

LATHROP IRRIGATION DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2024 and 2023

LATHROP IRRIGATION DISTRICT
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Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lathrop Irrigation District
Lathrop, CA

Opinions

We have audited the accompanying financial statements of the and for the year ended June 30, 2024, and 2023, and the related notes to the financial statements, which collectively comprise the Lathrop Irrigation District, basic 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 Lathrop Irrigation District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lathrop Irrigation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lathrop Irrigation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lathrop Irrigation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lathrop Irrigation District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on (pages 4 through 7) be presented to supplement the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Report on Comparative Information

We audited Lathrop Irrigation District's June 30, 2023, financial statements, and their report dated December 12, 2023, expresses an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of for the year ended June 30, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Blomberg & Griffin A.C.
Blomberg & Griffin A.C.
Stockton, CA

October 23, 2024

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2024 and 2023

The following is a discussion of Lathrop Irrigation District's (District) financial performance providing an overview of the activities for the years ended June 30, 2024 and 2023. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Basic Financial Statements:

The District's basic financial statements include four components:

- Statement of Net Position
- Statement of Activities, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Basic Financial Statements

The statement of net position includes all of the District's assets and liabilities, with the difference between the two reported as net position.

The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of activities and changes in net position presents information, which shows how the District's net position changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of activities and changes in net position measures the success of the District's operations during the year and determines whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital financing
- Capital financing and related financing
- Investing

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2024 and 2023

Basic Financial Statement: (Continued)

This statement differentiates from the statement of activities and changes in net position by only accounting for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

District Financial Statements:

The statement of net position includes all the District's assets and liabilities and provides information about the nature and number of investments in resources and the obligation to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and the financial flexibility of the District.

A summary of the District's statement of net position is presented as follows:

Statement of Net Position

	2024	2023	2022	2024 vs. 2023		2023 vs. 2022	
				\$	%	\$	%
Cash and Cash Equivalents	\$ 11,906,247	\$ 6,501,017	\$ 7,043,505	\$ 5,405,230	83.14%	\$ (542,488)	-7.70%
Accounts Receivable	1,163,477	854,442	764,168	309,035	36.17%	90,274	11.81%
Prepaid Expenses	714,412	665,973	689,758	48,439	7.27%	(23,785)	-3.45%
Capital Assets	30,235,313	23,683,093	22,059,069	6,552,220	27.67%	1,624,024	7.36%
Total Assets	\$ 44,019,449	\$ 31,704,525	\$ 30,556,500	\$ 12,314,924	38.84%	\$ 1,148,025	3.76%
Total Liabilities	\$ 41,570,421	\$ 31,428,846	\$ 30,945,399	\$ 10,141,575	32.27%	\$ 483,447	1.56%
Net Position:							
Restricted for future capacity							
Net investment in capital assets	(8,264,953)	(5,837,732)	(8,107,400)	(2,427,221)	-41.58%	2,269,668	28.00%
Unrestricted	10,713,981	6,113,411	7,718,501	4,600,570	75.25%	(1,605,090)	-20.80%
Total Net Position	2,449,028	275,679	(388,899)	2,173,349	788.36%	664,578	170.89%
Total Liabilities and Net Position	\$ 44,019,449	\$ 31,704,525	\$ 30,556,500	\$ 12,314,924	38.84%	\$ 1,148,025	3.76%

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2024 and 2023

District Financial Statements (Continued)

Condensed Statement of Activities and Changes in Net Position

	2024	2023	2022	2024 vs. 2023		2023 vs. 2022	
				\$	%	\$	%
Operating Revenues	\$ 9,639,417	\$ 8,429,741	\$ 7,211,641	\$ 1,209,676	14.35%	\$ 1,218,100	16.89%
Less Operating Expenses	(5,618,154)	(6,290,685)	(4,610,153)	(672,531)	-10.69%	1,680,532	36.45%
Less Administrative Expenses	(671,955)	(575,014)	(489,303)	96,941	16.86%	85,711	17.52%
Add Non-Operating Revenues (Expenses)	<u>(1,175,959)</u>	<u>(899,464)</u>	<u>(950,790)</u>	<u>276,495</u>	<u>30.74%</u>	<u>(51,326)</u>	<u>-5.40%</u>
Increase (Decrease) in Net Position	2,173,349	664,578	1,161,395	1,508,771	227.03%	(496,817)	-42.78%
Net Position - Beginning of year	<u>275,679</u>	<u>(388,899)</u>	<u>(602,933)</u>	<u>664,578</u>	<u>170.89%</u>	<u>214,034</u>	<u>35.50%</u>
Prior Period Adjustment	-	-	(947,361)	-	0.00%	947,361	100.00%
Net Position - End of year	<u>\$ 2,449,028</u>	<u>\$ 275,679</u>	<u>\$ (388,899)</u>	<u>\$ 2,173,349</u>	<u>788.36%</u>	<u>\$ 664,578</u>	<u>170.89%</u>

During the years ended June 30, 2024, and 2023, the District's net position increased by \$2,173,349 and \$664,578 (not including prior period adjustment), respectively.

