

**DURHAM IRRIGATION DISTRICT**  
**Durham, California**

**FINANCIAL STATEMENTS WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED**  
**December 31, 2011**

**COPY**

**DURHAM IRRIGATION DISTRICT  
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December 31, 2011**

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DURHAM IRRIGATION DISTRICT  
BOARD OF DIRECTORS  
December 31, 2011

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Nick Gore	President/General Manager	December 2012
Raymond Cooper	Director	December 2012
Dirck Sauer	Director	December 2013

**DURHAM IRRIGATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
December 31, 2011

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 93,265
Accounts receivable	<u>14,376</u>

Total Current Assets	107,641
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Noncurrent Assets:

Capital assets, net of depreciation	<u>483,776</u>
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<b>Total Assets</b>	<b><u><u>\$ 591,417</u></u></b>
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**LIABILITIES**

Current Liabilities:

Accounts payable	<u>\$ 6,160</u>
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Total Liabilities	<u>6,160</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	483,776
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Unrestricted	<u>101,481</u>
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Total Net Assets	<u>585,257</u>
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<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 591,417</u></u></b>
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*See Accompanying Notes to Financial Statements*

**DURHAM IRRIGATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2011

<b>OPERATING REVENUES</b>	
Water sales	\$ 161,786
Meter installations	2,600
Other income	333
Total Operating Revenues	<u>164,719</u>
<b>OPERATING EXPENSES</b>	
Repairs and maintenance	47,963
Power	33,400
Water treatment	6,967
Transmission and distribution	5,413
Administration and general	59,423
Total Operating Expenses	<u>153,166</u>
<b>OPERATING INCOME (LOSS)</b>	<u>11,553</u>
<b>NONOPERATING REVENUES</b>	
Interest income	11
<b>CHANGE IN NET ASSETS</b>	<u>11,564</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>573,693</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 585,257</u></u>

*See Accompanying Notes to Financial Statements*

**DURHAM IRRIGATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2011

**Cash Flows From Operating Activities:**

Cash received from water sales	\$ 159,512
Cash payments to employees for services	(12,902)
Cash payments to suppliers of goods and services	<u>(123,910)</u>
Net Cash Provided (Used) by Operating Activities	<u>22,700</u>

**Cash Flows From Capital and Related Financing Activities**

Purchase of capital assets	<u>(22,850)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(22,850)</u>

**Cash Flows From Investing Activities**

Interest earnings	<u>11</u>
Net Cash Provided (Used) By Investing Activities	<u>11</u>

**Net Increase (Decrease) in Cash and Cash Equivalents** (139)

**Cash and Cash Equivalents - Beginning of year** 93,404

**Cash and Cash Equivalents - End of year** \$ 93,265

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities**

Operating income (loss)	\$ 11,553
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	18,742
Decrease (increase) in accounts receivable	(5,207)
Increase (decrease) in accounts payable	<u>(2,388)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u><u>\$ 22,700</u></u>

*See Accompanying Notes to Financial Statements*

**DURHAM IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Durham Irrigation District (District) is a political subdivision of the State of California, existing pursuant to Section 20700 et seq. of the California Water Code. The District provides domestic water to residents located in Durham, California. The District is governed by a three-member Board of Directors.

***Basis of Accounting and Measurement Focus***

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales). The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. The District applies all applicable GASB pronouncements in accounting and reporting its operations.

Operating revenues, such as water sales, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investments income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by the Governmental Accounting Standards Board (GASB).

During 2009, FASB unanimously voted that the FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental Generally Accepted Accounting Principles in the United States of America (GAAP). The Codification will be effective for financial statements that cover interim and annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, the Codification is not supposed to change GAAP, but is intended to make it easier to find and research GAAP applicable to a particular transaction or specific accounting issue. The Codification is a new structure which takes accounting pronouncements and organizes them by approximately 90 accounting topics.

**DURHAM IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Use of Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For the purpose of the statements of cash flows, Durham Irrigation District considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

***Accounts Receivable***

Durham Irrigation District utilizes the allowance method of accounting for uncollectible accounts receivable. At December 31, 2011, no allowance was deemed necessary.

***Capital Contributions***

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capital commitment.

***Capital Assets***

Capital asset acquisitions are recorded at historical cost. When assets are retired or otherwise disposed of, the carrying value and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, ranging from five to fifty years using the straight-line method. The cost of repairs and maintenance is charged to expense as incurred and significant renewals and betterments are capitalized. The capitalization threshold is based on the Board's discretion.

***Net Assets***

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

***Invested in Capital Assets, Net of Related Debt***

This consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt related to the acquisition, construction or improvement of those assets.

