

# Durham Irrigation District

Durham, California

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2021



# Durham Irrigation District

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December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Durham Irrigation District  
Durham, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Durham Irrigation District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the California State Controller's *Minimum Audit Requirements for California Special Districts*; 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 Auditors' 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 opinion.

#### *Responsibilities of Management for the Financial Statements*

The District's 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, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 one year after the date that the financial statements are issued.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Auditors' 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 auditors' report that includes our opinion. 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 GAAS, the California State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *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 GAAS, the California State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *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 audits, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

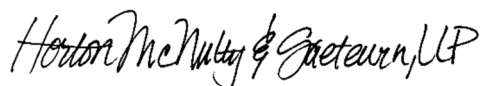
### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Directors list 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 Board of Directors list has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023, 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 solely 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 effectiveness of 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.



September 11, 2023  
Chico, California

## **FINANCIAL SECTION**

**Durham Irrigation District**  
STATEMENT OF NET POSITION

December 31, 2021

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	329,102
Accounts receivable		36,162

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**Total Current Assets** 365,264

**Capital Assets**

Nondepreciated capital assets		27,257
Depreciated capital assets - net		460,526

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**TOTAL ASSETS** \$ 853,047

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**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	\$	20,796
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**Net Position**

Investment in capital assets		487,783
Unrestricted		344,468

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**Total Net Position** 832,251

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**TOTAL LIABILITIES AND NET POSITION** \$ 853,047

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*The accompanying notes are an integral part of these financial statements.*

## Durham Irrigation District

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2021

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<b>Operating Revenues</b>	
Water sales	\$ 412,702
Meter installations	4,550
Connection fees	9,617
Other income	1,150
<b>Total Operating Revenues</b>	<b>428,019</b>
<b>Operating Expenses</b>	
Bank charges	2,924
Board stipends	5,500
Contract services	18,940
Depreciation	22,750
Insurance	7,339
Legal	22,661
Management and admin	55,059
Memberships and dues	7,030
Miscellaneous	11
Office expense	7,677
Permits and fees	196
Rent	5,506
Repairs and maintenance	58,498
Salaries and benefits	21,753
Special project development	5,406
Supplies	13,597
Utilities	66,427
Vina Groundwater Agency fee	5,000
Water testing	1,971
<b>Total Operating Expenses</b>	<b>328,245</b>
<b>Net Operating Income</b>	<b>99,774</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	2
<b>Change in Net Position</b>	<b>99,776</b>
<b>Net Position - Beginning of Year</b>	<b>732,475</b>
<b>Net Position - End of Year</b>	<b>\$ 832,251</b>

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*The accompanying notes are an integral part of these financial statements.*



**Durham Irrigation District**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 428,550
Payments to employees	(21,753)
Payments to suppliers	(291,056)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>115,741</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	2
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(1,351)
<b>Net Change in Cash and Cash Equivalents</b>	<b>114,392</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>214,710</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 329,102</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 99,774
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	22,750
Changes in:	
Accounts receivable	1,683
Accounts payable	(8,466)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 115,741</b>

*The accompanying notes are an integral part of these financial statements.*

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity** The Durham Irrigation District (the 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.

**Organization** The District was established in 1948 to serve the unincorporated community of Durham and surrounding area with high quality domestic water service. For over 70 years the District has adapted to ever changing drinking water quality standards in order to provide superior water and excellent service to the District's valued customers. The District's current service area encompasses 489 acres (0.7 square miles) and approximately 466 service connections.

**Basis of Accounting** 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 method of accounting. The District does not have any fiduciary funds nor component units that are fiduciary in nature.

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.

The financial statements of the District are prepared in accordance with accounting principles general accepted in the United States of America (GAAP) issued by Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund 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.

**Use of Estimates** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Concentration of Credit Risk** The District's receivables are from consumers within a specific geographic area.

**Cash and Cash Equivalents** For purposes of the statements of cash flows the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**Durham Irrigation District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Receivables** Accounts receivable arise from billings to customers for water usage and certain improvements made to customers' property. The District determined that as of December 31, 2021, an allowance for doubtful accounts was not needed, as all amounts are considered collectible.

