recognized or disclosed at fair value in the financial statements. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. See Note 4 for additional detail.

**NOTE 3: CASH, DEPOSITS, AND INVESTMENTS:**

For purposes of the cash flows statement, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2023, was \$843,963.

The Authority's cash funds are required to be deposited and invested in accordance with the terms of Pennsylvania Act 72 (1971) concerning the pledging of assets to secure deposits of public funds. At December 31, 2023, the carrying amount of the Authority's cash deposits was \$920,214. The entire balance throughout the year was covered by federal depository insurance or by pledged pooled collateral.

**NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS:**

In accordance with GASB 72, *Fair Value Measurement and Application*, the Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority currently does not have any assets or liabilities that require fair value measurement.

Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment consisted of the following:

	Beginning Balance	Additions	Disposals/Reclass	Ending Balance
Land	\$ 113,990	\$ -	\$ -	\$ 113,990
Buildings	645,295	340,000	-	985,295
Water system	26,153,285	-	-	26,153,285
Furniture and fixtures	586,040	-	-	586,040
Vehicles	876,493	-	-	876,493
Leasehold improvements	100,985	-	-	100,985
Meters and hydrants	192,462	-	-	192,462
Construction in progress	<u>735,295</u>	<u>1,176,365</u>	-	<u>1,911,660</u>
	29,403,845	1,516,365	-	30,920,210
Less accumulated depreciation	<u>(14,419,218)</u>	<u>(703,714)</u>	-	<u>(15,122,932)</u>
Net Capital Assets	<u>\$ 14,984,627</u>	<u>\$ 812,651</u>	<u>\$ -</u>	<u>\$ 15,797,278</u>

NOTE 6: LONG TERM LIABILITIES:

Following is a summary of long-term debt transactions of the Authority for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Payments	Balance at December 31, 2023	Due Within One Year
Notes Payable:					
PENNVEST #12575	\$ 392,198	\$ -	\$ 34,731	\$ 357,467	\$ 35,081
PENNVEST #89165	712,420	-	168,110	544,310	169,909
FNB #5605	5,208	-	5,208	-	-
FNB #5260	11,469	-	11,469	-	-
FNB #3575	19,506	-	19,506	-	-
FNB #5380	73,876	-	54,331	19,545	19,545
Mid-Penn #2315	131,129	-	13,287	117,842	13,861
Mid Penn #2317	574,193	-	32,649	541,544	33,763
Mid-Penn #3036	-	272,000	7,468	264,532	8,646
FNB #7954	-	850,333	9,671	840,662	101,805
Total Notes Payable	<u>1,919,999</u>	<u>1,122,333</u>	<u>356,430</u>	<u>2,685,901</u>	<u>382,610</u>
	<u>\$ 1,919,999</u>	<u>\$ 1,122,333</u>	<u>\$ 356,430</u>	<u>\$ 2,685,901</u>	<u>\$ 382,610</u>

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

**NOTE 7: NOTES PAYABLE:**

Note payable to PENNVEST (No. 12575) in the original amount of \$1,005,500. The note bears interest at the rate of 1% per annum and is payable in monthly installments of \$3,208 through September 2033. The outstanding balance on this note payable on December 31, 2023, was \$357,467.

Note payable to PENNVEST (No. 89165) in the original amount of \$3,200,000. The note bears interest at the rate of 1.07% per annum and is payable in monthly installments of \$14,573 through February 2027. The outstanding balance on this note payable on December 31, 2023, was \$544,310.

Note payable to First National Bank (No. 45865380) issued in 2016 for the Pleasant Hill Tank Project. The note bears interest at the rate of 3.25% per annum and is payable in monthly installments of \$4,662 through maturity in 2027. The outstanding balance on this note payable on December 31, 2023, was \$19,545.

Note payable to Mid-Penn Bank (No. 51002315) issued in 2017 in the amount of \$215,000 to pay off the old loan that was secured by the Neal Run Well Treatment Plant. The note bears interest at the rate of 2.64% per annum and is payable in monthly installments of \$1,383 through maturity in 2031. The outstanding balance on this note payable on December 31, 2023, was \$117,842.

Note payable to Mid-Penn Bank (No. 51002317) issued in 2017 for the purchase of land and buildings in the amount of \$750,000. The note bears interest at the rate of 2.64% per annum and is payable in monthly installments of \$3,971 through maturity in 2037. The outstanding balance on this note payable on December 31, 2023, was \$541,544.

Note payable to Mid-Penn Bank (No. 500233036) issued in 2023 for the purchase of an office building in the amount of \$272,000. The note bears interest at the rate of 4.70% per annum until 2030. Beginning in March of 2030 the note will bear interest at the rate of 7.75% per annum. The note is payable in monthly installments of \$1,760, through 2029. Beginning March 2030, the note is payable in monthly installments of \$2,095 through maturity in 2043. The outstanding balance on this note payable on December 31, 2023, was \$264,532.

Note payable to First National Bank (No. 47977954) issued in 2023 in the amount of \$850,333 for the Clinton Sister Tank Project. The note bears interest at the rate of 5.99% per annum and is payable in monthly installments of \$12,451 through maturity in 2030. The outstanding balance on this note payable on December 31, 2023, was \$840,662.

All the notes listed above are secured by the assets and revenues of the Authority.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2023**

Annual debt service to maturity on the notes payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 382,610	\$ 85,242	\$ 467,852
2025	373,028	76,139	449,167
2026	383,621	64,546	448,167
2027	248,388	54,048	302,436
2028	228,971	44,318	273,289
2029-2033	745,612	109,368	854,980
2034-2038	235,085	38,568	273,653
2039-2043	88,586	15,678	104,264
	<u>\$ 2,685,901</u>	<u>\$ 487,907</u>	<u>\$ 3,173,808</u>

**NOTE 8: RETIREMENT PLAN:**

The Authority sponsors a defined contribution plan, effective October 1, 1986, with the ICMA Retirement Corporation. The plan covers substantially all the Authority's full-time employees. Contributions and costs are determined at five percent of each covered employee's compensation and totaled \$30,321 for the year ended December 31, 2023. Employees also make deferred contributions of five percent of compensation to the plan. Employees are vested upon enrollment in the plan.

