

**LAGUNA IRRIGATION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

**LAGUNA IRRIGATION DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Table of Contents

	<u>Page</u>
Board of Directors and Administration	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-6
Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10-16

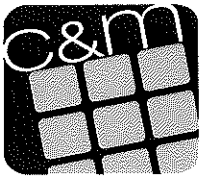
**LAGUNA IRRIGATION DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Board of Directors

President	Frank Zonneveld
Vice President	John Oliveira
Secretary	Tony Thomas
Director	Jake Miller
Director	Monty Hoggard

Administration

General Manager	Scott Sills
Attorney	Michael Nordstrom



CUTTONE & MASTRO

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Laguna Irrigation District
Riverdale, California

Opinion

We have audited the accompanying statements of Laguna Irrigation District (the district) as of and for the year ended December 31, 2023, and the related notes to the 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 Laguna Irrigation District, as of December 31, 2023, and the changes in its financial position and 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. 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 Laguna Irrigation 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

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 Laguna Irrigation District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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

7543 North Ingram, Suite 102
Fresno, California 93711

phone 559-261-4300

fax 559-261-4301

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.

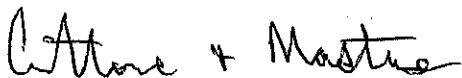
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Laguna Irrigation 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the Laguna Irrigation 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



June 17, 2024

**LAGUNA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Laguna Irrigation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended December 31, 2023. Please read in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's total net position increased \$481,812 or 4.49% over the course of the year's operations.
- The District's operating revenue increased \$814,453 or 53.53% and operating expenses increased \$1,277,314 or 73.21% during the year ended December 31, 2023.
- The District's capital assets net of accumulated depreciation increased \$188,846 during the year ended December 31, 2023.

Overview of the Financial Statements

This annual financial report includes this management's discussion and analysis, the independent auditor's report, and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges, its profitability, and its credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

**LAGUNA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Net Position

A comparison of the Statement of Net Position can determine the change in the components of financial position (the assets and liabilities) of the District from year-end to year-end. This comparison is presented in the following table:

**Condensed Statement of Net Position
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 2,493,421	\$ 1,684,785	\$ 808,636	48.00%
Capital Assets	9,456,636	9,267,790	188,846	2.04%
Other Assets	14,400	14,400	-	0.00%
Total Assets	<u>11,964,457</u>	<u>10,966,975</u>	<u>997,482</u>	<u>9.10%</u>
Current Liabilities	683,184	140,527	542,657	386.16%
Long-Term Liabilities	57,577	84,564	(26,987)	-31.91%
Total Liabilities	<u>740,761</u>	<u>225,091</u>	<u>515,670</u>	<u>229.09%</u>
Total Net Position	<u>\$ 11,223,696</u>	<u>\$ 10,741,884</u>	<u>\$ 481,812</u>	<u>4.49%</u>

The table shows that the District's net position increased \$481,812 in 2023. Factors contributing to this change include:

- The increase is significantly due to a receivable of \$498,062 from FEMA.

Revenues, Expenses and Changes in Net Position

A comparison of the Statement of Revenues, Expenses and Changes in Net Position for each year will explain the changes in financial position that resulted from the operating activities during that year. This comparison is presented in the following table:

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues	\$ 2,335,809	\$ 1,521,356	\$ 814,453	53.53%
Operating Expenses	3,022,109	1,744,795	1,277,314	73.21%
Operating Income (Loss)	(686,300)	(223,439)	(462,861)	207.15%
Non-Operating Revenues	1,168,112	437,567	730,545	166.96%
Change In Net Position	481,812	214,128	267,684	125.01%
Net Position - Beginning of Year	10,741,884	10,527,756	214,128	2.03%
Net Position - End of Year	<u>\$ 11,223,696</u>	<u>\$ 10,741,884</u>	<u>\$ 481,812</u>	<u>4.49%</u>

The table shows that during 2023 operating revenue increased by \$814,453 or 53.53% from 2022. The table also shows that during 2023, operating expenses increased \$1,277,314 or 73.21% over 2022. Factors contributing to this change include:

**LAGUNA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

- In 2023, assessments increased \$163,770 or 11% over 2022 due to a rate increase in 2023.
- Expenses were up compared to 2022 primarily due to operations and maintenance.

