

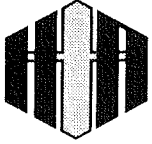
**BURNEY WATER DISTRICT
AUDIT REPORT
JUNE 30, 2012**

**BURNEY WATER DISTRICT
JUNE 30, 2012**

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FINANCIAL SECTION



Independent Auditor's Report on Financial Statements

Board of Directors
Burney Water District
Burney, CA 96013

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Burney Water District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated August 28, 2012, on our consideration of Burney Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Haws, Theobald & Auman, PC".

Haws, Theobald and Auman, PC

August 28, 2012

BURNEY WATER DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2012

INTRODUCTION

Our discussion and analysis of Burney Water District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$5,982,627 at June 30, 2012. This was an increase of \$26,608 over the prior year.
- Overall revenues were \$1,257,673, which were more than expenses of \$1,231,065 by \$26,608. The total cost of the District's programs decreased by \$43,231 over last year.
- Long-term debt has decreased by \$45,000, due to regular principal payments on bonds.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Proprietary funds** statements provide information about the short and long-term financial information of the district that operate like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district's budget for the year is included.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in connections, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include governmental activities. Most of the District's basic services are included here, such as water, sewer and pool services. User fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has one kind of fund:

Proprietary Funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide financial statements.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$5,9825,627 at June 30, 2012. See Table 1.

Many factors contributed to the change in net assets. However, certain events of the last year stand out beyond the others:

- Elimination of positions and reorganization of District Management and Staff
- Increase in monthly Pool Maintenance Fee from \$4.00 to \$5.00
- The District received a pool improvements grant of \$7,500
- The District wrote off some obsolete inventory
- The District will pay off the Sewer Bond during the 12/13 fiscal year

**Table 1:
Net Assets**

	Governmental Activities		Total Percentage
	2012	2011	Change
Assets			
Cash in County Treasury	\$ 915,095	\$ 743,773	23.03%
Accounts Receivable	126,296	102,226	23.55%
Inventory	-	39,930	-100.00%
Capital Assets, Net of Accumulated Depreciation	5,069,231	5,219,006	-2.87%
TOTAL ASSETS	\$ 6,110,622	\$ 6,104,935	
Liabilities			
Accounts Payable	\$ 13,585	\$ 6,145	121.07%
Deferred Revenue	7,500	-	100.00%
Utility Deposits	29,013	25,524	13.67%
Accrued Payroll and Related Liabilities	33,797	27,247	24.04%
Current Portion of Bonds Payable	45,000	45,000	0.00%
Long-Term Portion of Bonds Payable	-	45,000	-100.00%
TOTAL LIABILITIES	\$ 128,895	\$ 148,916	
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 5,024,231	\$ 5,129,006	-2.04%
Restricted	62,595	47,671	31.31%
Unrestricted (deficit)	895,801	779,342	14.94%
TOTAL NET ASSETS	\$ 5,982,627	\$ 5,956,019	

Changes in Net Assets

The District's total revenues were \$1,257,673. A majority of the revenue comes from charges for services (93.7%). Property taxes accounted for another 5.1% of total revenues.

The total cost of all programs and services was \$1,231,065. The District's expenses are predominately related to water and sewer services (91.3%). Pool services accounted for just 8.7% of total costs.

