

**BURNEY WATER DISTRICT  
AUDIT REPORT  
JUNE 30, 2014**

**BURNEY WATER DISTRICT  
JUNE 30, 2014**

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# **FINANCIAL SECTION**

Independent Auditor's Report on Financial Statements

Board of Directors  
Burney Water District  
Burney, CA 96013

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of and for the year ended June 30, 2014, 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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Burney Water District as of June 30, 2014, 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 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 15, 2014 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 15, 2014

**BURNEY WATER DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2014**

**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, 2014. 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 \$5,719,630 at June 30, 2014 This was a decrease of \$93,849 compared to the prior year.
- ❑ Overall revenues were \$1,262,630, which were less than expenses of \$1,356,479 by \$93,849 The total cost of the District's programs increased by \$35,231 over last year.

**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 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 \$5,719,630 at June 30, 2014. See Table 1.

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

- Increase in monthly Sewer Fee .
- Increase in labor costs including health insurance benefits.
- The District received a pool improvements grant of \$3,500.
- Purchase of replacement Main Lift Station pump and laboratory equipment, and used 4WD backhoe.



**Table 1:  
Net Position**

	Governmental Activities		Total Percentage
	2014	2013	Change 2013-2014
<b>Assets</b>			
Cash in County Treasury	\$ 934,123	\$ 936,235	-0.23%
Accounts Receivable	139,940	133,370	4.93%
Property, Plant & Equipment, Net	4,776,550	4,894,063	-2.40%
<b>TOTAL ASSETS</b>	<b>\$ 5,850,613</b>	<b>\$ 5,963,668</b>	
<b>Liabilities</b>			
Accounts Payable	\$ 64,904	\$ 84,383	-23.08%
Unearned Revenue	66	66	0.00%
Utility Deposits	26,438	28,262	-6.45%
Accrued Payroll and Related Liabilities	39,575	37,478	5.60%
<b>TOTAL LIABILITIES</b>	<b>\$ 130,983</b>	<b>\$ 150,189</b>	
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 4,776,550	\$ 4,894,063	-2.40%
Unrestricted (deficit)	943,080	919,416	2.57%
<b>TOTAL NET POSITION</b>	<b>\$ 5,719,630</b>	<b>\$ 5,813,479</b>	

**Changes in Net Position**

The District's total revenues were \$1,262,630. A majority of the revenue comes from charges for services (99.3%). Interest Income accounted for another .2% of total revenues.

The total cost of all programs and services was \$1,356,479. The District's expenses are predominately related to water and sewer services (90.7%). Pool services accounted for just 9.3% of total costs.

**Table 2:  
Changes in Net Position**

	Governmental Activities		Total Percentage
	2014	2013	Change 2013-2014
<b>Operating Revenues:</b>			
Utility Revenue	\$ 1,136,714	\$ 1,023,362	11.08%
Pool Fees	118,216	109,104	8.35%
Other Operating Revenue		7,438	-100.00%
<b>Total Operating Revenue</b>	<b>1,254,930</b>	<b>1,139,904</b>	
<b>Operating Expenses:</b>			
Salaries and Benefits	549,623	482,946	13.81%
Insurance	30,458	29,922	1.79%
Professional Services	103,581	102,926	0.64%
Utilities	249,374	248,706	0.27%
Vehicles and Equipment	28,397	70,330	-59.62%
Permits and Fees	16,331	2,846	473.82%
Depreciation	223,859	220,939	1.32%
Rent	3,464	259	1237.45%
Repairs and Maintenance	54,773	52,498	4.33%
Office	24,551	21,842	12.40%
Other Operating Expenses	72,068	85,768	-15.97%
<b>Total Operating Expenses</b>	<b>1,356,479</b>	<b>1,318,982</b>	
<b>Non-Operating Revenues and Expenses:</b>			
Interest Income	2,820	3,358	-16.02%
Grants	3,500	7,434	-52.92%
Property Taxes	124	1,404	-91.17%
Interest Expense	-	(2,266)	-100.00%
Gain on Sale of Assets	1,256		
<b>Total Non-Operating Revenues and Expenses</b>	<b>7,700</b>	<b>9,930</b>	
<b>INCREASE IN NET POSITION</b>	<b>\$ (93,849)</b>	<b>\$ (169,148)</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 \$1,356,479.

The amount that our taxpayers paid for these activities through property taxes was \$124.

Most of the costs (Charges for Services, \$1,254,930) 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	
	2014	2013	2014	2013
Water	\$ 662,240	\$ 672,520	\$ 9,931	\$ 24,223
Sewer	568,551	543,264	(104,008)	160,300
Pool	125,688	105,464	(7,472)	(10,613)
<b>TOTAL</b>	<b>\$ 1,356,479</b>	<b>\$ 1,321,248</b>	<b>\$ (101,549)</b>	<b>\$ 173,910</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 \$5,719,630 which is below last year's ending fund balance of \$5,813,479.