**NOTE 9: COMMITMENTS AND CONTINGENCIES:**

**A. ENVIRONMENTAL REGULATIONS:**

Substantially all of the Authority's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal, state, and local requirements.

**B. GENERAL LITIGATION:**

The Authority may also become subject to general lawsuits that are typical for governmental entities. The Authority is party to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the Authority for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws.

**NOTE 10: SUBSEQUENT EVENTS:**

Subsequent events were evaluated through January 10, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, no events subsequent to December 31, 2023, were required to be recorded or disclosed in the financial statements.

**Indian Creek Valley Water Authority**

**Audit Report**

**II**

**Required Supplementary Information**

**Indian Creek Valley Water Authority  
Schedule of Revenues, Expenses and Changes in Net Position  
Budget and Actual Operating Fund  
For the Year Ended December 31, 2023**

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under) Budget</u>
<b>OPERATING REVENUES</b>			
Regular water sales	\$ 2,604,005	\$ 2,674,220	\$ (70,215)
Bulk water sales	72,827	5,850	66,977
Fire protection	42,366	36,190	6,176
Sale of supplies	27,914	35,000	(7,086)
Other operating revenue	39,989	10,050	29,939
Total Operating Revenues	<u>2,787,101</u>	<u>2,761,310</u>	<u>25,791</u>
<b>OPERATING EXPENSES</b>			
Water system expense	1,901,299	1,199,450	701,849
General office and administration expense	658,549	571,900	86,649
Total Operating Expenses	<u>2,559,848</u>	<u>1,771,350</u>	<u>788,498</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>227,253</u>	<u>989,960</u>	<u>(762,707)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	2,657	1,600	1,057
Arrears	49,534	40,000	9,534
Service charges	6,025	4,500	1,525
Intergovernmental revenue	37,917	-	37,917
Interest expense	(41,086)	(43,635)	2,549
Total Nonoperating Revenues (Expenses)	<u>55,047</u>	<u>2,465</u>	<u>52,582</u>
Income (Loss) Before Capital Contributions and Special Items	282,300	992,425	(710,125)
<b>CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS</b>			
Connection and tap fees	19,000	-	19,000
Total Capital Contributions and Special Items	<u>19,000</u>	<u>-</u>	<u>19,000</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ 301,300</u>	<u>\$ 992,425</u>	<u>\$ (691,125)</u>

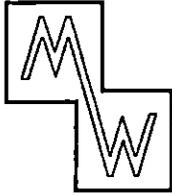
**Indian Creek Valley Water Authority**

**Audit Report**

**III**

**Report in Accordance with**

***Government Auditing Standards***



# McCLURE & WOLF, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1926

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DREW D. DuPONT, CPA

INDEPENDENT AUDITORS' 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

Members of the Board  
Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

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 Indian Creek Valley Water Authority (the Authority) as of and for the year ended December 31, 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 January 10, 2025.

### ***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 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

**Compliance and Other Matters**

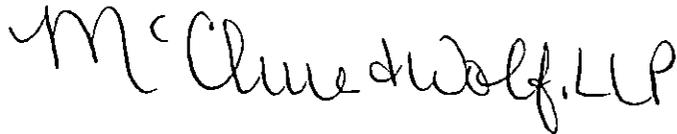
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 responses. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McClure & Wolf, LLP  
Uniontown, Pennsylvania  
January 10, 2025

**Indian Creek Valley Water Authority  
Schedule of Findings and Responses  
December 31, 2023**

**SECTION I-FINANCIAL STATEMENT FINDINGS:**

**MATERIAL WEAKNESSES:**

2023-001: Expenditures Not Properly Supported and Management Approval Documented:

**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. Effective internal controls over financial reporting require that all expenses be properly supported with adequate documentation (e.g., invoices, receipts) and authorized by management in accordance with established policies. This ensures compliance with financial policies, prevents fraud, and promotes accurate financial reporting.

**Condition:**

During our procedures, we noted several deficiencies where invoices were processed and payments made without appropriate supporting documentation. Additionally, transactions were not consistently reviewed or approved by authorized management personnel.

**Cause:**

Inadequate enforcement of existing financial policies and procedures in conjunction with poor document storage systems often result in misplaced or lost invoices.

**Effect:**

A material weakness exists in the control environment which may not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements related to reporting and compliance requirement on a timely basis.

**Recommendation:**

We recommended that management reinforce current policies requiring supporting documentation be maintained with each cash disbursement, as well as ensuring that each invoice has management approval prior to processing the disbursement.

**Views of responsible officials and corrective action:**

The Authority acknowledges this finding. A corrective action plan to address this finding has been developed and is included with the annual report.

**Indian Creek Valley Water Authority  
Schedule of Findings and Responses  
December 31, 2023**

2023-002: Incomplete Year-End Closing Procedures:

**Criteria:**

Management should implement formalized and documented year-end closing procedures in accordance with generally accepted accounting principles (GAAP). These procedures should ensure the timely, accurate, and complete recording of financial transactions and adjustments necessary for reliable financial reporting.

**Condition:**

The Authority lacks formalized year-end closing procedures, leading to inconsistent and incomplete processes. As a result, significant adjustments were identified during the audit to correct misstatements in account balances, such as receivables, and capital assets.