Capital Asset Activity:

	2024	2023	2022	2024 vs. 2023		2023 vs. 2022	
				\$	%	\$	%
Land Easement	\$ 787,156	\$ 787,156	\$ 787,156	\$ -	0.00%	\$ -	0.00%
Construction in Progress	1,871,390	1,871,390	1,055,356	-	0.00%	816,034	77.32%
Substation	4,443,658	4,420,103	4,420,103	23,555	0.53%	-	0.00%
Transmission	1,460,437	1,460,437	1,460,437	-	0.00%	-	0.00%
Switchyard	6,482,900	6,482,900	6,482,900	-	0.00%	-	0.00%
Distribution	10,334,761	9,556,761	8,319,778	778,000	9.35%	1,236,983	14.87%
Distribution - Mainstream	6,163,428	-	-	6,163,428	100.00%	-	0.00%
Autos	266,418	257,818	158,565	8,600	5.42%	99,253	62.59%
Electrical Systems	254,885	254,885	254,885	-	0.00%	-	0.00%
Meters	1,151,101	928,780	834,699	222,321	26.63%	94,081	11.27%
Miscellaneous equipment	<u>127,974</u>	<u>102,146</u>	<u>95,617</u>	<u>25,828</u>	<u>27.01%</u>	<u>6,529</u>	<u>6.83%</u>
Total	<u>\$ 33,344,108</u>	<u>\$ 26,122,376</u>	<u>\$ 23,869,496</u>	<u>\$ 7,221,732</u>	<u>30.26%</u>	<u>\$ 2,252,880</u>	<u>9.44%</u>
Less: Accumulated Depreciation	<u>(3,108,795)</u>	<u>(2,439,283)</u>	<u>(1,810,427)</u>	<u>(628,856)</u>	<u>34.74%</u>	<u>(628,856)</u>	<u>34.74%</u>
Total Assets (net of accumulated depreciation)	<u>\$ 30,235,313</u>	<u>\$ 23,683,093</u>	<u>\$ 22,059,069</u>	<u>\$ 6,592,876</u>	<u>29.89%</u>	<u>\$ 1,624,024</u>	<u>7.36%</u>

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2024 and 2023

Long-term Debt:

As of June 30, 2024, and 2023, the District's long-term debt was \$41,125,704, and \$31,368,263, respectively. Further details can be found on Note 9 in the notes to basic financial statements.

Contacting the District's Financial Management:

This financial report is designed to provide an overview of the District's finances and demonstrate the District's commitment to public accountability for the monies it receives. If you have any questions about the report or would like to request additional information, please contact the Lathrop Irrigation District at P.O. Box 1397, Lathrop, CA 95330.

LATHROP IRRIGATION DISTRICT
Statement of Net Position
For the Years Ended June 30, 2024 and 2023

ASSETS

	2024	2023
Current Assets		
Cash & Cash Equivalents (Note 2)	\$ 8,002,206	\$ 5,731,550
Accounts Receivable (net allowance of -0-):	1,163,477	854,442
Prepaid Expenses	-	130,947
	9,165,683	6,716,939
Non-current Assets		
Restricted Cash & Cash Equivalents (Note 2)	3,904,041	769,467
Prepaid expenses (Bond Insurance)	714,412	535,026
	4,618,453	1,304,493
Property & Equipment		
Capital assets, at cost	31,472,718	24,250,986
Construction in Progress	1,871,390	1,871,390
Accumulated Depreciation	(3,108,795)	(2,439,283)
	30,235,313	23,683,093
TOTAL ASSETS	44,019,449	31,704,525

LIABILITIES

Current Liabilities		
Accounts and Accrued Payable	102,756	-
Accrued Interest	120,453	-
Accrued - Sick Pay	18,631	-
Customer deposits	176,313	60,583
Current portion - LT debt	533,754	533,754
	951,907	594,337
Long-Term Liabilities		
Accrued - Vacation Pay	26,564	-
Long-term debt	37,966,512	28,987,071
Note payable - due to related party	2,625,438	1,847,438
	40,618,514	30,834,509
TOTAL LIABILITIES	41,570,421	31,428,846
NET POSITION		
Restricted:		
Investment in Fixed Assets (net of related debt)	(8,264,953)	(5,837,732)
Unrestricted	10,713,981	6,113,411
	2,449,028	275,679
TOTAL NET POSITION	\$ 2,449,028	\$ 275,679

