ALTA IRRIGATION DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023

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HUDSON& COMPANYINC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alta Irrigation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Alta Irrigation District (the District) as of and for the years ended September 30, 2024 and 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 respective financial position of the business-type activities of the District, as of September 30, 2024 and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 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 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; 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement 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 judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Plan Contributions – OPEB, Schedule of Changes in the Net Pension Liability and Related Ratios, and Schedule of Contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary schedules 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 January 29, 2025, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*s in considering the District's internal control over financial reporting and compliance.

HUDSON & COMPANY, INC.

Fresno, California
January 29, 2025

ALTA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024 AND 2023

As management of Alta Irrigation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended September 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

History

Alta Irrigation District (District) was formed in 1888 as the successor agency to The 76 Land and Water Company (The Company). The Company was formed on June 7, 1882 with $280,000 in capital stock divided into fourteen (14) shares. The Company took its name from Tulare State Senator and cattleman Thomas Fowler's "76 Ranch" which had significant land holdings in the area. In March 1884, the Company moved its headquarters from its original location in Visalia to the newly formed town of Traver. The original intent was to develop a water supply and canal network to divert water from the Kings River to serve lands owned by the Company near Traver.

Due to the numerous landholdings, rising importance of water and the passage of legislation that allowed for public irrigation districts (Wright Act), nineteen (19) landowners posted a petitioner's bond of $1,000 in U.S. gold coin to initiate the election process to form a public irrigation district. The community held an election on August 14, 1888 and voted 326 to 19 to form the second public irrigation district in California. It was named "Alta", which in Spanish means high or highest due to the fact that Alta's diversion location on the Kings River is the highest diversion point and first diversion point on the river.

The newly formed District authorized a bond election to improve and expand the canal and delivery infrastructure purchased from The Company. In 1919, the District was relocated to Dinuba, CA to its present offices. Currently, the District comprises 130,000 acres and delivers surface water through two hundred and fifty (250) miles of canals and pipelines.

Governance

The District is governed by a board of seven (7) directors. Each director represents a separate division of the District and is elected to four (4) year terms by the voters within the division.

Board of Directors

Name	Division	Title
Christopher "C.J." Myers	1	Director
Jack Brandt	2	President
Jerry Halford	3	Vice President
Domenic Fino	4	Director
Elliott Rossotti	5	Director
Larry Tout	6	Director
John Kalender	7	Director

Regular Board meetings are held once a month. The budget is adopted by the Board of Directors in September for the following fiscal year. Day to day management of the District is the responsibility of the General Manager, Chad Wegley.

Financial Highlights

- Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of September 30, 2024 by $13,667,878. Of this amount, a deficit unrestricted net position of $1,655,766 must be subsequently funded before it may be used to meet the District's ongoing obligations to customers and creditors.

Financial Highlights (continued)

As of September 30, 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,448,976 with a deficit unrestricted net position equaling $2,773,181.

- Total net position increased by $2,218,902 for the year ended September 30, 2024. The primary reason for the increase was due to operating and non-operating revenues exceeding operating and non-operating expenses. For the prior year, total net position increased by $3,288,394.

- Actual operating revenue was more than anticipated operating revenue by $96,085 and actual operating expenditures were $688,183 less than budgeted expenditures for the year ended September 30, 2024. For the year ended September 30, 2023, actual operating revenue was more than anticipated operating revenue by $916,516 and actual operating expenditures were $488,791 higher than budgeted expenditures.

- During the current fiscal year, the District's capital assets increased by a net of $1,486,951. The increase was mostly attributable to the District's acquisition of the North Traver Pond. Depreciation amounted to $279,407 during the current year. Capital asset additions totaled $1,766,358 for the current fiscal year. Depreciation expense for the prior year was $260,076.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of four components: 1) the Statements of Net Position, 2) the Statements of Revenues, Expenses, and Changes in Net Position, 3) the Statements of Cash Flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

Statements of Net Position. The Statements of Net Position present information on all of the District's assets and deferred outflows as well as all of the District's liabilities and deferred inflows, with the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statements of Revenues, Expenses, and Changes in Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flow for future fiscal periods.

Statements of Cash Flows. The Statements of Cash Flows show how changes in balance sheet accounts and income affect cash and investments. The statement is broken down into four categories: cash flows from operating activities, cash flows from investing activities, cash flows from non-capital financing activities, and cash flows from capital and related financing activities.

These financial statements include only the District itself. The District has no component units.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has one proprietary fund and no governmental funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Financial Analysis

As noted earlier, net position may serve, over a time, as a useful indicator of a government's financial position. As of September 30, 2024, the District's assets and deferred outflows exceeded liabilities and deferred inflows by $13,667,878. A significant portion of the District's total net position (84 percent) reflects its net investment in capital assets. Capital assets are used to provide services to customers, and they are not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

Alta Irrigation District's Net Position

	2024	2023	2022
Current assets	$ 6,729,379	$ 5,779,632	$ 1,980,828
Noncurrent assets	12,059,037	10,572,086	10,806,388
Deferred outflows	1,643,791	1,551,977	664,540
Total assets and deferred outflows	20,432,207	17,903,695	13,451,756
Current liabilities	1,291,397	1,485,844	507,272
Noncurrent liabilities	4,976,377	4,279,738	2,714,944
Deferred inflows	496,555	689,137	2,068,958
Total liabilities and deferred inflows	6,764,329	6,454,719	5,291,174
Total net position	$ 13,667,878	$ 11,448,976	$ 8,160,582

Alta Irrigation District's Changes in Net Position

	2024	2023	2022
Operating revenues			
Assessments	$ 5,267,179	$ 5,232,331	$ 2,119,063
Water use and surcharges	1,234,488	1,234,016	115,102
Water sales	-	-	400,000
Other operating revenue	22,981	166,479	-
Total operating revenues	6,524,648	6,632,826	2,634,165
Operating expenditures			
Payroll and related expenses	2,136,364	1,347,276	1,867,063
Depreciation	279,407	260,076	264,666
General and administrative	1,035,090	924,039	1,014,665
Maintenance	1,474,707	1,067,769	249,230
Operations	194,796	203,579	54,335
Urban expenses	7,000	5,250	7,477
Total operating expenditures	5,127,364	3,807,989	3,457,436
Net operating income (loss)	1,397,284	2,824,837	(823,271)
Total non-operating revenues (expenses)	821,618	463,557	166,009
Change in net position	2,218,902	3,288,394	(657,262)
Net Position, Beginning of Year	11,448,976	8,160,582	8,817,844
Net Position, End of Year	$ 13,667,878	$ 11,448,976	$ 8,160,582

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of September 30, 2024, amounted to $12,059,037 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The District acquired new capital assets during the year ended September 30, 2024, totaling $1,766,358, and depreciation for the year amounted to $279,407.

Debt Administration. The District's total liabilities and deferred inflows of resources increased by $309,610 during the year ended September 30, 2024. This included an increase in accrued salaries and compensated absences of $147,811; an increase of $144,784 in net pension liability; an increase in the net OPEB liability of $77,455; and an increase of $595,000 in finance lease obligations; offset with a decrease of $236,629 in accounts payable; a decrease of $61,033 in unearned revenues; a decrease in deferred OPEB of $76,153; and a decrease in deferred pension of $116,429;.