**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, 2014 the District had invested \$4,776,550 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. The District invested in a used backhoe, replaced the main lift station pump and purchased laboratory equipment.

**Table 4**  
**Capital Assets**

	Governmental Activities		Total Percentage
	2014	2013	Change 2013-2014
Land	\$ 400,067	\$ 400,067	0.00%
Buildings	2,594,983	2,583,521	0.44%
Machinery and Equipment	7,297,325	7,252,575	0.62%
Totals at Historical Cost	10,292,375	10,236,163	0.55%
Total Accumulated Depreciation	(5,515,825)	(5,342,098)	3.25%
<b>NET CAPITAL ASSETS</b>	<b>\$ 4,776,550</b>	<b>\$ 4,894,065</b>	<b>-2.40%</b>

The District's fiscal year 2014/15 budget projects spending of \$870,300 for capital projects.

## **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:

- ***Modify the discussion below as needed....***
- 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, General Manager  
Burney Water District  
20222 Hudson Street  
Burney, CA 96013  
530-335-3582

**BURNEY WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Business-Type Activities
<b>ASSETS</b>	Water, Sewer & Pool Fund
Current Assets:	
Cash on Hand and in County Treasury	\$ 934,123
Accounts Receivable	139,940
<b>Total Current Assets</b>	<b>1,074,063</b>
Property, Plant & Equipment, Net (Note 4):	4,776,550
<b>Total Assets</b>	<b>\$ 5,850,613</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 64,904
Utility Deposits	26,438
Accrued Payroll and Related Liabilities	39,575
Deferred Revenue	66
<b>Total Liabilities</b>	<b>\$ 130,983</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 4,776,550
Unrestricted	943,080
<b>Total Net Position</b>	<b>\$ 5,719,630</b>

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2014**

		Program Revenue			
	Expenses	Charges For Services	Capital Grants		Net (Expense) Revenue and Changes in Net Position
<b><u>Business-Type Activities</u></b>					
Water	\$ 662,240	\$ 672,171	\$ -	\$	9,931
Sewer	568,551	464,543	-		(104,008)
Pool	<u>125,688</u>	<u>118,216</u>	<u>3,500</u>		<u>(3,972)</u>
Total Business-Type Activities	\$ <u><u>1,356,479</u></u>	\$ <u><u>1,254,930</u></u>	\$ <u><u>3,500</u></u>		<u><u>(98,049)</u></u>
 <b>General Revenues:</b>					
Property Taxes					124
Gain on sale of Assets					1,256
Interest Earnings					<u>2,820</u>
Total General Revenue					<u>4,200</u>
Change in Net Position					<u>(93,849)</u>
Net Position Beginning					<u>5,813,479</u>
Net Position Ending				\$	<u><u>5,719,630</u></u>

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT**  
**STATEMENT OF NET POSITION-PROPRIETARY FUNDS**  
**JUNE 30, 2014**

<b>ASSETS</b>	<u>Water, Sewer &amp; Pool Fund</u>
Current Assets:	
Cash on Hand and in County Treasury	\$ 934,123
Accounts Receivable	139,940
<b>Total Current Assets</b>	<u>1,074,063</u>
Property, Plant & Equipment, Net (Note 4):	4,776,550
<b>Total Assets</b>	<u><u>\$ 5,850,613</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 64,904
Utility Deposits	26,438
Accrued Payroll and Related Liabilities	39,575
Deferred Revenue	66
Current Portion of Long Term Debt (Note 5)	-
<b>Total Liabilities</b>	<u><u>\$ 130,983</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 4,776,550
Unrestricted	943,080
<b>Total Net Position</b>	<u><u>\$ 5,719,630</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, 2014**

	<u>Water, Sewer &amp; Pool Fund</u>
Operating Revenues:	
Utility Revenue	\$ 1,136,714
Pool Fees	118,216
Total Operating Revenue	<u>1,254,930</u>
Expenses:	
Salaries and Benefits	549,623
Insurance	30,458
Legal, Accounting and Professional Services	103,581
Utilities	249,374
Vehicles and Equipment	28,397
Permits and Fees	16,331
Depreciation	223,859
Rent	3,464
Repairs and Maintenance	54,773
Office	24,551
Other Operating Expenses	<u>72,068</u>
Total Operating Expenses	<u>1,356,479</u>
Operating Income (Loss)	<u>(101,549)</u>
Non-Operating Revenues and Expenses:	
Interest Income	2,820
Grant Revenue	3,500
Property Taxes	124
Gain on sale of Assets	<u>1,256</u>
Total Non-Operating Revenues and Expenses	7,700
Change in Net Position	(93,849)
Net Position Beginning	<u>5,813,479</u>
Net Position Ending	<u><u>\$ 5,719,630</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, 2014**

