

Delhi County Water District | Delhi, CA

Financial Statements

For the Year Ended June 30, 2023



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Jaribu W. Nelson, CPA

P.O. Box 1105, Clovis, CA 93613 • Ph: (559) 286-7546 • Email: jaribucpa@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delhi County Water District
Delhi, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Delhi County Water District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Delhi County Water 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 these 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 Delhi County Water District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 generally accepted auditing standards and *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 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 Delhi County Water 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 Delhi County Water 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 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 financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delhi County Water District's basic financial statements. The accompanying Schedule(s) of Net Sewer and Water Revenue Available for Debt Service are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule(s) of Net Sewer and Water Revenue Available for Debt Service are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of Delhi County Water 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 Delhi County Water District's 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 Delhi County Water District's internal control over financial reporting and compliance.

Jaribu W. Nelson, CPA

March 27, 2024

BASIC FINANCIAL STATEMENTS

DELHI COUNTY WATER DISTRICT | JUNE 30, 2023

Statement of Net Position

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and investments	\$ 3,411,418	\$ 3,889,889	\$ 7,301,307
Restricted cash and investments	604,406	530,789	1,135,195
Accounts receivable, net	155,473	33,072	188,545
Intergovernmental receivable	136,838	-	136,838
Prepaid expenses	8,309	8,309	16,618
Total current assets	<u>4,316,444</u>	<u>4,462,059</u>	<u>8,778,503</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	1,712,873	556,619	2,269,492
Depreciable, net of accumulated depreciation	4,481,184	5,166,178	9,647,362
Total noncurrent assets	<u>6,194,057</u>	<u>5,722,797</u>	<u>11,916,854</u>
Total assets	<u>10,510,501</u>	<u>10,184,856</u>	<u>20,695,357</u>
LIABILITIES			
Current liabilities:			
Accounts payable	82,861	49,241	132,102
Retainage payable	-	-	-
Accrued payroll liabilities	5,500	5,500	11,000
Customer deposits	220,217	-	220,217
Unearned revenue	77,989	-	77,989
Accrued interest	6,430	3,400	9,830
Compensated absences	27,851	27,851	55,702
Long-term debt – current	121,000	114,982	235,982
Total current liabilities	<u>541,848</u>	<u>200,974</u>	<u>742,822</u>
Noncurrent liabilities:			
Long-term debt	901,000	178,538	1,079,538
Total noncurrent liabilities	<u>901,000</u>	<u>178,538</u>	<u>1,079,538</u>
Total liabilities	<u>1,442,848</u>	<u>379,512</u>	<u>1,822,360</u>
NET POSITION			
Net investment in capital assets	5,172,057	5,722,797	10,894,854
Restricted:			
Construction projects	604,406	530,789	1,135,195
Unrestricted	3,291,190	3,551,758	6,842,948
Total net position	<u>\$ 9,067,653</u>	<u>\$ 9,805,344</u>	<u>\$ 18,872,997</u>

The notes to the basic financial statements are an integral part of this statement.

DELHI COUNTY WATER DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Revenues, Expenses and Changes in Net Position

	Water	Sewer	Total
Operating revenues:			
Utility fees	\$ 2,123,034	\$ 1,574,114	\$ 3,697,148
Total operating revenues	<u>2,123,034</u>	<u>1,574,114</u>	<u>3,697,148</u>
Operating expenses:			
Administrative and general	344,993	298,159	643,152
Transmission and distribution	418,269	-	418,269
Treatment and disposal	-	647,416	647,416
Miscellaneous	20,068	23,341	43,409
Depreciation	283,021	288,523	571,544
Bad debt	2,457	444	2,901
Total operating expenses	<u>1,068,808</u>	<u>1,257,883</u>	<u>2,326,691</u>
Operating income (loss)	<u>1,054,226</u>	<u>316,231</u>	<u>1,370,457</u>
Nonoperating revenues (expenses):			
Interest income	5,243	5,243	10,486
Interest expense	(16,481)	(9,150)	(25,631)
Cost of issuance	-	-	-
Property taxes	117,437	117,437	234,874
Orchard rental income	3,921	3,921	7,842
Grant revenue	655,668	-	655,668
Settlement expense	-	(206,793)	(206,793)
Miscellaneous revenue	6,048	2,396	8,444
Total nonoperating revenues (expenses)	<u>771,836</u>	<u>(86,946)</u>	<u>684,890</u>
Change in net position	1,826,062	229,285	2,055,347
Net position - beginning	<u>7,241,591</u>	<u>9,576,059</u>	<u>16,817,650</u>
Net position - ending	<u>\$ 9,067,653</u>	<u>\$ 9,805,344</u>	<u>\$ 18,872,997</u>

