

**BURNEY WATER DISTRICT**

Financial Statements, Management Discussion and Analysis,  
and Independent Auditor's Report

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

**BURNEY WATER DISTRICT**  
Audited Financial Statements  
JUNE 30, 2021

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## Independent Auditors' Report

Board of Directors  
Burney Water District  
Burney, CA

We have audited the accompanying financial statements of the business-type activities and each major fund of the Burney Water District (District) as of and for the year ended June 30, 2021, 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. 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 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.

## **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 and each major fund of Burney Water District as of June 30, 2021, and the respective changes in financial position and 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, Schedule of Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions, 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Water, Sewer, and Pool Fund – Budgetary Comparison Schedule and Statement of Revenues and Expenses by Activity are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Water, Sewer, and Pool Fund – Budgetary Comparison Schedule and Statement of Revenues and Expenses by Activity 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 Water, Sewer, and Pool Fund – Budgetary Comparison Schedule and Statement of Revenues and Expenses by Activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022 on our consideration of the 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**  
March 16, 2022

# **FINANCIAL SECTION**

**BURNEY WATER DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2021**

**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, 2021. 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 \$5,357,828 at June 30, 2021. This was an increase of \$662,995 compared to the prior year.
- ❑ Overall revenues were \$1,714,637, which was less than expenses of \$1,744,750 by \$30,113. Grant Income and interest were \$692,500 and \$608, respectively.
- ❑ Long-Term liabilities increased by \$71,940 due to an increase to net pension liabilities.

**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 are business-type 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 \$5,357,828 at June 30, 2021. See Table 1.

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

- ❑ Cash increased due to higher accounts payable.



**Table 1:  
Net Position**

|  | Governmental Activities |                     | Total %             |
|--|-------------------------|---------------------|---------------------|
|  | 2021                    | 2020                | Change<br>2020-2021 |
| <b>Assets</b>  |                         |                     |                     |
| Cash on hand and in County Treasury                      | \$ 1,121,759            | \$ 1,055,690        | 6.26%               |
| Grants and Accounts Receivable                           | 549,601                 | 168,193             | 226.77%             |
| Property, Plant & Equipment, Net                         | 4,897,644               | 4,454,187           | 9.96%               |
| <b>TOTAL ASSETS</b>                                      | <b>\$ 6,569,004</b>     | <b>\$ 5,678,070</b> |                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                         |                     |                     |
| Deferred Recognition of<br>Contributions to Pension Plan | \$ 204,820              | \$ 192,621          | 6.33%               |
| <b>Liabilities</b>                                       |                         |                     |                     |
| Accounts Payable   | \$ 84,107               | \$ 166,007          | -49.34%             |
| Utility Deposits   | 21,500                  | 20,159              | 6.65%               |
| Accrued Payroll and Related Liabilities                  | 47,559                  | 42,933              | 10.77%              |
| Deferred Revenue   | 280,000                 | -                   | 100.00%             |
| Note Payable   | -                       | 21,941              | -100.00%            |
| Net Pension Liability                                    | 949,577                 | 877,637             | 8.20%               |
| <b>TOTAL LIABILITIES</b>                                 | <b>\$ 1,382,743</b>     | <b>\$ 1,128,677</b> |                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                         |                     |                     |
| Deferred Recognition of<br>Pension Plan Earnings         | \$ 33,253               | \$ 46,821           | -28.98%             |
| <b>Net Position</b>                                      |                         |                     |                     |
| Net Investment in Capital Assets                         | \$ 4,897,644            | \$ 4,432,246        | 10.50%              |
| Unrestricted   | 460,184                 | 262,587             | 75.25%              |
| <b>TOTAL NET POSITION</b>                                | <b>\$ 5,357,828</b>     | <b>\$ 4,694,833</b> |                     |

**Changes in Net Position**

The District's total revenues were \$1,714,637. A majority of the revenue comes from charges for services (99%).

The total cost of all programs and services was \$1,174,951. The District's expenses are predominately related to water and sewer services 98.0%. Pool services accounted for 2.0% of total costs.