Budgetary Highlights

The District adopts an annual budget each year to project the costs for operations, capital, and debt service for the coming year. The budget includes the projected costs and the means of financing them. Management throughout the year analyzes the District's budget, however it is not reported on, nor shown in the financial statements section of this annual report. It analyzes prior financial reports and current needs in determining the proper assessments for the current year.

At December 31, 2023 an actual to budget comparison is presented in the following summarized table:

**Actual vs. Budget Comparison
December 31, 2023**

	Actual	Budget	Difference	Percentage
Total Operating and Non-Operating Expenses	\$ 3,048,718			
Add Capital Outlay	320,703			
Add Debt Repayment	25,853			
Less Depreciation	(131,857)			
	<u>\$ 3,263,417</u>	<u>\$ 2,392,604</u>	<u>\$ 870,813</u>	<u>36.40%</u>

Capital Assets

As of December 31, 2023, the District had \$9,456,636 in net capital assets as shown in the following table:

**Capital Assets
December 31, 2023 and 2022**

	2023	2022	Dollar Change	Percentage Change
Land	\$ 1,167,927	\$ 909,650	\$ 258,277	28.39%
Irrigation System	2,954,339	2,951,100	3,239	0.11%
Building Improvements	298,255	298,255	-	0.00%
Machinery, Equipment and Auto	1,470,106	1,410,919	59,187	4.19%
Office Equipment	1,250	1,250	-	0.00%
Construction In Progress	5,854,912	5,854,912	-	0.00%
Source of Supply - Pine Flat Reservoir	664,278	664,278	-	0.00%
Less Accumulated Depreciation	(2,954,431)	(2,822,574)	(131,857)	4.67%
Net Capital Assets	<u>\$ 9,456,636</u>	<u>\$ 9,267,790</u>	<u>\$ 188,846</u>	<u>2.04%</u>

Debt Service Requirements

As of December 31, 2023, the District had long-term debt (current and long term portions) of \$84,564 for a purchase of a tractor.

Contacting the District's Management

This annual financial report is designed to provide our customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laguna Irrigation District, 5065 19 ½ Avenue, Riverdale, CA 93656.

**LAGUNA IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Assets

Current Assets

Cash and Cash Equivalents	\$ 729,995
Restricted Cash	59,482
Current Assessments Receivable	913,464
Accrued Interest Receivable	357
Employee Retention Credit Receivable	235,988
Other Receivables	524,528
Prepaid Insurance	<u>29,607</u>

Total Current Assets 2,493,421

Capital Assets - Net 9,456,636

Investments 14,400

Total Assets 11,964,457

Liabilities

Current Liabilities

Current Portion of Note Payable	26,987
Commercial Line of Credit	452,500
Accounts Payable	127,744
Accrued Vacation	70,780
Accrued Interest	<u>5,173</u>

Total Current Liabilities 683,184

Note Payable, Less Current Portion 57,577

Total Liabilities 740,761

Net Position

Invested In Capital Assets, Net of Related Debt	9,372,072
Restricted for City of Lemoore Agreement	155,240
Unrestricted	<u>1,696,384</u>

Total Net Position \$ 11,223,696

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

LAGUNA IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Operating Revenues	
Current Assessments	\$ 1,676,035
Other Water Sales	513,369
Penalties and Other Charges	4,040
Pine Flat Water Use Fees	<u>142,365</u>
Total Operating Revenues	<u>2,335,809</u>
Operating Expenses	
Assessments and Dues	238,499
Depreciation	131,857
Directors Fees and Costs	18,345
Employee Compensation and Benefits	917,221
Office	27,250
Operation and Maintenance	1,622,833
Professional Fees	41,091
Utilities	<u>25,013</u>
Total Operating Expenses	<u>3,022,109</u>
Operating Loss	<u>(686,300)</u>
Nonoperating Revenue and Expenses	
Interest Income	2,285
Miscellaneous Income	512,188
Outside District Income	207,570
Rental Income	4,800
Sand and Gravel Income	467,878
Interest Expense	<u>(26,609)</u>
Total Nonoperating Revenues and Expenses	<u>1,168,112</u>
Changes In Net Position	481,812
Net Position at Beginning of Year	<u>10,741,884</u>
Net Position at End of Year	<u>\$ 11,223,696</u>