**Table 2:
Changes in Net Assets**

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
Operating Revenues:			
Utility Revenue	\$ 1,063,014	\$ 954,824	11.33%
Pool Fees	109,020	89,095	22.36%
Other Operating Revenue	7,057	16,667	-57.66%
Total Operating Revenue	1,179,091	1,060,586	
Operating Expenses:			
Salaries and Benefits	459,548	494,683	-7.10%
Insurance	29,430	28,145	4.57%
Professional Services	54,447	112,184	-51.47%
Utilities	220,990	246,159	-10.22%
Vehicles and Equipment	44,939	20,743	116.65%
Permits and Fees	12,545	3,347	274.81%
Depreciation	212,235	211,061	0.56%
Rent	6,705	4,934	35.89%
Repairs and Maintenance	69,230	63,849	8.43%
Office	24,393	15,975	52.69%
Supplies	22,710	18,282	24.22%
Other Operating Expenses	29,281	48,269	-39.34%
Total Operating Expenses	1,186,453	1,267,631	
Non-Operating Revenues and Expenses:			
Interest Income	4,847	5,503	-11.92%
Grants	10,000	-	100.00%
Property Taxes	63,735	41,538	53.44%
Interest Expense	(4,681)	(6,756)	-30.71%
Inventory Write Down	(39,931)	-	100.00%
Total Non-Operating Revenues and Expenses	33,970	40,285	
INCREASE IN NET ASSETS	\$ 26,608	\$ (166,760)	

Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services and capital grants and contributions.

The cost of all proprietary fund activities this year was \$1,231,066.

The amount that our taxpayers paid for these activities through property taxes was \$63,735.

Most of the costs were paid directly from people who directly benefited from the programs \$1,179,091 (Charges for Services).

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Water	\$ 612,276	\$ 618,363	\$ (41,372)	\$ 21,895
Sewer	471,262	510,051	54,911	135,065
Pool	107,596	145,973	(11,496)	56,842
TOTAL	\$ 1,191,134	\$ 1,274,387	\$ 2,043	\$ 213,802

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in its proprietary funds as well. As the District completed the year, its proprietary funds reported a combined net asset balance of \$5,982,627 which is above last year's ending fund balance of \$5,956,019.

General Fund Budgetary Highlights

The District did not revise its annual budget during the year. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$5,069,231 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities		Total Percentage Change
	2012	2011	2012-2011
Land	\$ 400,067	\$ 400,067	0.00%
Buildings	2,654,075	2,654,075	0.00%
Machinery and Equipment	7,348,941	7,286,481	0.86%
Totals at Historical Cost	10,403,083	10,340,623	0.60%
Total Accumulated Depreciation	(5,333,852)	(5,121,617)	4.14%
NET CAPITAL ASSETS	\$ 5,069,231	\$ 5,219,006	-2.87%

The District's fiscal year 2012/13 budget projects spending of \$0 for capital projects.

Long-Term Debt

At year end, the District had \$45,000 in debt, consisting of General Obligation Bonds as shown in Table 5. The District paid off \$45,000 in debt during the fiscal year which is the regularly scheduled payment amount. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table 5
Long-Term Debt**

	Governmental Activities		Total Percentage Change
	2012	2011	2012-2011
General Obligation Bonds	\$ 45,000	\$ 90,000	-50.00%
TOTAL LONG-TERM DEBT	\$ 45,000	\$ 90,000	-50.00%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- The District will attempt to control expenses and make adjustments to water and sewer rate structures in an effort to end historic net financial losses due to leaving depreciation costs unfunded.
- The continuing cost increases in materials, contracts, labor, energy and other benefits could have a significant effect on the future financial health of the District.
- The outcome of labor negotiations with the newly formed Burney Classified Employees Association could have a significant effect on the future financial health of the District.
- Fees charged by the District for delinquent payments, service shut-offs, account transfers and other administrative functions will need to be increased to cover costs associated with these activities and to help improve timely collection of District revenue.
- Emergency repairs and replacement of aging infrastructure could have a significant effect on the future financial health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Willie Rodriguez
 Burney Water District
 20222 Hudson Street
 Burney, CA 96013
 530-335-3582

**BURNEY WATER DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS	Business-Type Activities
	Water, Sewer & Pool Fund
Current Assets:	
Cash on Hand and in County Treasury	\$ 915,995
Accounts Receivable	126,296
Total Current Assets	1,042,291
Property, Plant & Equipment, Net (Note 4):	5,069,231
Total Assets	\$ 6,111,522
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 13,585
Utility Deposits	29,013
Accrued Payroll and Related Liabilities	33,797
Deferred Revenue	7,500
Current Portion of Long Term Debt (Note 5)	45,000
Total Liabilities	\$ 128,895
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 5,024,231
Restricted For Debt Service	62,595
Unrestricted	895,801
Total Net Assets	\$ 5,982,627