**Cause:**

The Authority lacks a written policy and procedure for the year-end close process. In an effort to utilize outside professionals to assist in the year-end close adjustments, a lack of oversight from management allowed for inconsistencies and delays in the year-end close.

**Effect:**

The delays in the Authority's year-end closing adjustments cause a delay in the financial statements, increasing the risk of non-compliance with reporting deadlines.

**Recommendation:**

The Authority should develop formal year-end closing procedures, including a checklist and a timeline. The procedures should cover key areas such as reconciliations, accruals, and capital assets. Management should also consider additional training in order to provide proper oversight of the year-end close process.

**Views of Responsible Officials and Corrective Action:**

The Authority acknowledges this finding. A corrective action plan to address this finding has been developed and is included with the annual report.

**Indian Creek Valley Water Authority**

**Audit Report**

**IV**

**Corrective Action Plan**

# Indian Creek Valley Water Authority

2019 Indian Head Road, Post Office Box 486, Indian Head, Pennsylvania 15446  
Telephone: (724) 455-2905 Fax: (724) 455-2906

## 2023 Financial Statement Findings of Material Weaknesses

### Corrective Action Plan

#### Finding 2023-001:

As stated in the Schedule of Findings and Responses of the 2023 Financial Statement, several deficiencies were processed and payments made without appropriate supporting documentation. While these transactions were few and monetarily small, they represent the potential for a breakdown in internal controls and a fair presentation of the financial statement. In addition, a few transactions were not consistently reviewed or approved by authorized by management.

Effective immediately, each invoice presented for payment to the Authority will require appropriate supporting documentation to accompany the invoice and authorized management must approve the invoice before payment can be issued.

#### Finding 2023-002:

As stated in the Schedule of Findings and Responses of the 2023 Financial Statement, management has not established a formalized year-end Closing Procedure in accordance with generally accepted accounting principles.

Beginning in 2025, the organization has outsourced the accounting function to a CPA firm and adopted a monthly and annual written close procedure with a checklist of accounts to be reconciled and year-end accruals to be prepared and processed in preparation for the annual audit and required financial reporting in accordance with GAAP.



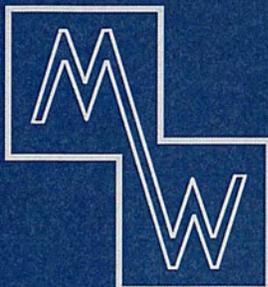
R. Kerry Witt,  
Manager  
January 6, 2025

**INDIAN CREEK VALLEY WATER AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2024**



**McCLURE & WOLF, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

Indian Creek Valley Water Authority  
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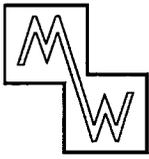
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**Indian Creek Valley Water Authority**

**Audit Report**

**I**

**Financial Statements**



# McCLURE & WOLF, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1926

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DREW D. DuPONT, CPA

## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Indian Creek Valley Water Authority (the Authority), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2024, and the changes in financial position and, where applicable, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit opinion.

#### ***Emphasis of Matter- Substantial Doubt About the Authority's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 11 to the financial statements, the Authority entered into an Asset Purchase Agreement with Pennsylvania American Water Company regarding the sale of Authority assets. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

The Authority's 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and GAS 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 GAAS and GAS, 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***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 8 and budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 September 5, 2025, 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 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.

*McClure & Wolf, LLP*

McClure & Wolf, LLP  
Uniontown, Pennsylvania  
September 5, 2025

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2024**

This section of Indian Creek Valley Water Authority's (the Authority) annual financial statements presents Management's Discussion and Analysis of the Authority's financial performance during the year ended December 31, 2024.

**Financial Highlights**

- The Authority's total net position increased by approximately \$467,000 between 2023 and 2024.
- Operating revenues increased by approximately \$12,000 from 2023.
- Operating expenses decreased by approximately \$161,000 over the prior year.

**Overview of the Financial Statements**

In accordance with Government Accounting Standards Board Statement Number 34 (GASB 34), the Authority's basic financial statements consist of the following:

**Statement of Net Position**

The statement of net position presents information that includes all of the Authority's assets and liabilities, deferred inflows of resources, and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Authority as a whole is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position reports how the Authority's net position changed during the current year. All current year revenues and expenses are included, regardless of when cash is received or paid. This statement distinctly separates operating from nonoperating revenues and expenses. The change in net position at the end of the statement reconciles beginning and ending total net position as shown on the statement of net position.

**Statement of Cash Flows**

The statement of cash flows provides information regarding the increase or decrease in cash resulting from operating activities, capital and related financing activities, investing activities, and other activities.

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to a full understanding of the Authority's financial statements. The notes to the financial statements begin immediately following the basic financial statements indicated above.

Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2024

**Financial Analysis**

**Net Position**

Total net position increased by approximately \$467,000 during the year ended December 31, 2024, as summarized below:

	<u>2024</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 759,235
Accounts receivable	873,289
Inventory	541,807
Capital assets, net	<u>15,845,662</u>
Total Assets	<u>\$ 18,019,993</u>
<b>LIABILITIES</b>	
Current liabilities	\$ 768,989
Notes payable, net	<u>1,921,098</u>
Total Liabilities	<u>2,690,087</u>
<b>NET POSITION</b>	<u>15,329,906</u>
Total Liabilities and Net Position	<u>\$ 18,019,993</u>
<b>NET POSITION COMPONENTS</b>	
Invested in capital assets, net	\$ 13,551,536
Unrestricted	<u>1,778,370</u>
Total Net Position	<u>\$ 15,329,906</u>

A portion of net position, \$13,551,536, represents the Authority's investment in property, plant, and equipment, net of accumulated depreciation and related debt. Unrestricted net position is available to fund future projects or future operations. The balance of unrestricted net position decreased by \$61,104 during the year ended December 31, 2024.

