

DURHAM IRRIGATION DISTRICT
Durham, California

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
December 31, 2020

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December 31, 2020**

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**DURHAM IRRIGATION DISTRICT
BOARD OF DIRECTORS
December 31, 2020**

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Matt Doyle	Chair	December 2024
Raymond Cooper	Director	December 2024
Kevin Phillips	Director	December 2026



Matthews, Hutton & Warren

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Durham Irrigation District
Durham, California

Opinions

We have audited the accompanying financial statements of the business-type activity of Durham Irrigation District (the District), as of and for the year ended December 31, 2020, 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 in the first paragraph present fairly, in all material respects, the financial position of the District as of December 31, 2020, and the results of their operations and cash flows 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 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Management has omitted the management's discussion and analysis and budgetary comparison information 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.

Other 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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



MATTHEWS, HUTTON & WARREN, CPAS
Chico, California

February 21, 2023

**DURHAM IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2020**

ASSETS

Current assets:		
Cash and cash equivalents	\$	214,710
Accounts receivable		37,845
		<hr/>
Total current assets		252,555
Capital assets:		
Capital assets, net of depreciation		509,182
		<hr/>
Total Assets	\$	761,737
		<hr/> <hr/>

LIABILITIES

Current liabilities:		
Accounts payable	\$	29,262
		<hr/>
Total liabilities		29,262
		<hr/>

NET POSITION

Net investment in capital assets		509,182
Unrestricted		223,293
		<hr/>
Total net position		732,475
		<hr/>
Total Liabilities and Net Position	\$	761,737
		<hr/> <hr/>

See Accompanying Notes to Financial Statements

DURHAM IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

OPERATING REVENUES

Water sales	\$	365,367
Meter installations		1,300
Other income		16,506
		383,173
Total operating revenues		383,173

OPERATING EXPENSES

Bank charges		1,252
Board stipends		5,000
Contract services		20,270
Insurance		6,815
Legal		25,794
Management and admin		65,315
Memberships and dues		6,937
Miscellaneous		12
Office expense		5,599
Permits and fees		1,923
Rent		5,904
Repairs and maintenance		62,281
Supplies		16,468
Utilities		62,743
Vina GSA		6,940
Water testing		2,282
Depreciation		23,738
		319,273
Total operating expenses		319,273
Operating income (loss)		63,900

NON-OPERATING REVENUE

Interest income		2
		2
Total non-operating revenue		2
Change in net position		63,902
Net position - beginning of year		668,573
Net position - end of year	\$	732,475

See Accompanying Notes to Financial Statements

**DURHAM IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 378,083
Payments to employees	(1,228)
Payments to suppliers	<u>(297,300)</u>
Net cash provided (used) by operating activities	<u>79,555</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings	<u>2</u>
Net cash provided (used) by investing activities	<u>2</u>

Net increase (decrease) in cash and cash equivalents	79,557
Cash and cash equivalents - beginning of year	<u>135,153</u>
Cash and cash equivalents - end of year	<u><u>\$ 214,710</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 63,900
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	23,738
Decrease (increase) in accounts receivable	(5,090)
Increase (decrease) in accounts payable	(1,765)
Increase (decrease) in accrued payroll expenses	(1,228)
Net cash provided (used) by operating activities	<u><u>\$ 79,555</u></u>

See Accompanying Notes to Financial Statements

DURHAM IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 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.

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.

Concentration of Credit Risk

The District's receivables are from consumers within a specific geographic area.

DURHAM IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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:

Net Investment in Capital Assets – This component of net position 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 – 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.

Income Tax

The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31, 2020:

Deposits held with financial institutions	\$ 214,610
Cash on hand	100
Total Cash and Cash Equivalents	<u>\$ 214,710</u>

DURHAM IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2020, the carrying amounts of District's deposits in financial institutions were \$214,610. The bank balances were \$216,159. The differences are due to normal deposits in transit and outstanding checks. The total bank balances in financial institutions were covered by federal depository insurance.

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, 2020.

NOTE 3 – BUDGETARY COMPARISON INFORMATION

The District has not adopted a budget for the year ended December 31, 2020 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 FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 27,257	0	0	\$ 27,257
Total non-depreciable assets:	<u>27,257</u>	<u>0</u>	<u>0</u>	<u>27,257</u>
Depreciable assets:				
Structures	16,084	0	0	16,084
Wells	127,486	0	0	127,486
Pumps	172,575	0	0	172,575
Mains	634,283	0	0	634,283
Equipment	<u>40,989</u>	<u>0</u>	<u>0</u>	<u>40,989</u>
Total depreciable assets	991,417	0	0	991,417
Less accumulated depreciation	<u>(485,754)</u>	<u>(23,738)</u>	<u>0</u>	<u>(509,492)</u>
Total depreciable assets, net	<u>505,664</u>	<u>(23,738)</u>	<u>0</u>	<u>481,925</u>
Total capital assets, net	<u>\$ 532,921</u>			<u>\$ 509,182</u>

Depreciation expense for the year ended December 31, 2020 was \$23,738. There were no capital asset additions during 2020.

NOTE 5 – 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 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, 2020:

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

**DURHAM IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 – RISK MANAGEMENT – INSURANCE (CONTINUED)

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, 2020, there were no reported claims filed against Durham Irrigation District.

NOTE 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, 2020.

NOTE 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.

DURHAM IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 21, 2023, the date which the financial statements were available to be issued.



**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**

To the Board of Directors
Durham Irrigation District
Durham, California

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 Durham Irrigation District (District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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.

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. 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 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
(CONTINUED)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MATTHEWS, HUTTON & WARREN, CPAS
Chico, California

February 21, 2023