Additional information on the District's capital assets can be found in Note 5 to the financial statements and more details regarding the District's debt can be found in Notes 6-8.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending September 30, 2025, projects an increase in net position of $1,355,119 before capital expenditures and a deficit of $99,581 after capital expenditures. Excluding contributions of capital assets, total revenue is anticipated to remain constant. Total expenses, excluding capital outlay and depreciation, is expected to increase by $385,435. Assessment revenue, including water surcharge is anticipated to decrease by $67,682. The budget is created using an average four (4) month water run and an eight (8) month maintenance season. Non-operating revenue is expected to be $245,250. General and administrative expense is expected to increase by $37,350, payroll expenses are expected to increase by $38,630, maintenance expense is expected to decrease by $172,500, operational expense is expected to decrease by $35,015, and urban expense is expected to remain constant. Capital assets expenditures are expected to be $1,454,700.

Request for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Operations Manager, Marc Limas at 289 North L Street, Dinuba, California 93618 or at the District's website at www.altaid.org.

ALTA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Current Assets		
Cash and investments	$ 2,160,509	$ 1,331,434
Restricted cash and investments	3,860,507	3,650,071
Receivables:		
Assessments receivable	380,945	543,135
Interest	24,676	17
Other	229,277	-
Prepaid expenses	17,474	206,495
Inventories	55,991	48,480
Total current assets	6,729,379	5,779,632
Non-Current Assets		
Capital assets, not being depreciated	2,811,484	2,193,853
Capital assets, net of accumulated depreciation	9,247,553	8,378,233
Total non-current assets	12,059,037	10,572,086
Total Assets	18,788,416	16,351,718
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	1,556,518	1,530,214
Deferred OPEB	87,273	21,763
Total deferred outflows of resources	1,643,791	1,551,977
LIABILITIES		
Current Liabilities		
Accounts payable	420,237	656,866
Accrued wages and payroll liabilities	59,469	83,048
Accrued compensated absences	104,658	99,364
Unearned revenues	585,533	646,566
Finance lease obligation, current	121,500	-
Total current liabilities	1,291,397	1,485,844
Non-Current Liabilities		
Finance lease obligation, non-current	474,400	-
Net OPEB liability	1,301,095	1,223,640
Net pension liability	3,200,882	3,056,098
Total non-current liabilities	4,976,377	4,279,738
Total Liabilities	6,267,774	5,765,582
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	178,674	295,103
Deferred OPEB	317,881	394,034
Total deferred inflows of resources	496,555	689,137
NET POSITION		
Net investment in capital assets	11,463,137	10,572,086
Restricted	3,860,507	3,650,071
Unrestricted	(1,655,766)	(2,773,181)
Total Net Position	$ 13,667,878	$ 11,448,976

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

ALTA IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Assessments	$ 5,267,179	$ 5,232,331
Water use and surcharges	1,234,488	1,234,016
Other operating revenue	22,981	166,479
Total operating revenues	6,524,648	6,632,826
OPERATING EXPENSES		
Payroll and related expenses	2,136,364	1,347,276
Depreciation	279,407	260,076
General and administrative	1,035,090	924,039
Maintenance	1,474,707	1,067,769
Operations	194,796	203,579
Urban expenses	7,000	5,250
Total operating expenses	5,127,364	3,807,989
Net operating income (loss)	1,397,284	2,824,837
NON-OPERATING REVENUES (EXPENSES)		
Interest income	268,257	198,273
Penalties and costs	15,832	2,493
Equipment lease and rents	3,700	3,700
Administrative fees	10,050	20,267
Pine Flat power	278,284	200,860
Miscellaneous	261,870	37,964
Interest expense	(16,375)	-
Total non-operating revenues (expenses)	821,618	463,557
Change in Net Position	2,218,902	3,288,394
Net Position, Beginning of Year	11,448,976	8,160,582
Net Position, End of Year	$ 13,667,878	$ 11,448,976

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

ALTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities:		
Cash received from assessments, water surcharges, and related activities	$ 6,373,547	$ 6,513,105
Cash received from other operating activities	22,981	166,479
Payments to suppliers of goods and services	(2,766,712)	(1,659,679)
Payments to employees and employee benefit programs	(2,216,806)	(1,985,631)
Net cash and investments provided (used) by operating activities	1,413,010	3,034,274
Cash Flows from Investing Activities:		
Interest income received	243,598	198,262
Rental income received	3,700	3,700
Net cash and investments provided (used) by investing activities	247,298	201,962
Cash Flows from Non-Capital Financing Activities:		
Other non-operating revenue	566,036	261,584
Net cash and investments provided (used) by non-capital financing activities	566,036	261,584
Cash Flows from Capital and Related Financing Activities:		
Interest payments on finance lease	(16,375)	-
Proceeds from debt borrowings	595,900	-
Principal payments on debt borrowings	-	(50,000)
Acquisition of capital assets	(1,766,358)	(25,774)
Net cash and investments provided (used) by capital and related financing activities	(1,186,833)	(75,774)
Net increase (decrease) in cash and investments	1,039,511	3,422,046
Cash and Investments - Beginning of Year	4,981,505	1,559,459
Cash and Investments - End of Year	$ 6,021,016	$ 4,981,505
Reconciliation of cash and investments to Statements of Net Position:		
Cash and investments	$ 2,160,509	$ 1,331,434
Restricted cash and investments	3,860,507	3,650,071
Total cash and investments	$ 6,021,016	$ 4,981,505

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

ALTA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Reconciliation of net operating income (loss) to net cash and investments provided (used) by operating activities:		
Net operating income (loss)	$ 1,397,284	$ 2,824,837
Adjustments to reconcile net operating income (loss) to net cash and investments provided (used) by operating activities:		
Depreciation	279,407	260,076
Changes in operating assets and liabilities:		
Receivables:		
Assessments receivable	162,190	(403,594)
Other receivable	(229,277)	-
Prepaid expenses	189,021	5,622
Inventories	(7,511)	21,225
Accounts payable	(236,629)	514,111
Accrued wages and payroll liabilities	(23,579)	42,180
Accrued compensated absences	5,294	21,929
Unearned revenues	(61,033)	450,352
Net OPEB liability and deferred OPEB	(64,208)	(22,835)
Net pension liability and deferred pensions	2,051	(679,629)
Total adjustments	15,726	209,437
Net cash and investments provided (used) by operating activities	$ 1,413,010	$ 3,034,274

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Alta Irrigation District (the District) was organized under the Wright Act in 1887 and operates under the provision of the California Water Code. The District covers an area of approximately 130,000 acres and distributes water to the agricultural lands in Tulare, Fresno, and Kings Counties.

The District has the authority, with prior voter approval in accordance with Proposition 218, to fix rates and charges for commodities and services furnished. It may also, with prior voter approval, incur indebtedness and issue bonds. The District is exempt from payment of federal and state income taxes. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

All activities of the District are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

The District's operating revenues and expenses generally result from providing water related services in connection with the District's ongoing operations. The principal operating revenues of the District are assessments, water related charges, and administrative fees. Operating expenses include maintenance, transmission and distribution, general and administrative expenses, urban expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District presents comparative financial statements in the accompanying financial statements to improve financial reporting of the District. All activities of the District are reported under one major proprietary (enterprise) fund.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Cash and Investments: For purposes of the Statements of Cash Flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash investments.

All investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments consist of deposits in the Local Agency Investment Fund, a state investment pool, and certificates of deposit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable: Receivables arise from billings to landowners for water service charges, water use surcharges and certain improvements made to the landowners' property. Substantially all of the District's sales are to landowners located within the District's boundaries.

