

**BURNEY WATER DISTRICT**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

**BURNEY WATER DISTRICT**  
Audited Financial Statements  
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Burney Water District  
Burney, California

**Opinions**

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Burney Water District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Burney Water District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions 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 operation, 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 Supplementary 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 accompanying budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information which comprises the statement of revenues and expenses by activity but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 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,**



**Singleton Auman, PC**

Susanville, California  
December 6, 2024

**BURNEY WATER DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2024**

**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, 2024. 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 \$17,059,195 at June 30, 2024. This was an increase of \$1,885,859 compared to the prior year.
- Overall revenues were \$4,039,317 which was more than expenses of \$2,153,458 by \$1,885,859. Grant Income and interest were \$2,315,326 and \$18,762, respectively.
- Long-Term liabilities increased by \$53,505 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 \$17,059,195 at June 30, 2024 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 grant income, partially offset by additions to infrastructure and pay down of accounts payable
- ❑ Capital Assets increased with the ongoing construction project in progress.

**Table 1:  
Net Position**

	Governmental Activities		Total % Change
	2024	2023	2024-2023
<b>Assets</b>			
Cash on hand and in County Treasury	\$ 515,168	\$ 242,405	112.52%
Investments	487,718	565,803	-13.80%
Grants and Accounts Receivable	926,773	2,944,877	-68.53%
Property, Plant & Equipment, Net	16,579,898	14,068,626	17.85%
<b>TOTAL ASSETS</b>	<b>\$ 18,509,557</b>	<b>\$ 17,821,711</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Recognition of Contributions to Pension Plan	\$ 441,878	\$ 573,457	-22.94%
<b>Liabilities</b>			
Accounts Payable	\$ 352,910	\$ 1,708,066	-79.34%
Utility Deposits	32,962	26,362	25.04%
Accrued Payroll and Related Liabilities	64,440	29,997	114.82%
CoBank Line of Credit	61,586		
Deferred Revenue	50,000	-	100.00%
Net Pension Liability	1,159,811	1,106,306	4.84%
<b>TOTAL LIABILITIES</b>	<b>\$ 1,721,709</b>	<b>\$ 2,870,731</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Recognition of Pension Plan Earnings	\$ 170,531	\$ 351,101	-51.43%
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 16,579,898	\$ 14,068,626	17.85%
Unrestricted	479,297	1,104,710	-56.61%
<b>TOTAL NET POSITION</b>	<b>\$ 17,059,195</b>	<b>\$ 15,173,336</b>	

**Changes in Net Position**

The District's total revenues were \$4,039,317. A large part of the revenue comes from charges for services (42%). In fiscal year 2023-24 grant revenue accounted for 57% of revenue.

The total cost of all programs and services was \$2,153,458. The District's expenses are predominately related to water and sewer services 90.0%. Pool services accounted for 10.0% of total costs.



**Table 2:  
Changes in Net Position**

	Governmental Activities		Total %
	2024	2023	Change 2024-2023
<b>Operating Revenues:</b>			
Utility Revenue	\$ 1,522,572	\$ 1,460,591	4.24%
Pool Fees	180,250	162,861	10.68%
<b>Total Operating Revenue</b>	<b>1,702,822</b>	<b>1,623,452</b>	
<b>Operating Expenses:</b>			
Salaries and Benefits	802,272	493,692	62.50%
Insurance	76,460	69,691	9.71%
Professional Services	139,639	142,707	-2.15%
Utilities	542,050	389,205	39.27%
Vehicles and Equipment	26,289	62,756	-58.11%
Permits and Fees	36,869	37,012	-0.39%
Depreciation	240,972	253,361	-4.89%
Repairs and Maintenance	94,264	98,865	-4.65%
Office	58,701	23,323	151.69%
Other Operating Expenses	103,468	149,469	-30.78%
<b>Total Operating Expenses</b>	<b>2,120,984</b>	<b>1,720,081</b>	
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	18,762	15,808	18.69%
Interest expense	(32,474)	(25,138)	29.18%
Grant Revenue	2,315,326	9,697,296	-76.12%
Unrealized Gain (Loss)	2,407	(14,489)	100.00%
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,304,021</b>	<b>9,673,477</b>	
<b>INCREASE IN NET POSITION</b>	<b>\$ 1,885,859</b>	<b>\$ 9,576,848</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 \$2,153,458.