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2012**

	Expenses	Charges For Services	Capital Grants	Net (Expense) Revenue and Changes in Net Assets
<u>Business-Type Activities</u>				
Water	\$ 612,276	\$ 653,648	-	\$ 41,372
Sewer	471,262	416,351	-	(54,911)
Pool	107,596	109,092	10,000	11,496
Total Business-Type Activities	<u>\$ 1,191,134</u>	<u>\$ 1,179,091</u>	<u>\$ 10,000</u>	<u>(2,043)</u>
General Revenues:				
Property Taxes				63,734
Interest Earnings				4,847
Total General Revenue				<u>68,581</u>
Change in Net Assets before Special Items				66,539
Special Item - Inventory Write Down				<u>(39,931)</u>
Change in Net Assets				<u>26,608</u>
Net Assets Beginning				5,956,019
Net Assets Ending				<u>\$ 5,982,627</u>

The accompanying notes are an integral part of this statement.

BURNEY WATER DISTRICT
STATEMENT OF NET ASSETS-PROPRIETARY FUNDS
JUNE 30, 2012

ASSETS	<u>Water, Sewer & Pool Fund</u>
Current Assets:	
Cash on Hand and in County Treasury	\$ 915,995
Accounts Receivable	126,296
Total Current Assets	<u>1,042,291</u>
Property, Plant & Equipment, Net (Note 4):	5,069,231
Total Assets	<u><u>\$ 6,111,522</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 13,585
Utility Deposits	29,013
Accrued Payroll and Related Liabilities	33,797
Deferred Revenue	7,500
Current Portion of Long Term Debt (Note 5)	45,000
Total Liabilities	<u><u>\$ 128,895</u></u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 5,024,231
Restricted For Debt Service	62,595
Unrestricted	895,801
Total Net Assets	<u><u>\$ 5,982,627</u></u>

The accompanying notes are an integral part of this statement.

BURNEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water, Sewer & Pool Fund
Operating Revenues:	
Utility Revenue	\$ 1,063,014
Pool Fees	109,020
Other Operating Revenue	7,057
Total Operating Revenue	1,179,091
Expenses:	
Salaries and Benefits	459,548
Insurance	29,430
Legal, Accounting and Professional Services	54,447
Utilities	220,990
Vehicles and Equipment	44,939
Permits and Fees	12,545
Depreciation	212,235
Rent	6,705
Repairs and Maintenance	69,230
Office	24,393
Supplies	22,710
Other Operating Expenses	29,281
Total Operating Expenses	1,186,453
Operating Income (Loss)	(7,362)
Non-Operating Revenues and Expenses:	
Interest Income	4,847
Grant Revenue	10,000
Property Taxes	63,735
Interest Expense	(4,681)
Total Non-Operating Revenues and Expenses	73,901
Special Item - Inventory Write Down	(39,931)
Change in Net Assets	26,608
Net Assets Beginning	5,956,019
Net Assets Ending	\$ 5,982,627

The accompanying notes are an integral part of this statement.

BURNEY WATER DISTRICT
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities
	Water, Sewer & Pool Fund
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 1,166,010
Cash Payments to Employees	(452,999)
Cash Payments to Suppliers for Goods and Services	(507,230)
Net Cash Used by Operating Activities	205,781
Cash Flows from Non-Capital Financing Activities:	
Property Taxes	63,735
Grant Revenue	10,000
Net Cash Provided by Non-Capital Financing Activities	73,735
Cash Flows from Capital and Related Financing Activities:	
Purchases of Property and Equipment	(62,460)
Principal Payments on Long-term Debt	(45,000)
Interest Payments on Long-term Debt	(4,681)
Net Cash Used by Capital Financing Activities	(112,141)
Cash Flows from Investing Activities:	
Interest Received	4,847
Net Cash Provided by Investing Activities	4,847
Net Increase (Decrease) in Cash and Cash Equivalents	172,222
Cash and Cash Equivalents:	
Balance - July 1	743,773
Balance - June 30	\$ 915,995
Reconciliation:	
Operating Income (Loss)	\$ (7,362)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	212,235
(Increase)/Decrease in Accounts Receivable	(24,070)
Increase/(Decrease) in Accounts Payable	7,440
Increase/(Decrease) in Utility Deposits	3,489
Increase/(Decrease) in Deferred Revenue	7,500
Increase/(Decrease) in Payroll Liabilities	6,549
Net Cash Provided by Operating Activities	\$ 205,781