**Revenues**

Operating revenues consist primarily of water sales revenues as follows:

Water services	\$ 2,621,271
Bulk water sales	79,378
Public fire protection	42,887
Supply sales	23,971
Other operating revenue	<u>31,880</u>
Total Operating Revenue	<u>\$ 2,799,387</u>

While the quantity of water provided to our customers was down slightly in 2024, water revenues were higher than the prior year due primarily to the water rate increase charge to customers in November of 2023.

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2024**

Expenses

Operating expenses consisted of the following at December 31:

Water collection system	\$ 1,742,067
Administrative	656,641
Total Operating Expenses	<u>\$ 2,398,708</u>

Operating expenses decreased approximately \$161,000 over the prior year due primarily to net decrease in field maintenance staff for part of the year and a reduction in the number of emergency water main repairs. Additionally, the increased attention given to preventative maintenance on the system in recent years has manifested itself into ongoing cost savings.

**Nonoperating Revenues (Expenses)**

Nonoperating revenues (expenses) include interest income, interest expense, services charges, arrears, tap fees, and other revenues totaling approximately \$17,000, for the year ended December 31, 2024. This represents a net decrease in nonoperating revenues (expenses) of approximately \$38,000 from the prior year due primarily to decreased intergovernmental revenue.

Income/(loss) before capital contributions and special items increased \$135,811 from \$282,300 in 2023 to \$418,111 in 2024, primarily due to a decrease in operating expenses.

**Capital Contributions and Special Items**

Capital contributions and special items increased \$29,588, due to the Authority's cost to install new taps over the tap fees collected for same.

**Budgetary Information**

The following is a comparison of actual revenues and expenses for the year ended December 31, 2024, to original budgeted amounts for the same time period. As indicated below, total revenues ended the year at \$230,075 over budget. The summer of 2024 was an exceptionally dry time which generated greater domestic demand for water service. An increase in taps sales generated additional water sale revenues. Also, the Authority saw a significant increase in individuals privately purchasing and hauling bulk water to supplement homes not connected to the system.

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under) Budget</u>
<b>OPERATING REVENUES</b>			
Regular water sales	\$ 2,621,271	\$ 2,539,466	\$ 81,805
Bulk water sales	79,378	5,850	73,528
Fire protection	42,887	36,940	5,947
Sale of supplies	23,971	35,000	(11,029)
Other operating revenue	<u>31,880</u>	<u>10,050</u>	<u>21,830</u>
Total Operating Revenues	<u>2,799,387</u>	<u>2,627,306</u>	<u>172,081</u>
<b>NONOPERATING REVENUES</b>			
Tap on fees	48,588	-	48,588
Interest income	4,895	1,600	3,295
Arrears	46,126	40,000	6,126
Service charges	4,485	4,500	(15)
Intergovernmental revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues	<u>104,094</u>	<u>46,100</u>	<u>57,994</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,903,481</u>	<u>\$ 2,673,406</u>	<u>\$ 230,075</u>

The following is a comparison of actual expenses for the year ended December 31, 2024, to original budgeted amounts for the same time period. Depreciation expense in the amount of \$698,166 is not included in the budget column as it is not a current year cash outflows and, therefore, was not a budgeted expense. As indicated below, operating expenses were \$553,515 over budget.

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under) Budget</u>
<b>OPERATING EXPENSES</b>			
Water system expense	\$ 1,742,067	\$ 1,132,950	\$ 609,117
General office and administration expense	<u>656,641</u>	<u>712,243</u>	<u>(55,602)</u>
Total Operating Expenses	<u>\$ 2,398,708</u>	<u>\$ 1,845,193</u>	<u>\$ 553,515</u>

**Capital Assets**

At December 31, 2024, the Authority had \$15,845,662 invested in property, plant, and equipment. This represents a net increase of \$48,384 compared to the prior year.

Additions to the Authority's capital assets during the year ended December 31, 2024, consisted primarily of water tank improvements, new and ongoing water projects.

**Proposed 2025 Capital Expenditures**

In 2025, the Authority plans to pursue water line extension funding opportunities as they become available to include grant funded water line extensions along Harris Road in Saltlick and Springfield Townships, Hopewell Road in Saltlick Township, and a privately funded water line extension along Roaring Run Road in Donegal Township, Westmoreland County. We will also be starting a grant and loan funded project to erect a sister water storage tank in Stewart Township adjacent to our Ohio Pyle storage tank. Improvements will be started at our Grimm Spring Slow Sand Filter Plant as mandated by the Pennsylvania Department of Environmental Protection. Finally, the Authority's Supervisory Control and Data Acquisition system will continued to be updated.

**Indian Creek Valley Water Authority  
Management's Discussion and Analysis  
December 31, 2024**

**Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

Indian Creek Valley Water Authority  
Statement of Net Position  
December 31, 2024

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 759,235
Accounts Receivable:	
Customers	858,667
Taps and assessments	14,622
Inventory	<u>541,807</u>
Total Current Assets	<u>2,174,331</u>

**NONCURRENT ASSETS**

Property, plant, and equipment, net of accumulated depreciation	13,406,598
Construction in progress	<u>2,439,064</u>
Total Capital Assets, Net	<u>15,845,662</u>
 Total Assets	 <u>18,019,993</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	163,022
Accrued payroll liabilities	132,667
Accrued sales and use tax	366
Customer deposits	99,906
Current portion of long-term debt	<u>373,028</u>
Total Current Liabilities	<u>768,989</u>

**NONCURRENT LIABILITIES**

Long-term debt, net of current portion	<u>1,921,098</u>
Total Noncurrent Liabilities	<u>1,921,098</u>
 Total Liabilities	 <u>2,690,087</u>

**NET POSITION**

Net investment in capital assets	13,551,536
Unrestricted	<u>1,778,370</u>
Total Net Position	<u>\$ 15,329,906</u>

See accompanying auditors' report.