Most of the revenue (Charges for Services, \$1,702,822) was paid from people who directly benefited from the services.

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

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Water	\$ 1,073,964	\$ 837,231	\$ (195,967)	\$ 5,439
Sewer	871,532	762,812	(226,957)	(144,891)
Pool	207,962	145,176	(27,712)	17,685
<b>TOTAL</b>	<b>\$ 2,153,458</b>	<b>\$ 1,745,219</b>	<b>\$ (450,636)</b>	<b>\$ (121,767)</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 \$17,059,195 which is above last year's ending fund balance of \$15,173,336.

**Proprietary 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, 2024 the District had invested \$16,579,898 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 major capital improvement projects for the wastewater treatment system, wastewater collection system and the water meter replacements. The District also purchased a controller for the wastewater system and a meter reader for the water system.

	Governmental Activities		Total %
	2024	2023	Change 2024-2023
Land	\$ 400,065	\$ 400,065	0.00%
Buildings	2,854,764	2,854,764	0.00%
Machinery and Equipment	8,972,348	8,689,851	3.25%
Work in Progress	12,249,753	9,780,016	25.25%
Totals at Historical Cost	24,476,930	21,724,696	12.67%
Total Accumulated Depreciation	(7,897,032)	(7,656,070)	3.15%
<b>NET CAPITAL ASSETS</b>	<b>\$ 16,579,898</b>	<b>\$ 14,068,626</b>	

Information pertaining to the anticipated purchases of capital assets for the 2024-25 fiscal year was not available.

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

During 2023-2024 the pension liability increased due to the updated actuarial valuation, from \$1,106,306 to \$1,159,811.

**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.
- Utility costs continue to increase causing increased pumping costs.

**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:

David Zevely, General Manager  
Burney Water District  
20222 Hudson Street  
Burney, CA 96013  
530-335-3582

**BURNEY WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Business-Type Activities
<b>ASSETS</b>	Water, Sewer & Pool Fund
Current Assets:	
Cash on Hand and in County Treasury	\$ 515,168
Investments	487,718
Accounts Receivable	243,043
Grants Receivable	683,730
Total Current Assets	1,929,659
Property, Plant & Equipment, Net:	16,579,898
<b>Total Assets</b>	\$ 18,509,557
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources - Pension Plan	\$ 441,878
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 352,910
Utility Deposits	32,962
Accrued Payroll and Related Liabilities	64,440
Unearned Revenue	50,000
CoBank Line of Credit	61,586
Total Current Liabilities	561,898
Long-Term Liabilities	
Net Pension Liability	1,159,811
Total Long-Term Liabilities	1,159,811
<b>Total Liabilities</b>	\$ 1,721,709
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources - Pension Plan	\$ 170,531
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 16,579,898
Unrestricted	479,297
<b>Total Net Position</b>	\$ 17,059,195

The accompanying notes are an integral part of this statement.

**BURNEY WATER DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2024**

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Capital Grants & Contributions	
<b><u>Business-Type Activities</u></b>				
Water	\$ 1,073,964	\$ 877,997	\$ 227,421	\$ 31,454
Sewer	871,532	644,575	1,972,202	1,745,245
Pool	207,962	180,250	115,703	87,991
Total Business-Type Activities	\$ 2,153,458	\$ 1,702,822	\$ 2,315,326	1,864,690
<b>General Revenues:</b>				
Interest Earnings				18,762
Unrealized Gain (Loss)				2,407
Total General Revenue				21,169
Change in Net Position				1,885,859
Net Position Beginning				15,173,336
Net Position Ending				\$ 17,059,195