The accompanying notes are an integral part of this statement.

Burney Water District
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

Burney Water District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Burney Water District provides water, sewer and recreational services within the boundaries of the District

1. Reporting Entity

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

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires an inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Business-type activities generally are financed through fees charged to external parties.

Burney Water District
Notes to the Financial Statements
June 30, 2012

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

Fund Financial Statements: The fund financial statements provide information about the District's funds. Due to the lack of complete financial records for each business-type activity, the Enterprise funds are aggregated and reported as one major fund.

The District reports the following major Enterprise fund:

Water, Sewer, and Pool Fund. This is the District's primary operating fund. It accounts for water, sewer and pool activities of the district.

b. Measurement Focus, Basis of Accounting

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

Proprietary Fund Financial Statements: Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned. Expenditures are recorded when the related fund liability is incurred.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including

Burney Water District
Notes to the Financial Statements
June 30, 2012

amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

3. Assets, Liabilities, and Equity

a. Deposits and Investments

The District maintains substantially all of its cash in the County Treasury. Funds are pooled with those of other agencies and invested. These pooled funds are carried at cost, which closely approximates fair market value as determined by the pooled fund manager. Therefore, no adjustment has been made to reflect the current market value in the financial statements. Assumptions made in determining the fair value of the pooled investment portfolios are available from the Shasta County Treasurer. Interest earned is deposited into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

The District is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the District are secured by federal depository insurance or are collateralized.

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District uses a \$10,000 capitalization threshold for infrastructure replacement and \$5,000 for equipment.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-50
Office Equipment	5-7
Vehicles and Machinery	5-10

Burney Water District
Notes to the Financial Statements
June 30, 2012

c. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

The District uses the direct write off method for recording bad debts. This method is not in accordance with GAAP. The difference is considered immaterial.

d. Inventory

Inventories are expensed in the year of purchase. Although this practice is not in accordance with generally accepted accounting principles, the departure is not considered material. See Note 11.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District and are accrued when earned by the employee. Accumulated employee sick leave benefits are recognized at a rate of 50% of the number of hours over 240.

f. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. The County of Shasta bills and collects the taxes for the District.

g. Net Asset Restrictions

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for a specific future use. The restricted net assets balance represents amounts legally restricted for debt covenants on the General Obligation Bonds. These amounts are not available for appropriation and expenditure at the balance sheet date.

Burney Water District
Notes to the Financial Statements
June 30, 2012

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

Note 2 - Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not Applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not Applicable	Not Applicable

Note 3 - Excess of Expenditures Over Appropriations

As of June 30, 2012, expenditures exceeded appropriations as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Legal, Accounting and Professional Services	\$ 14,397
Depreciation	\$ 6,715
Rent	\$ 1,405
Repairs and Maintenance	\$ 51,730
Office	\$ 7,793
Other Operating Expenses	\$ 14,801

Water, Sewer, and Pool Fund:

Legal, Accounting and Professional Services – The District did not adequately budget for professional services for upgrading the District's billing software or for troubleshooting SCADA system radio communications issues.

Depreciation – The District estimates depreciation for the year.

Rent – The District recorded a replacement part expense incorrectly in this category

Burney Water District
Notes to the Financial Statements
June 30, 2012

Repairs and Maintenance – The District incurred expenses in excess to budget related to materials and labor for necessary electrical and physical repairs to buildings and equipment in all enterprises, repaired a damaged sewer pump, and incorrectly recorded a lawn tractor for building maintenance in this category.