	Business-Type Activities
	Water, Sewer & Pool Fund
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 1,246,536
Cash Payments to Employees	(547,526)
Cash Payments to Suppliers for Goods and Services	(602,476)
Net Cash Provided by Operating Activities	96,534
Cash Flows from Non-Capital Financing Activities:	
Property Taxes	124
Grant Revenue	3,500
Net Cash Provided by Non-Capital Financing Activities	3,624
Cash Flows from Capital and Related Financing Activities:	
Purchases of Property and Equipment	(106,346)
Gain on Sale of Assets	1,256
Net Cash Used by Capital Financing Activities	(105,090)
Cash Flows from Investing Activities:	
Interest Received	2,820
Net Cash Provided by Investing Activities	2,820
Net Increase (Decrease) in Cash and Cash Equivalents	(2,112)
Cash and Cash Equivalents:	
Balance - July 1	936,235
Balance - June 30	\$ 934,123
Reconciliation:	
Operating Income (Loss)	\$ (101,549)
Adjustments to Reconcile Operating Income (Loss) to Net	
Cash Provided by Operating Activities:	
Depreciation	223,859
(Increase)/Decrease in Accounts Receivable	(6,570)
Increase/(Decrease) in Accounts Payable	(19,479)
Increase/(Decrease) in Utility Deposits	(1,824)
Increase/(Decrease) in Deferred Revenue	-
Increase/(Decrease) in Payroll Liabilities	2,097
Net Cash Provided by Operating Activities	\$ 96,534

The accompanying notes are an integral part of this statement.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**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, 2014**

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, 2014**

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, 2014**

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.

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. 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 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:

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

*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, 2014**

**Note 3 - Excess of Expenditures Over Appropriations**

As of June 30, 2014, expenditures exceeded appropriations as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Salaries and Benefits	\$ <u>58,723</u>
Legal, Accounting and Professional Services	\$ <u>53,581</u>
Permits and Fees	\$ <u>15,866</u>
Depreciation	\$ <u>8,173</u>
Rent	\$ <u>364</u>

Water, Sewer, and Pool Fund:

Salaries and Benefits- District did not budget for the Cola contained in the new union contract as well as the increase in health benefits.

Legal, Accounting and Professional Services – The District did not budget for Engineering expenses for the solar project.

Permits and Fees- The District did not budget for the permits for the solar project.

Depreciation- Not Significant

Rent- Not Significant

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 4 - Fixed Assets**

Changes in fixed assets are summarized as follows:

	<u>6/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2014</u>
Land	\$ 400,067	\$ -	\$ -	\$ 400,067
Pumping Plant	199,127			199,127
Sewer Collection System	1,710,477			1,710,477
Sewer Treatment Plant	2,243,539	11,458		2,254,997
Transmission and Distribution	4,018,148	11,223		4,029,371
Buildings	140,855			140,855
Office Furniture and Equipment	37,340		(7,911)	29,429
Automobiles	126,614		(26,734)	99,880
Tools and Equipment	159,540	76,464		236,004
Swimming Pool & Equipment	1,152,086	7,201		1,159,287
Solar Equipment	48,371			48,371
Total	<u>10,236,162</u>	<u>106,346</u>	<u>(34,645)</u>	<u>10,307,863</u>
Accumulated Depreciation	<u>(5,342,099)</u>	<u>(223,859)</u>	<u>34,645</u>	<u>(5,531,313)</u>
Net Fixed Assets	<u>\$ 4,894,063</u>	<u>\$ (117,513)</u>	<u>\$ -</u>	<u>\$ 4,776,550</u>

Depreciation was charged to functions as follows:

**Business-Type Activities:**

Water	\$ 99,542
Sewer	90,272
Pool	34,045
<b>Total</b>	<u><u>\$ 223,859</u></u>



**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 5– 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 6- 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, 2014 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 7 – Pension Plan**

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

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determined the rates are those adopted by the PERS Board of Trustees. The required employer contribution rate for fiscal year 2013-2014 was 17.491%.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

Annual Pension Cost

For the year ended June 30, 2014, the District's annual pension cost of \$56,569 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, 2014 was 15 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 54,706	100%	\$ -
6/30/2013	\$ 50,446	100%	\$ -
6/30/2014	\$ 56,569	100%	\$ -

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)
<b>For the Miscellaneous 3.0% at 60 Risk Pool</b>						
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 8 – 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

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2014**

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 9– Subsequent Events**

Subsequent events were evaluated through September 15, 2014 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, 2014**

