

Durham Irrigation District

Durham, California

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2022



Durham Irrigation District

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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, 2022, 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, 2022, 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' REPORTDURHAM D

(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.

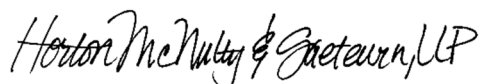
Supplementary Information

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 16 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 June 14, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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.



June 14, 2024
Chico, California

FINANCIAL SECTION

Durham Irrigation District
STATEMENT OF NET POSITION

December 31, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$	326,528
Accounts receivable		41,915

Total Current Assets 368,443

Capital Assets

Capital assets - net of depreciation		540,049
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TOTAL ASSETS \$ 908,492

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	18,490
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Net Position

Investment in capital assets		540,049
Unrestricted		349,953

Total Net Position 890,002

TOTAL LIABILITIES AND NET POSITION \$ 908,492

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, 2022

Operating Revenues	
Water sales	\$ 466,097
Meter installations	650
Connection fees	390
Other income	850
Total Operating Revenues	467,987
Operating Expenses	
Bank charges	3,570
Board stipends	6,000
Contract services	41,183
Depreciation	25,094
Insurance	5,461
Legal	51,667
Management and admin	40,165
Memberships and dues	4,236
Miscellaneous	12
Office expense	6,311
Permits and fees	432
Rent	7,495
Repairs and maintenance	66,522
Salaries and benefits	28,547
Special project development	1,435
Supplies	28,748
Utilities	78,827
Vina Groundwater Agency fee	9,000
Water testing	6,434
Total Operating Expenses	411,139
Net Operating Income	56,848
Nonoperating Revenues (Expenses)	
Interest income	903
Change in Net Position	57,751
Net Position - Beginning of Year	832,251
Net Position - End of Year	\$ 890,002

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

Durham Irrigation District
STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 461,331
Payments to employees	(28,547)
Payments to suppliers	(358,901)

NET CASH PROVIDED BY OPERATING ACTIVITIES 73,883

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings received	903
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(77,360)
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Net Change in Cash and Cash Equivalents (2,574)

Cash and Cash Equivalents - Beginning of Year 329,102

Cash and Cash Equivalents - End of Year \$ 326,528

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 56,848
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	25,094
Changes in:	
Accounts receivable	(5,753)
Accounts payable	(2,306)

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 73,883

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

Durham Irrigation District

NOTES TO THE 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.

Implementation of New Accounting Standard The District adopted the provisions of GASB Statement No. 87, *Leases*, as of January 1, 2022. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement has been applied as of the beginning of the period of implementation. Upon analysis of the District's existing operating leases, it was determined that the resulting balances would be immaterial. As a result, the District has not recognized any initial right-to-use lease assets or lease liabilities during the current period.

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.

Durham Irrigation District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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, 2022, 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.

Durham Irrigation District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

December 31, 2022	Maturities	Fair Value
Petty cash/cash awaiting deposit	\$	100
Deposits (1)		144,027
Subtotal		144,127
Investments That Are Not Securities (2)		
California CLASS investment pool	45 days average	182,401
Total Cash and Cash Equivalents	\$	326,528

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That Are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk - Deposits

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, 2022, the carrying amount of the District’s deposits in financial institutions were \$144,027. The bank balances were \$155,445. The differences are due to normal deposits in transit and outstanding checks. \$155,445 of the bank balances at December 31, 2022, 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.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2022:

California Cooperative Liquid Assets Securities Systems (CLASS) Prime Fund of \$182,401, is valued at least daily with the investment property value within the prime fund determined on a mark-to-market basis as follows: (a) securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities or a third-party pricing source; (2) all other securities and assets are valued at fair market value in good faith.

3. BUDGETARY COMPARISON INFORMATION

The District has not adopted a budget for the year ended December 31, 2022 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)

4. CAPITAL ASSETS

Capital asset activity is summarized as follows:

Year Ended December 31, 2022	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Nondepreciable Assets				
Land	\$ 27,257	\$ -	\$ -	\$ 27,257
Depreciable Assets				
Structures	16,084	7,263	-	23,347
Wells	127,486	60,744	-	188,230
Pumps	172,575	-	-	172,575
Mains	634,283	-	-	634,283
Equipment	42,340	9,353	-	51,693
Total Depreciable Assets	992,768	77,360	-	1,070,128
Less: Accumulated depreciation	532,242	25,094	-	557,336
Total Depreciable Assets - Net	460,526	52,266	-	512,792
Total Capital Assets - Net	\$ 487,783	\$ 52,266	\$ -	\$ 540,049

Depreciation expense for the year ended December 31, 2022, was \$25,094.

Durham Irrigation District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2022:

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, 2022, there were no reported claims filed against the District.

Durham Irrigation District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2022.

7. JOINT POWERS AUTHORITY

As described in note 2, the District is a participant in the California Cooperative Liquid Assets Securities Systems (California CLASS), which is a California joint powers authority created pursuant to Title 1, Division 7, Chapter 5 of the *California Government Code* (commencing with Section 6500) known as the Joint Exercise of Powers Act (Act). The Act authorizes a joint powers authority, such as California CLASS, to issue shares of beneficial interest in authorized investments to participating Public Agencies. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. As a joint powers authority, California CLASS provides a professionally managed pooled investment program for participants. Pursuant to the JPA agreement, California CLASS is governed by a board of trustees and is sponsored by the California Special Districts Association (CSDA) and the League of California Cities. Separately issued financial statements can be on the JPA’s website at www.californiaclass.com.

8. 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.

9. 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, 2022.

SUPPLEMENTARY INFORMATION SECTION

Durham Irrigation District

BOARD OF DIRECTORS

December 31, 2022

NAME	OFFICE	TERM EXPIRES
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, 2022; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated June 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies 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

(Continued)

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.

Horton McNulty & Gaetavn, LLP

June 14, 2024
Chico, California