**Indian Creek Valley Water Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2024**

<b>OPERATING REVENUES</b>	
Water services	\$ 2,621,271
Bulk water sales	79,378
Public fire protection	42,887
Sales of supplies	23,971
Other operating income	31,880
Total Operating Revenues	<u>2,799,387</u>
<b>OPERATING EXPENSES</b>	
Water system	1,742,067
Administrative expenses	656,641
Total Operating Expenses	<u>2,398,708</u>
Income (Loss) From Operations	<u>400,679</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	4,895
Service charges	4,485
Arrears	46,126
Intergovernmental revenue	-
Interest expense	(38,074)
Total Nonoperating Revenues (Expenses)	<u>17,432</u>
Income (Loss) Before Capital Contributions and Special Items	<u>418,111</u>
<b>CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS</b>	
Connection and tap fees	48,588
Total Capital Contributions and Special Items	<u>48,588</u>
<b>INCREASE IN NET POSITION</b>	466,699
<b>NET POSITION—BEGINNING, AS RESTATED, NOTE 10</b>	<u>14,863,207</u>
<b>NET POSITION—ENDING</b>	<u>\$ 15,329,906</u>

See accompanying auditors' report.

**Indian Creek Valley Water Authority  
Statement of Cash Flows  
For the Year Ended December 31, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 2,702,776
Payments to suppliers, vendors, and professional services	<u>(1,715,199)</u>
Net Cash Provided (Used) by Operating Activities	<u>987,577</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Tap fees	48,588
Other income	50,611
Principal payments of long-term debt	(391,775)
Payment of interest	(38,074)
Purchase of capital assets	<u>(746,550)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,077,200)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt of interest income	<u>4,895</u>
Net Cash Provided (Used) by Investing Activities	<u>4,895</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(84,728)
Cash and Cash Equivalents at January 1,	<u>843,963</u>
Cash and Cash Equivalents at December 31,	<u>\$ 759,235</u>

**RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Income (loss) from operations	\$ 400,679
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	698,166
Change in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in accounts receivable	(96,611)
(Increase) decrease in inventory	48,945
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	(98,480)
Increase (decrease) in customer deposits	25,797
Increase (decrease) in accrued expenses	<u>9,081</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 987,577</u>

See accompanying auditors' report.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

**NOTE 1: NATURE OF OPERATIONS AND REPORTING ENTITY:**

The Indian Creek Valley Water Authority (the Authority) was incorporated on September 20, 1965, pursuant to the Municipality Authorities Act of 1945 (the Act), under the provisions of the Commonwealth of Pennsylvania. A five-member board, all of whom are appointed by Saltlick and Springfield Township supervisors, administers the Authority. Board members are appointed to five-year terms, with one board member subject to reappointment each year. The annual budget is approved by the Authority governing board. The Authority currently owns, operates, and maintains water facilities in nine municipalities. These municipalities consist of the following townships in Fayette County and Westmoreland County: Saltlick, Springfield, Bullskin, Connellsville, Stewart, Donegal, and Mount Pleasant. The Authority also owns, operates, and maintains water facilities in the following boroughs in Fayette County and Westmoreland County: Ohiopyle and Donegal. This coverage area encompasses over 140 square miles of distribution system and serves 2,664 customers.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the *Governmental Accounting Standards Board*, management has determined that the Authority has no component units.

Therefore, the amounts contained in this report are strictly those of the Authority.

The Authority is not included as a component unit on any other financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. BASIS OF PRESENTATION AND ACCOUNTING:**

The financial statements included herein were prepared using the accrual method of accounting, recognizing revenue when earned and expenses when incurred.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for based upon a flow of economic resources measurement focus. Accordingly, all assets and all liabilities associated with operations are included on the statements of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted for capital activity and debt service; and unrestricted elements.

**B. RECENTLY IMPLEMENTED ACCOUNTING STANDARDS:**

GASB has issued Statement No. 101, "Compensated Absences." GASB Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments. Generally, a liability for leave that has been used would be recognized if the leave is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid or settled. The provisions of this statement were effective and implemented for the Authority's December 31, 2024, financial statements.

**C. CONCENTRATION OF CREDIT RISK:**

Financial instruments that potentially subject the Authority to credit risk consist principally of accounts receivable from customers, substantially all of whom are residents and businesses located in the counties of Fayette and Westmoreland.

**D. USE OF ESTIMATES:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**E. BUDGETARY ACCOUNTING:**

The Authority adopts flexible annual operating budgets and capital budgets, as needed for planned projects. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**F. NET POSITION:**

Net position represents the difference between assets, liabilities, deferred inflows and deferred outflows as presented in the statement of net position. Net position invested in property, plant, and equipment consists of the net book value of the Authority's capital assets, reduced by the outstanding debt used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by legislation or by creditors, grantors, laws, or regulations of other governments.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

G. OPERATING AND NONOPERATING ITEMS:

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All other revenues and expenses are nonoperating.

H. ACCOUNTS RECEIVABLE:

Receivables consist of amounts due from customers for water and miscellaneous services. The Authority provides billings to customers monthly. The Authority recognizes uncollectible accounts at the time they are deemed to be uncollectible. The Authority's policy of filing a lien against delinquent accounts assists in collection of accounts receivable. All receivables are current, and therefore, due within one year.

I. INVENTORY:

Inventory is valued at cost using the last in first out (LIFO) and the average cost method and consists primarily of expendable parts and supplies held for future consumption.