**Table 2:  
Changes in Net Position**

|  | Governmental Activities |                     | Total %<br>Change |
|--|-------------------------|---------------------|-------------------|
|  | 2021                    | 2020                | 2021-2020         |
| <b>Operating Revenues:</b>                     |                         |                     |                   |
| Utility Revenue                                | \$ 1,582,858            | \$ 1,504,172        | 5.23%             |
| Pool Fees                                      | 131,779                 | 130,293             | 1.14%             |
| <b>Total Operating Revenue</b>                 | <b>1,714,637</b>        | <b>1,634,465</b>    |                   |
| <b>Operating Expenses:</b>                     |                         |                     |                   |
| Salaries and Benefits                          | 722,290                 | 733,126             | -1.48%            |
| Insurance                                      | 56,823                  | 52,505              | 8.22%             |
| Professional Services                          | 54,202                  | 156,146             | -65.29%           |
| Utilities                                      | 471,974                 | 349,510             | 35.04%            |
| Vehicles and Equipment                         | 29,472                  | 94,665              | -68.87%           |
| Permits and Fees                               | 28,880                  | 37,977              | -23.95%           |
| Depreciation                                   | 251,826                 | 262,062             | -3.91%            |
| Repairs and Maintenance                        | 30,688                  | 58,239              | -47.31%           |
| Office   | 43,971                  | 42,218              | 4.15%             |
| Other Operating Expenses                       | 54,624                  | 42,706              | 27.91%            |
| <b>Total Operating Expenses</b>                | <b>1,744,750</b>        | <b>1,829,154</b>    |                   |
| <b>Non-Operating Revenues (Expenses):</b>      |                         |                     |                   |
| Interest Income                                | 809                     | 5,326               | -84.81%           |
| Interest expense                               | 201                     | (1,957)             | 100.00%           |
| Grant Revenue                                  | 692,500                 | 16,597              | 4072.44%          |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>693,108</b>          | <b>19,966</b>       |                   |
| <b>INCREASE IN NET POSITION</b>                | <b>\$ 662,995</b>       | <b>\$ (174,723)</b> |                   |

### **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 \$1,744,750.

Most of the revenue (Charges for Services, \$1,714,637) was received from people who directly benefited from the services.

**Table 3**  
**Net Cost of Governmental Activities**

|              | Total Cost of Services |                     | Net Cost of Services |                  |
|--------------|------------------------|---------------------|----------------------|------------------|
|              | 2021                   | 2020                | 2021                 | 2020             |
| Water        | \$ 862,657             | \$ 838,853          | \$ 117,238           | \$ 16,476        |
| Sewer        | 746,710                | 872,402             | 535,404              | (209,053)        |
| Pool         | 135,584                | 119,856             | 9,544                | 12,528           |
| <b>TOTAL</b> | <b>\$ 1,744,951</b>    | <b>\$ 1,831,111</b> | <b>\$ 662,186</b>    | <b>\$ 29,429</b> |

**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 \$5,357,828 which is above last year's ending fund balance of \$4,694,833.

**Proprietary Fund Budgetary Highlights**

The District did 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, 2020 the District had invested \$4,897,644 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**

During the fiscal year the district invested in ongoing improvements for the solar electrical system, a pool shade and work in progress on the water system.

|                                | Governmental Activities |                     | Total %           |
|--------------------------------|-------------------------|---------------------|-------------------|
|                                | 2021                    | 2019                | Change<br>2021-20 |
| Land                           | \$ 400,067              | \$ 400,067          | 0.00%             |
| Buildings                      | 2,812,449               | 2,645,399           | 6.31%             |
| Machinery and Equipment        | 7,714,555               | 7,699,702           | 0.19%             |
| Work in Progress               | 1,135,013               | 625,855             | 81.35%            |
| Totals at Historical Cost      | 12,062,084              | 11,371,023          | 6.08%             |
| Total Accumulated Depreciation | (7,165,441)             | (6,916,836)         | 3.59%             |
| <b>NET CAPITAL ASSETS</b>      | <b>\$ 4,896,643</b>     | <b>\$ 4,454,187</b> |                   |

Information pertaining to the anticipated purchases of capital assets for the 2021-22 fiscal year was not available.