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

**LAGUNA IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 2,154,212
Cash Paid to Suppliers and Vendors	(1,911,010)
Cash Paid to Employees	(899,414)
Cash Received for Other Non-Operating Revenue	677,806
Net Cash Flows From Operating Activities	<u>21,594</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Line of Credit	452,500
Interest Paid on Note Payable	(25,068)
Capital Assets Purchased	(320,703)
Payments on Debt	(25,853)
Net Cash Flows From Capital and Related Financing Activities	<u>80,876</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Cash Received From Interest Earned	<u>2,364</u>
Net Cash Flows From Investing Activities	<u>2,364</u>
 Net Change in Cash	 104,834
 Cash at the Beginning of Year	 <u>684,643</u>
 Cash at the End of Year	 <u>\$ 789,477</u>
 Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:	
Operating Loss	\$ (686,300)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	131,857
Non-Operating Revenue	677,806
Changes in assets and liabilities	
Current Assessments Receivable	(181,597)
Prepaid Insurance	(7,654)
Accounts Payable	69,675
Accrued Vacation	17,807
Net Cash Flows from (used) by Operating Activities	<u>\$ 21,594</u>

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

**LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

(1) Description of Entity

(a) Description of Operations

Laguna Irrigation District (the District) was formed in 1920 as a special district in the State of California and is governed by a five-person Board of Directors. The purpose of the District is to provide for the acquisition or construction of works for the irrigation of agricultural lands within the District and to provide for the distribution of water for irrigation purposes.

(b) Reporting Entity

In accordance with the requirements of *The Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB)*, the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Accounting

The financial statements of the Laguna Irrigation District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America 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 government's policies are described below.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. The District accounts for its operations as an enterprise fund.

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

(b) Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. It is the policy of the District to invest only in banks or savings and loans and the California Local Agency Investment Fund.

**LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)**

(c) Accounts Receivable

Services billed and not billed at the end of the year, and not paid at the end of the year, are recorded as accounts receivable. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At the end of the year, uncollectible accounts included in accounts receivable are considered to be immaterial. Therefore, no allowance for uncollectible accounts has been established.

(d) Capital Assets

Capital assets are stated at historical cost. Depreciation of property, plant and equipment are computed using the straight-line method over the useful lives of the assets. Depreciation is charged against operations and accumulated depreciation is reported net with capital assets. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets are recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to nonoperating income.

The estimated useful lives of the various assets of the District are as follows:

<u>Type of Assets</u>	<u>Estimated Useful Life In Years</u>
Irrigation System	10 - 50
Building and Improvements	10 - 25
Field and Office Equipment	5 - 20

(e) Net Position

Equity is classified as net position and displayed in three components:

- a. **Net investment in capital assets**—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by any debt (if any) that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net position**—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net position**—All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

(f) Compensated Absences

The District allows regular full-time employees to accrue vacation leave. Accumulated unpaid employee vacation leave benefits are recognized as a liability of the District. Terminating employees will be paid their prorated vacation pay.

Regular full-time employees who have been continuously employed by Laguna Irrigation District for the following periods will receive the listed vacations annually with pay based on straight time (S/T) hours:

LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)

- One (1) year through nine (9) years of continuous employment: Two (2) weeks (10 days/80 hours) paid vacation. Accrues at .04 hours per S/T hour worked.
- Ten (10) years through nineteen (19) years of continuous employment: Three (3) weeks (15 days/120 hours) paid vacations. Accrues at .061 hours per S/T hour worked.
- Twenty (20) years of continuous employment and thereafter: Four (4) weeks (20 days/160 hours) paid vacation. Accrues at .0833 hours per S/T hour worked.

(g) Use of Estimates

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

(3) Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2023 consisted of the following:

Cash On Hand	\$ 261
Cash In Bank	753,618
Investment in Local Agency Investment Fund - State of California	35,598
Total Cash	789,477
Less Restricted Cash	(59,482)
Net Cash	\$ 729,995

(a) Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
State of California - LAIF	\$ 35,598	\$ -	\$ 35,598	\$ -

(b) Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(c) Authorized Deposits and Investments

The District's investment policy authorizes investments in the Local Agency Investment Fund. The District's investment policy does not contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

(d) 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. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

(e) 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; however, the Local Agency Investment Fund is not rated.

(f) 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 allows for bank deposits and deposits with the State of California Local Agency Investment Fund (LAIF). As of December 31, 2023, the District did not have any investments in an issuer that was an exception to the District's ongoing practice.

**LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)**

(g) 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government 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 state or local governmental 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 fair 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 deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2023, the bank balance with BMO was \$756,643. Of this balance, \$250,000 per bank balance was covered by the federal depository insurance. The amount uninsured but collateralized for BMO was \$506,643. The Bank of Lemoore balance in 2023 was completely insured.

As of December 31, 2023, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in non-collateralized accounts.

(4) Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Land	\$ 909,650	\$ 258,277	\$ -	\$ 1,167,927
Irrigation System	2,951,100	3,239	-	2,954,339
Building Improvements	298,255	-	-	298,255
Machinery, Equipment and Auto	1,410,919	59,187	-	1,470,106
Office Equipment	1,250	-	-	1,250
Construction In Progress - Recharge Basin	5,854,912	-	-	5,854,912
Source of Supply-Pine Flat Reservoir	664,278	-	-	664,278
	<u>12,090,364</u>	<u>320,703</u>	<u>-</u>	<u>12,411,067</u>
Less Accumulated Depreciation	<u>(2,822,574)</u>	<u>(131,857)</u>	<u>-</u>	<u>(2,954,431)</u>
	<u>\$ 9,267,790</u>	<u>\$ 188,846</u>	<u>\$ -</u>	<u>\$ 9,456,636</u>

Depreciation expense charged to income for the year is \$131,857.

LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)

(5) Investments

Investments are reported at cost which is estimated to approximate fair market value for that particular asset and consists of the following:

Lemoore Canal and Irrigation Company common stock	\$ <u>14,400</u>
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(6) Contractually Restricted

On June 15, 1995, a stipulation and judgment was filed in Superior Court of the State of California for Kings County settling a dispute with the City of Lemoore. The judgment requires both the District and City of Lemoore to make annual deposits into a joint bank account. The annual payments started at \$62,500 and increase annually by the annual changes published for December in the All-Urban consumers (All West) Index. The monies in the joint account are to be used to maintain and recharge the aquifers underlying the City of Lemoore well field and the District. All expenditures require the approval of both parties.

On December 23, 2003, this stipulation and judgment was amended and the requirement for annual payments was modified. The amendment calls for all cash in excess of \$500,000 be refunded to the City of Lemoore and the District, to the extent they made contributions in excess of \$250,000 each. Future annual payments will be required only if the cash balance on April 1 of each year is less than \$500,000. Each party will contribute one-half of the shortfalls.

As of December 31, 2023, the assets accumulated under this judgment were as follows:

	Total	District's Share
Cash On Deposit	\$ 118,964	\$ 59,482
36 Shares of Lemoore Canal And Irrigation	28,800	14,400
Land	162,716	81,358
	\$ 310,480	\$ 155,240

(7) Money-Purchase Pension Plan

The District has a money purchase plan, which is a defined contribution, plan. The plan provides a benefit to employees based on the total amount of employer contributions in a participant's account. The District contributes 8% of each eligible participant's compensation on behalf of the participant for the plan year. Participants are required to make non-elective contributions in the amount of 2.67% of compensation. Participants vest in the employer contributions based on a number of years of service and are fully vested upon five years of service. Special vesting circumstances exist for death and disability.

LAGUNA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Continued)

(8) Line Of Credit

The District has an available a line of credit with BMO Harris Bank for \$1,000,000. Under the agreement, the unpaid principal balance will bear interest at a variable rate of the Term SOFR rate added to the margin of 3.024%. At December 31, 2023 the resulting rate was 8.5%. The line of credit is secured by inventory, equipment and accounts receivable. The line of credit matures on August 9, 2025. The outstanding balance on the line of credit as of December 31, 2023 was \$452,500.

(9) Long Term Debt

Noncurrent liabilities for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Note Payable	\$ 110,417	\$ -	\$ 25,853	\$ 84,564

Note Payable, due in annual installments of \$30,695.81, with interest at 4.3% per annum through March, 2026, secured by a John Deere tractor with a net book value of \$129,353.

	\$ 84,564
Less: Current Portion	(26,987)
Net Long-Term Portion	<u>\$ 57,577</u>

Maturities of long-term debt as of December 31, are as follows:

2024	\$ 26,987
2025	28,171
2026	29,406
	<u>\$ 84,564</u>

(10) Subsequent Events

The District evaluated subsequent events for recognition and disclosure through June 17, 2024, the date which these financial statements were available to be issued. Management concluded no material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in such financial statements.