J. PROPERTY, PLANT, AND EQUIPMENT:

Purchases of property, plant, and equipment in excess of \$500 are capitalized and are recorded at cost. Contributed capital additions are recorded at cost as determined by the party making the contribution. Repairs and minor replacements are charged to operating expense when incurred. Depreciation is calculated utilizing the straight-line method over estimated useful lives as follows:

Buildings	30-40 years
Water systems	40 years
Furniture and equipment	5-10 years
Vehicles	6 years
Leasehold improvements	7-40 years

Land and construction in progress are not depreciated.

Depreciation expense for the year ended December 31, 2024, was \$698,166.

K. COMPENSATED ABSENCES:

Effective for the fiscal years beginning after December 15, 2023, the Authority has implemented the provisions of GASB Statement 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences, providing a unified model for recognizing liabilities with leave benefits.

Under GASB 101, a liability for compensated absences is recognized for leave that:

1. Is attributable to services already rendered by employees;
2. Accumulates and can be carried forward to future reporting periods; and
3. Is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Additionally, a liability is recognized for leave that has been used but not yet paid or settled.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

The liability for compensated absences includes salary-related payments, such as the employer's share of Social Security and Medicare taxes, that are directly and incrementally associated with payments made for compensated absences.

As a result, of implementing GASB 101, the Authority has evaluated its policies and have summarized the liability for compensated absences as of December 31, 2024, as follows:

1. Vacation/Personal Leave:

Vacation/Personal leave is required to be used within the year earned. Thus, no liability for unused vacation/personal leave existed at December 31, 2024.

2. Sick Leave:

Sick leave is accumulated by each full-time employee by receiving 40 hours of sick leave per calendar year. Employees can use sick leave for their own personal sickness, and for an immediate family member living with them. Sick leave is used by the hour, e.g., eight-hour day or three hours during a work day if the employee is called away from duty for sickness. Sick leave is paid in the pay period it is used.

This implementation resulted in a restatement of current period beginning net position. As of December 31, 2024, accrued compensated absences was \$82,382.

L. FAIR VALUE MEASUREMENT:

The Authority applies Accounting Standards Codification (ASC) 820-10 for fair value measurements of financial instruments that are recognized or disclosed at fair value in the financial statements. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. See Note 4 for additional detail.

NOTE 3: CASH, DEPOSITS, AND INVESTMENTS:

For purposes of the cash flows statement, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2024, was \$759,235.

The Authority's cash funds are required to be deposited and invested in accordance with the terms of Pennsylvania Act 72 (1971) concerning the pledging of assets to secure deposits of public funds. At December 31, 2024, the carrying amount of the Authority's cash deposits was \$869,523. The entire balance throughout the year was covered by federal depository insurance or by pledged pooled collateral.

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS:

In accordance with GASB 72, *Fair Value Measurement and Application*, the Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024

The Authority currently does not have any assets or liabilities that require fair value measurement.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment consisted of the following:

	Beginning Balance	Additions	Disposals/Reclass	Ending Balance
Land	\$ 113,990	\$ -	\$ -	\$ 113,990
Buildings	985,295	-	-	985,295
Water system	26,153,285	219,146	-	26,372,431
Furniture and fixtures	586,040	-	-	586,040
Vehicles	876,493	-	-	876,493
Leasehold improvements	100,985	-	-	100,985
Meters and hydrants	192,462	-	-	192,462
Construction in progress	1,911,660	527,404	-	2,439,064
	30,920,210	746,550	-	31,666,760
Less accumulated depreciation	(15,122,932)	(698,166)	-	(15,821,098)
Net Capital Assets	\$ 15,797,278	\$ 48,384	\$ -	\$ 15,845,662

NOTE 6: LONG TERM LIABILITIES:

Following is a summary of long-term debt transactions of the Authority for the year ended December 31, 2024:

	Balance at December 31, 2022	Additions	Payments	Balance at December 31, 2023	Due Within One Year
Notes Payable:					
PENNVEST #12575	\$ 392,198	\$ -	\$ 34,731	\$ 357,467	\$ 35,081
PENNVEST #89165	712,420	-	168,110	544,310	169,909
FNB #5605	5,208	-	5,208	-	-
FNB #5260	11,469	-	11,469	-	-
FNB #3575	19,506	-	19,506	-	-
FNB #5380	73,876	-	54,331	19,545	19,545
Mid-Penn #2315	131,129	-	13,287	117,842	13,861
Mid Penn #2317	574,193	-	32,649	541,544	33,763
Mid-Penn #3036	-	272,000	7,468	264,532	8,646
FNB #7954	-	850,333	9,671	840,662	101,805
Total Notes Payable	\$ 1,919,999	\$ 1,122,333	\$ 356,430	\$ 2,685,901	\$ 382,610

NOTE 7: NOTES PAYABLE:

Note payable to PENNVEST (No. 12575) in the original amount of \$1,005,500. The note bears interest at the rate of 1% per annum and is payable in monthly installments of \$3,208 through September 2033. The outstanding balance on this note payable on December 31, 2024, was \$322,386.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

Note payable to PENNVEST (No. 89165) in the original amount of \$3,200,000. The note bears interest at the rate of 1.07% per annum and is payable in monthly installments of \$14,573 through February 2027. The outstanding balance on this note payable on December 31, 2024, was \$374,401.

Note payable to Mid-Penn Bank (No. 51002315) issued in 2017 in the amount of \$215,000 to pay off the old loan that was secured by the Neal Run Well Treatment Plant. The note bears interest at the rate of 2.64% per annum and is payable in monthly installments of \$1,383 through maturity in 2031. The outstanding balance on this note payable on December 31, 2024, was \$104,223.