The District does not anticipate any material write-off of bad debts and, therefore, has not established an "allowance for bad debts" in the Statements of Net Position as of September 30, 2024 or 2023. During the years ended September 30, 2024 and 2023, $0 and $5,090 was written off to bad debt expense, respectively.

All assessments are considered collectible because the District obtains a lien upon all assessed property once the assessment becomes delinquent. After a five-year period, the District can sell the property to recover all prior assessments, costs, penalties, and interest due to the District.

Inventory: Inventory is stated at the lower of cost or market on a first-in, first-out basis.

Capital Assets: Capital assets are defined by the District as assets with estimated useful lives of more than one year. All such assets are recorded at cost or estimated historical cost. Donated assets are recorded at the estimated market value at the date donated. The District has set the capitalization threshold for reporting capital assets at $5,000. Depreciable assets are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Transmission and distribution plant:	20-50 years
General plant:	5-39 years

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Compensated Absences: District employees are granted vacation, sick leave, and paid time-off benefits in varying amounts depending on the number of years of service and other factors. Vested leave is recorded as an expense and a liability of the District as the benefits accrue. Sick leave, after five years of employment and upon employment termination, is paid out at 50% of their accrued hours up to a maximum of 240 hours.

Capital Lease Obligations: The District's capital lease obligations are measured at the present value of payments expected to be made by the District during the lease term. As lease payments are made, the District will reduce the liability and recognize lease expense.

Assessments: In accordance with provisions of Division 11 of the Water Code of the State of California, an annual assessment is levied upon the land within the District to provide the funds necessary for the District to meet its financial obligations. The assessment is levied in October and becomes delinquent on December 20th. The District publicizes the delinquencies and they become unredeemed assessments upon the passing of three weeks from the date of the first publication. Unredeemed assessments may be addressed by means of statutory authority under the Water Code, i.e. collector's deeds and auctions. The District may retain the property or dispose of it at a public auction to redeem delinquencies owed to it.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows of Resources (continued): In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Deferred Compensation Plan: The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The District has the duty of reasonable care in the selection of investment alternatives, but neither the District nor its directors or offices have any liability for losses under the deferred compensation plan.

Retirement Pension Plan: The District is a member of the California Public Employee's Retirement System for Local Miscellaneous Members, a contributory pension plan covering qualified employees.

Non-Exchange Transactions: Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property tax increments. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

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 could differ from those estimates.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statements of Net Position report total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net assets are available for designation for specific purposes established by the District's Board of Directors. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting Procedures: Each year, management of the District prepares a proposed budget, which is presented to the District's Board of Directors. The annual budget is then legally enacted through adoption of a budget resolution.

Fair Value of Financial Instruments: Financial instruments include cash, receivables, prepaid expenses, inventories, accounts payable, accrued wages and payroll liabilities, accrued compensated absences, and unearned revenues, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position.

Contributions in Aid of Construction: Transmission and distribution plants in service are recorded net of contributions in aid of construction. Contributions of aid of construction represent nonrefundable costs paid to the District by its customers for construction of irrigation systems. In accordance with generally accepted accounting principles, these contributions are recorded as reductions to transmission and distribution plant investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending September 30, 2024, the District implemented the following standards:

GASB Statement No. 99 – *Omnibus 2022.* The requirements related to leases, PPPs, and SBITAs of this statement are effective for reporting periods beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivate instruments within the scope of Statement 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. An amendment of GASB Statement No. 62. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 102 – *Certain Risk Disclosures.* The requirements of this statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that the events in Note 14 require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 29, 2025, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held by the District are reflected in the accompanying Statements of Net Position at September 30, 2024 and 2023, as follows:

	2024	2023
Cash and investments	$ 2,160,509	$ 1,331,434
Restricted cash and investments	3,860,507	3,650,071
Total Cash and Investments	$ 6,021,016	$ 4,981,505

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments consisted of the following as of September 30, 2024 and 2023:

	2024	2023
Cash and investments:		
Treasurer's general accounts:		
Money market accounts	$ 971,756	$ 4,377,680
General fund	6,077	21,353
Total Treasurer's general accounts	977,833	4,399,033
Savings account	5	5
Collector's petty cash	500	500
Project account	523,411	580,030
	1,501,749	4,979,568
Investments:		
Local Agency Investment Fund (LAIF)	2,018	1,937
Valley Strong certificate of deposit	1,912,790	-
Valley Strong certificate of deposit #2	1,134,338	-
LPL Financial certificates of deposit	1,000,000	-
LPL Financial investment account - cash	2,266	-
Restricted cash:		
Flag Star Bank equipment escrow account	467,855	-
Total Cash and Investments	$ 6,021,016	$ 4,981,505

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by 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.

During the years ended September 30, 2024 and 2023, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	5%	None
State Warrants, Treasury Notes or Bonds	5 years	5%	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	5%	None
Time Certificates of Deposit	5 years	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment Policy (continued): The District complied with all other provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

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.

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

September 30, 2024		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Cash	$ 2,266	$ 2,266	$ -	$ -	$ -
Certificates of Deposit (NCUA Insured)	4,047,128	4,047,128	-	-	-
LAIF	2,018	2,018	-	-	-
Money Market Funds	971,756	971,756	-	-	-
	$ 5,023,168	$ 5,023,168	$ -	$ -	$ -

September 30, 2023		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Cash	$ -	$ -	$ -	$ -	$ -
Certificates of Deposit (NCUA Insured)	-	-	-	-	-
LAIF	1,937	1,937	-	-	-
Money Market Funds	4,377,680	4,377,680	-	-	-
	$ 4,379,617	$ 4,379,617	$ -	$ -	$ -

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 by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment and cash equivalent type.

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk (continued):

		Minimum	September 30, 2024			
Investment Type	Amount	Legal Rating	AAA/Aaa	AA/Aa	A	Not Rated
Cash	$ 2,266	N/A	$ -	$ -	$ -	$ 2,266
Certificates of Deposit (NCUA Insured)	4,047,128	N/A	-	-	-	4,047,128
LAIF	2,018	N/A				2,018
Money Market Funds	971,756	N/A	-	-	-	971,756
	$ 5,023,168		$ -	$ -	$ -	$ 5,023,168

		Minimum	September 30, 2023			
Investment Type	Amount	Legal Rating	AAA/Aaa	AA/Aa	A	Not Rated
Cash	$ -	N/A	$ -	$ -	$ -	$ -
Certificates of Deposit (NCUA Insured)	-	N/A	-	-	-	-
LAIF	1,937	N/A	-	-	-	1,937
Money Market Funds	4,377,680	N/A	-	-	-	4,377,680
	$ 4,379,617		$ -	$ -	$ -	$ 4,379,617

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. No investments in any one issuer (other than U.S. Treasury securities, timed certificates of deposit, and external investment pools) represented 5% or more of total District investments.

	September 30, 2024		
Issuer	Investment Type	Reported Amount	% of Total Investments
LPL Financial	Certificates of Deposits	$ 1,000,000	19.9%
LPL Financial	Cash	$ 2,266	0.0%
Valley Strong Credit Union	Certificates of Deposit	$ 3,047,128	60.7%
Local Agency Investment Funds	Investment Pool	$ 2,018	0.0%
Valley Strong Credit Union	Money Market Funds	$ 971,756	19.3%

	September 30, 2023		
Issuer	Investment Type	Reported Amount	% of Total Investments
Local Agency Investment Funds	Investment Pool	$ 1,937	0.0%
Valley Strong Credit Union	Money Market Funds	$ 4,377,680	100.0%

NOTE 2 – CASH AND INVESTMENTS (continued)

Foreign Currency Risk: Foreign currency risk is the risk of adverse effects on the fair value of an investment from changes in exchange rates involving currencies outside the United States. The District's investment policy does not allow for investments in foreign currencies.

