

**BURNEY WATER DISTRICT
AUDIT REPORT
JUNE 30, 2013**

**BURNEY WATER DISTRICT
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page No.</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report on Financial Statements	1
Management Discussion and Analysis (Required Supplementary Information)	4
<u>Basic Financial Statements:</u>	
Government-Wide Statement of Net Assets	10
Government-Wide Statement of Activities	11
<u>Fund Financial Statements:</u>	
Statement of Net Assets-Proprietary Funds	12
Statement of Revenue, Expenses and Changes in Fund Net Assets-Proprietary Funds	13
Statement of Cash Flows-Proprietary Funds	14
Notes to Financial Statements	15
<u>Required Supplementary Information:</u>	
Water, Sewer, and Pool Fund – Budgetary Comparison Schedule	25
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Revenue and Expenses by Activity	26
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	27
Combined Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Year Audit Findings	32
Corrective Action Plan	33

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of June 30, 2013, and the respective 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.

Other Matters

Required Supplementary Information

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 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 Information

The other supplementary information schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013, on our consideration of 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* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



SingletonAuman PC
Susanville, CA
September 11, 2013

BURNEY WATER DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2013

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, 2013. 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 position was \$5,813,479 at June 30, 2013. This was a decrease of \$169,148 compared to the prior year.
- Overall revenues were \$1,152,100, which were less than expenses of \$1,321,248 by \$169,148. The total cost of the District's programs increased by \$90,183 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 position 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 position and how it has changed. Net position, the difference between the assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position 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 Position

The District's combined net position was \$5,813,479 at June 30, 2013. See Table 1.

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

- Elimination of positions and reorganization of District Management and Staff
- Minimal Capital Repair/Replacement projects during the 12/13 fiscal year lead to continued depreciation of Property, Plant & Equipment assets.
- Increase in monthly Pool Maintenance Fee from \$4.00 to \$5.00
- The District received a pool improvements grant of 7,434
- The District paid off the Sewer Bond during the 12/13 fiscal year

**Table 1:
Net Position**

	Governmental Activities		Total Percentage
	2013	2012	Change 2013-2012
Assets			
Cash in County Treasury	\$ 936,235	\$ 915,095	2.31%
Accounts Receivable	133,370	126,296	5.60%
Property, Plant & Equipment, Net	4,894,063	5,069,231	-3.46%
TOTAL ASSETS	\$ 5,963,668	\$ 6,110,622	
Liabilities			
Accounts Payable	\$ 84,383	\$ 13,585	521.15%
Deferred Revenue	28,262	7,500	100.00%
Utility Deposits	37,478	29,013	29.18%
Accrued Payroll and Related Liabilities	66	33,797	-99.80%
Current Portion of Bonds Payable	-	45,000	-100.00%
TOTAL LIABILITIES	\$ 150,189	\$ 128,895	
Net Position			
Net Investment in Capital Assets	\$ 4,894,063	\$ 5,024,231	-2.59%
Restricted	-	62,595	-100.00%
Unrestricted (deficit)	919,416	895,801	2.64%
TOTAL NET POSITION	\$ 5,813,479	\$ 5,982,627	

Changes in Net Position

The District's total revenues were \$1,152,100. A majority of the revenue comes from charges for services (98.9%). Property taxes accounted for another .1% of total revenues.

The total cost of all programs and services was \$1,321,248. The District's expenses are predominately related to water and sewer services (92.0%). Pool services accounted for just 8.0% of total costs.

**Table 2:
Changes in Net Position**

	Governmental Activities		Total Percentage
	2013	2012	Change 2013-2012
Operating Revenues:			
Utility Revenue	\$ 1,023,362	\$ 1,063,014	-3.73%
Pool Fees	109,104	109,020	0.08%
Other Operating Revenue	7,438	7,057	5.40%
Total Operating Revenue	1,139,904	1,179,091	
Operating Expenses:			
Salaries and Benefits	482,946	459,548	5.09%
Insurance	29,922	29,430	1.67%
Professional Services	102,926	54,447	89.04%
Utilities	248,706	220,990	12.54%
Vehicles and Equipment	70,330	44,939	56.50%
Permits and Fees	2,846	12,545	-77.31%
Depreciation	220,939	212,235	4.10%
Rent	259	6,705	-96.14%
Repairs and Maintenance	52,498	69,230	-24.17%
Office	21,842	24,393	-10.46%
Supplies	-	22,710	-100.00%
Other Operating Expenses	85,768	29,281	192.91%
Total Operating Expenses	1,318,982	1,186,453	
Non-Operating Revenues and Expenses:			
Interest Income	3,358	4,847	-30.72%
Grants	7,434	10,000	100.00%
Property Taxes	1,404	63,735	-97.80%
Interest Expense	(2,266)	(4,681)	-51.59%
Inventory Write Down	-	(39,931)	100.00%
Total Non-Operating Revenues and Expenses	9,930	33,970	
INCREASE IN NET POSITION	\$ (169,148)	\$ 26,608	