Note payable to Mid-Penn Bank (No. 51002317) issued in 2017 for the purchase of land and buildings in the amount of \$750,000. The note bears interest at the rate of 2.64% per annum and is payable in monthly installments of \$3,971 through maturity in 2037. The outstanding balance on this note payable on December 31, 2024, was \$508,048.

Note payable to Mid-Penn Bank (No. 500233036) issued in 2023 for the purchase of an office building in the amount of \$272,000. The note bears interest at the rate of 4.70% per annum until 2030. Beginning in March of 2030, the note will bear interest at the rate of 7.75% per annum. The note is payable in monthly installments of \$1,760, through 2029. Beginning March 2030, the note is payable in monthly installments of \$2,095 through maturity in 2043. The outstanding balance on this note payable on December 31, 2024, was \$245,382.

Note payable to First National Bank (No. 47977954) issued in 2023 in the amount of \$850,333 for the Clinton Sister Tank Project. The note bears interest at the rate of 5.99% per annum and is payable in monthly installments of \$12,451 through maturity in 2030. The outstanding balance on this note payable on December 31, 2024, was \$739,685.

All the notes listed above are secured by the assets and revenues of the Authority.

Annual debt service to maturity on the notes payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 373,028	\$ 76,139	\$ 449,167
2026	383,621	65,546	449,167
2027	248,388	54,048	302,436
2028	228,971	44,318	273,289
2029	239,247	34,042	273,289
2030-2034	564,105	87,433	651,538
2035-2039	197,495	28,772	226,267
2040-2044	59,271	20,350	79,621
	<u>\$ 2,294,126</u>	<u>\$ 410,648</u>	<u>\$ 2,704,774</u>

**NOTE 8: RETIREMENT PLAN:**

The Authority sponsors a defined contribution plan, effective October 1, 1986, with the ICMA Retirement Corporation. The plan covers substantially all the Authority's full-time employees. Contributions and costs are determined at five percent of each covered employee's compensation and totaled \$28,863 for the year ended December 31, 2024. Employees also make deferred contributions of five percent of compensation to the plan. Employees are vested upon enrollment in the plan.

**Indian Creek Valley Water Authority  
Notes to the Financial Statements  
December 31, 2024**

**NOTE 9: COMMITMENTS AND CONTINGENCIES:**

**A. ENVIRONMENTAL REGULATIONS:**

Substantially all of the Authority's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal, state, and local requirements.

**B. GENERAL LITIGATION:**

The Authority may also become subject to general lawsuits that are typical for governmental entities. The Authority is party to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the Authority for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws.

**NOTE 10: RESTATEMENT OF BEGINNING NET POSITION:**

Due to recently implemented accounting standard GASB 101 for Compensated Absences, beginning net position has been restated. Beginning net position has decreased by \$87,644, the amount is equal to the Authority's December 31, 2023, accrued liability for compensated absences, resulting in beginning net position totaling \$14,863,207.

**NOTE 11: SUBSEQUENT EVENTS:**

During May of 2025, the Authority entered into an Asset Purchase Agreement with Pennsylvania American Water Company regarding the sale of Authority assets. Pursuant to the terms of that Asset Purchase Agreement, the parties are engaging in further discussions and due diligence.

Subsequent events were evaluated through September 5, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, no other events subsequent to December 31, 2024, were required to be recorded or disclosed in the financial statements.

**Indian Creek Valley Water Authority**

**Audit Report**

**II**

**Required Supplementary Information**

**Indian Creek Valley Water Authority**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual Operating Fund**  
**For the Year Ended December 31, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>
<b>OPERATING REVENUES</b>			
Regular water sales	\$ 2,621,271	\$ 2,539,466	\$ 81,805
Bulk water sales	79,378	5,850	73,528
Fire protection	42,887	36,940	5,947
Sale of supplies	23,971	35,000	(11,029)
Other operating revenue	31,880	10,050	21,830
Total Operating Revenues	<u>2,799,387</u>	<u>2,627,306</u>	<u>172,081</u>
<b>OPERATING EXPENSES</b>			
Water system expense	1,742,067	1,132,950	609,117
General office and administration expense	656,641	712,243	(55,602)
Total Operating Expenses	<u>2,398,708</u>	<u>1,845,193</u>	<u>553,515</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>400,679</u>	<u>782,113</u>	<u>(381,434)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	4,895	1,600	3,295
Arrears	46,126	40,000	6,126
Service charges	4,485	4,500	(15)
Intergovernmental revenue	-	-	-
Interest expense	(38,074)	(86,324)	48,250
Total Nonoperating Revenues (Expenses)	<u>17,432</u>	<u>(40,224)</u>	<u>57,656</u>
Income (Loss) Before Capital Contributions and Special Items	418,111	741,889	(323,778)
<b>CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS</b>			
Connection and tap fees	48,588	-	48,588
Total Capital Contributions and Special Items	<u>48,588</u>	<u>-</u>	<u>48,588</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ 466,699</u>	<u>\$ 741,889</u>	<u>\$ (275,190)</u>

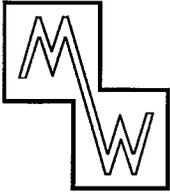
**Indian Creek Valley Water Authority**

**Audit Report**

**III**

**Report in Accordance with**

***Government Auditing Standards***



# McCLURE & WOLF, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1926

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INDEPENDENT AUDITORS' 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

Members of the Board  
Indian Creek Valley Water Authority  
PO Box 486  
2019 Indian Head Road  
Indian Head, PA 15446

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 Indian Creek Valley Water Authority (the Authority) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 5, 2025.