The notes to the basic financial statements are an integral part of this statement.

DELHI COUNTY WATER DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Cash Flows

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers and users	\$ 2,112,430	\$ 1,570,961	\$ 3,683,391
Payments to suppliers	(502,244)	(679,886)	(1,182,130)
Payments to or on behalf of employees	(320,042)	(304,643)	(624,685)
Net cash provided by (used for) operating activities	<u>1,290,144</u>	<u>586,432</u>	<u>1,876,576</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	117,437	117,437	234,874
Miscellaneous	6,048	2,396	8,444
Settlement expense	-	(206,793)	(206,793)
Net cash provided by (used for) noncapital financing activities	<u>123,485</u>	<u>(86,960)</u>	<u>36,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(607,790)	-	(607,790)
Grant funded capital assets	684,801	-	684,801
Principal paid on capital debt	(119,000)	(111,852)	(230,852)
Interest paid on capital debt	(17,229)	(10,445)	(27,674)
Net cash provided by (used for) capital and related financing activities	<u>(59,218)</u>	<u>(122,297)</u>	<u>(181,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Orchard rental income	3,921	3,921	7,842
Interest income	5,243	5,243	10,486
Net cash provided by (used for) investing activities	<u>9,164</u>	<u>9,164</u>	<u>18,328</u>
Increase (decrease) in cash and cash equivalents	1,363,575	386,339	1,749,914
Cash and cash equivalents - beginning	<u>2,652,249</u>	<u>4,034,339</u>	<u>6,686,588</u>
Cash and cash equivalents - ending	<u>\$ 4,015,824</u>	<u>\$ 4,420,678</u>	<u>\$ 8,436,502</u>

The notes to the basic financial statements are an integral part of this statement.

DELHI COUNTY WATER DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Cash Flows (Continued)

Reconciliation of cash to financial statements:

Cash and investments	\$ 3,411,418	\$ 3,889,889	\$ 7,301,307
Restricted cash and investments	604,406	530,789	1,135,195
Total cash and investments	<u>\$ 4,015,824</u>	<u>\$ 4,420,678</u>	<u>\$ 8,436,502</u>

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ 1,054,226	\$ 316,231	\$ 1,370,457
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	283,021	288,523	571,544
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivables	(14,774)	(2,709)	(17,483)
Increase (decrease) in accounts payable	(63,907)	(9,129)	(73,036)
Increase (decrease) in accrued payroll liabilities	2,230	2,230	4,460
Increase (decrease) in customer deposits	6,627	-	6,627
Increase (decrease) in unearned revenue	7,799	-	7,799
Increase (decrease) in compensated absences	<u>14,922</u>	<u>(8,714)</u>	<u>6,208</u>
Net cash provided by (used for) operating activities	<u>\$ 1,290,144</u>	<u>\$ 586,432</u>	<u>\$ 1,876,576</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Delhi County Water District (the District) was formed in 1958 and provides water and sewer services to residents of the District. The District's financial and administrative functions are governed by a five-member Board of Directors elected by the voting population within the District. The District's mission statement is to improve the quality of life for the people of Delhi by providing clean, safe, and affordable drinking water and dependable wastewater services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Fund Accounting

The District is an enterprise fund. The enterprise fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's accounting records are maintained in accordance with the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained, and the accompanying financial statements are presented on the accrual basis of accounting. Operating revenues and expenses, such as water sales along with water purchases, 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. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Nonoperating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions in which the District gives (receives) value without directly receiving (giving) value in exchange.

C. Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property Taxes

Merced County assesses properties and bills, collects and distributes property taxes to the District. Merced County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 31 and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property taxed. Property tax revenues are recognized by the District in the fiscal year they are assessed.

E. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

F. Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

G. Allowance for Doubtful Accounts

The District provides an allowance for doubtful accounts based upon management’s review and analysis of receivables and considers the age of past due accounts. Accounts receivable are written off when deemed uncollectible. The allowance for doubtful accounts was \$29,252 and \$6,243 for the water and sewer funds, respectively.

H. Capital Assets

Capital assets are recorded based on purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the time of acquisition. Capital asset acquisitions in excess of \$10,000 are capitalized if they have an expected useful life of more than one year.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight-line method over the estimated useful lives of the respective assets, which range from five to fifty years.

I. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as a current liability.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District maintains cash for both funds. Cash and cash equivalents as of June 30, 2023 are classified in the accompanying Statement of Net Position as follows:

Cash and investments	\$ 7,301,307
Restricted cash and investments	<u>1,135,195</u>
 Total cash and investments	 <u>\$ 8,436,502</u>

Cash and cash equivalents as of June 30, 2023 consist of the following:

Deposits with financial institutions	\$ 8,198,585
Investments	<u>237,917</u>
 Total deposits	 <u>\$ 8,436,502</u>

A. Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investments policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The District’s investment policy does not contain any specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio or Amount</u>	<u>Maximum Investment of One Issuer or Amount</u>
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Bankers acceptances	180 days	40%	12%
Negotiable certificates of deposit	5 years	30%	12%
Time certificates of deposit	5 years	5%	\$250,000
Repurchase agreements	30 days	None	None
Medium-term notes	5 years	15%	12%
Municipal obligations	5 years	15%	12%
Local Agency Investment Fund (LAIF)	N/A	None	None
Mutual funds	N/A	10%	10%

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments, which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Certificates of deposit	\$ 237,917	\$ 237,917	\$ -	\$ -	\$ -
Total investments	\$ 237,917	\$ 237,917	\$ -	\$ -	\$ -

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required, where applicable, by the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

Investment Type	Rating as of Year-End	
	Fair Value	Not Rated
Certificates of deposit	\$ 237,917	\$ 237,917
Total investments	\$ 237,917	\$ 237,917

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

D. Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the District. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. As of June 30, 2023, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the total pooled investment in the following:

<u>Investment Type</u>	<u>Total</u>
Certificates of deposit	\$ <u>237,917</u>
 Total investments	 \$ <u>237,917</u>

E. 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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g., broker-dealer) to a transaction, a District will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government 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.

As of June 30, 2023, none of the District’s deposits with financial institutions in excess of federal depository insurance limits were held in non-collateralized accounts.

F. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2023:

<u>Investments by Fair Value</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ <u>237,917</u>	\$ -	\$ <u>237,917</u>	\$ -
 Total investments	 \$ <u>237,917</u>	 \$ -	 \$ <u>237,917</u>	 \$ -

Certificates of deposit are valued based on the rates currently offered for deposits of similar remaining maturities.

DELHI COUNTY WATER DISTRICT | JUNE 30, 2023

Notes to the Basic Financial Statements

NOTE 4 – RECEIVABLES

Receivables consist of the following at June 30, 2023:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivable	\$ 184,725	\$ 39,315	\$ 224,040
Allowance for uncollectable	<u>(29,252)</u>	<u>(6,243)</u>	<u>(35,495)</u>
Total receivables, net	<u>\$ 155,473</u>	<u>\$ 33,072</u>	<u>\$ 188,545</u>