LATHROP IRRIGATION DISTRICT
Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING INCOME		
Electrical Charges	\$ 7,792,012	\$ 6,690,531
Infratructure charge	1,281,293	1,134,628
Other Operating Income	566,112	571,460
 Total Operating Income	 9,639,417	 8,396,619
OPERATING EXPENSES		
Electricity purchases	3,440,802	4,734,752
Other electricity expense	12,775	10,419
Operation, supervision and engineering	529,213	311,160
Meter expense	52,436	17,356
Transmission & Distribution	214,966	188,849
Customer accounting and collection	256,994	223,735
Administrative & General	747,150	575,014
Depreciation	669,512	628,856
Legal and professional	163,681	72,792
Insurance	174,978	89,695
Transportation	27,602	13,071
 Total Operating Expenses	 6,290,109	 6,865,699
 Net Income from Operations	 3,349,308	 1,530,920
NON-OPERATING INCOME (EXPENSES)		
Other operating income	94,454	42,404
Interest income	104,109	33,122
Interest expense	(1,287,944)	(1,049,030)
Bond insurance (cost)	(86,578)	107,162
 Total Non-Operating Income	 (1,175,959)	 (866,342)
 Changes in Net Position	 2,173,349	 664,578
 Net Position - Beginning of Year	 275,679	 (388,899)
 Net Position - End of Year	 \$ 2,449,028	 \$ 275,679

LATHROP IRRIGATION DISTRICT
Statement of Cash Flow
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 9,330,382	\$ 8,306,345
Cash Payments to Vendors and Employees	(5,415,849)	(6,320,950)
Net Cash Provided by Operating Activities	3,914,533	1,985,395
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Miscellaneous	94,454	42,404
Net Cash Provided by Non-Capital Activities	94,454	42,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Property and Equipment	(7,221,732)	(2,252,880)
Interest expense	(1,287,944)	(1,049,030)
Principal payments on long-term debt	(534,613)	(645,644)
Proceeds from the Related Parties	778,000	1,236,983
Proceeds from Bonds	9,645,000	-
Net Cash used by Capital and Related Financing Activities	1,378,711	(2,710,571)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	104,109	33,122
Rental Income	(86,578)	107,162
Net Cash Provided by Investing Activities	17,531	140,284
Net Increase in Cash and Cash Equivalents	5,405,229	(542,488)
Cash - Beginning of Year	6,501,017	7,043,505
Cash - End of Year	\$ 11,906,246	\$ 6,501,017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 3,349,308	\$ 1,530,920
Adjustments to Reconcile Operating income to Net Cash Provided by Operating Activities:		
Depreciation	669,512	628,856
Change in Assets and Liabilities:		
Accounts Receivable	(309,035)	(90,274)
Prepaid Expenses	(179,386)	23,785
Accounts & Accrued Payable	223,209	(103,164)
Accrued Sick and Vacation	45,195	-
Customer Deposits	115,730	(4,728)
Net Cash Provided by Operating Activities	\$ 3,914,533	\$ 1,985,395

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 1 – Organization:

Lathrop Irrigation District (District) was formed in 2005 and was approved for the annexation of 4,751 acres on January 20, 2006. The District is located in San Joaquin County approximately 60 miles east of San Francisco. The purpose of the District is to provide future water and electricity service to the landowners within the District.

Note 2 – Summary of Significant Account Policies:

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

A. Fund Accounting

The District reports the following proprietary fund. All operations are accounted for in this enterprise fund.

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

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts recorded as net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The records are maintained, and the accompanying financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or the economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 2 – Summary of Significant Account Policies (continued):

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 operations. The principal operating revenues of the District are charges to landowners for electricity services. Operating expenses for enterprise funds include electricity purchases, transmission and distribution, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District depreciates capital assets over the estimated useful lives of the assets utilizing the straight-line method of depreciation as follows:

	<u>Years</u>
Electrical	39
Meters	25
Misc. equipment	5

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash and cash equivalents consisted of checking and savings accounts.

E. Budget and Budgetary Accounting

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

F. Long-Term Debt Discount/Premiums and Amortization

Long-term debt discounts and premiums are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable discount or premium.

G. Accrued Vacation and Sick

The accrued vacation and sick leave liability are recorded on the statement of net position. Changes to the liability are recorded as an increase or decrease in operating expenses on the Statement of Activities and Changes in Net Position.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 2 – Summary of Significant Account Policies (continued):

G. Accrued Vacation and Sick (continued)

Upon entering an eligible employment classification, employees will begin to earn PTO according to the following schedule:

After 0 years (s) of service, employees are eligible for 10 PTO Days.