**Table 5**  
**Long-Term Debt**

|                                  | Balance<br>6/30/2020 | Additions | Repayments | Balance<br>6/30/2021 |
|----------------------------------|----------------------|-----------|------------|----------------------|
| Note Payable - Kansas State Bank | \$ 21,941            |           | \$ 21,941  | \$ -                 |
| Due within One Year              |                      |           |            | -                    |
| <b>Long -Term Portion</b>        |                      |           |            | <b>\$ -</b>          |

During 2020-2021 the pension liability increased \$71,940 due to the updated actuarial valuation.

**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 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.
- The inevitable increases in pension contributions which will be needed to pay the unfunded Net Pension Liability will require careful planning and budgeting.

**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, General Manager  
Burney Water District  
2022 Hudson Street  
Burney, CA 96013  
530-335-3582

**BURNEY WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

|   | Business-Type<br>Activities |
|---|-----------------------------|
| <b>ASSETS</b>                                 | Water, Sewer &<br>Pool Fund |
| Current Assets:                               |                             |
| Cash on Hand and in County Treasury           | \$ 1,121,759                |
| Accounts Receivable                           | 192,842                     |
| Grants Receivable                             | 356,759                     |
| <b>Total Current Assets</b>                   | 1,671,360                   |
| Property, Plant & Equipment, Net:             | 4,897,644                   |
| <b>Total Assets</b>                           | \$ 6,569,004                |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                             |
| Deferred Outflows of Resources - Pension Plan | \$ 204,820                  |
| <br><b>LIABILITIES</b>                        |                             |
| Current Liabilities                           |                             |
| Accounts Payable                              | \$ 84,107                   |
| Utility Deposits                              | 21,500                      |
| Accrued Payroll and Related Liabilities       | 47,559                      |
| Unearned Revenue                              | 280,000                     |
| <b>Total Current Liabilities</b>              | 433,166                     |
| Long-Term Liabilities                         |                             |
| Net Pension Liability                         | 949,577                     |
| <b>Total Long-Term Liabilities</b>            | 949,577                     |
| <b>Total Liabilities</b>                      | \$ 1,382,743                |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>      |                             |
| Deferred Inflows of Recourses - Pension Plan  | \$ 33,253                   |
| <br><b>NET POSITION</b>                       |                             |
| Net Investment in Capital Assets              | \$ 4,897,644                |
| Unrestricted                                  | 460,184                     |
| <b>Total Net Position</b>                     | \$ 5,357,828                |

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2021**

|  | Expenses     | Program Revenue<br>Charges<br>For<br>Services | Capital<br>Grants | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|--------------|---|-------------------|--|
| <b><u>Business-Type Activities</u></b> |              |   |                   |  |
| Water                                  | \$ 862,657   | \$ 940,996                                    | \$ 38,899         | \$ 117,238   |
| Sewer                                  | 746,710      | 641,862                                       | 640,252           | 535,404  |
| Pool                                   | 135,584      | 131,779                                       | 13,349            | 9,544  |
| Total Business-Type Activities         | \$ 1,744,951 | \$ 1,714,637                                  | \$ 692,500        | \$ 662,186   |
| <b>General Revenues:</b>               |              |   |                   |  |
| Interest Earnings                      |              |   |                   | 809  |
| Total General Revenue                  |              |   |                   | 809  |
| Change in Net Position                 |              |   |                   | 662,995  |
| Net Position Beginning                 |              |   |                   | 4,694,833  |
| Net Position Ending                    |              |   |                   | \$ 5,357,828   |