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 \$1,321,248.

The amount that our taxpayers paid for these activities through property taxes was \$1,404.

Most of the costs (Charges for Services, \$1,139,904) were paid directly from people who directly benefited from the programs.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Water	\$ 672,520	\$ 612,276	\$ 24,223	\$ (41,372)
Sewer	543,264	471,262	160,300	54,911
Pool	105,464	107,596	(10,613)	(11,496)
TOTAL	\$ 1,321,248	\$ 1,191,134	\$ 173,910	\$ 2,043

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 position balance of \$5,813,479 which is below last year's ending fund balance of \$5,982,627.

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, 2013, the District had invested \$4,894,065 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
	2013	2012	Change
			2013-2012
Land	\$ 400,067	\$ 400,067	0.00%
Buildings	2,583,521	2,654,075	-2.66%
Machinery and Equipment	7,252,575	7,348,941	-1.31%
Totals at Historical Cost	10,236,163	10,403,083	-1.60%
Total Accumulated Depreciation	(5,342,098)	(5,333,852)	0.15%
NET CAPITAL ASSETS	\$ 4,894,065	\$ 5,069,231	-3.46%

The District's fiscal year 2013/14 budget projects spending of \$0 for capital projects.

Long-Term Debt

At year end, the District had no remaining debt for the General Obligation Bonds as shown in Table 5. The District paid off \$45,000 in debt during the fiscal year which was 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
	2013	2012	Change 2013-2012
General Obligation Bonds	\$ -	\$ 45,000	-100.00%
TOTAL LONG-TERM DEBT	\$ -	\$ 45,000	-100.00%

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 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 POSITION
JUNE 30, 2013**

ASSETS	<u>Business-Type Activities</u> <u>Water, Sewer & Pool Fund</u>
Current Assets:	
Cash on Hand and in County Treasury	\$ 936,235
Accounts Receivable	133,370
Total Current Assets	<u>1,069,605</u>
Property, Plant & Equipment, Net (Note 4):	<u>4,894,063</u>
Total Assets	<u><u>\$ 5,963,668</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 84,383
Utility Deposits	28,262
Accrued Payroll and Related Liabilities	37,478
Deferred Revenue	66
Current Portion of Long Term Debt (Note 5)	-
Total Liabilities	<u><u>\$ 150,189</u></u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,894,063
Restricted For Debt Service	-
Unrestricted	919,416
Total Net Position	<u><u>\$ 5,813,479</u></u>

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2013**

	Expenses	Charges For Services	Capital Grants	Net (Expense) Revenue and Changes in Net Position
<u>Business-Type Activities</u>				
Water	\$ 672,520	\$ 648,297	-	\$ (24,223)
Sewer	543,264	382,964	-	(160,300)
Pool	105,464	108,643	7,434	10,613
Total Business-Type Activities	\$ 1,321,248	\$ 1,139,904	\$ 7,434	(173,910)
General Revenues:				
Property Taxes				1,404
Interest Earnings				3,358
Total General Revenue				4,762
Change in Net Position				(169,148)
Net Position Beginning				5,982,627
Net Position Ending				\$ 5,813,479

The accompanying notes are an integral part of this statement.

BURNEY WATER DISTRICT
STATEMENT OF NET POSITION-PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	<u>Water, Sewer & Pool Fund</u>
Current Assets:	
Cash on Hand and in County Treasury	\$ 936,235
Accounts Receivable	133,370
Total Current Assets	<u>1,069,605</u>
Property, Plant & Equipment, Net (Note 4):	4,894,063
Total Assets	<u><u>\$ 5,963,668</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 84,383
Utility Deposits	28,262
Accrued Payroll and Related Liabilities	37,478
Deferred Revenue	66
Current Portion of Long Term Debt (Note 5)	-
Total Liabilities	<u><u>\$ 150,189</u></u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,894,063
Restricted For Debt Service	-
Unrestricted	919,416
Total Net Position	<u><u>\$ 5,813,479</u></u>

The accompanying notes are an integral part of this statement.

BURNEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water, Sewer & Pool Fund</u>
Operating Revenues:	
Utility Revenue	\$ 1,023,362
Pool Fees	109,104
Other Operating Revenue	7,438
Total Operating Revenue	<u>1,139,904</u>
Expenses:	
Salaries and Benefits	482,946
Insurance	29,922
Legal, Accounting and Professional Services	102,926
Utilities	248,706
Vehicles and Equipment	70,330
Permits and Fees	2,846
Depreciation	220,939
Rent	259
Repairs and Maintenance	52,498
Office	21,842
Other Operating Expenses	<u>85,768</u>
Total Operating Expenses	<u>1,318,982</u>
Operating Income (Loss)	<u>(179,078)</u>
Non-Operating Revenues and Expenses:	
Interest Income	3,358
Grant Revenue	7,434
Property Taxes	1,404
Interest Expense	<u>(2,266)</u>
Total Non-Operating Revenues and Expenses	9,930
Change in Net Position	(169,148)
Net Position Beginning	<u>5,982,627</u>
Net Position Ending	<u><u>\$ 5,813,479</u></u>

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, 2013**

	Business-Type Activities
	Water, Sewer & Pool Fund
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 1,124,645
Cash Payments to Employees	(479,265)
Cash Payments to Suppliers for Goods and Services	(544,299)
Net Cash Provided by Operating Activities	101,081
Cash Flows from Non-Capital Financing Activities:	
Property Taxes	1,404
Grant Revenue	7,434
Net Cash Provided by Non-Capital Financing Activities	8,838
Cash Flows from Capital and Related Financing Activities:	
Purchases of Property and Equipment	(45,773)
Principal Payments on Long-term Debt	(45,000)
Interest Payments on Long-term Debt	(2,266)
Net Cash Used by Capital Financing Activities	(93,039)
Cash Flows from Investing Activities:	
Interest Received	3,358
Net Cash Provided by Investing Activities	3,358
Net Increase (Decrease) in Cash and Cash Equivalents	20,240
Cash and Cash Equivalents:	
Balance - July 1	915,995
Balance - June 30	\$ 936,235
Reconciliation:	
Operating Income (Loss)	\$ (179,078)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	220,939
(Increase)/Decrease in Accounts Receivable	(7,074)
Increase/(Decrease) in Accounts Payable	70,798
Increase/(Decrease) in Utility Deposits	(751)
Increase/(Decrease) in Deferred Revenue	(7,434)
Increase/(Decrease) in Payroll Liabilities	3,681
Net Cash Provided by Operating Activities	\$ 101,081

The accompanying notes are an integral part of this statement.

Burney Water District
Notes to the Financial Statements
June 30, 2013

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 position 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, 2013

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, 2013

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, 2013

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, 2013

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.

i. Budgetary Accounting

The District prepares budgets on the accrual basis of accounting.

j Net Position

Net Position is the excess of all the Agency's assets over all its liabilities. Net position is divided into three categories under GASB Statement No. 34. These categories apply only to net position, which are described below:

Net Investment in Capital Assets describes the portion of net position that is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Position describes the portion of net position that are legally restricted for certain purposes.

Unrestricted describes the portion of net position that is not restricted to use or invested in capital assets.

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

Burney Water District
Notes to the Financial Statements
June 30, 2013

Note 3 - Excess of Expenditures Over Appropriations

As of June 30, 2013, expenditures exceeded appropriations as follows:

Appropriations Category	Excess Expenditures
Insurance	\$ 222
Legal, Accounting and Professional Services	\$ 59,126
Utilities	\$ 26,406
Vehicles and Equipment	\$ 18,830
Permits and Fees	\$ 2,846
Depreciation	\$ 10,039
Rent	\$ 259
Repairs and Maintenance	\$ 998
Other Operating Expenses	\$ 47,443
Interest Expense	\$ 2,296

Water, Sewer, and Pool Fund:

Insurance – Insignificant

Legal, Accounting and Professional Services – The District did not budget for Engineering expenses for the creation of the water and sewer master plans and District Rate Study.