***Unrestricted Net Assets***

This consists of net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

**DURHAM IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following as of December 31, 2011:

Deposits held with financial institutions	\$ 93,165
Cash on hand	100
Total	<u>\$ 93,265</u>

At December 31, 2011, the carrying amounts of Durham Irrigation District's deposits were \$93,265. The bank balances were \$92,968. The difference is due to normal deposits in transit and outstanding checks.

**Deposits with Financial Institutions**

Deposits with financial institutions, effective October 3, 2008, are insured by the Federal Deposit Insurance Corporation ("FDIC") in the amount of \$250,000 per depositor. The FDIC's standard insurance amount was to revert to \$100,000 after December 31, 2013. On July 21, 2010, the \$250,000 amount was made permanent. Full deposit insurance coverage for non-interest bearing accounts is provided for under the Dodd-Frank Act, effective from December 31, 2010 through December 31, 2012. As of December 31, 2011, all of the District's deposits with financial institutions are fully insured.

**Custodial Credit Risk**

Cash is classified in three categories of credit risk based upon the following criteria:

Category 1 - The deposits are insured or collateralized with securities held by the Rancheria or by its agent in the District's name.

Category 2 - The deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Under the California Government Code Section 53652, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of those deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Category 3 - The deposits are uncollateralized.

**DURHAM IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Authorized Deposits and Investments**

The District has not formally adopted deposit and investment policies but is generally authorized under state statute and local resolutions to invest in demand deposits with financial institutions, savings accounts, certificates of deposit, U.S. Treasury securities, federal agency securities, State of California notes or bonds, notes or bonds of agencies within the State of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the Local Agency Investment Fund of the State of California. The District did not hold any investments at December 31, 2011.

**NOTE 3 – CAPITAL ASSETS**

Changes in capital assets for 2011, is summarized as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land	\$ 20,331	<u>0</u>	<u>0</u>	\$ 20,331
Total non-depreciable assets:	<u>20,331</u>	<u>0</u>	<u>0</u>	<u>20,331</u>
Depreciable assets:				
Structures	13,764	0	0	13,764
Wells	76,105	0	0	76,105
Pumps	74,877	22,850	0	97,727
Mains	555,394	0	0	555,394
Equipment	<u>59,287</u>	<u>0</u>	<u>0</u>	<u>59,287</u>
Total depreciable assets	779,427	22,850	0	802,277
Less accumulated depreciation	<u>(320,089)</u>	<u>(18,742)</u>	<u>0</u>	<u>(338,832)</u>
Total depreciable assets, net	<u>459,338</u>	<u>(19,135)</u>	<u>0</u>	<u>463,445</u>
Total capital assets, net	<u>\$ 479,669</u>			<u>\$ 483,776</u>

Depreciation expense for the year ended December 31, 2011 was \$18,742.

**DURHAM IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 4 – RISK MANAGEMENT - INSURANCE**

Durham Irrigation District is a member of the Special District Risk Management Authority (SDRMA), and intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. SDRMA's board of directors consists of seven members, five of whom are employees or board members of a member district. The board reviews insurance brokers' recommendations, potential exposures and other applicable information to determine membership eligibility. SDRMA has 150 member districts. Any district created under California law and a member of the California Special Districts Association may apply for membership and risk financing.

The following policies are in effect for Durham Irrigation District as of December 31, 2011:

General Liability: \$2,500,000 per occurrence from personal injury and property damage subject to a \$500 deductible.

Public Officials and Employees Errors: \$2,500,000 per occurrence, with an annual aggregate of \$2,500,000.

Personal Liability Coverage for Board Members: \$500,000 per occurrence, \$500,000 general aggregate, subject to a \$500 deductible.

Employment Practices and Benefits Liability: \$2,500,000 per occurrence with an annual aggregate of \$2,500,000.

Employee Dishonesty Coverage: \$400,000 per occurrence.

Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$2,000 deductible per occurrence.

Boiler and Machinery: Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.

Auto Liability: \$2,500,000 per occurrence for personal injury and property damage subject to a \$1,000 deductible.

Uninsured/Underinsured Motorists: \$750,000 for each accident.

As of December 31, 2011 there were no reported claims filed against Durham Irrigation District.

**DURHAM IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 5 – PENSION PLAN**

Durham Irrigation District employees participate in a simplified employee pension plan, which covers all employees who have reached 21 years of age and have completed at least two years of service within the previous five years. Employer contributions, which are based on 7.65% of the employee's regular salary, amounted to \$579 for the year ended December 31, 2011.

**NOTE 6 – BUDGETARY COMPARISON INFORMATION**

The District has not adopted a budget for the year ended December 31, 2011 since it is not legally required to do so. Therefore comparative budget and actual results have not been included as required supplementary information.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

The District is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the District's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the District.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date which the financial statements have been issued and has verified that all relevant subsequent events have been reported in this section of the notes to the financial statements.