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, 2024**

	<u>Water, Sewer &amp; Pool Fund</u>
Operating Revenues:	
Utility Revenue	\$ 1,522,572
Pool Fees	180,250
Total Operating Revenue	<u>1,702,822</u>
 Operating Expenses:	
Salaries and Benefits	802,272
Insurance	76,460
Legal, Accounting and Professional Services	139,639
Utilities	542,050
Vehicles and Equipment	26,289
Permits and Fees	36,869
Depreciation	240,972
Repairs and Maintenance	94,264
Office	58,701
Other Operating Expenses	<u>103,468</u>
Total Operating Expenses	<u>2,120,984</u>
 Net Operating Income (Loss)	 <u>(418,162)</u>
 Non-Operating Revenues (Expenses):	
Interest Income	18,762
Grant Revenue	2,315,326
Unrealized Gain(Loss)	2,407
Interest Expense	<u>(32,474)</u>
Total Non-Operating Revenues (Expenses)	2,304,021
 Change in Net Position	 1,885,859
 Net Position Beginning	 <u>15,173,336</u>
 Net Position Ending	 <u><u>\$ 17,059,195</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, 2024**

	Business-Type Activities <hr/> Water, Sewer & Pool Fund <hr/>
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 1,655,771
Cash Payments to Employees	(763,315)
Cash Payments to Suppliers for Goods and Services	(2,432,896)
Net Cash Provided by Operating Activities	<hr/> (1,540,440)
 Cash Flows from Capital and Related Financing Activities:	
Cash Received From Grantors	4,437,071
Purchases of Property and Equipment	(2,752,234)
Increase in Line of Credit	61,586
Net Cash Used by Capital Financing Activities	<hr/> 1,746,423
 Cash Flows from Investing Activities:	
Interest Income	18,762
Unrealized Gain(Loss)	2,407
Interest Paid	(32,474)
Net Cash Provided by Investing Activities	<hr/> (11,305)
 Net Increase (Decrease) in Cash and Cash Equivalents	194,678
 Cash and Cash Equivalents:	
Balance - July 1	<hr/> 808,208
<b>Balance - June 30</b>	<hr/> <b>\$ 1,002,886</b> <hr/>
 Reconciliation:	
Operating Income (Loss)	\$ (418,162)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	240,972
(Increase)/Decrease in Accounts Receivable	(53,651)
Increase/(Decrease) in Accounts Payable	(1,355,156)
Increase (Decrease) in Pension Liability	53,505
(Increase) Decrease in Deferred Outflow:	131,579
Increase (Decrease) in Deferred Inflow	(180,570)
Increase/(Decrease) in Utility Deposit:	6,600
Increase/(Decrease) in Payroll Liabilities:	34,443
Net Cash Provided by Operating Activities	<hr/> <b>\$ (1,540,440)</b> <hr/>

The accompanying notes are an integral part of this statement.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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, 2024**

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, 2024**

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, 2024, 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, 2024**

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

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, 2024**

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, 2024**

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, 2024, expenditures exceeded appropriations as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Utilities	\$ 121,850
Depreciation	\$ 197,422
Repairs and Maintenance	\$ 19,482
Office	\$ 20,451
Insurance	\$ 16,460
Legal, Accounting, & Professional Services	\$ 61,989
Other Operating Expenses	\$ 718
Interest Expense	\$ 32,324

Utilities, , Office, Insurance, Professional Fees, Repairs & Maintenance and Other Operating Expenses exceeded budget due to unanticipated expenses.

Depreciation was not budgeted for the sewer fund and was under-budgeted for the water fund. Interest was not budgeted for the line of credit.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

**Note 4 – Investments**

As of June 30, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
CalTRUST Medium Term Fund	N/A	<u>\$ 487,718</u>
Total		<u>\$ 487,718</u>

Analysis of Specific Deposit and Investment Risks

**Credit Risk.** Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bond, State Treasurer’s investment pools, Bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year the District was not exposed to Credit Risk.

**Custodial Credit Risk.** Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institutions trust department or agent but not in the District’s name. At year end the District was not exposed to Custodial Credit Risk.

**Concentration of Credit Risk.** This risk is the risk of loss attributed to the magnitude of a government’s investment in single issuer. At year end the District was not exposed to Concentration of Credit Risk.