Utilities – Energy costs for pumping water and sewer exceeded budget.

Vehicles and Equipment – Expenses for the repair of a water main leak on Highway 299 were included in this category.

Permits & Fees – The District did not budget for Permits & Fees

Depreciation – The District estimates depreciation for the year.

Rent – The District did not budget for rent or office equipment lease.

Repairs and Maintenance – The district incurred expenses over budget for the repairs and maintenance of water infrastructure.

Other Operating Expenses – Expenses for materials and labor for an emergency repair of a water mains leak on Highway 299 was included in this category Chemicals for sewer exceeded budget due to purchases of bacteria to improve the WWTP performance. Dues, fees and subscriptions exceeded budget due to an increase in cost of annual permits. The District recorded the purchase of operating supplies in this category.

Interest Expense - The District estimates interest expense for the year.

Burney Water District
Notes to the Financial Statements
June 30, 2013

Note 4 - Fixed Assets

Changes in fixed assets are summarized as follows:

	<u>6/30/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2013</u>
Land	\$ 400,067	\$ -	\$ -	\$ 400,067
Pumping Plant	267,803		(68,676)	199,127
Sewer Collection System	1,703,495	22,673	(15,691)	1,710,477
Sewer Treatment Plant	2,243,417	5,019	(4,897)	2,243,539
Transmission and Distribution	4,033,449		(15,301)	4,018,148
Buildings	142,855		(2,000)	140,855
Office Furniture and Equipment	50,354	-	(13,014)	37,340
Automobiles	116,923	10,800	(1,109)	126,614
Tools and Equipment	207,183	-	(47,643)	159,540
Swimming Pool & Equipment	1,189,166	7,434	(44,515)	1,152,085
Solar Equipment	<u>48,371</u>	<u>-</u>	<u>-</u>	<u>48,371</u>
Total	10,403,083	45,926	(212,848)	10,236,161
Accumulated Depreciation	<u>(5,333,852)</u>	<u>(220,939)</u>	<u>212,693</u>	<u>(5,342,098)</u>
Net Fixed Assets	<u>\$ 5,069,231</u>	<u>\$ (175,013)</u>	<u>\$ (155)</u>	<u>\$ 4,894,063</u>

Depreciation was charged to functions as follows:

Business-Type Activities:

Water	\$ 96,879
Sewer	90,112
Pool	33,948
Total	<u><u>\$ 220,939</u></u>

Burney Water District
Notes to the Financial Statements
June 30, 2013

Note 5 – Bonds Payable

Long-Term Debt is summarized as follows:

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

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, 2013 will not materially affect the financial condition of the District. Therefore, the Water, 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

Burney Water District
Notes to the Financial Statements
June 30, 2013

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 rates are those adopted by the PERS Board of Trustees. The required employer contribution rate for fiscal year 2012-2013 was 17.491%.

Annual Pension Cost

For the year ended June 30, 2013, the District's annual pension cost of \$50,446 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, 2013, was 16 years.

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

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
06/30/11	\$ 53,876	100%	\$ -
06/30/12	\$ 54,706	100%	\$ -
06/30/13	\$ 50,446	100%	\$ -

Burney Water District
Notes to the Financial Statements
June 30, 2013

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%

The above information is the most current available to the District as of date of the audit.

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 22, 2013, which is the date the financial statements were available to be issued.