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, 2021**

|   | <u>Water, Sewer<br/>&amp; Pool Fund</u> |
|---|---|
| Operating Revenues:                         |   |
| Utility Revenue                             | \$ 1,582,858                            |
| Pool Fees                                   | 131,779                                 |
| Total Operating Revenue                     | <u>1,714,637</u>                        |
| Operating Expenses:                         |   |
| Salaries and Benefits                       | 722,290                                 |
| Insurance                                   | 56,823                                  |
| Legal, Accounting and Professional Services | 54,202                                  |
| Utilities                                   | 471,974                                 |
| Vehicles and Equipment                      | 29,472                                  |
| Permits and Fees                            | 28,880                                  |
| Depreciation                                | 251,826                                 |
| Repairs and Maintenance                     | 30,688                                  |
| Office                                      | 43,971                                  |
| Other Operating Expenses                    | 54,624                                  |
| Total Operating Expenses                    | <u>1,744,750</u>                        |
| Net Operating Income (Loss)                 | <u>(30,113)</u>                         |
| Non-Operating Revenues (Expenses):          |   |
| Interest Income                             | 809                                     |
| Interest Expense                            | 201                                     |
| Grant Revenue                               | 692,500                                 |
| Total Non-Operating Revenues (Expenses)     | <u>693,108</u>                          |
| Change in Net Position                      | 662,995                                 |
| Net Position Beginning                      | <u>4,694,833</u>                        |
| Net Position Ending                         | <u>\$ 5,357,828</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, 2021**

|  | Business-Type<br>Activities |
|--|-----------------------------|
|  | Water, Sewer<br>& Pool Fund |
| <b>Cash Flows from Operating Activities:</b>                     |                             |
| Cash Received From Customers                                     | \$ 1,970,969                |
| Cash Payments to Employees                                       | (671,491)                   |
| Cash Payments to Suppliers for Goods and Services                | (852,534)                   |
| Net Cash Provided by Operating Activities                        | 446,944                     |
| <br>   |                             |
| <b>Cash Flows from Capital and Related Financing Activities:</b> |                             |
| Cash Received From Grantors                                      | 335,741                     |
| Payments on Long-Term debt                                       | (21,941)                    |
| Purchases of Property and Equipment                              | (695,283)                   |
| Net Cash Used by Capital Financing Activities                    | (381,483)                   |
| <br>   |                             |
| <b>Cash Flows from Investing Activities:</b>                     |                             |
| Interest Income  | 809                         |
| Interest Paid  | (201)                       |
| Net Cash Provided by Investing Activities                        | 608                         |
| <br>   |                             |
| Net Increase (Decrease) in Cash and Cash Equivalents             | 66,069                      |
| <br>   |                             |
| <b>Cash and Cash Equivalents:</b>                                |                             |
| Balance - July 1   | 1,055,690                   |
| <b>Balance - June 30</b>   | <b>\$ 1,121,759</b>         |
| <br>   |                             |
| <b>Reconciliation:</b>   |                             |
| Operating Income (Loss)  | \$ (30,113)                 |
| Adjustments to Reconcile Operating Income (Loss) to Net          |                             |
| Cash Provided by Operating Activities:                           |                             |
| Depreciation   | 251,826                     |
| (Increase)/Decrease in Accounts Receivable                       | (24,649)                    |
| Increase/(Decrease) in Accounts Payable                          | (81,900)                    |
| Increase/(Decrease) in Unearned Revenue                          | 280,000                     |
| Increase (Decrease) in Pension Liability                         | 71,940                      |
| (Increase) Decrease in Deferred Outflows                         | (12,199)                    |
| Increase (Decrease) in Deferred Inflows                          | (13,568)                    |
| Increase/(Decrease) in Utility Deposits                          | 981                         |
| Increase/(Decrease) in Payroll Liabilities                       | 4,626                       |
| Net Cash Provided by Operating Activities                        | \$ 446,944                  |

The accompanying notes are an integral part of this statement.



**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**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.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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.

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.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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 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 some 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. At June 30, 2021, the District had accounts with balances in excess of \$250,000, and therefore, had risk of amounts not 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.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

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. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts from District pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, deferred recognition of pension plan earnings.

e. 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.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

f. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District and are accrued when earned by the employee.

g. 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.

h. Budgetary Accounting

The District prepares budgets on the accrual basis of accounting.

i. Net Position

Net Position is the excess of all the District'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      |

>

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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, 2021, expenditures exceeded appropriations as follows:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|--------------------------------|----------------------------|
| Salaries and Benefits          | \$ 35,240                  |
| Utilities                      | 125,974                    |
| Permits and Fees               | 680                        |
| Depreciation                   | 118,626                    |
| Office                         | 25,597                     |
| Interest                       | 201                        |

Salaries & Benefits exceeded budget due to adjustments for Net Pension Liability.

Utilities, Permits & Fees, Office and Repairs & Maintenance exceeded budget due to unanticipated expenses.