**Interest Rate Risk.** This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end the District was not exposed to Interest Rate Risk. **Foreign Currency Risk.** This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to Foreign Currency Risk.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investment in external investment pools are reported in conformity with GASB Statement 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment company Act of 1940.

**Note 5 - Fixed Assets**

Changes in fixed assets are summarized as follows:

	<u>6/30/2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2024</u>
Land	\$ 400,065			\$ 400,065
Pumping Plant	199,128			199,128
Sewer Collection System	1,876,952			1,876,952
Sewer Treatment Plant	2,286,827			2,286,827
Transmission and Distribution	4,788,654			4,788,654
Buildings	368,809			368,809
Office Furniture and Equipment	29,952			29,952
Automobiles	194,483			194,483
Tools and Equipment	542,826	40,463		583,289
Swimming Pool & Equipment	1,121,163	242,034		1,363,197
Solar Equipment	135,821			135,821
Work in Progress	9,780,016	2,469,737		12,249,753
Total	<u>21,724,696</u>	<u>2,752,234</u>	-	<u>24,476,930</u>
Accumulated Depreciation	<u>(7,656,070)</u>	<u>(240,962)</u>		<u>(7,897,032)</u>
Net Fixed Assets	<u>\$ 14,068,626</u>	<u>\$ 2,511,272</u>	<u>\$ -</u>	<u>\$ 16,579,898</u>

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

Depreciation was charged to functions as follows:

<b><u>Business-Type Activities:</u></b>	
Water	\$ 111,364
Sewer	99,568
Pool	30,040
<b>Total</b>	<b><u><u>\$ 240,972</u></u></b>

**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, 2024 will not materially affect the financial condition of the District. Therefore, the Water, Sewer, and Pool Fund contains no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

**Note 8 - Pension Plan**

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, 2023 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.



**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

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, 2024 contributions to the pension plan from the District were \$116,724.

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

At June 30, 2024, the District reported a net pension liability of \$1,159,811 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. 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, 2023. Based upon this information, the District's proportion was .002319%.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Assumptions	\$ 70,023	\$ -
Difference between Expected and Actual Experience	59,249	9,191
Difference between Projected and Actual Investment Earnings	187,784	
Differnece between Employer's Contributions & proportionate Share of Contributions	8,097	15,647
Change in Employer's Proportion		145,693
Pension Contributions made Subsequent to the Measurement Date	116,724	-
Total	<u>\$ 441,877</u>	<u>\$ 170,531</u>

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

\$116,724 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, 2024.

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:	
2023	\$ 15,419
2024	(60,999)
2025	22,821
2026	123,945
2027	-
Total	<u>\$ 101,186</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	6.90%
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.

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

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 6.90%. 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 plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90% 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 6.90%, 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 (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 1,675,126	\$ 1,159,811	\$ 735,664

**Burney Water District**  
**Notes to the Financial Statements**  
**June 30, 2024**

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- Line of Credit**

During the fiscal year 2022-23, the District signed a Credit Agreement for a Line of Credit with CoBank, with a credit line of \$1,500,000. The Credit Agreement was entered into to provide gap financing during the construction of the Wastewater Treatment Plant and the Wastewater Collection System. The Line of credit was utilized during the year, and then repaid as grant funds became available to the District. As of June 30, 2024 the outstanding balance on the line of credit was \$61,586.

**Note 11 - Subsequent Events**

Subsequent events were evaluated through December 6, 2024 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)**

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's Proportion of Net Pension Liability/(Asset)	0.02319%	0.02364%	0.03140%	0.02251%	0.02192%	0.02145%	0.02109%	0.02105%	0.02092%	0.02074%
Districts Proportionate Share of Net Pension Liability/(Asset)	\$ 1,159,811	\$ 1,106,306	\$ 596,230	\$ 949,577	\$ 877,637	\$ 808,262	\$ 831,558	\$ 731,209	\$ 574,827	\$ 420,173
District's Covered-Employee Payroll	\$ 387,581	\$ 378,499	\$ 356,765	\$ 360,849	\$ 351,077	\$ 351,514	\$ 318,607	\$ 329,668	\$ 252,115	\$ 251,014
District's Proportionate Share of Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	299.24%	292.29%	167.12%	263.15%	249.98%	229.94%	261.00%	221.80%	228.00%	167.39%
Plan's Proportionate Share of Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	68.31%	79.64%	70.37%	71.60%	72.05%	73.93%	72.82%	75.39%	79.82%	81.71%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 116,724	\$ 121,170	\$ 108,785	\$ 96,223	\$ 83,717	\$ 67,385	\$ 75,420	\$ 71,740	\$ 50,247	\$ 60,107
Contributions in Relation to the Actuarially Determined Contribution	(116,724)	(121,170)	(108,785)	(96,223)	(83,717)	(67,385)	(75,420)	(71,740)	(69,737)	(50,247)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (19,490)	\$ 9,860
Covered Employee Payroll	\$ 387,581	\$ 378,499	\$ 356,765	\$ 360,849	\$ 351,077	\$ 351,514	\$ 337,860	\$ 329,668	\$ 252,115	\$ 244,720
Contributions as a Percentage of Covered-Employee Payroll	30.12%	32.01%	30.49%	26.67%	23.85%	19.17%	22.32%	21.76%	27.66%	20.53%

## **OTHER SUPPLEMENTARY INFORMATION**



**BURNEY WATER DISTRICT  
COMBINED STATEMENT OF OPERATIONS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2024**

	Budget Amounts		Actual	Variance with Final Budget Favorable
	Original	Final		(Unfavorable)
Operating Revenues:				
Utility Revenue	\$ 1,485,545	\$ 1,485,545	\$ 1,522,572	\$ 37,027
Pool Fees	149,332	149,332	180,250	30,918
Total Operating Revenue	<u>1,634,877</u>	<u>1,634,877</u>	<u>1,702,822</u>	<u>67,945</u>
Operating Expenses:				
Salaries and Benefits	832,480	832,480	802,272	30,208
Insurance	60,000	60,000	76,460	(16,460)
Legal, Accounting and Professional Service:	77,650	77,650	139,639	(61,989)
Utilities	420,200	420,200	542,050	(121,850)
Vehicles and Equipment	27,000	27,000	26,289	711
Permits and Fees	37,200	37,200	36,869	331
Depreciation	43,550	43,550	240,972	(197,422)
Repairs and Maintenance	74,782	74,782	94,264	(19,482)
Office	38,250	38,250	58,701	(20,451)
Other Operating Expenses	102,750	102,750	103,468	(718)
Total Operating Expenses	<u>1,713,862</u>	<u>1,713,862</u>	<u>2,120,984</u>	<u>(407,122)</u>
Net Operating Income (Loss)	<u>(78,985)</u>	<u>(78,985)</u>	<u>(418,162)</u>	<u>(339,177)</u>
Non-Operating Revenue (Expense):				
Interest Income	240	240	18,762	18,522
Interest Expense	(150)	(150)	(32,474)	(32,324)
Unrealized Gain(Loss)		-	2,407	2,407
Grant Revenue		-	2,315,326	2,315,326
Total Non-Operating Revenues (Expenses)	<u>90</u>	<u>90</u>	<u>2,304,021</u>	<u>2,303,931</u>
Change in Net Position	<u>\$ (78,895)</u>	<u>\$ (78,895)</u>	<u>\$ 1,885,859</u>	

**BURNEY WATER DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES BY ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Water	Sewer	Pool	Water, Sewer, & Pool Fund Total
Operating Revenues:				
Utility Revenue	\$ 877,997	\$ 644,575		\$ 1,522,572
Pool Fees			\$ 180,250	180,250
Total Operating Revenue	<u>877,997</u>	<u>644,575</u>	<u>180,250</u>	<u>1,702,822</u>
Operating Expenses:				
Salaries and Benefits	341,752	337,308	123,212	802,272
Insurance	31,731	34,560	10,169	76,460
Legal, Accounting and Professional Services	80,836	56,641	2,162	139,639
Utilities	359,893	178,676	3,481	542,050
Vehicles and Equipment	12,279	14,010	-	26,289
Permits and Fees	750	34,829	1,290	36,869
Depreciation	111,364	99,568	30,040	240,972
Repairs and Maintenance	61,000	12,454	20,810	94,264
Office	29,725	26,252	2,724	58,701
Other Operating Expenses	44,503	44,891	14,074	103,468
Total Operating Expenses	<u>1,073,833</u>	<u>839,189</u>	<u>207,962</u>	<u>2,120,984</u>
Net Operating Income (Loss)	<u>(195,836)</u>	<u>(194,614)</u>	<u>(27,712)</u>	<u>(418,162)</u>
Non-Operating Revenues (Expenses):				
Interest and Dividend Income	8,669	5,372	4,721	18,762
Grant Revenue	227,421	1,972,202	115,703	2,315,326
Unrealized Gain(Loss)	2,407			2,407
Interest Expense	(131)	(32,343)		(32,474)
Total Non-Operating Revenues (Expenses)	<u>238,366</u>	<u>1,945,231</u>	<u>120,424</u>	<u>2,304,021</u>
Change in Net Position	<u>\$ 42,530</u>	<u>\$ 1,750,617</u>	<u>\$ 92,712</u>	<u>\$ 1,885,859</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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2024.

**Report on 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) as a basis for designing 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 2024-001 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 2024-002, 2024-003 and 2024-004 that we consider to be material weaknesses.

### **Report on 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  
December 6, 2024

**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024**

**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:** 3 Material Weaknesses, 1 Significant Deficiency.
3. **Material Noncompliance Noted:** None.

**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024**

**YELLOW BOOK SECTION**

**Internal Control – Significant Deficiency**

**Finding 2024-001: 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, 2024**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2024-002: 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, 2024**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2024-003: 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:

For the June 30, 2024 audit, 18 out of 24 items tested had an exception as follows:

- 1) 1 of 28 did not have two signatures on checks.
- 2) 16 of 28 did not have proper prior approval for the expenditure.
- 3) 10 of 28 did not have supporting documentation for indication that the goods or services were received.

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 for Cash Disbursements.

District's Response:

The District is working on developing a policy to address this issue.



**BURNEY WATER DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024**

**YELLOW BOOK SECTION**

**Internal Control – Material Weakness**

**Finding 2024-004: Lack of timely financial information for management/board and lack of timely bank reconciliations.**

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

Finding (Condition):

The District is not preparing timely financial statements: Per standard accounting practices, monthly/quarterly financial statements should be provided to the board within a set timeframe.

Additionally, all bank accounts should be reconciled within a reasonable period to ensure accuracy and identify discrepancies promptly.

Amount of Questioned Cost, How Computed and Prevalence:  
None

Effect:

The District's delay in preparing financial statements hinders the board's ability to make informed decisions, potentially impacting operational and financial strategies.

Additionally, delays in bank reconciliation can lead to undetected errors or fraud, weakened cash flow management, and a lack of real-time financial accuracy.

Cause:

Staffing limitations, insufficient accounting resources, or inadequate prioritization of financial reporting and reconciliation processes may contribute to delays.

Recommendation:

We recommend the District implement a formal timeline for preparing and reviewing financial statements with accountability measures, and explore automation tools or additional staff support if needed.

The District should, establish a deadline for completing bank reconciliations within the designated period after month-end, with oversight from the finance team leader.

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, 2023 AUDIT REPORT)  
JUNE 30, 2024**

**Finding 2023-001: Lack of Segregation of Duties**

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

Status

Not Implemented – See Current Year Finding 2024-001.

**Finding 2023-002: 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 2024-002.

**Finding 2023-003: 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 2024-003.

**BURNEY WATER DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2024**

**Person Monitoring Corrective Action Plan**  
David Zevely, General Manager

**Finding 2024-001: 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 2024-002: 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, 2024**

**Finding 2024-003: 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.

**Finding 2024-004: Lack of Timely Financial Information for Management/Board and Timely Bank Reconciliations**

Finding (Condition)

The District has not implemented a policy for preparing timely monthly or quarterly financial statements for management and the Board. In addition, bank reconciliations are not being prepared in a timely manner.

Corrective Action Planned

The District is working on a policy to address these items.

Expected Completion Date

Ongoing.