BURNEY WATER DISTRICT
COMBINED STATEMENT OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Utility Revenue	\$ 986,560	\$ 1,005,650	\$ 1,023,362	\$ 17,712
Pool Fees	113,520	109,550	109,104	(446)
Other Operating Revenue	-	-	7,438	7,438
Total Operating Revenue	<u>1,100,080</u>	<u>1,115,200</u>	<u>1,139,904</u>	<u>24,704</u>
Expenses:				
Salaries and Benefits	506,350	502,200	482,946	19,254
Insurance	30,000	29,700	29,922	(222)
Legal, Accounting and Professional Services	52,716	43,800	102,926	(59,126)
Utilities	192,400	222,300	248,706	(26,406)
Vehicles and Equipment	36,700	51,500	70,330	(18,830)
Permits and Fees	-	-	2,846	(2,846)
Depreciation	205,500	210,900	220,939	(10,039)
Rent	-	-	259	(259)
Repairs and Maintenance	75,300	51,500	52,498	(998)
Office	37,800	32,500	21,842	10,658
Supplies	21,600	22,150	-	22,150
Other Operating Expenses	54,075	38,325	85,768	(47,443)
Total Operating Expenses	<u>1,212,441</u>	<u>1,204,875</u>	<u>1,318,982</u>	<u>(114,107)</u>
Operating Income (Loss)	<u>(112,361)</u>	<u>(89,675)</u>	<u>(179,078)</u>	<u>(89,403)</u>
Non-Operating Revenue (Expense):				
Interest Income	3,900	3,700	3,358	(342)
Grant Revenue	3,400	-	7,434	7,434
Property Taxes	-	-	1,404	1,404
Interest Expense	(30)	(30)	(2,266)	(2,236)
Total Non-Operating Revenues (Expenses)	<u>7,270</u>	<u>3,670</u>	<u>9,930</u>	<u>6,260</u>
Change in Net Position	<u>\$ (105,091)</u>	<u>\$ (86,005)</u>	<u>\$ (169,148)</u>	<u>\$ (83,143)</u>

BURNEY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES BY ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013

	Water	Sewer	Pool	Water, Sewer, & Pool Fund Total
Operating Revenues:				
Utility Revenue	\$ 648,297	\$ 382,964	\$ -	\$ 1,031,261
Pool Fees	-	-	108,643	108,643
Other Operating Revenue	-	-	7,434	7,434
Total Operating Revenue	648,297	382,964	116,077	1,147,338
Expenses:				
Salaries and Benefits	236,103	211,208	35,635	482,946
Insurance	10,051	10,051	9,820	29,922
Legal, Accounting and Professional Services	47,668	53,620	1,638	102,926
Utilities	159,079	78,227	11,400	248,706
Vehicles and Equipment	31,290	35,498	3,542	70,330
Permits and Fees	430	1,952	464	2,846
Depreciation	96,879	90,112	33,948	220,939
Rent	122	137	0	259
Repairs and Maintenance	40,538	7,966	3,994	52,498
Office	10,398	10,937	507	21,842
Other Operating Expenses	39,964	41,290	4,514	85,768
Total Operating Expenses	672,522	540,998	105,462	1,318,982
Operating Income (Loss)	(24,225)	(158,034)	10,615	(171,644)
Non-Operating Revenues and Expenses:				
Interest Income	1,263	1,634	461	3,358
Grant Revenue	-	-	-	-
Property Taxes	-	1,404	-	1,404
Interest Expense	-	(2,266)	-	(2,266)
Total Non-Operating Revenues and Expense	1,263	772	461	2,496
Change in Net Position	\$ (22,962)	\$ (157,262)	\$ 11,076	\$ (169,148)

OTHER SUPPLEMENTARY INFORMATION

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Burney Water District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 11, 2013.

Internal Control over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiency, or combination of deficiencies, in internal control such that there is a reasonable

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa2cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

EXECUTIVE SUMMARY

The District provides water, sewer and pool services to the community of Burney, California. The quality of the District's internal controls is highly dependent upon involvement and communication between the volunteer District Board Members and management. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unqualified
2. **Internal Control Findings:** 2 Significant Deficiencies, 2 being Material Weaknesses.
3. **Material Noncompliance Noted:** None.

**BURNEY WATER DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

YELLOW BOOK SECTION

Internal Control – Material Weakness

Finding 2013-1: 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, 2013**

YELLOW BOOK SECTION

Internal Control – Material Weakness

Finding 2013-2: Financial Statement Preparation

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

Under Statements on Auditing Standards 122 (SAS 122) 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 122.

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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2012 AUDIT REPORT)
JUNE 30, 2013**

Finding 2012-1: Lack of Segregation of Duties

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

Status

Ongoing.

Finding 2012-2: 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 2012-3: 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

Implemented. The District has updated its fixed asset list and eliminated items that are very old, fully depreciated and no longer in existence.

Finding 2012-4: Employee Pay Rate Authorizations

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

Status

Implemented. The District has approvals for gross pay for District employees on file.

**BURNEY WATER DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2013**

Person Monitoring Corrective Action Plan
Willie Rodriguez, General Manager

Finding 2013-1: 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 and 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 2013-2: 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.