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. None of the District's investments were subject to custodial credit risk.

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 trust deed mortgage notes having a value of 150% of the secured public deposits.

The District's deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investments that were subject to custodial credit risk. The District had certain deposits with financial institutions that were insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The District's deposits exceeded the FDIC or NCUA coverages at September 30, 2024 and 2023. Of the balances in financial institutions as of September 30, 2024 and 2023, $250,000 was insured by the FDIC and $250,000 was insured by the NCUA. At September 30, 2024 and 2023, $4,429,024 and $4,862,661, respectively, were held by financial institutions that were in excess of the insurance limit. These excess funds would still be secured by the pledged securities in the collateral pool at 110% as noted in the paragraph above and as such are secure in that manner. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool: The District is a voluntary participant in 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.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The District uses appropriate valuation techniques to determine value based on inputs available.

When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Net Position.

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The three levels of inputs used to measure fair value are as follows:

Level 1 – Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets. The District did not have any assets reported at fair value with Level 1 inputs for the years ended September 30, 2024 and 2023.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. The District did not have any assets reported at fair value with Level 2 inputs for the years ended September 30, 2024 and 2023.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The District did not have any assets reported at fair value with Level 3 inputs for the years ended September 30, 2024 and 2023.

The valuation methods of the fair value measurements are as follows:

- Certificates of deposit – approximates fair value based on estimates using current market rates offered for deposits with similar remaining maturities.
- Money Market Mutual Fund – uses a net asset value as determined by the fund manager. Money market mutual funds may include several different underlying obligations, of which at least 80% of the net assets are invested in U.S. Government obligations including, U.S. Treasury obligations and obligations of U.S. Government Agencies, authorities, instrumentalities, or sponsored enterprises obligations, and municipal securities.

The table below presents the District's investments measured on a recurring basis for the years ended September 30, 2024 and 2023:

September 30, 2024	Fair Value Measurements on a Recurring Basis			
Investment Type	Total	Level 1	Level 2	Level 3
Cash	$ 2,266	$ 2,266	$ -	$ -
Certificates of Deposit (NCUA Insured)	4,047,128	-	4,047,128	-
Money Market Funds	971,756	971,756	-	-
	5,021,150	$ 974,022	$ 4,047,128	$ -
Investment Measured at Amortized Cost				
State of California LAIF Investment Pool	2,018			
Total Investments	$ 5,023,168			

September 30, 2023	Fair Value Measurements on a Recurring Basis			
Investment Type	Total	Level 1	Level 2	Level 3
Cash	$ -	$ -	$ -	$ -
Certificates of Deposit (NCUA Insured)	-	-	-	-
Money Market Funds	4,377,680	4,377,680	-	-
	4,377,680	$ 4,377,680	$ -	$ -
Investment Measured at Amortized Cost				
State of California LAIF Investment Pool	1,937			
Total Investments	$ 4,379,617			

NOTE 4 – INVENTORIES

Inventories consisted of the following at September 30, 2024 and 2023:

	2024	2023
Teranap geomembrane	$ 14,576	$ 14,576
Algicide	-	1,530
Herbicides	35,512	27,627
Spreader	251	504
Shop parts	5,652	4,243
	$ 55,991	$ 48,480

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	$ 704,710	$ 617,631	$ -	$ 1,322,341
Pine Flat Reservoir	1,489,143	-	-	1,489,143
Total capital assets not being depreciated	2,193,853	617,631	-	2,811,484
Capital assets being depreciated:				
Transmission and distribution plant	13,907,413	696,678	-	14,604,091
General plant	2,460,468	452,049	-	2,912,517
Total capital assets being depreciated	16,367,881	1,148,727	-	17,516,608
Less accumulated depreciation:				
Transmission and distribution plant	(5,900,515)	(226,246)	-	(6,126,761)
General plant	(2,089,133)	(53,161)	-	(2,142,294)
Total accumulated depreciation	(7,989,648)	(279,407)	-	(8,269,055)
Total capital assets being depreciated, net	8,378,233	869,320	-	9,247,553
Total Capital Assets, Net	$ 10,572,086	$ 1,486,951	$ -	$ 12,059,037

Depreciation expense for the year ended September 30, 2024, was $279,407.

NOTE 5 – CAPITAL ASSETS (continued)

Capital assets activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	$ 704,710	$ -	$ -	$ 704,710
Pine Flat Reservoir	1,489,143	-	-	1,489,143
Total capital assets not being depreciated	2,193,853	-	-	2,193,853
Capital assets being depreciated:				
Transmission and distribution plant	13,898,569	8,844	-	13,907,413
General plant	2,443,538	16,930	-	2,460,468
Total capital assets being depreciated	16,342,107	25,774	-	16,367,881
Less accumulated depreciation:				
Transmission and distribution plant	(5,677,264)	(223,251)	-	(5,900,515)
General plant	(2,052,308)	(36,825)	-	(2,089,133)
Total accumulated depreciation	(7,729,572)	(260,076)	-	(7,989,648)
Total capital assets being depreciated, net	8,612,535	(234,302)	-	8,378,233
Total Capital Assets, Net	$ 10,806,388	$ (234,302)	$ -	$ 10,572,086

Depreciation expense for the year ended September 30, 2023, was $260,076.

NOTE 6 – LINE OF CREDIT

On April 7, 2022, the District entered into a line of credit agreement with Valley Strong Credit Union with a limit as of September 30, 2022 of $400,000. Interest was at a variable rate based on the prime rate from the Wall Street Journal which was 3.500% plus a margin of 0.75%. The line of credit was secured by essentially all assets of the District and was due on demand by the lender. The maturity date of the line of credit was April 15, 2023. On April 17, 2023, the District renewed the line of credit agreement with a new limit as of September 30, 2023 of $500,000. Interest is at a variable rate based on the prime rate from the Wall Street Journal which was 8.000% plus a margin of 0.75%. The interest rate on September 30, 2023 was 9.250%. The line of credit is secured by essentially all assets of the District and is due on demand by the lender. The line of credit matured on April 15, 2024, and was not renewed.

The amount due on the line credit at September 30, 2024 and 2023 was $0, and $0, respectively.

NOTE 6 – LINE OF CREDIT (continued)

Interest expense incurred on the line of credit during the years ended September 30, 2024 and 2023 was $0 and $0, respectively.