After 5 years (s) of service, employees are eligible for 15 PTO Days.

Employees can earn up to two times their annual rate of PTO before a cap is placed on the accrual of additional time off. Once this cap is reached, employees must use a portion of their accrued PTO before they can continue to accrue additional time off. Upon termination of employment, Lathrop Irrigation District will pay employees their earned and unused paid time off at his or her final rate of pay.

Employees accrue paid sick leave at a rate of one hour for every 30 hours worked, up to a maximum of 48 hours or six days per year. Accrued leave may generally be carried over into the following year. Upon separation from Lathrop Irrigation District, employees are not entitled to compensation for accrued, but unused paid sick days.

H. Net Position

The net position is classified in the following categories:

Net Investment in capital assets - groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted - presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - represents the net position of the District, which is not restricted or invested in capital assets net of related debt.

I. Use of Estimates

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

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 3 – Cash and Cash Equivalents:

Cash and cash equivalents of June 30, 2024, and 2023 consisted of the following:

	2024	2023
Petty cash	\$ 400	\$ 400
Deposits with financial institutions		
Checking accounts (3)	8,001,806	5,731,152
Savings - Restricted (2)	3,904,041	769,467
Total cash and cash equivalents	\$ 11,906,247	\$ 6,501,019

Cash and cash equivalents are classified in the accompanying financial statements as follows:

Cash and cash equivalents	3,165,846	1,309,301
Restricted cash and cash equivalents	8,740,401	5,191,718
Total cash and cash equivalents	\$ 11,906,247	\$ 6,501,019

Restricted Cash

The District's restricted cash on June 30, 2024, is as follows:

	2024	2023
Board Policy restricted reserves	\$ 4,020,325	\$ 3,606,217
2023 bond fund	3,904,042	-
2020 bond fund	-	769,467
Capital improvement project fund	816,034	816,034
Total restricted cash and cash equivalents	\$ 8,740,401	\$ 5,191,718

Deposits

On June 30, 2024, the carrying amount of the District's deposits was \$8,002,206, and the balance in the financial institutions was \$8,031,515. Of the balance in the financial institutions, \$500,000 was covered by federal depository insurance, and \$7,531,515 of the bank balance was not covered by the Federal Deposit Insurance Corporation as of June 30, 2024.

On June 30, 2023, the carrying amount of the District's deposits was \$5,731,552, and the balance in the financial institutions was \$5,767,739. Of the balance in the financial institutions, \$500,000 was covered by federal depository insurance and \$5,267,739 of the bank balance was not covered by the Federal Deposit Insurance Corporation as of June 30, 2023.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 3 – Cash and Cash Equivalents (continued):

Custodial Credit Risk

The custodial credit risk is the risk that in the event of a bank’s failure, the District’s deposits may not be returned to it. The District has investments in various banks to reduce custodial credit risk.

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.

Credit Risk

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.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in anyone issued beyond stipulated by the California Government Code.

Note 4 – Accounts Receivable

Receivables on June 30, 2024, and 2023 for the District's water services are sent monthly and are reflected on the accrual basis of accounting. All receivables are expected to be collected within one year.

	2024	2023
Accounts receivable	1,163,477	854,442
Total Accounts receivable	\$ 1,163,477	\$ 854,442

Note 5 – Prepaid Expenses

Prepaid expenses as of June 30, 2024, and 2023 consist of the following:

	2024	2023
Prepaid expense (Insurance)	\$ -	\$ 130,947
Prepaid expenses (Bond Insurance)	714,412	535,026
Total Prepaid expenses	\$ 714,412	\$ 665,973

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 6 – Property and Equipment

A summary of changes in capital assets for the years ending June 30, 2024, and 2023 are as follows:

<u>June 30, 2024</u>	Balance July 1, 2023	Additions/Transfers	Disposals	Balance June 30, 2024
Land Easement	\$ 787,156	\$ -	\$ -	\$ 787,156
Substation	4,420,103	23,555	-	4,443,658
Transmission	1,460,437	-	-	1,460,437
Switchyard	6,482,900	-	-	6,482,900
Distribution	9,556,761	778,000	-	10,334,761
Autos	257,818	8,600	-	266,418
Electrical Systems	254,885	-	-	254,885
Meters	928,780	222,321	-	1,151,101
Distribution Equip- Mainstream	-	6,159,478	-	6,159,478
Distribution Land- Mainstream	-	3,950	-	3,950
Miscellaneous equipment	102,146	25,828	-	127,974
Total	<u>\$ 24,250,986</u>	<u>\$ 7,221,732</u>	<u>\$ -</u>	<u>\$ 31,472,718</u>
Less: Accumulated Depreciation	<u>(2,439,283)</u>	<u>(669,512)</u>	<u>-</u>	<u>(3,108,795)</u>
Total Assets (net of accumulated depreciation)	<u>\$ 21,811,703</u>	<u>\$ 6,552,220</u>	<u>\$ -</u>	<u>\$ 28,363,923</u>