Office – The District did not adequately budget for computer hardware for the District’s billing software upgrade.

Other Operating Expenses – The District did not budget for Customer refunds during the year.

Note 4 - Fixed Assets

Changes in fixed assets are summarized as follows:

	<u>6/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2012</u>
Land	\$ 400,067	\$ -	\$ -	\$ 400,067
Pumping Plant	267,803			267,803
Sewer Collection System	1,703,495			1,703,495
Sewer Treatment Plant	2,243,417			2,243,417
Transmission and Distribution	4,033,449			4,033,449
Buildings	142,855			142,855
Office Furniture and Equipment	35,260	15,094		50,354
Automobiles	116,923			116,923
Tools and Equipment	170,928	36,255		207,183
Swimming Pool & Equipment	1,178,055	11,111		1,189,166
Solar Equipment	48,371	-	-	48,371
Total	<u>10,340,623</u>	<u>62,460</u>	-	<u>10,403,083</u>
Accumulated Depreciation	<u>(5,121,617)</u>	<u>(212,235)</u>	-	<u>(5,333,852)</u>
	<u>(5,121,617)</u>	<u>(212,235)</u>	-	<u>(5,333,852)</u>
Net Fixed Assets	<u>\$ 5,219,006</u>	<u>\$ (149,775)</u>	<u>\$ -</u>	<u>\$ 5,069,231</u>

Depreciation was charged to functions as follows:

Business-Type Activities:

Water	\$ 95,472
Sewer	85,420
Pool	31,343
Total	<u>\$ 212,235</u>

Burney Water District
Notes to the Financial Statements
June 30, 2012

Note 5 – Bonds Payable

Long-Term Debt is summarized as follows:

Business-Type Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
General Obligation Bonds 5% Interest. Loan Payable in Annual Installments until 2013.	\$ 90,000	\$ -	\$ 45,000	\$ 45,000
Total Governmental	90,000	\$ -		45,000
Less: Current Portion	(45,000)			(45,000)
Long-Term Portion	<u>\$ 45,000</u>			<u>\$ -</u>

The annual requirements to amortize all debt including interest payments as of June 30, 2011 are as follows:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 45,000	\$ 2,250	\$ 47,250
Totals	<u>\$ 45,000</u>	<u>\$ 2,250</u>	<u>\$ 47,250</u>

Note 6 – Commitments and Contingencies

Litigation

The District is not currently involved in litigation. In the opinion of management and legal counsel, the disposition of any litigation pending will not have a material effect on the financial statements.

Note 7 - Risk Management and Litigation

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

The District estimates that the amount of actual or potential claims against the District as of June 30, 2012 will not materially affect the financial condition of the District. Therefore, the Water,

Burney Water District
Notes to the Financial Statements
June 30, 2012

Sewer, and Pool Fund contains no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

Note 8 – Pension Plan

Qualified employees are covered under a single-employer defined benefit pension plan maintained by agencies of the State of California. Employees are members of the California Public Employees' Retirement System. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Plan Description

The District contributes to a single employer defined benefit plan administered by PERS for each of its salaried, full-time personnel. Each plan provides retirement, disability and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The benefit provisions of the plan are established and amended by the Board of Trustees of PERS.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determined the rate are those adopted by the PERS Board of Trustees. The required employer contribution rate for fiscal year 2011-2012 was 17.491%.

Annual Pension Cost

For the year ended June 30, 2012, the District's annual pension cost of \$54,706 was equal to the District's required and actual contributions, as well as the District's payments for the employees' contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the Entry Age Normal Cost Method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% per year, and (c) a 3.25% cost of living adjustment. The assumptions also included an inflation component of 3.00%. The actuarial value of the District's pension assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over three years. The District's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 17 years.