Any one or more of the following events shall constitute an event of default under this line of credit agreement:

1) The District fails to make any payment when due under the loan agreement.
2) The District fails to comply with or to perform any other term, obligation, covenant, or condition contained in the agreement or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between the lender and the District.
3) The District defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of the District's property or the District's ability to repay the loans or perform their respective obligations under the agreement or any of the related documents.
4) Any warranty, representation or statement made or furnished to the lender by the District or on the District's behalf under the agreement or the related documents is false or misleading in any material respects, either now or at the time made or furnished or becomes false or misleading at any time thereafter.
5) The dissolution or termination of the District's existence as a going organization, the insolvency of the District, the appointment of a receiver for any part of the District's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the District.
6) Upon the determination of the collateral being defective, the agreement or any of the related documents ceases to be in full force and effect at any time and for any reason.
7) Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession, or any other method, by any creditor of the District or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of the District's accounts, including deposit accounts, with the lender. However, this event of default shall not apply if there is a good faith dispute by the District as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the District gives the lender written notice of the creditor or forfeiture proceeding and deposits with the lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by the lender, in its sole discretion, as being an adequate reserve or bond for the dispute.
8) Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any guaranty of indebtedness.
9) A material adverse change occurs in the District's financial condition, or the lender believes the prospect of payment or performance of the loan is impaired.
10) The lender in good faith believes itself insecure.
11) If any default, other than a default on indebtedness, is curable and if the District has not been given a notice of a similar default within the proceeding twelve months, it may be cured if the District after the lender sends written notice to the District demanding cure of such default: (1) cure the default within fifteen days; or (2) if the cure requires more than fifteen days, immediately initiate steps which the lender deems in the lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

If an event of default has occurred and is continuing, the lender may declare the principal of the loan, together with the accrued interest on all unpaid principal thereof, to be due and payable immediately. If any event of default shall occur, except where otherwise provided in the agreement or the related documents, all commitments and obligations of the lender under the agreement or the related documents or any other agreement immediately will terminate.

NOTE 7 – FINANCE LEASE

In November 2023, the District entered into a five-year finance lease in the amount of $655,000 which expires November 2028, or until any amount remains unpaid, for the funding and acquisition of equipment. The interest rate on the lease is 5%. Lease payments are due semi-annually on May 17 and November 17. The leased assets, included in capital assets being depreciated in note 5, totaled $187,145 and has accumulated depreciation totaling $13,247. Interest expense on the finance lease was $16,375 and $0 for the years ended September 30, 2024 and 2023, respectively.

Future minimum payments under the finance lease agreement are as follows:

Year Ending September 30,	
2025	$ 149,813
2026	149,765
2027	149,608
2028	149,728
2029	73,903
Total Minimum Lease Payments	672,817
Less Amount Representing Interest	76,917
Present Value of Minimum Lease Payments	$ 595,900

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: *Plan administration:* The District offers medical benefits to its employees, retirees, and their dependents. The medical plans consist of Anthem Blue Cross. Medical premiums for non-Medicare eligible retirees are equal to the premiums for active employees. There are standard rates and incentive rates (the District is currently at incentive rates). These coverages are insured on a pooled basis through the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA).

Benefits provided: Employees hired before October 1, 2010 who were at least age 50 with 9 years of District service on October 1, 2010 are eligible for District-paid retiree benefits if they obtain age 55 and have accumulated 12 years of District Service. Employees hired before October 1, 2010 who were not at least age 50 with 9 years District service by October 1, 2010 are eligible for District-paid retiree benefits if they obtain age 60 and have accumulated 15 years of District service. The District-paid retiree benefit for those hired before October 1, 2010 is the full retiree premium plus 60% of the spouse premium for those with two-party or family coverage. Employees hired on or after October 1, 2010 covered by the Union MOUs are eligible for a District paid benefit at retirement if they obtain age 60 and have at least 15 years of District service. This benefit is capped at $500 per month. Non-Union employees hired after January 1, 2019 will also be capped at $500 per month. These benefits are paid until 65. When a qualified retiree turns age 65 and/or enrolls in Medicare, the District shall enroll them in a Medicare-type health plan approved by the District's Board of Directors. Once the retiree turns age 65 or enrolls in Medicare, the dependent will qualify for COBRA. The District does not offer dental, vision, or life insurance benefits to its retirees. The District recognizes expenditures for its share of the annual premiums as these benefits become due. For 2024, the District paid $43,778 for benefits for 30 participants, including spouses. For 2023, the District paid $31,169 for benefits for 28 participants, including spouses.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Employees Covered: The following employees were covered by the benefit terms at September 30, 2024 and September 30, 2023, respectively:

	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	12	14
Active employees	18	14
Total Members	30	28

Net OPEB Liability: The District's total OPEB Liability at September 30, 2024 and 2023, was $1,301,095 and $1,223,640, respectively, as shown below, and was determined by an actuarial valuation as of September 30, 2024.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at September 30, 2023	$ 1,223,640	$ -	$ 1,223,640
Changes in the year:			
Service cost	33,197	-	33,197
Interest on the total OPEB liability	57,189	-	57,189
Differences between expected and actual experience	(52,598)	-	(52,598)
Changes in assumptions	83,445	-	83,445
Contributions from the employer	-	43,778	(43,778)
Benefit payments, including refunds of employee contributions	(43,778)	(43,778)	-
Net change	77,455	-	77,455
Balance at September 30, 2024	$ 1,301,095	$ -	$ 1,301,095

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at September 30, 2022	$ 1,201,972	$ -	$ 1,201,972
Changes in the year:			
Service cost	32,230	-	32,230
Interest on the total OPEB liability	53,627	-	53,627
Changes in assumptions	(33,020)	-	(33,020)
Contributions from the employer	-	31,169	(31,169)
Benefit payments, including refunds of employee contributions	(31,169)	(31,169)	-
Net change	21,668	-	21,668
Balance at September 30, 2023	$ 1,223,640	$ -	$ 1,223,640

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80%
Discount rate	4.06% for 2024 and 4.63% for 2023
Medical/Rx trend rate	Health care trend rates have been updated to an initial rate of 8.00%, decreasing 0.25% annually to an ultimate rate of 4.50% for Pre-65 and 6.50% decreasing by 0.25% annually to an ultimate rate of 4.50% for Post-65. This change caused an increase in liabilities.

Mortality rates for general mortality were based on SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving spouses mortality were based on SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The plan does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

The discount rate was based on the following:

- A yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds.

The amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments was compared in each period of projected benefit payments. A discount rate of 4.06% and 4.63% was determined for the years ending September 30, 2024 and 2023, respectively. The actuarial assumptions used in the September 30, 2024 valuation were based on a review of plan experience.

Changes of Benefit Terms: None since the September 30, 2024 valuation.

Changes of Assumptions: The discount rate was changed from 4.63% as of September 30, 2023 to 4.06% as of September 30, 2024. The discount rate was changed from 4.40% as of September 30, 2022 to 4.63% as of September 30, 2023. The healthcare cost trend rate was changed from 5.50% as of September 30, 2023 to 6.50% as of September 30, 2024. The healthcare cost trend rate was changed from 5.75% as of September 30, 2022 to 5.50% as of September 30, 2023.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District at September 30, 2024 and 2023, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

2024	Discount Rate - 1% (3.06%)	Current Discount Rate 4.06%	Discount Rate + 1% (5.06%)
Net OPEB Liability	$ 1,482,914	$ 1,301,095	$ 1,148,999

2023	Discount Rate - 1% (3.63%)	Current Discount Rate 4.63%	Discount Rate + 1% (5.63%)
Net OPEB Liability	$ 1,377,952	$ 1,223,640	$ 1,094,906

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District at September 30, 2024 and 2023, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

2024	1% Decrease (7.00% for 2024, 3.50% ultimate, 5.50% at Medicare ages)	Current Trend Rate (8.00% for 2024, 4.50% ultimate, 6.50% at Medicare ages)	1% Increase (9.00% for 2024, 5.50% ultimate, 7.50% at Medicare ages)
Net OPEB Liability	$ 1,126,576	$ 1,301,095	$ 1,519,711

2023	1% Decrease (4.50% for 2023, 3.50% ultimate, 3.50% at Medicare ages)	Current Trend Rate (5.50% for 2023, 4.50% ultimate, 4.50% at Medicare ages)	1% Increase (6.50% for 2023, 5.50% ultimate, 5.50% at Medicare ages)
Net OPEB Liability	$ 1,079,658	$ 1,223,640	$ 1,398,482

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NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At September 30, 2024 and 2023, respectively, the District reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (145,313)
Changes in assumptions or other inputs	87,273	(172,568)
Differences between projected and actual return investments	-	-
Total	$ 87,273	$ (317,881)

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (158,124)
Changes in assumptions or other inputs	21,763	(235,910)
Differences between projected and actual return investments	-	-
Total	$ 21,763	$ (394,034)

(1) The difference between expected and actual experience is due to the valuation performed in fiscal year September 30, 2024, with a valuation date of September 30, 2024 which is being amortized at the rate of $65,409 annually;
(2) The changes in assumptions during fiscal years ended September 30, 2024 and 2023 consisted of a change in the discount rate from 4.63% at September 30, 2023 to 4.06% at September 30, 2024 and a change in the discount rate from 4.40% at September 30, 2022 to 4.63% at September 30, 2023;
(3) There were no differences between projected and actual return investments for the years ended September 30, 2024 and 2023 as the District is on a pay-as-you-go basis.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred Outflows/(Inflows) of Resources
2025	$ (110,816)
2026	(74,344)
2027	(57,871)
2028	856
2029	3,856
Thereafter	7,711
	$ (230,608)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Expense: For the years ended September 30, 2024 and 2023, the District recognized OPEB expense (credit) of $(20,430) and $8,334, respectively.

	2024	2023
Change in Net OPEB Liability	$ 77,455	$ 21,668
Change in Deferred Outfows	(65,510)	51,284
Change in Deferred Inflows	(76,153)	(95,787)
Employer Contributions	43,778	31,169
OPEB Expense	$ (20,430)	$ 8,334

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description: The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the District are eligible to participate. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions under the plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous "Classic" plan is closed to new entrants as of January 1, 2013.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

The Plans' provisions and benefits in effect at September 30, 2024, are summarized as follows:

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability: The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plan is measured as of June 30, 2023 and 2022, using an annual actuarial valuation as of June 30, 2022 and 2021 rolled forward to June 30, 2023 and 2022, respectively, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown next.

Actuarial Assumptions - The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2022 and 2021
Measurement Date:	June 30, 2023 and 2022
Actuarial Cost Method:	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate-	6.90%
Inflation-	2.30%
Salary Increases-	Varies by entry age and service
Investment Rate of Return-	6.90%
Mortality Rate Table[1]-	Derived using CalPERS' Membership Data for all Funds

[1] The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Long-Term Expected Rate of Return: In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*~
Global equity - cap-weighted	30.00%	4.45%
Global equity non cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
Total	100.00%	

* An expected inflation of 2.3% used for this period

~ Figures are based on the 2021-22 Asset Liability Management study

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Changes in the Net Pension Liability: The changes in the net pension liability for the years ended September 30, 2024 and 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at September 30, 2023	$ 11,018,813	$ 7,962,715	$ 3,056,098
Changes in the year:			
Service cost	254,904	-	254,904
Interest on the total pension liability	719,643	-	719,643
Changes of benefit terms	84	-	84
Changes in assumptions	-	-	-
Differences between expected and actual experience	147,238	-	147,238
Contributions from the employer	-	360,335	(360,335)
Contributions from employees	-	164,418	(164,418)
Net investment income (loss)	-	457,747	(457,747)
Benefit payments, including refunds of employee contributions	(1,123,079)	(1,123,079)	-
Administrative expense	-	(5,415)	5,415
Net change	(1,210)	(145,994)	144,784
Balance at September 30, 2024	$ 11,017,603	$ 7,816,721	$ 3,200,882

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at September 30, 2022	$ 10,551,288	$ 9,038,316	$ 1,512,972
Changes in the year:			
Service cost	252,627	-	252,627
Interest on the total pension liability	719,340	-	719,340
Changes of benefit terms	1,906	-	1,906
Changes in assumptions	337,538	-	337,538
Differences between expected and actual experience	(44,304)	-	(44,304)
Plan to plan resource movement	-	-	-
Contributions from the employer	-	189,317	(189,317)
Contributions from employees	-	140,432	(140,432)
Net investment income	-	(600,364)	600,364
Benefit payments, including refunds of employee contributions	(799,582)	(799,582)	-
Administrative expense	-	(5,404)	5,404
Net change	467,525	(1,075,601)	1,543,126
Balance at September 30, 2023	$ 11,018,813	$ 7,962,715	$ 3,056,098

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2023 and 2022, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 rolled forward to June 30, 2023 and 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2022 was as follows:

Proportion - June 30, 2022	0.06531%
Proportion - June 30, 2023	0.06401%
Change - Increase (Decrease)	-0.00130%
Proportion - June 30, 2021	0.07968%
Proportion - June 30, 2022	0.06531%
Change - Increase (Decrease)	-0.01437%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District as of September 30, 2024 and 2023, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

2024	Discount Rate - 1% (5.90%)	Current Discount Rate 6.90%	Discount Rate + 1% (7.90%)
Net Pension Liability	$ 4,690,966	$ 3,200,882	$ 1,974,415

2023	Discount Rate - 1% (5.90%)	Current Discount Rate 6.90%	Discount Rate + 1% (7.90%)
Net Pension Liability	$ 4,588,161	$ 3,056,098	$ 1,820,273

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the years ended September 30, 2024 and 2023, the District recognized net pension expense (credit) of $386,280 and $(165,556), respectively. At September 30, 2024 and 2023, respectively, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued):

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 193,252	$ -
Differences between expected and actual experiences	163,518	25,366
Differences between projected and actual investment earnings	518,252	-
Adjustment due to differences in proportions	-	109,027
Change in employer's proportion	2,087	44,282
Pension contributions subsequent to measurement date	679,409	-
Total	$ 1,556,518	$ 178,675

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 313,161	$ -
Differences between expected and actual experiences	61,372	41,104
Differences between projected and actual investment earnings	559,796	-
Adjustment due to differences in proportions	-	186,570
Change in employer's proportion	5,069	67,429
Pension contributions subsequent to measurement date	590,816	-
Total	$ 1,530,214	$ 295,103

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending September 30,	Amount
2025	$ 179,497
2026	126,012
2027	378,054
2028	14,871
Total	$ 698,434

NOTE 10 – NET POSITION

Restricted: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets include the following at September 30, 2024 and 2023:

	2024	2023
Ground water only surcharge	$ (12,869)	$ (23,990)
Acceptable measurement fund	57,668	49,237
Meter calibration fund	44,343	37,394
Urban fund	331,373	315,392
Surface water utilization	2,302,355	2,556,016
Pipeline replacement reserves	148,410	141,555
Projects deposits	521,372	574,467
Flag Star Bank equipment escrow account	467,855	-
	$ 3,860,507	$ 3,650,071

Unrestricted: A deficit unrestricted net position of $1,655,766 must be subsequently funded before it may be used to meet the District's ongoing obligations to customers and creditors. The total unrestricted deficit net position of the District as of September 30, 2024 and 2023, amount to $1,655,766 and $2,773,181, respectively.

NOTE 11 – MAINTENANCE/GENERAL, OPERATIONAL AND URBAN ACTIVITIES

The following is a summary of maintenance/general, operational, and urban activities for the years ended September 30, 2024 and 2023:

2024	Maintenance/ General	Operations	Urban	2024 Total
Revenues	$ 5,267,179	$ 1,234,488	$ 22,981	$ 6,524,648
Expenses	(3,848,471)	(1,271,893)	(7,000)	(5,127,364)
Non-operating revenues (expenses)	821,618	-	-	821,618
Change in net position	$ 2,240,326	$ (37,405)	$ 15,981	$ 2,218,902

2023	Maintenance/ General	Operations	Urban	2023 Total
Revenues	$ 5,232,331	$ 1,234,016	$ 166,479	$ 6,632,826
Expenses	(2,827,463)	(975,276)	(5,250)	(3,807,989)
Non-operating revenues (expenses)	463,557	-	-	463,557
Change in net position	$ 2,868,425	$ 258,740	$ 161,229	$ 3,288,394

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation and Contingencies:

The District is involved in two administrative/litigation matters. The first matter involves an administrative proceeding before the State Water Resources Control Board (State Board), which is the California administrative agency primarily responsible for regulating water rights and water quality. The proceeding involves resolution of two petitions to revise the fully appropriated stream status (FAS) of the Kings River. The petitions focus on flood waters that may be available for appropriation and use in certain years. The matter is still at a preliminary phase. If the State Board grants the petitions, then the parties (and others) may file water right applications for those Kings River flows identified as potentially available for appropriation. That stage of the process is several years in the future, and any ruling on the FAS petitions will likely be challenged by lengthy court proceedings.

The second matter involves the case of *Kings River Water Association, et al. v. Tulare Lake Reclamation District No. 761, et al.* (hereafter referred to as the "KRWA Litigation"), which was filed in Kings County Superior Court. The District is not a party to the KRWA Litigation but is interested in the outcome because the District is a member entity of the KRWA. The case involves claims that the defendants breached certain contractual terms regarding where water delivered to KRWA members may be put to beneficial use. The District has no direct liability associated with the matter.

In the opinion of management, based upon discussion with legal counsel, there is no pending litigation other than the litigation noted in the previous paragraphs which is likely to have a material adverse effect on the financial position of the District. The ultimate outcome of the matters noted in the previous paragraphs is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides coverage for these losses through commercial insurance policies.

NOTE 14 – SUBSEQUENT EVENTS

The District was approved for a $4,400,000, 20-year loan from California Infrastructure and Economic Development Bank (IBank). The Interest Rate is 4.26%, set to close in approximately March 2025. This will finance the construction of the Traver North Recharge Basin.

The District is currently in escrow to purchase 80 acres, Tulare County APN 043-020-025, for the purchase price of $3,000,000 scheduled to close escrow on February 4, 2025.

ALTA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date - Last 10 Fiscal Years*	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
For use in	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Total OPEB Liability							
Service cost	$ 33,197	$ 32,230	$ 52,860	$ 56,187	$ 50,417	$ 59,706	$ 64,008
Interest on total OPEB liability	57,189	53,627	34,845	36,610	38,896	55,139	49,523
Change of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(52,598)	-	(104,002)	-	(253,596)	-	-
Changes in assumptions	83,445	(33,020)	(299,966)	44,275	(34,844)	218,900	(89,496)
Benefit payments, including refunds of employee contributions	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Net change in total OPEB liability	77,455	21,668	(369,049)	79,551	(250,182)	270,822	(38,465)
Total Net OPEB liability- beginning	1,223,640	1,201,972	1,571,021	1,491,470	1,741,652	1,470,830	1,509,295
Total Net OPEB liability- ending (a)	$ 1,301,095	$ 1,223,640	$ 1,201,972	$ 1,571,021	$ 1,491,470	$ 1,741,652	$ 1,470,830
Plan Fiduciary Net Position							
Contributions- employer	$ 43,778	$ 31,169	$ 52,786	$ 57,521	$ 51,055	$ 62,923	$ 62,500
Contributions- employees	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-
Benefit payments	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Trustee fees	-	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Total plan fiduciary net position- beginning	-	-	-	-	-	-	-
Total plan fiduciary net position- ending (b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB liability- ending (a)-(b)	$ 1,301,095	$ 1,223,640	$ 1,201,972	$ 1,571,021	$ 1,491,470	$ 1,741,652	$ 1,470,830
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's covered-employee payroll	1,059,530	884,993	950,348	937,855	1,050,682	1,290,394	1,050,283
Net OPEB liability as a percentage of covered-employee payroll	122.80%	138.27%	126.48%	167.51%	141.95%	134.97%	140.04%

NOTES TO SCHEDULE:

*Fiscal Year 2018 was the first year of retroactive implementation; therefore, only seven available years are shown as of September 30, 2024.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF PLAN CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date - Last 10 Fiscal Years*	6/30/2022	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
For use in	FY 2023	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Actuarially determined contribution	$ 43,778	$ 103,351	$ 100,341	$ 99,305	$ 96,413	$ 122,159	$ 118,601
Contributions in relation to the actuarially determined contribution	(43,778)	(31,169)	(52,786)	(57,521)	(51,055)	(62,923)	(62,500)
Contribution deficiency (excess)	$ -	$ 72,182	$ 47,555	$ 41,784	$ 45,358	$ 59,236	$ 56,101
District's covered-employee payroll	$ 1,059,530	$ 884,993	$ 950,348	$ 937,855	$ 1,050,682	$ 1,290,394	$ 1,050,283
Contributions as a percentage of covered-employee payroll	4.13%	3.52%	5.55%	6.13%	4.86%	4.88%	5.95%

NOTES TO SCHEDULE:

Valuation Date: September 30, 2024

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Salary increases	2.80%
Discount rate	4.40% for 2022 and 4.63% for 2023, and 4.06% for 2024
Retirement age	Based on District retirement patterns
General mortality	Based on SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
Surviving spouses mortality	Based on SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

*Fiscal Year 2018 was the first year of retroactive implementation; therefore, only seven available years are shown as of September 30, 2024.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement date - Last 10 Fiscal Years	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
For use in	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Total Pension Liability										
Service cost	$ 254,904	$ 252,627	$ 236,256	$ 238,908	$ 234,986	$ 237,040	$ 233,179	$ 213,097	$ 61,149	$ 223,327
Interest on total pension liability	719,643	719,340	712,432	705,268	679,836	662,487	641,285	643,022	178,305	607,151
Change of benefit terms	84	1,906	518	497	720	389	1,150	667	89	-
Differences between expected and actual experience	147,238	(44,304)	89,350	42,752	140,907	114,271	(60,914)	(2,369)	4,666	-
Changes in assumptions	-	337,538	-	-	-	(83,213)	539,772	-	(44,153)	-
Benefit payments, including refunds of employee contributions	(1,123,079)	(799,582)	(940,810)	(617,617)	(808,434)	(626,702)	(786,817)	(593,856)	(138,429)	(345,104)
Net change in total pension liability	(1,210)	467,525	97,746	369,808	248,015	304,272	567,655	260,561	61,627	485,374
Total Pension Liability- Beginning	11,018,813	10,551,288	10,453,542	10,083,734	9,835,719	9,531,447	8,963,792	8,703,231	8,641,604	8,156,230
Total Pension Liability- Ending (a)	$ 11,017,603	$ 11,018,813	$ 10,551,288	$ 10,453,542	$ 10,083,734	$ 9,835,719	$ 9,531,447	$ 8,963,792	$ 8,703,231	$ 8,641,604
Plan Fiduciary Net Position										
Contributions- employer	$ 360,335	$ 189,317	$ 237,960	$ 214,110	$ 237,122	$ 299,486	$ 87,716	$ 138,857	$ 126,740	$ 208,417
Contributions- employees	164,418	140,432	66,113	65,883	68,376	65,604	76,219	64,827	63,480	105,349
Net investment income	457,747	(600,364)	1,803,619	496,392	525,543	630,300	870,711	97,617	202,089	1,055,264
Administrative expense	(5,415)	(5,404)	(7,562)	(10,539)	(5,228)	(10,910)	(10,008)	(4,409)	(2,231)	-
Other miscellaneous income (expense)	-	-	-	-	17	(20,719)	-	-	-	-
Benefit payments	(1,123,079)	(799,582)	(940,810)	(617,617)	(808,434)	(626,702)	(786,817)	(593,856)	(138,429)	(345,104)
Net change in plan fiduciary net position	(145,994)	(1,075,601)	1,159,320	148,229	17,396	337,059	237,821	(296,964)	251,649	1,023,926
Total Plan Fiduciary Net Position- Beginning	7,962,715	9,038,316	7,878,996	7,730,767	7,713,371	7,376,312	7,138,491	7,435,455	7,183,806	6,159,880
Total Plan Fiduciary Net Position- Ending (b)	$ 7,816,721	$ 7,962,715	$ 9,038,316	$ 7,878,996	$ 7,730,767	$ 7,713,371	$ 7,376,312	$ 7,138,491	$ 7,435,455	$ 7,183,806
Net Pension Liability- Ending (a)-(b)	$ 3,200,882	$ 3,056,098	$ 1,512,972	$ 2,574,546	$ 2,352,967	$ 2,122,348	$ 2,155,135	$ 1,825,301	$ 1,267,776	$ 1,457,798
Plan fiduciary net position as a percentage of the total pension liability	70.95%	72.26%	85.66%	75.37%	76.67%	78.42%	77.39%	79.64%	85.43%	83.13%
Commission's covered-employee payroll	1,090,314	944,088	918,343	929,100	1,093,312	1,136,691	1,202,633	1,121,038	1,157,333	839,199
Net pension liability as a percentage of covered-employee payroll	293.57%	323.71%	164.75%	277.10%	215.21%	186.71%	179.20%	162.82%	109.54%	173.71%

NOTES TO SCHEDULE:

Changes in assumptions:

The discount rate was changed from 7.15% (net of administrative expenses) to 6.90% in fiscal year 2023.
The discount rate was changed from 7.65% (net of administrative expenses) to 7.15% in fiscal year 2018.

ALTA IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement date - Last 10 Fiscal Years	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
For use in	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially determined contribution	$ 360,335	$ 189,317	$ 237,960	$ 333,029	$ 220,953	$ 196,736	$ 87,716	$ 138,857	$ 126,740	$ 208,417
Contributions in relation to the actuarially determined contribution	360,335	189,317	237,960	214,110	237,122	299,486	87,716	138,857	126,740	208,417
Contribution deficiency (excess)	$ -	$ -	$ -	$ 118,919	$ (16,169)	$ (102,750)	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$ 1,090,314	$ 944,088	$ 918,343	$ 929,100	$ 1,093,312	$ 1,136,691	$ 1,202,633	$ 1,121,038	$ 1,157,333	$ 839,199
Contributions as a percentage of covered-employee payroll	33.05%	20.05%	25.91%	23.04%	21.69%	26.35%	7.29%	12.39%	10.95%	24.84%

NOTES TO SCHEDULE:

Valuation Date:	June 30, 2022
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	15 year smooth market
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90%
Retirement age	Derived using CalPERS' Membership data for all funds
Mortality	Derived using CalPERS' Membership data for all funds

ALTA IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION

ALTA IRRIGATION DISTRICT
SCHEDULES OF PAYROLL AND RELATED EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Wages		
General and administrative wages	$ 440,601	$ 373,785
Maintenance wages less projects	430,894	367,939
Operations wages	576,822	509,233
Total wages	1,448,317	1,250,957
Payroll Taxes and Employee Benefits		
Payroll taxes	26,755	20,460
Employee benefits	276,526	213,400
Employee retirement	358,241	(157,792)
Employee allowances	1,487	1,469
Total payroll taxes and employee benefits	663,009	77,537
Other Payroll Related Expenses		
Payroll expenses	5,302	4,856
Workers' compensation insurance	19,736	13,926
Total other payroll related expenses	25,038	18,782
Total Payroll and Related Expenses	$ 2,136,364	$ 1,347,276

ALTA IRRIGATION DISTRICT
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
General and Administrative Expenses		
Accounting services	$ 14,781	$ 17,288
Assessments and dues	485,664	429,919
Office equipment leases	-	1,780
Bank charges	189	2,748
Collector's expenses	18,398	16,394
Computer expenses	48,119	71,413
Director's fees	12,527	12,063
Engineering services	87,725	51,278
Fuel	12,000	13,008
Insurance	49,295	42,520
Janitorial and yard services	7,560	7,470
Legal expenses	196,953	180,990
Licenses, permits and testing	2,044	120
Medical and safety equipment	14,901	4,815
Meetings and workshops	1,824	2,325
Miscellaneous administrative expenses	27,919	17,754
Miscellaneous expenses	2,036	12,372
Office and shop maintenance agreements	3,921	2,659
Office supplies	8,007	4,793
Postage	561	500
Rug and coverall service	2,625	2,242
Telephone and cellular expenses	7,232	5,552
Utilities	30,809	24,036
Total General and Administrative Expenses	$ 1,035,090	$ 924,039

ALTA IRRIGATION DISTRICT
SCHEDULES OF MAINTENANCE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Materials and Supplies		
Gates	$ 44,659	$ 30,026
Herbicides	161,596	165,375
Miscellaneous canal maintenance	565,815	263,314
Pipes	294,284	379,501
Total materials and supplies	1,066,354	838,216
Repairs and Maintenance		
Autos and trucks	58,063	55,489
Machinery and equipment	57,805	22,270
Shop equipment	3,747	2,706
Rental equipment	39,341	65,763
Real estate and buildings	12,917	15,200
Total repairs and maintenance	171,873	161,428
Other Maintenance Expenses		
Fuel	62,494	55,871
Oil	5,256	5,441
Farm expense	138,120	-
Miscellaneous maintenance	30,610	6,813
Total other maintenance expenses	236,480	68,125
Total Maintenance Expenses	$ 1,474,707	$ 1,067,769

ALTA IRRIGATION DISTRICT
SCHEDULES OF OPERATIONS AND URBAN EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Operations Expenses		
Vehicle maintenance	$ 32,065	$ 61,564
Fuel - water run	70,863	70,090
Miscellaneous - water run	48,721	35,529
Cellular - water run	4,665	3,123
Utilities	13,255	12,111
Spray program	20,829	19,660
Uniform service - operational	2,405	1,502
Acceptable measurement	1,993	-
Total Operations Expenses	$ 194,796	$ 203,579
Urban Expenses		
Water forum	$ 7,000	$ 5,250
Total Urban Expenses	$ 7,000	$ 5,250

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
Alta Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Alta Irrigation District (the District), as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 29, 2025.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

HUDSON & COMPANY, INC.

Fresno, California
January 29, 2025