Depreciation was not budgeted for the sewer fund.

Interest was not budgeted for separately from debt service.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 4 - Fixed Assets**

Changes in fixed assets are summarized as follows:

|                                | <u>6/30/2020</u>    | <u>Additions</u>  | <u>Disposals</u> | <u>6/30/2021</u>    |
|--------------------------------|---------------------|-------------------|------------------|---------------------|
| Land                           | \$ 400,065          | \$ -              | \$ -             | \$ 400,065          |
| Pumping Plant                  | 199,128             |                   |                  | 199,128             |
| Sewer Collection System        | 1,709,922           | 167,030           |                  | 1,876,952           |
| Sewer Treatment Plant          | 2,274,971           |                   |                  | 2,274,971           |
| Transmission and Distribution  | 4,018,145           |                   |                  | 4,018,145           |
| Buildings                      | 368,809             |                   |                  | 368,809             |
| Office Furniture and Equipment | 21,549              | 9,690             | (3,991)          | 27,248              |
| Automobiles                    | 194,483             |                   |                  | 194,483             |
| Tools and Equipment            | 371,675             |                   |                  | 371,675             |
| Swimming Pool & Equipment      | 1,050,600           | 9,173             |                  | 1,059,773           |
| Solar Equipment                | 135,821             |                   |                  | 135,821             |
| Work in Progress               | 625,855             | 510,159           |                  | 1,136,014           |
| Total                          | <u>11,371,023</u>   | <u>696,052</u>    | <u>(3,991)</u>   | <u>12,063,084</u>   |
| Accumulated Depreciation       | (6,916,836)         | (251,826)         | 3,221            | (7,165,441)         |
| Net Fixed Assets               | <u>\$ 4,454,187</u> | <u>\$ 444,226</u> | <u>\$ (770)</u>  | <u>\$ 4,897,643</u> |

Depreciation was charged to functions as follows:

**Business-Type Activities:**

|              |                          |
|--------------|--------------------------|
| Water        | \$ 99,929                |
| Sewer        | 112,858                  |
| Pool         | 39,039                   |
| <b>Total</b> | <b><u>\$ 251,826</u></b> |

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 5 - Long-Term Debt**

On February 19, 2016 the District entered into a contract with Kansas State Bank to finance the purchase of three service trucks. The original balance of the note was \$174,230 with interest at 3.5% to be paid off over 60 monthly with payments of \$3,171.

A schedule of changes in long-term debt as of June 30, 2021 is as follows:

|                                  | <u>6/30/2020</u> | <u>Additions</u> | <u>Repayments</u> | <u>6/30/2021</u> |
|----------------------------------|------------------|------------------|-------------------|------------------|
| Note Payable - Kansas State Bank | \$ 21,941        | \$ -             | \$ 21,941         | \$ -             |

**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, 2020 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.



**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 8 - Pension Plan**

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions, and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2013 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2020 contributions to the pension plan from the District were \$96,223.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a net pension liability of \$949,577 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2020. Based upon this information, the District's proportion was .022510%.

For the year ended June 30, 2021, the District recognized pension expense of \$96,233. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Change in Assumptions  |                                   | \$ 10,966                        |
| Difference between Expected<br>and Actual Experience                                   | \$ 79,228                         |                                  |
| Difference between Projected<br>and Actual Investment Earnings                         | 45,672                            |                                  |
| Differenece between Employer's Contributions<br>& proportionate Share of Contributions | 91,094                            |                                  |
| Change in Employer's Proportion  | 3,404                             | 26,536                           |
| Pension Contributions made Subsequent<br>to the Measurement Date                       | 185,178                           | -                                |
| <b>Total</b>   | <b>\$ 404,576</b>                 | <b>\$ 37,502</b>                 |

\$204,820 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: |           |
|---------------------|-----------|
| 2021                | \$ 54,328 |
| 2022                | (14,562)  |
| 2023                | 6,700     |
| 2024                | 3,101     |
| 2025                | -         |
| Total               | \$ 49,567 |