Burney Water District
Notes to the Financial Statements
June 30, 2012

Three-Year Trend Information for Burney Water District is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Ending 06/30/10	\$ 79,097	100%	\$ -
06/30/11	\$ 53,876	100%	\$ -
06/30/12	\$ 54,706	100%	\$ -

The Schedule of Funding Progress for District CalPERS is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) b - a	Funded Ratio a/b	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b - a)/c)
For the Miscellaneous 3.0% at 60 Risk Pool						
06/30/08	\$ 641,167,624	\$ 776,166,719	\$ 134,999,095	82.6%	\$ 155,115,302	87.0%
06/30/09	\$ 694,384,975	\$ 883,394,429	\$ 189,009,454	78.6%	\$ 161,972,631	116.7%
06/30/10	\$ 754,858,961	\$ 945,221,095	\$ 190,362,134	79.9%	\$ 159,156,834	119.6%

Note 9 – Joint Venture

The District participates in two joint ventures under joint powers agreements (JPAs) with the Special District Risk Management Association (SDRMA) and the Laborer's Health and Welfare Trust.. The relationship between the JPA and the District is such that the JPA is not component unit of the District.

The SDRMA is a public risk entity pool established to provide liability insurance to its members and to pay for the administration of the Agency and for the cost of excess insurance and related risk management costs. The Laborer's Health and Welfare Trust provides health insurance coverage to its members. The JPA's Boards control the operations of the JPAs, including the selection of management and approval of the operating budgets, independent of any influence by the member districts beyond their representation on the board.

Note 10 – Subsequent Events

Subsequent events were evaluated through August 28, 2012, which is the date the financial statements were available to be issued.

Note 11 – Accounting for Inventory Items

The District reviewed the inventory balances on the books at the beginning of the fiscal year and determined that significant amounts of inventory are obsolete, and that the overall balance is not material to the financial statements. The District has opted to expense inventory at the time the items are purchased. The District does not consider this change in accounting methods to be material after the initial write off of the obsolete inventory.

**REQUIRED SUPPLEMENTARY
INFORMATION**

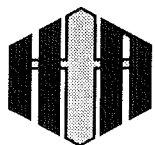
BURNEY WATER DISTRICT
COMBINED STATEMENT OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 1,004,250	\$ 976,815	\$ 1,063,014	\$ 86,199
Pool Fees	84,940	112,765	109,020	(3,745)
Other Operating Revenue	-	35	7,057	7,022
Total Operating Revenue	<u>1,089,190</u>	<u>1,089,615</u>	<u>1,179,091</u>	<u>89,476</u>
Expenses:				
Salaries and Benefits	532,700	497,600	459,548	38,052
Insurance	15,700	30,000	29,430	570
Legal, Accounting and Professional Services	136,550	40,050	54,447	(14,397)
Utilities	244,750	244,100	220,990	23,110
Vehicles and Equipment	56,600	47,400	44,939	2,461
Permits and Fees	33,850	23,950	12,545	11,405
Depreciation	204,700	205,520	212,235	(6,715)
Rent	5,200	5,300	6,705	(1,405)
Repairs and Maintenance	35,550	17,500	69,230	(51,730)
Office	12,300	16,600	24,393	(7,793)
Supplies	30,200	28,500	22,710	5,790
Other Operating Expenses	20,150	14,480	29,281	(14,801)
Total Operating Expenses	<u>1,328,250</u>	<u>1,171,000</u>	<u>1,186,453</u>	<u>(15,453)</u>
Operating Income (Loss)	<u>(239,060)</u>	<u>(81,385)</u>	<u>(7,362)</u>	<u>74,023</u>
Non-Operating Revenue (Expense):				
Interest Income	200	3,500	4,847	1,347
Grant Revenue	-	10,000	10,000	-
Property Taxes	13,450	-	63,735	63,735
Interest Expense	(50)	(30)	(4,681)	(4,651)
Total Non-Operating Revenues (Expenses)	<u>13,600</u>	<u>13,470</u>	<u>73,901</u>	<u>60,431</u>
Special Item - Inventory Write Down	-	-	(39,931)	(39,931)
Change in Net Assets	<u>\$ (225,460)</u>	<u>\$ (67,915)</u>	<u>\$ 26,608</u>	<u>\$ 94,523</u>