NOTE 5 – CAPITAL ASSETS

Capital assets activity for each fund for the year ended June 30, 2023 are as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 70,800	\$ -	\$ -	\$ 70,800
Construction in progress	<u>986,405</u>	<u>655,668</u>	<u>-</u>	<u>1,642,073</u>
Total capital assets, not being depreciated	<u>1,057,205</u>	<u>655,668</u>	<u>-</u>	<u>1,712,873</u>
Capital assets being depreciated:				
Buildings	62,493	-	-	62,493
Improvements - nonbuildings	6,167,137	-	-	6,167,137
Machinery and equipment	<u>1,657,238</u>	<u>-</u>	<u>-</u>	<u>1,657,238</u>
Total capital assets being depreciated	<u>7,886,868</u>	<u>-</u>	<u>-</u>	<u>7,886,868</u>
Less accumulated depreciation for:				
Buildings	(53,270)	(547)	-	(53,817)
Improvements - nonbuildings	(2,628,868)	(145,382)	-	(2,774,250)
Machinery and equipment	<u>(440,525)</u>	<u>(137,092)</u>	<u>-</u>	<u>(577,617)</u>
Total accumulated depreciation, net	<u>(3,122,663)</u>	<u>(283,021)</u>	<u>-</u>	<u>(3,405,684)</u>
Total capital assets being depreciated, net	<u>4,764,205</u>	<u>(283,021)</u>	<u>-</u>	<u>4,481,184</u>
Water fund capital assets, net	<u>\$ 5,821,410</u>	<u>\$ 372,647</u>	<u>\$ -</u>	<u>\$ 6,194,057</u>

DELHI COUNTY WATER DISTRICT | JUNE 30, 2023
Notes to the Basic Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

Capital assets activity for each fund for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 556,619	\$ -	\$ -	\$ 556,619
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>556,619</u>	<u>-</u>	<u>-</u>	<u>556,619</u>
Capital assets being depreciated:				
Buildings	77,243	-	-	77,243
Improvements - nonbuildings	8,846,714	-	-	8,846,714
Machinery and equipment	2,286,461	-	-	2,286,461
Total capital assets being depreciated	<u>11,210,418</u>	<u>-</u>	<u>-</u>	<u>11,210,418</u>
Less accumulated depreciation for:				
Buildings	(68,022)	(547)	-	(68,569)
Improvements - nonbuildings	(4,625,245)	(216,734)	-	(4,841,979)
Machinery and equipment	(1,062,450)	(71,242)	-	(1,133,692)
Total accumulated depreciation, net	<u>(5,755,717)</u>	<u>(288,523)</u>	<u>-</u>	<u>(6,044,240)</u>
Total capital assets being depreciated, net	<u>5,454,701</u>	<u>(288,523)</u>	<u>-</u>	<u>5,166,178</u>
Sewer fund capital assets, net	<u>\$ 6,011,320</u>	<u>\$ (288,523)</u>	<u>\$ -</u>	<u>\$ 5,722,797</u>

Depreciation expense is charged to each fund as follows:

Water Fund	\$ 283,021
Sewer Fund	<u>288,523</u>
Total	<u>\$ 571,544</u>

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the District for the year ended June 30, 2023:

	Balance June 30, 2022	Incurred or Issued	Satisfied or Matured	Balance June 30, 2023	Due Within One Year
2015 Wastewater Loan	\$ 405,372	\$ -	\$ (111,852)	\$ 293,520	\$ 114,982
2021 Water Revenue Loan	1,141,000	-	(119,000)	1,022,000	121,000
Compensated absences	49,494	67,554	(61,346)	55,702	55,702
Total	<u>\$ 1,595,866</u>	<u>\$ 67,554</u>	<u>\$ (292,198)</u>	<u>\$ 1,371,222</u>	<u>\$ 291,684</u>

NOTE 6 – LONG-TERM LIABILITIES (Continued)

A. 2015 Wastewater Loan

The District entered into a loan agreement with CoBiz Public Finance, Inc., for \$1,061,597, bearing interest of 2.78% and payable semi-annually on February 1 and August 1, maturing August 1, 2025. The loan proceeds are deposited into a financial institution to be used for the Wastewater Treatment Sludge Removal Project. The loan is a direct borrowing and is secured by a pledge of net revenues. There is a provision in the loan agreement whereby if the District is unable to make payments, then all principal and interest becomes immediately due and payable.