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

|                                  |   |
|----------------------------------|---|
| Discount Rate:                   | 7.15%   |
| Inflation:                       | 2.75%   |
| Salary Increases:                | Varies by Entry Age and Service   |
| Investment Rate of Return:       | 7.50% net of Pension Plan Investment and Administrative Expenses  |
| Mortality Rate Table:            | Derived using CalPERS Membership Data for all Funds   |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital marked assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class                   | New Strategic Allocation | Real Return Years 1-10 <sup>1</sup> | Real Return years 11 + <sup>2</sup> |
|-------------------------------|--------------------------|-------------------------------------|-------------------------------------|
| Global Equity                 | 47.00%                   | 5.25%                               | 5.71%                               |
| Global Fixed Income           | 19.00                    | 0.99                                | 2.43                                |
| Inflation Sensitive           | 6.00                     | 0.45                                | 3.36                                |
| Private Equity                | 12.00                    | 6.83                                | 6.95                                |
| Real Estate                   | 11.00                    | 4.50                                | 5.13                                |
| Infrastructure and Forestland | 3.00                     | 4.50                                | 5.09                                |
| Liquidity                     | 2.00                     | (0.55)                              | (1.05)                              |

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2021**

plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

|   | Discount Rate - 1%<br>(6.15%) | Current Discount<br>Rate (7.15%) | Discount Rate + 1%<br>(8.15%) |
|---|-------------------------------|----------------------------------|-------------------------------|
| Plan's Net Pension<br>Liability/(Asset) | \$ 1,325,864                  | \$ 877,637                       | \$ 507,657                    |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CalPERS which can be located at <https://www.calpers.ca.gov/page/forms-publications>.

**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 March 16, 2022 which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**SCHEDULE OF THE BURNEY WATER DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
(MISCELLANEOUS PLAN)**

|  | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's Proportion of Net Pension Liability/(Asset)   | 0.022510%            | 0.021920%            | 0.021450%            | 0.021090%            | 0.021050%            | 0.020923%            | 0.020740%            |
| Districts Proportionate Share of Net Pension Liability/(Asset)   | \$ 949,577           | \$ 877,637           | \$ 808,262           | \$ 831,558           | \$ 731,209           | \$ 574,827           | \$ 420,173           |
| District's Covered-Employee Payroll  | \$ 360,849           | \$ 351,077           | \$ 351,514           | \$ 318,607           | \$ 329,668           | \$ 252,115           | \$ 251,014           |
| District's Proportionate Share of Net Pension Liability/(Asset)<br>as a Percentage of its Covered-Employee Payroll | 263.15%              | 249.98%              | 229.94%              | 261.00%              | 221.80%              | 228.00%              | 167.39%              |
| Plan's Proportionate Share of Fiduciary Net Position as a<br>Percentage of the Plan's total Net Pension Liability  | 71.60%               | 72.05%               | 73.93%               | 72.82%               | 75.39%               | 79.82%               | 81.71%               |

**Notes to Schedule:**

Only six fiscal years are presented because 10-year data is not yet available.

**BURNEY WATER DISTRICT'S  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
(MISCELLANEOUS PLAN)**

|  | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>        | <u>2015</u>     |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| Actuarially Determined Contribution                                  | \$ 96,223       | \$ 83,717       | \$ 67,385       | \$ 75,420       | \$ 71,740       | \$ 50,247          | \$ 60,107       |
| Contributions in Relation to the Actuarially Determined Contribution | <u>(96,223)</u> | <u>(83,717)</u> | <u>(67,385)</u> | <u>(75,420)</u> | <u>(71,740)</u> | <u>(69,737)</u>    | <u>(50,247)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ (19,490)</u> | <u>\$ 9,860</u> |
| Covered Employee Payroll   | \$ 360,849      | \$ 351,077      | \$ 351,514      | \$ 337,860      | \$ 329,668      | \$ 252,115         | \$ 244,720      |
| Contributions as a Percentage of Covered-Employee Payroll            | 26.67%          | 23.85%          | 19.17%          | 22.32%          | 21.76%          | 27.66%             | 20.53%          |

**Notes to Schedule:**

Only seven fiscal years are presented because 10-year data is not yet available.