BURNEY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES BY ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012

	Water	Sewer	Pool	Water, Sewer, & Pool Fund Total
Operating Revenues:				
Utility Revenue	\$ 646,716	\$ 416,298	\$ -	\$ 1,063,014
Pool Fees	-	-	109,020	109,020
Other Operating Revenue	6,932	53	72	7,057
Total Operating Revenue	<u>653,648</u>	<u>416,351</u>	<u>109,092</u>	<u>1,179,091</u>
Expenses:				
Salaries and Benefits	231,948	188,374	39,226	459,548
Insurance	9,695	9,695	10,040	29,430
Legal, Accounting and Professional Services	31,632	19,448	3,367	54,447
Utilities	138,258	72,430	10,302	220,990
Vehicles and Equipment	19,421	23,491	2,027	44,939
Permits and Fees	10,968	1,109	468	12,545
Depreciation	95,472	85,420	31,343	212,235
Rent	2,983	3,465	257	6,705
Repairs and Maintenance	38,279	27,166	3,785	69,230
Office	10,770	12,726	897	24,393
Supplies	7,051	13,730	1,929	22,710
Other Operating Expenses	15,771	9,555	3,955	29,281
Total Operating Expenses	<u>612,248</u>	<u>466,609</u>	<u>107,596</u>	<u>1,186,453</u>
Operating Income (Loss)	<u>41,400</u>	<u>(50,258)</u>	<u>1,496</u>	<u>(7,362)</u>
Non-Operating Revenues and Expenses:				
Interest Income	1,828	2,400	619	4,847
Grant Revenue			10,000	10,000
Property Taxes	-	63,735	-	63,735
Interest Expense	(28)	(4,653)	-	(4,681)
Total Non-Operating Revenues and Expenses	<u>1,800</u>	<u>61,482</u>	<u>10,619</u>	<u>73,901</u>
Special Item - Inventory Write Down	<u>(27,952)</u>	<u>(11,979)</u>	<u>-</u>	<u>(39,931)</u>
Change in Net Assets	<u>\$ 15,248</u>	<u>\$ (755)</u>	<u>\$ 12,115</u>	<u>\$ 26,608</u>

OTHER SUPPLEMENTARY INFORMATION



Haws, Theobald & Auman, PC
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Kenneth P. Haws, CPA, Emeritus
Kenneth G Theobald, CPA, M.S. Taxation
John E. Auman, CPA
Clay E. Singleton, CPA, M.S. Accountancy

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

Board of Directors
Burney Water District
Burney, CA 96013

Members of the Board of Directors:

We have audited the basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of and for the year ended June 30, 2012, and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Burney Water District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered District's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

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deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as items 2012-1 and 2012-2 to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-4 to be significant deficiencies.

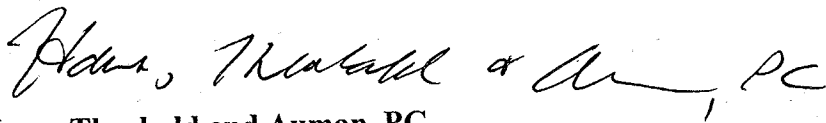
Compliance and Other Matters

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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management and grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Haws, Theobald and Auman, PC
August 28, 2012

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

YELLOW BOOK SECTION

Internal Control – Material Weakness

Finding 2012-1: Lack of Segregation of Duties

Criteria upon which audit finding is based (Legal Citation):
Yellow Book paragraphs 5.10 – 5.14 and Appendix I, SAS No. 109.

Finding (Condition):
An inadequate segregation of duties exists.

Amount of Questioned Cost, How Computed and Prevalence:
None.

Effect:
The Burney Water District has exposure to risk of financial statement misstatement and the potential risk for fraud.

Cause:
Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation:
We recommend that the District employees and board maintain diligence for the potential risks of not having an adequate segregation of duties.