**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 Position** The financial statements utilize a net position presentation. Net position is categorized as follows:

*Investment in Capital Assets:* This component of net position consists of capital assets, net of accumulated depreciation.

*Restricted Net Position:* Resources which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted:* This component of net position consists of unrestricted resources to satisfy future spending plans. There is no external restriction on these amounts and the future use of these funds may be modified, amended or removed by Board action.

The District has not formally adopted a policy regarding when to apply restricted or unrestricted resources as all of the District's resources are unrestricted.

## 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

December 31, 2021

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<b>Cash and Cash Equivalents</b>		
Deposits held with financial institutions	\$	329,002
Cash on hand		100
<b>Total</b>	<b>\$</b>	<b>329,102</b>

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### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The *California Government Code* and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The *California Government Code* requires that a financial institution secure deposits made by state and local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2021, the carrying amount of the District's deposits in financial institutions were \$329,002. The bank balances were \$348,960. The differences are due to normal deposits in transit and outstanding checks. \$250,000 of the bank balances at December 31, 2021, are insured.

### **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, 2021.

## **3. BUDGETARY COMPARISON INFORMATION**

The District has not adopted a budget for the year ended December 31, 2021 since it is not legally required to do so. Therefore, comparative budget and actual results have not been included as required supplementary information.

**Durham Irrigation District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**4. CAPITAL ASSETS**

Capital asset activity is summarized as follows:

Year Ended December 31, 2021	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
<b>Nondepreciable Assets</b>				
Land	\$ 27,257	\$ -	\$ -	\$ 27,257
<b>Depreciable Assets</b>				
Structures	16,084	-	-	16,084
Wells	127,486	-	-	127,486
Pumps	172,575	-	-	172,575
Mains	634,283	-	-	634,283
Equipment	40,989	1,351	-	42,340
<b>Total Depreciable Assets</b>	991,417	1,351	-	992,768
Less: Accumulated depreciation	509,492	22,750	-	532,242
<b>Total Depreciable Assets - Net</b>	481,925	(21,399)	-	460,526
<b>Total Capital Assets - Net</b>	\$ 509,182	\$ (21,399)	\$ -	\$ 487,783

Depreciation expense for the year ended December 31, 2021, was \$22,750.

## Durham Irrigation District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 5. RISK MANAGEMENT - INSURANCE

The 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 elected from member agencies participating in both SDRMA's Property/Liability and Workers' Compensation Programs.

The following policies are in effect for Durham Irrigation District as of December 31, 2021:

*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 and Public Officials Dishonesty Coverage:* \$400,000 per occurrence.

*Property Coverage:* 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, 2021, there were no reported claims filed against the District.

## **Durham Irrigation District**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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#### **6. EMPLOYEE RETIREMENT PLAN**

Durham Irrigation District employees participate in a simplified employee pension plan ("SEP"), in the form of Self-Directed Individual Retirement Accounts, for employees who meet certain eligibility requirements. The plan is administered by USAA Financial Advisors, Inc. The District has no fiduciary responsibility for this plan. There were no employer contributions for the year ended December 31, 2021.

#### **7. 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.

#### **8. AUDIT REQUIREMENTS FOR CALIFORNIA SPECIAL DISTRICTS**

Pursuant to *California Government Code*, Section 26909(b), the audit report is required to be filed with the California State Controller's Office within 12 months of the year-end under examination. The District did not comply with this requirement for the year ended December 31, 2021.

**SUPPLEMENTARY INFORMATION SECTION**



## Durham Irrigation District

BOARD OF DIRECTORS

December 31, 2021

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<b>NAME</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Matt Doyle	Chair	December 2024
Raymond Cooper	Director	December 2024
Kevin Phillips	Director	December 2022

**OTHER REPORT SECTION**

**INDEPENDENT AUDITORS' 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**

To the Board of Directors  
Durham Irrigation District  
Durham, California

We have audited, 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 of America, the financial statements of the Durham Irrigation District (the District) as of and for the year ended December 31, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated September 11, 2023.

***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 opinion 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 District'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.

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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**

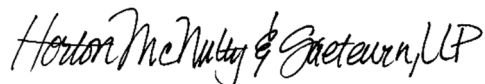
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***Report on Compliance and Other Matters***

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 financial statements. 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*.

**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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 11, 2023  
Chico, California