## **OTHER SUPPLEMENTARY INFORMATION**



**BURNEY WATER DISTRICT  
COMBINED STATEMENT OF OPERATIONS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

|   | Budget Amounts     |                    | Actual            | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|-------------------|---|
|   | Original           | Final              |                   |   |
| <b>Operating Revenues:</b>                  |                    |                    |                   |   |
| Utility Revenue                             | \$ 1,462,300       | \$ 1,462,300       | \$ 1,582,858      | \$ 120,558  |
| Pool Fees                                   | 126,100            | 126,100            | 131,779           | 5,679   |
| Total Operating Revenue                     | <u>1,588,400</u>   | <u>1,588,400</u>   | <u>1,714,637</u>  | <u>126,237</u>  |
| <b>Operating Expenses:</b>                  |                    |                    |                   |   |
| Salaries and Benefits                       | 687,050            | 687,050            | 722,290           | (35,240)  |
| Insurance                                   | 57,000             | 57,000             | 56,823            | 177   |
| Legal, Accounting and Professional Services | 136,800            | 136,800            | 54,202            | 82,598  |
| Utilities                                   | 346,000            | 346,000            | 471,974           | (125,974)   |
| Vehicles and Equipment                      | 68,300             | 68,300             | 29,472            | 38,828  |
| Permits and Fees                            | 27,950             | 27,950             | 28,880            | (930)   |
| Depreciation                                | 133,200            | 133,200            | 251,826           | (118,626)   |
| Repairs and Maintenance                     | 64,800             | 64,800             | 30,688            | 34,112  |
| Office                                      | 29,900             | 29,900             | 43,971            | (14,071)  |
| Other Operating Expenses                    | 118,750            | 118,750            | 54,624            | 64,126  |
| Total Operating Expenses                    | <u>1,669,750</u>   | <u>1,669,750</u>   | <u>1,744,750</u>  | <u>(75,000)</u>   |
| Net Operating Income (Loss)                 | <u>(81,350)</u>    | <u>(81,350)</u>    | <u>(30,113)</u>   | <u>51,237</u>   |
| <b>Non-Operating Revenue (Expense):</b>     |                    |                    |                   |   |
| Interest Income                             | 2,200              | 2,200              | 809               | (1,391)   |
| Interest Expense                            |                    | -                  | 201               | (201)   |
| Grant Revenue                               |                    | -                  | 692,500           | 692,500   |
| Total Non-Operating Revenues (Expenses)     | <u>2,200</u>       | <u>2,200</u>       | <u>693,108</u>    | <u>690,908</u>  |
| Change in Net Position                      | <u>\$ (79,150)</u> | <u>\$ (79,150)</u> | <u>\$ 662,995</u> | <u>\$ 742,145</u>   |

**BURNEY WATER DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES BY ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|  | Water             | Sewer             | Pool            | Water, Sewer,<br>& Pool Fund<br>Total |
|--|-------------------|-------------------|-----------------|---------------------------------------|
| <b>Operating Revenues:</b>                     |                   |                   |                 |                                       |
| Utility Revenue                                | \$ 940,996        | \$ 641,862        |                 | \$ 1,582,858                          |
| Pool Fees                                      |                   |                   | \$ 131,779      | 131,779                               |
| <b>Total Operating Revenue</b>                 | <u>940,996</u>    | <u>641,862</u>    | <u>131,779</u>  | <u>1,714,637</u>                      |
| <b>Operating Expenses:</b>                     |                   |                   |                 |                                       |
| Salaries and Benefits                          | 311,021           | 346,426           | 64,843          | 722,290                               |
| Insurance                                      | 23,453            | 25,785            | 7,585           | 56,823                                |
| Legal, Accounting and Professional Services    | 24,780            | 27,385            | 2,037           | 54,202                                |
| Utilities                                      | 341,529           | 127,074           | 3,371           | 471,974                               |
| Vehicles and Equipment                         | 7,197             | 21,946            | 329             | 29,472                                |
| Permits and Fees                               | 4,201             | 23,764            | 915             | 28,880                                |
| Depreciation                                   | 99,929            | 112,858           | 39,039          | 251,826                               |
| Repairs and Maintenance                        | 12,558            | 14,206            | 3,924           | 30,688                                |
| Office   | 18,433            | 22,994            | 2,544           | 43,971                                |
| Other Operating Expenses                       | 19,458            | 24,169            | 10,997          | 54,624                                |
| <b>Total Operating Expenses</b>                | <u>862,559</u>    | <u>746,607</u>    | <u>135,584</u>  | <u>1,744,750</u>                      |
| <b>Net Operating Income (Loss)</b>             | <u>78,437</u>     | <u>(104,745)</u>  | <u>(3,805)</u>  | <u>(30,113)</u>                       |
| <b>Non-Operating Revenues (Expenses):</b>      |                   |                   |                 |                                       |
| Interest Income                                | 353               | 456               |                 | 809                                   |
| Interest Expense                               | 98                | 103               |                 | 201                                   |
| Grant Income                                   | 38,899            | 640,252           | 13,349          | 692,500                               |
| <b>Total Non-Operating Revenues (Expenses)</b> | <u>39,154</u>     | <u>640,605</u>    | <u>13,349</u>   | <u>693,108</u>                        |
| <b>Change in Net Position</b>                  | <u>\$ 117,591</u> | <u>\$ 535,860</u> | <u>\$ 9,544</u> | <u>\$ 662,995</u>                     |

**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

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 and each major fund, of the Burney Water District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2022.

**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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified Finding 2021-001 in the accompanying schedule of findings and questioned costs as a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2021-002, and 2021-003 that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

## **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**SingletonAuman PC**  
**Susanville, California**  
March 16, 2022

**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2021**

**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:** Unmodified
2. **Internal Control Findings:** 2 Material Weaknesses, 1 Significant Deficiency.
3. **Material Noncompliance Noted:** None.

**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2021**

**YELLOW BOOK SECTION**

**Internal Control – Significant Deficiency**

**Finding 2021-001: Lack of Segregation of Duties**

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

AU-C Section 265, Communicating Internal Control Matters Identified in an Audit

Finding (Condition):

An inadequate segregation of duties exists in the areas of cash and payroll processing.

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. Specifically, we recommend the following:

- 1) Best practices for the cash receipt function would be to ensure that the responsibilities for receiving cash, deposit preparation and posting activity to the general ledger be separated.
- 2) The District should consider designating individuals outside of office personnel to take deposits to the bank.
- 3) An individual separate from the regular payroll processing duties should distribute paychecks.

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, 2021**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2021-002: Financial Statement Preparation**

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

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 AU-C Section 265, Communicating Internal Control Matters Identified in an Audit.

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, 2021**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2021-003: Lack of Controls over Cash Disbursements**

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

Finding (Condition):  
The District has not implemented a policy for obtaining proper levels of prior authorization for District purchases.

Amount of Questioned Cost, How Computed and Prevalence:  
None

Effect:  
The District is at risk of fraud and misappropriation of assets.

Cause:  
Lack of policies and procedures.

Recommendation:  
We recommend the District implement effective policies over the authorization of Cash Disbursements.

District's Response:  
The District is working on developing a policy to address this issue.



**BURNEY WATER DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(FINDINGS FROM THE JUNE 30, 2020 AUDIT REPORT)  
JUNE 30, 2021**

**Finding 2020-001: Lack of Segregation of Duties**

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

Status

Not Implemented – See Current Year Finding 2021-001.

**Finding 2020-002: 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

Not Implemented – See Current Year Finding 2021-002.

**Finding 2020-003: Lack of Controls over Cash Disbursements**

The District has not implemented a policy for obtaining proper levels of approval for District purchases.

Status

Not Implemented – See Current Year Finding 2021-003.

**BURNEY WATER DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2021**

**Person Monitoring Corrective Action Plan**

David Zevely, General Manager

**Finding 2021-001: Lack of Segregation of Duties**

Finding (Condition)

An inadequate segregation of duties exists in the areas of cash and payroll processing.

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 2021-002: 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 plans to hire 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, 2021**

**Finding 2021-003: Lack of Controls for Cash Disbursements**

Finding (Condition)

The District has not implemented a policy for obtaining proper levels of prior authorization for District purchases.

Corrective Action Planned

The District is working on a policy to address this risk.

Expected Completion Date

Ongoing.