### ***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 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

**Compliance and Other Matters**

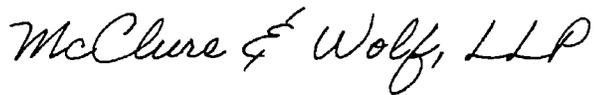
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 responses. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McClure & Wolf, LLP  
Uniontown, Pennsylvania  
September 5, 2025

**Indian Creek Valley Water Authority  
Schedule of Findings and Responses  
December 31, 2024**

SECTION I-FINANCIAL STATEMENT FINDINGS:

MATERIAL WEAKNESSES:

2024-001: Expenditures Not Properly Supported and Management Approval Documented:

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. Effective internal controls over financial reporting require that all expenses be properly supported with adequate documentation (e.g., invoices, receipts) and authorized by management in accordance with established policies. This ensures compliance with financial policies, prevents fraud, and promotes accurate financial reporting.

Condition:

During our procedures, we noted deficiencies where invoices were processed and payments made without appropriate supporting documentation. Additionally, transactions were not consistently reviewed or approved by authorized management personnel.

Cause:

Inadequate enforcement of existing financial policies and procedures in conjunction with poor document storage systems often result in misplaced or lost invoices.

Effect:

A material weakness exists in the control environment which may not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements related to reporting and compliance requirement on a timely basis.

Recommendation:

We recommended that management reinforce current policies requiring supporting documentation be maintained with each cash disbursement, as well as ensuring that each invoice has management approval prior to processing the disbursement.

Views of responsible officials and corrective action:

The Authority acknowledges this finding. A corrective action plan to address this finding has been developed and is included with the annual report.

2024-002: Incomplete Year-End Closing Procedures:

Criteria:

Management should implement formalized and documented year-end closing procedures in accordance with generally accepted accounting principles (GAAP). These procedures should ensure the timely, accurate, and complete recording of financial transactions and adjustments necessary for reliable financial reporting.

**Indian Creek Valley Water Authority  
Schedule of Findings and Responses  
December 31, 2024**

Condition:

The Authority lacks formalized year-end closing procedures, leading to inconsistent and incomplete processes.

Cause:

The Authority lacks a written policy and procedure for the year-end close process.

Effect:

The delays in the Authority's year-end closing adjustments cause a delay in the financial statements, increasing the risk of non-compliance with reporting deadlines.

Recommendation:

The Authority should develop formal year-end closing procedures, including a checklist and a timeline. The procedures should cover key areas such as reconciliations, accruals, and capital assets.

Views of Responsible Officials and Corrective Action:

The Authority acknowledges this finding. A corrective action plan to address this finding has been developed and is included with the annual report.

# Indian Creek Valley Water Authority

2019 Indian Head Road, Post Office Box 486, Indian Head, Pennsylvania 15446  
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## Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2023

### Introduction:

This Summary Schedule of Prior Audit Findings is prepared in accordance with the requirements of Government Auditing Standards for the year ended December 31, 2023. It provides a comprehensive overview of the prior audit findings, including the corrective actions taken to address the findings.

### List of Prior Audit Findings:

1. Reference Number 2023-001:
  - a. As stated in the Schedule of Findings and Responses of the 2023 Financial Statement, several deficiencies were processed and payments made without appropriate supporting documentation. While these transactions were few and monetarily small, they represent the potential for a breakdown in internal controls and a fair presentation of the financial statement. In addition, a few transactions were not consistently reviewed or approved by authorized by management.
  - b. Effective with the finding of the 2023 Audit, each invoice presented for payment to the Authority will require appropriate supporting documentation to accompany the invoice and authorized management must approve the invoice before payment can be issued.
  
2. Reference Number 2023-002:
  - a. As stated in the Schedule of Findings and Responses of the 2023 Financial Statement, management has not established a formalized year-end Closing Procedure in accordance with generally accepted accounting principles.
  - b. Beginning in 2025, the organization has outsourced the accounting function to a CPA firm and adopted a monthly and annual written close procedure with a checklist of accounts to be reconciled and year-end accruals to be prepared and processed in preparation for the annual audit and required financial reporting in accordance with GAAP.

### Responsibility Statement:

R. Kerry Witt, Manager, certify that the information presented in this Summary Schedule of prior Audit findings is accurate and complete to the best of my knowledge.



September 5, 2025

**Indian Creek Valley Water Authority**

**Audit Report**

**IV**

**Corrective Action Plan**

# Indian Creek Valley Water Authority

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2019 Indian Head Road, Post Office Box 486, Indian Head, Pennsylvania 15446  
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## 2024 Financial Statement Findings of Material Weaknesses

### Corrective Action Plan

#### Finding 2024-001:

As stated in the Schedule of Findings and Responses of the 2024 Financial Statement, several deficiencies were processed and payments made without appropriate supporting documentation. While these transactions were few and monetarily small, they represent the potential for a breakdown in internal controls and a fair presentation of the financial statement. In addition, a few transactions were not consistently reviewed or approved by authorized management.

Effective immediately, each invoice presented for payment to the Authority will require appropriate supporting documentation to accompany the invoice and authorized management must approve the invoice before payment can be issued.

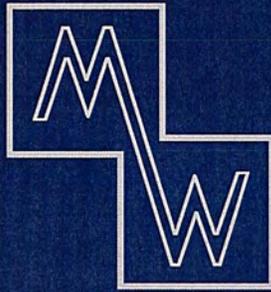
#### Finding 2024-002:

As stated in the Schedule of Findings and Responses of the 2024 Financial Statement, management has not established a formalized year-end Closing Procedure in accordance with generally accepted accounting principles.

Beginning in 2025, the organization has outsourced the accounting function to a CPA firm and adopted a monthly and annual written close procedure with a checklist of accounts to be reconciled and year-end accruals to be prepared and processed in preparation for the annual audit and required financial reporting in accordance with GAAP.



R. Kerry Witt,  
Manager  
September 5, 2025



**McCLURE & WOLF, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS