

BROWNS VALLEY IRRIGATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

BROWNS VALLEY IRRIGATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITORS REPORT

**To the Board of Directors
Browns Valley Irrigation District
Browns Valley, California**

I have audited the accompanying Financial Statements of Browns Valley Irrigation District as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

The accompanying Required Supplementary Information, such as management's discussion and analysis, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, I did not audit the information and express no opinion on it.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Browns Valley Irrigation District as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.



June 26, 2009

BROWNS VALLEY IRRIGATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable analysis of the Browns Valley Irrigation District's financial activities based on currently known facts, decisions, or conditions. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights for Fiscal Year 2007-2008

1. The District's total net assets increased by \$47,707 to \$9,700,160, while its unrestricted net assets decreased by \$158,466 to \$1,141,078.
2. Revenues increased by \$160,165 while expenses increased by \$473,090 resulting in net income of \$47,662 compared to a prior year net income of \$360,165.

Overview of the Financial Statements

This annual report consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements and Notes to Financial Statements.

1. The Balance Sheets present a snapshot of the assets of the District, the District's liabilities and the net difference reflected as its net assets at the end of the fiscal year.
2. The Statement of Revenues, Expenditures and Changes in net Assets measures the extent to which the District's operating costs were funded from general revenues.
3. The Notes to Financial Statements provide additional disclosures and information to assist the reader in understanding the district's financial condition.

Capital Assets

The District owns real property at its office and yard location on Browns Valley School Road. The District also owns the Collins Lake recreation area, including the dam and powerhouse. Also owned are a fish screen and pumping facility on the Yuba River, miscellaneous booster pumps, a hydro powered lift pump, and an open ditch and pipeline delivery system. In addition, the District owns a considerable amount of vehicles and district maintenance equipment. These fixed assets, net of accumulated depreciation, are reflected in the District's financial statements.

Net Assets

A condensed summary of net assets and changes in net assets is as follows:

	<u>12-31-08</u>	<u>12-31-07</u>	<u>Change</u>
Current Assets	1,815,216	1,796,657	18,559
Other Assets	8,751,207	8,623,657	127,550
Liabilities	<u>(866,263)</u>	<u>(767,861)</u>	<u>(98,402)</u>
Net Assets	<u>9,700,160</u>	<u>9,652,453</u>	<u>47,707</u>
Operating Revenues	1,638,430	1,492,509	145,921
Operating Expenses	(1,893,633)	(1,424,465)	(469,168)
Other Income & Expense	<u>302,865</u>	<u>292,543</u>	<u>10,322</u>
Changes in Net Assets	<u>47,662</u>	<u>360,587</u>	<u>(312,925)</u>

Additional Financial Information

This financial report is designed to provide the District's Financial Statement users with an overview of the District's financial operations and financial condition. Additional information can be obtained from the Browns Valley Irrigation District, in care of Carey Powell, P. O. Box 6, Browns Valley, CA 95918.

**BROWNS VALLEY IRRIGATION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and Investments (note)	1,652,404	1,629,585
Accounts Receivable	8,298	3,210
Taxes & Interest Receivable	13,968	12,094
Assessment District Receivable (note)	54,356	63,501
Inventory	54,280	56,081
Prepaid Insurance	<u>31,910</u>	<u>32,186</u>
Total Current Assets	1,815,216	1,796,657
Restricted Cash and Investments (note)	387,933	387,933
Property and Equipment - Net of Accumulated Depreciation (note)	<u>8,363,274</u>	<u>8,235,724</u>
Total Assets	<u>10,566,423</u>	<u>10,420,314</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current Portion of Long-Term Debt (note)	81,302	78,578
Accounts Payable & Accrued Payroll	159,037	35,268
Compensated Absences	184,763	151,012
Deferred Compensation (note)	60,487	60,487
Deferred Revenue	<u>19,460</u>	<u>-0-</u>
Total Current Liabilities	505,049	325,345
Long-Term Debt (note)	<u>361,214</u>	<u>442,516</u>
Total Liabilities	<u>866,263</u>	<u>767,861</u>

See accompanying notes to financial statements.

**BROWNS VALLEY IRRIGATION DISTRICT
STATEMENT NET ASSETS - CONTINUED
DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Net Assets:		
Contributed Capital	540,440	540,395
Invested in Capital Assets, Net of Related Debt	7,920,758	7,714,630
Restricted for Debt Service	97,884	97,884
Unrestricted	<u>1,141,078</u>	<u>1,299,544</u>
Total Net Assets	<u>9,700,160</u>	<u>9,652,453</u>
Total Liabilities and Net Assets	<u>10,566,423</u>	<u>10,420,314</u>

See accompanying notes to financial statements.

**BROWNS VALLEY IRRIGATION DISTRICT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Water Sales:		
Other Water Agencies	460,471	348,657
Landowners	651,346	684,944
Hydro-electric Sales	466,198	447,581
Standby Charges	3,825	8,305
Annexation Revenue	792	347
Pipeline Income	<u>55,798</u>	<u>2,675</u>
Total Operating Revenues	1,638,430	1,492,509
Operating Expenses	<u>1,893,633</u>	<u>1,424,465</u>
Operating Income (Loss) - Excluding Depreciation	(255,203)	68,044
Depreciation	<u>(188,704)</u>	<u>(182,149)</u>
Total Operating Income (Loss)	<u>(443,907)</u>	<u>(114,105)</u>
Non-Operating Revenue:		
Interest Income	54,187	79,501
Taxes and Assessments	237,610	211,952
Grants and Reimbursed Costs	162,562	151,541
Miscellaneous Income	7,108	900
Recreation	46,937	50,766
Sale of Assets	2,500	2,000
Interest Expense	<u>(19,335)</u>	<u>(21,968)</u>
Total Non-Operating Revenue (Expenses)	<u>491,569</u>	<u>474,692</u>
Net Income (Loss) Before Capital Contributions	47,662	360,587
Capital Contributions, Connection Fees	45	25
Net Assets, Beginning of Year	<u>9,652,453</u>	<u>9,291,841</u>
Net Assets, End of Year	<u>9,700,160</u>	<u>9,652,453</u>

See accompanying notes to financial statements.

BROWNS VALLEY IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Operating Income (Loss)	(443,907)	(114,105)
Non-Cash Items included in Operating Income:		
Depreciation	188,704	182,149
Changes in Current Assets and Liabilities:		
Receivables	2,183	(5,523)
Prepaid Insurance	276	(3,244)
Accounts and Payroll Payable	123,769	(6,438)
Compensated Absences	33,751	21,822
Inventory	1,801	(2,219)
Deferred Credits	<u>19,460</u>	<u>(9,796)</u>
Net Cash Provided by (Used-in) Operating Activities	<u>(73,963)</u>	<u>62,646</u>
Cash Flows From Investing Activities:		
Interest Income	<u>54,187</u>	<u>79,501</u>
Cash Flows From Non-Capital Financing Activities:		
Taxes and Assessments	237,610	211,952
Miscellaneous	169,670	152,441
Recreation	<u>46,937</u>	<u>50,766</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>454,217</u>	<u>415,159</u>
Cash Flows From Capital Financing Activities:		
Payment for Long-Term Debt	(78,578)	(75,945)
Purchases of Fixed Assets	(316,254)	(283,476)
Proceeds from Connection Fees	45	25
Interest Expense	(19,335)	(21,968)
Proceeds from the Sale of Assets	<u>2,500</u>	<u>2,000</u>
Net Cash Provided by (Used-In) Capital Financing Activities	<u>(411,622)</u>	<u>(379,364)</u>
Increase (Decrease) in Cash and Cash Equivalents	(22,819)	177,942
Cash and Cash Equivalents at Beginning of Year	<u>2,017,518</u>	<u>1,839,576</u>
Cash and Cash Equivalents at End of Year	<u>2,040,337</u>	<u>2,017,518</u>
Reconciliation of Cash and Investments to Balance Sheet:		
Cash	1,652,404	1,629,585
Restricted Cash	<u>387,933</u>	<u>387,933</u>
Total Cash and Investments	<u>2,040,337</u>	<u>2,017,518</u>

See accompanying notes to financial statements

**BROWNS VALLEY IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

Summary of Significant Accounting Policies

Reporting Entity

The District's general-purpose financial statements include the operations of all organizations for which the District Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB 14.

Basis of Accounting

The District's financial records are maintained on the accrual basis of accounting as prescribed by the Controller of the State of California. Under the accrual basis of accounting, revenues are recognized when the income is earned rather than when received and expenses are recognized when the obligation is incurred rather than when paid.

Property and Equipment

The District does not maintain a complete inventory of all assets at historical cost, and because of this, depreciation is not recorded on a significant portion of these costs.

Where depreciation of utility plant assets is recorded, the District uses the straight-line method over the estimated useful lives of the respective assets ranging from 5 to 100 years. Asset additions and improvements are recorded at cost. Repair and maintenance items are charged to expense when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgetary Reporting

The Board of Directors adopts a budget annually. Budget integration is employed as a management control device.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Summary of Significant Accounting Policies(Continued)

Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service.

Unused vacation benefits are paid in full to employees upon termination. Unused sick leave benefits do not vest with the employee until employed for ten years. Upon termination of retirement the District pays 50% of accrued, but unpaid, sick leave. The District calculation is in accordance with GASB 16.

Inventory

Inventories are valued at cost using the First in/First out (FIFO) method.

Proprietary Fund Accounting

The District has made an election in accordance with Governmental Accounting Standards Board Statement 20, not to follow FASBs after November 30, 1989, per paragraph 7 in Statement Number 20.

GASB 34

In compliance with the provisions of Government Accounting Standards Board (GASB) Statement #34, these financial statements are prepared in accordance with the prescribed reporting model. This includes the Management Discussion and Analysis located at the beginning of this financial statement. In addition, changes have been implemented to reflect depreciation expense and accumulated depreciation for the current year. Where appropriate, prior year fixed asset values have been restated for consistency purposes.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Cash and Investments

Cash and Investments consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	200	200
General Checking	109,755	409,244
County Treasurer Savings	1,169,738	882,363
Deferred Compensation	60,487	60,487
Investment in Certificates of Deposit	587,479	665,224
Savings – Credit Union	<u>112,678</u>	<u>-0-</u>
 Total Cash and Investments	 2,040,337	 2,017,518
Less Restricted	<u>387,933</u>	<u>387,933</u>
 Unrestricted cash and investments	 <u>1,652,404</u>	 <u>1,629,585</u>

Funds of the District deposited in the general checking and savings are insured by federal depository insurance up to \$100,000, and collateralized for the remainder of the total deposits. Funds held by the Yuba County Treasurer consist of a diversified portfolio pool and they do not require a category of risk in accordance with GASB 3. The risk of material loss with respect to these funds is minimal.

Collateral for Deposits

Under the provisions for the California Government Code, California banks and savings and loan associations are required to secure a District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of a District's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of a District's total deposits

Authorized Investments.

In accordance with California Government Code Section 53601, the District may invest in the following types of investments:

- Bonds issued by the State of California and/or any local agency within the State of California
- Securities of the U. S. Government, or its agencies

Brown Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Authorized Investments Continued

Certificates of Deposit (or Time Deposits) placed with commercial banks/or savings and loan companies

Negotiable Certificates of Deposit

Bankers Acceptance

Commercial Acceptances

Local Agency Investment Fund (State Pool) Demand Deposits
Repurchase Agreements (Repos)

Property and Equipment

Property and equipment consisted of the following on December 31:

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Distribution System	10,748,971	66,977		10,815,948
Building/Equipment	1,217,532	190,035	(15,328)	1,392,239
Recreation Property	11,508			11,508
Fish Screens	199,523	5,296		204,819
Construction in Progress	<u>446,232</u>	<u>53,946</u>		<u>500,178</u>
Total	12,623,766	316,254	(15,328)	12,924,692
Less: Accumulated Depreciation	(<u>4,388,042</u>)	(<u>188,704</u>)	<u>15,328</u>	(<u>4,561,418</u>)
Net	<u>8,235,724</u>	<u>127,550</u>	<u>-0-</u>	<u>8,363,274</u>

Assessment District Receivables

The District has created the Manna, Vickie, Virginia and Edgehill Assessment Districts. These assessments are being paid by property owners at various amounts and maturity dates.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Long-Term Debt

Long-term debt consisted of the following on December 31:

	<u>2008</u>	<u>2007</u>
2006 Refunding Bonds - the original loan balance was \$430,000. Twenty semi-annual interest payments of \$2,750 at 5.5%, maturing August 2012	100,000	100,000
State Water Resource - 1990 water conservation construction loan for pipeline installation between Virginia Ranch Dam and Carmichael Ranch. Loan proceeds not to exceed \$1,328,283 with interest payable at 3.4375% per annum. Semi-annual loan payments at \$46,192 for 20 years, beginning in 1993	<u>342,516</u>	<u>421,094</u>
Total Debt	442,516	521,094
Less Current Portion	<u>81,302</u>	<u>78,578</u>
Long-term Portion	<u>361,214</u>	<u>442,516</u>

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Long-Term Debt (Continued)

The following is a schedule of maturities of long-term debt:

<u>Year Ending</u>	
2009	81,302
2010	84,121
2011	87,038
2012	<u>190,055</u>
Total	<u>442,516</u>

Employee's Retirement Plan

Plan Description

The Browns Valley Irrigation District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA, 95814

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Agency makes the contributions required of agency employees on their behalf and for their account. The Agency is required to contribute at an actuarially determined rate. For the plan year ended June 30, 2008, the rate is 13.790% of annual covered payroll. The contribution requirement of plan members and the Agency are established and may be amended by PERS.

The District has elected, under the provisions of Internal Revenue Code Section 414(h)(2), to designate employees' contributions as being "picked-up" by the employer and treated as employer contributions for Federal and State tax purposes only. Federal and State taxes on the amount of the contributions are deferred through a retirement allowance or refund.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Employee's Retirement Plan (Continued)

Annual Pension Cost

For the fiscal year 2007-2008, the Agency's estimated annual pension cost was \$ 70,229. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 % investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25 % per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. the actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS 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, 2006, for unfunded liabilities was 16 years.

Three-Year trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	51,404	100%	-0-
6/30/07	61,236	100%	-0-
6/30/08	70,229	100%	-0-

Required Supplementary Information
Funded Status of Plan Pool

<u>Valuation Date</u>	<u>Normal Accrued Liability (per \$1,000)</u>	<u>Actuarial Value of Assets (per \$1,000)</u>	<u>Unfunded Liability/ (Excess Assets) (per \$1,000)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a% of Payroll (per \$1,000)</u>
6/30/04	2,746,095	2,460,944	285,151	89.6%	743,692	38.3%
6/30/05	2,891,460	2,588,713	302,747	89.5%	755,046	40.1%
6/30/06*	2,754,396	2,636,941	117,455	95.7%	699,897	16.8%

*As adjusted to reflect the District's side fund.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Risk Management

Effective October 1, 1979, the District adopted a self-funded group liability property program administered by the Joint Power Insurance Authority (JPIA). The District also purchased workers compensation and unemployment coverage from JPIA. The District is insured by the pool for the first \$500,000 on each general liability, \$50,000 for each property claim and \$100,000 for fidelity coverage against the District. Amounts in excess of this are covered by other insurance carriers purchased by the pool up to a maximum amount of \$50,000,000 for liability, and \$50,000,000 for property. Workers compensation coverage is provided up to \$2,000,000 by the pool and from \$2,000,000 to statutory limits by outside carriers. The District management has determined that there is no need for a reserve at year end for any potential liability of the District.

Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007

Fund Equity

Fund Equity - 2008

Fund equity was segregated as follows for the year ended December 31, 2008

Description of Segregated Amounts	Contributed Capital	Invested in Capital Assets	Restricted For Debt Service	Unrestricted	Total
Connection Fees	234,676				234,676
Grant for Mahle Ditch	305,764				305,764
Refunding Bonds			5,500		5,500
DWR – Upper Main Note			92,384		92,384
Investment in Fixed Assets		7,920,758			7,920,758
Remaining Unreserved Balance				1,141,078	1,141,078
Total Fund Equity	<u>540,440</u>	<u>7,920,758</u>	<u>97,884</u>	<u>1,141,078</u>	<u>9,700,160</u>

Net Assets - 2007

Fund equity was segregated as follows for the year ended December 31, 2007

Description of Segregated Amounts	Contributed Capital	Invested in Capital Assets	Restricted For Debt Service	Unrestricted	Total
Connection Fees	234,631				234,631
Grant for Mahle Ditch	305,764				305,764
Refunding Bonds			5,500		5,500
DWR – Upper Main Note			92,384		92,384
Investment in Fixed Assets		7,714,630			7,714,630
Remaining Unreserved Balance				1,299,544	1,299,544
Total Fund Equity	<u>540,395</u>	<u>7,714,630</u>	<u>97,884</u>	<u>1,299,544</u>	<u>9,652,453</u>

**Browns Valley Irrigation District
Notes to Financial Statements
December 31, 2008 and 2007**

Changes in Contributed Capital

Contributed Capital at December 31, 2007	540,395
Connection fees collected during the year	<u>45</u>
Contributed Capital at December 31, 2008	<u>540,440</u>

Deferred Compensation Plans

The Browns Valley Irrigation District offers its employees a retirement benefit package that includes a qualified IRC Section 457 deferred compensation plan through the California Public Retirement System. The benefit is not available to the employee until termination, retirement, death, or unforeseeable emergency.

All amounts of the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or their beneficiary) solely the property and rights of the Browns Valley Irrigation District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Browns Valley Irrigation District's general creditors. The participant's rights under the plan are equal to those of general creditors of the Browns Valley Irrigation District in an amount equal to the fair market value of the account for the participant.

It is the opinion of the Browns Valley Irrigation District's legal counsel that the Browns Valley Irrigation District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Browns Valley Irrigation District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

In addition, the District maintains a cash account and a corresponding liability account related to a non-qualified deferred compensation agreement with a previous district manager. This account is payable at the discretion of the former manager, but has been previously treated as a District expense at the time the account was funded.

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS REPORT ON SUPPLEMENTARY INFORMATION

We have audited the general-purpose financial statements of the Browns Valley Irrigation District as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 26, 2009. Those audits were made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplementary information following this report is presented for the purpose of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.



June 26, 2009

**BROWNS VALLEY IRRIGATION DISTRICT
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Water Sales Costs	18,072	-0-
Spring Valley Project	23,711	46,137
Fish Screen Expense	-0-	5,845
Purchased Water	15,960	15,960
Hydro Expense	59,285	33,316
Consulting	41,418	26,266
Directors Fees	31,981	30,900
Dues and Memberships	41,329	41,992
Fuel and Oil	123,516	39,996
Insurance	46,016	42,497
Legal and Accounting	126,767	36,888
Miscellaneous Employee Expense	8,299	6,993
Office Maintenance	2,595	2,594
Office Supplies	12,377	9,505
Payroll Burden	313,933	303,410
Repairs and Maintenance	225,829	89,249
Salaries	654,832	584,508
Small Tools	1,436	1,177
Utilities	144,515	106,660
Yuba County Tax	91	91
Radio Expense	<u>1,671</u>	<u>481</u>
 Total Operating Expenses (Excluding Depreciation)	 <u>1,893,633</u>	 <u>1,424,465</u>

BROWNS VALLEY IRRIGATION DISTRICT
STATEMENT OF REVENUE AND EXPENDITURES – BUDGET & ACTUAL
2008

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenue:			
Water Sales – In District	643,900	651,346	7,446
Water Sales – Out of District	259,100	460,471	201,371
Hydro-Electric Sales	494,700	466,198	(28,502)
Standby Charges	8,300	3,825	(4,475)
Annexation Revenue	2,400	792	(1,608)
Pipeline Income	85,000	55,798	(29,202)
Interest Income	52,300	54,187	1,887
Taxes and Assessments	214,100	237,610	23,510
Miscellaneous Income	19,100	169,670	150,570
Recreation	53,300	46,937	(6,363)
Sale of Assets	<u>6,000</u>	<u>2,500</u>	<u>(3,500)</u>
Total Revenue	<u>1,838,200</u>	<u>2,149,334</u>	<u>311,134</u>
Expenses:			
Spring Valley Project	-0-	23,711	23,711
Water Sales Costs	-0-	18,072	18,072
Purchased Water	16,000	15,960	(40)
Hydro Expense	46,800	59,285	12,485
Consulting	10,000	41,418	31,418
Directors Fees	30,000	31,981	1,981
Dues and Memberships	44,800	41,329	(3,471)
Fuel and Oil	49,300	123,516	74,216
Insurance	47,600	46,016	(1,584)
Legal and Accounting	14,500	126,767	112,267
Miscellaneous Employee Expense	7,400	8,299	899
Office Maintenance	1,500	2,595	1,095
Office Supplies	9,100	12,377	3,277
Payroll Burden	399,700	313,933	(85,767)
Repairs and Maintenance	88,100	225,829	137,729
Salaries and Wages	641,500	654,832	13,332
Small Tools	2,000	1,436	(564)
Utilities	109,600	144,515	34,915
Yuba County Tax	100	91	(9)
Radio Expense	1,000	1,671	671
Depreciation	190,000	188,704	(1,296)
Interest Expense	<u>19,335</u>	<u>19,335</u>	<u>-0-</u>
Total Expense	<u>1,728,335</u>	<u>2,101,672</u>	<u>373,337</u>
Excess of Revenue over (Under) Expense	<u>109,865</u>	<u>47,662</u>	<u>(62,203)</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Directors
Browns Valley Irrigation District
Browns Valley, California**

I have audited the general purpose financial statements of Browns Valley Irrigation District as of and for the year ended December 31, 2008 and have issued my report thereon dated June 26, 2009.

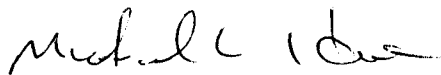
I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements.

The management of Browns Valley Irrigation District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with managements authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Browns Valley Irrigation District for the year ended December 31, 2008, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Michael C. [unclear]".

June 26, 2009

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Browns Valley Irrigation District
Browns Valley, California

I have audited the general purpose financial statements of Browns Valley Irrigation District as of and for the year ended December 31, 2008, and have issued my report thereon dated June 26, 2009.

I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Browns Valley Irrigation District is the responsibility of Browns Valley Irrigation District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Browns Valley Irrigation District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.



June 26, 2009