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Operating Revenues:</b>				
Utility Revenue	\$ 1,142,865	\$ 1,142,865	\$ 1,136,714	\$ (6,151)
Pool Fees	106,900	106,900	118,216	11,316
Total Operating Revenue	<u>1,249,765</u>	<u>1,249,765</u>	<u>1,254,930</u>	<u>5,165</u>
<b>Expenses:</b>				
Salaries and Benefits	490,900	490,900	549,623	(58,723)
Insurance	29,700	29,700	30,458	(758)
Legal, Accounting and Professional Services	50,000	50,000	103,581	(53,581)
Utilities	254,600	254,600	249,374	5,226
Vehicles and Equipment	45,500	45,500	28,397	17,103
Permits and Fees	465	465	16,331	(15,866)
Depreciation	215,686	215,686	223,859	(8,173)
Rent	3,100	3,100	3,464	(364)
Repairs and Maintenance	64,000	64,000	54,773	9,227
Office	27,200	27,200	24,551	2,649
Supplies	3,050	3,050	-	3,050
Other Operating Expenses	88,780	88,780	72,068	16,712
Total Operating Expenses	<u>1,272,981</u>	<u>1,272,981</u>	<u>1,356,479</u>	<u>(83,498)</u>
Operating Income (Loss)	<u>(23,216)</u>	<u>(23,216)</u>	<u>(101,549)</u>	<u>(78,333)</u>
<b>Non-Operating Revenue (Expense):</b>				
Interest Income	2,900	2,900	2,820	(80)
Grant Revenue	-	-	3,500	3,500
Property Taxes	-	-	124	124
Interest Expense	-	-	1,256	1,256
Total Non-Operating Revenues (Expenses)	<u>2,900</u>	<u>2,900</u>	<u>7,700</u>	<u>4,800</u>
Change in Net Position	<u>\$ (20,316)</u>	<u>\$ (20,316)</u>	<u>\$ (93,849)</u>	<u>\$ (73,533)</u>

**BURNEY WATER DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES BY ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Pool</u>	<u>Water, Sewer, &amp; Pool Fund Total</u>
<b>Operating Revenues:</b>				
Utility Revenue	\$ 672,171	\$ 464,543	\$ -	\$ 1,136,714
Pool Fees	-	-	118,216	118,216
Total Operating Revenue	<u>672,171</u>	<u>464,543</u>	<u>118,216</u>	<u>1,254,930</u>
<b>Expenses:</b>				
Salaries and Benefits	249,825	244,043	55,755	549,623
Insurance	17,347	10,086	3,025	30,458
Legal, Accounting and Professional Services	45,320	57,172	1,089	103,581
Utilities	150,099	83,915	15,360	249,374
Vehicles and Equipment	14,140	13,877	380	28,397
Permits and Fees	21	15,836	474	16,331
Depreciation	99,542	90,272	34,045	223,859
Rent	1,529	1,419	516	3,464
Repairs and Maintenance	29,120	14,711	10,942	54,773
Office	12,069	11,962	520	24,551
Other Operating Expenses	<u>43,228</u>	<u>25,258</u>	<u>3,582</u>	<u>72,068</u>
Total Operating Expenses	<u>662,240</u>	<u>568,551</u>	<u>125,688</u>	<u>1,356,479</u>
Operating Income (Loss)	<u>9,931</u>	<u>(104,008)</u>	<u>(7,472)</u>	<u>(101,549)</u>
<b>Non-Operating Revenues and Expenses:</b>				
Interest Income	1,120	1,318	382	2,820
Grant Income			3,500	3,500
Property Taxes	-	124	-	124
Gain on Sale of Assets	<u>628</u>	<u>628</u>	<u>-</u>	<u>1,256</u>
Total Non-Operating Revenues and Expenses	<u>1,748</u>	<u>2,070</u>	<u>3,882</u>	<u>7,700</u>
Change in Net Position	<u>\$ 11,679</u>	<u>\$ (101,938)</u>	<u>\$ (3,590)</u>	<u>\$ (93,849)</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 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, 2014, 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 15, 2014.

**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

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possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as items 2014-1 and 2014-2 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-1 to 2014-2 to be significant deficiencies.

### **Compliance and Other Matters**

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

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

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

### **Purpose of the Report**

This 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



**SingletonAuman PC**  
Susanville, CA  
September 15, 2014

**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2014**

**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, 2014**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2014-1: 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, 2014**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2014-2: 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, 2013 AUDIT REPORT)  
JUNE 30, 2014**

**Finding 2013-1: Lack of Segregation of Duties**

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

Status

Ongoing.

**Finding 2013-2: 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.

**BURNEY WATER DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2014**

**Person Monitoring Corrective Action Plan**

Willie Rodriguez, General Manager

**Finding 2014-1: Lack of Segregation of Duties**

Finding (Condition)

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

Corrective Action Planned

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

Expected Completion Date

Ongoing

**Finding 2014-2: 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.