District's Response:
The District plans to prepare an organization chart and provide documentation for job responsibilities to best separate as many of the duties as possible with the staff we have available.

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

YELLOW BOOK SECTION

Internal Control – Material Weakness

Finding 2012-2: Financial Statement Preparation

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

Under Statements on Auditing Standards 115 (SAS 115) the District is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition):

Similar to many other California special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence:

None

Effect:

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause:

This condition has always existed at the District, and is being reported in accordance with SAS 115.

Recommendation:

The District should consider the cost benefit of hiring an accountant familiar with GAAP or contracting with an independent CPA firm to compile financial statements in conformity with GAAP.

District's Response:

The District concurs with this recommendation.

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

YELLOW BOOK SECTION

Internal Control – Significant Deficiency

Finding 2012-3: Fixed Asset Policies and Procedures

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

Finding (Condition):

The District has not updated its fixed assets list for items which are very old, fully depreciated & possibly no longer in existence.

Amount of Questioned Cost, How Computed and Prevalence:
No questioned costs.

Effect:
The District has the risk of financial statement misstatement and the risk of fraud.

Cause:
Lack of policies and procedures for fixed asset monitoring.

Recommendation:
The District should review its fixed asset list and remove items that are obsolete or no longer in existence.

District's Response:
The District concurs with this finding.

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

YELLOW BOOK SECTION

Internal Control – Significant Deficiency

Finding 2012-4: Employee Pay Rate Authorizations

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

Internal Control Standards.

Finding (Condition):

The District was not able to locate approvals for gross pay for District employees.

Amount of Questioned Cost, How Computed and Prevalence:

No questioned costs. 100% of sample tested.

Effect:

The District may not be properly calculating payroll checks and is exposed to increased risk of fraud.

Cause:

The District gave employees raises and did not document gross payroll changes.

Recommendation:

We recommend that the District maintain written documentation authorizing gross pay amounts for all District employees.

District's Response:

The District concurs with this finding.

**BURNEY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2011 AUDIT REPORT)
JUNE 30, 2012**

Finding 2011-1: Lack of Segregation of Duties

Due to the number of employees an inadequate segregation of duties exists.

Status

Ongoing.

Finding 2011-2: Financial Statement Preparation

Similar to many other California special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Status

Ongoing.

Finding 2011-3: Fixed Asset Policies and Procedures

The District has not updated its fixed asset list for items which are very old, fully depreciated and possibly no longer in existence.

Status

Not implemented, see Finding 2012-3.

Finding 2011-4: Net Operating Loss

The District continues to end each fiscal year with a net operating loss.

Status

Implemented.

**BURNEY WATER DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2012**

Person Monitoring Corrective Action Plan

Willie Rodriguez, General Manager

Finding 2012-1: Lack of Segregation of Duties

Finding (Condition)

Due to the number of employees an inadequate segregation of duties exists

Corrective Action Planned

The District plans to prepare an organizational chart and provide documentation for job responsibilities to best separate as many duties as possible with the staff we have available.

Expected Completion Date

Ongoing

Finding 2012-2: Financial Statement Preparation

Finding (Condition)

Similar to many other California special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The District has hired a CPA to perform our bookkeeping function and compile our monthly financial statements in conformity with GAAP.

Expected Completion Date

Ongoing.

**BURNEY WATER DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2012**

Finding 2012-3: Fixed Asset Policies and Procedures

Finding (Condition)

The District has not updated its fixed assets list for items which are very old, fully depreciated and possibly no longer in existence.

Corrective Action Planned

The District will review its fixed asset list and remove items that are obsolete or no longer in existence. The District will also work to establish policies and procedures for fixed asset monitoring.

Expected Completion Date

June 30, 2013.

Finding 2012-4: Employee Pay Rate Authorization

Finding (Condition)

The District was not able to locate approvals for gross pay for District employees.

Corrective Action Planned

The District will maintain written documentation authorizing gross pay amounts for all District employees.

Expected Completion Date

June 30, 2013.