The following is a schedule of future estimated minimum payments related to the loan described above:

2015 Wastewater Loan			
Year Ending	Principal	Interest	Total
June 30			
2024	\$ 114,982	\$ 7,366	\$ 122,348
2024	118,202	4,148	122,350
2026	60,336	839	61,175
Total	<u>\$ 293,520</u>	<u>\$ 12,353</u>	<u>\$ 305,873</u>

B. 2021 Water Revenue Loan

The District entered into a loan agreement with Zions Bancorporation, N.A., for \$1,258,000, bearing interest of 1.51% and payable semi-annually on February 1 and August 1, maturing February 1, 2031. The loan proceeds are deposited into a financial institution to be used for certain public capital improvements, primarily consisting of new water meters to the District. The loan is a direct borrowing and is secured by a pledge of net revenues. There is a provision in the loan agreement whereby if the District is unable to make payments, then all principal and interest becomes immediately due and payable.

The following is a schedule of future estimated minimum payments related to the loan described above:

2021 Water Revenue Loan			
Year Ending	Principal	Interest	Total
June 30			
2024	\$ 121,000	\$ 15,432	\$ 136,432
2025	123,000	13,605	136,605
2026	125,000	11,748	136,748
2027	127,000	9,860	136,860
2028	129,000	7,943	136,943
2029-2031	397,000	48,418	445,418
Total	<u>\$ 1,022,000</u>	<u>\$ 107,006</u>	<u>\$ 1,129,006</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

Effective February 27, 1998, the District established a deferred compensation plan created in accordance with Internal Revenue code Section 457. The plan is available to all full-time employees of the District at hire date and allows employees to defer a portion of their salary until future years. Employees can contribute any percentage of eligible wages; the District contributes employee percentage plus 2%, not exceeding 7%. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The maximum deferral amount shall not exceed the lesser of \$7,500 or 33 1/3% of includible compensation. For the year ended June 30, 2023, the District incurred contribution expense of \$30,745.

The plan is administered by a life insurance company. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditor. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the District's management that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor working with an outside investment. The District has entered into an amendment irrevocably renouncing any right to use amounts held under the plan for its own benefit or for the benefit of its creditors.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Delhi County Water District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, and injuries to employees. In the opinion of the District's attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

SUPPLEMENTARY INFORMATION

DELHI COUNTY WATER DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Schedule of Net Sewer Revenue Available for Debt Service

Revenue:	
Service charges	\$ 1,574,114
Total service charges	<u>1,574,114</u>
Miscellaneous revenue:	
Interest earnings	5,243
Other revenues	<u>123,754</u>
Total miscellaneous revenue	<u>128,997</u>
Total revenue	<u>1,703,111</u>
Operations and maintenance:	
Personnel costs	393,679
Supplies	63,231
Professional services	187,551
Wastewater treatment plant management service	265,868
Other charges	<u>265,380</u>
Total operations and maintenance	<u>1,175,709</u>
Net revenue available for debt service	<u>527,402</u>
Debt service:	
2015 Wastewater Loan	<u>122,348</u>
Total debt service	<u>122,348</u>
Net revenue after debt service	<u>\$ 405,054</u>
Debt service coverage	4.31

DELHI COUNTY WATER DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Schedule of Net Water Revenue Available for Debt Service

Revenue:	
Service charges	\$ 2,123,034
Total service charges	<u>2,123,034</u>
Miscellaneous revenue:	
Interest earnings	5,243
Other revenues	<u>783,074</u>
Total miscellaneous revenue	<u>788,317</u>
Total revenue	<u>2,911,351</u>
Operations and maintenance:	
Personnel costs	417,595
Supplies	64,199
Professional services	189,191
Wastewater treatment plant management service	34,005
Other charges	<u>78,340</u>
Total operations and maintenance	<u>783,330</u>
Net revenue available for debt service	<u>2,128,021</u>
Debt service:	
2021 Water Revenue Loan	<u>136,432</u>
Total debt service	<u>136,432</u>
Net revenue after debt service	<u>\$ 1,991,589</u>
Debt service coverage	15.60



Jaribu W. Nelson, CPA

P.O. Box 1105, Clovis, CA 93613 • Ph: (559) 286-7546 • Email: jaribucpa@gmail.com

**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
Delhi County Water District
Delhi, 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, the financial statements of Delhi County Water District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 27, 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 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 or significant deficiencies may exist that have not been identified.

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.

Jaribu W. Nelson, CPA

March 27, 2024