<u>June 30, 2023</u>	Balance July 1, 2022	Additions/Transfers	Disposals	Balance June 30, 2023
Land Easement	\$ 787,156	\$ -	\$ -	\$ 787,156
Substation	4,420,103	-	-	4,420,103
Transmission	1,460,437	-	-	1,460,437
Switchyard	6,482,900	-	-	6,482,900
Distribution	8,319,778	1,236,983	-	9,556,761
Autos	158,565	99,253	-	257,818
Electrical Systems	254,885	-	-	254,885
Meters	834,699	94,081	-	928,780
Miscellaneous equipment	95,617	6,529	-	102,146
Total	<u>\$ 22,814,140</u>	<u>\$ 1,436,846</u>	<u>\$ -</u>	<u>\$ 24,250,986</u>
Less: Accumulated Depreciation	<u>(1,810,427)</u>	<u>(628,856)</u>	<u>-</u>	<u>(2,439,283)</u>
Total Assets (net of accumulated depreciation)	<u>\$ 21,003,713</u>	<u>\$ 807,990</u>	<u>\$ -</u>	<u>\$ 21,811,703</u>

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 6 – Property and Equipment (continued)

Total construction in progress on June 30, 2024, and 2023 consists of:

	Beginning Balance	Additions	Transfers	Ending Balance
Construction in progress - June 2024	\$ 1,871,390	\$ -	\$ -	\$ 1,871,390
Construction in progress - June 2023	\$ 1,055,356	\$ 816,034	\$ -	\$ 1,871,390

Depreciation for \$669,512 and \$628,856 was charged to operating expenses for the years ended June 30, 2024, and 2023, respectively.

Note 7 – Accounts Payable and Other Liabilities

Accounts payable and other liabilities on June 30, 2024, and 2023, consisted of the following:

	2024	2023
Accounts and Accrued Payable	\$ 102,756	\$ -
Accrued Interest	120,453	-
Total	\$ 223,209	\$ -

Note 8 – Accrued Sick and Vacation

Accrued sick and vacation on June 30, 2024, and 2023, consisted of the following:

	2024	2023
Accrued - Sick	\$ 18,631	\$ -
Accrued - Vacation	26,564	-
Total	\$ 45,195	\$ -

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 9 – Long-term Debt

Long-term debt activities for the year ending June 30, 2024, are as follows:

	<u>Balance 07/01/2023</u>	<u>Restatement</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance 06/30/2024</u>	<u>Current Portion</u>
Note Payable - Altec Capital Services	\$ 46,534	\$ -	\$ -	\$ 14,823	\$ 31,711	\$ 17,164
Note payable - Ford Motor Credit	38,260	-	-	9,790	28,470	9,642
Electric Revenue Bonds, Series 2020	25,835,000	-	-	510,000	25,325,000	529,699
Electric Revenue Bonds, Series 2023	-	-	9,645,000	-	9,645,000	70,000
Total Principal	<u>\$ 25,919,794</u>	<u>\$ -</u>	<u>\$ 9,645,000</u>	<u>\$ 534,613</u>	<u>\$ 35,030,181</u>	<u>\$ 626,505</u>
Unamortized bond Premium	<u>3,601,031</u>	<u>-</u>	<u>-</u>	<u>130,947</u>	<u>3,470,084</u>	
Total long-term debt	<u>\$ 29,520,825</u>	<u>\$ -</u>	<u>\$ 9,645,000</u>	<u>\$ 665,560</u>	<u>\$ 38,500,265</u>	

Note payable – Ally Financial

In December 2018, the District entered into a note agreement with Ally Financial for the purchase of a new truck. Beginning December 2018 and ending November 2022, the note is payable in monthly payments of \$787, which includes interest at the rate of 6.04%. On June 30, 2022, the note was paid off.

Note payable – Altec Capital Services

In April 2020, the District entered into a note agreement with Altec Capital Services, L.L.C. for the purchase of a new truck. Beginning April 2020 and ending March 2026, the note is payable in monthly payments of \$1,529, which includes interest at a rate of 5.2%.

Note payable – Ford Motor Credit

In June 2022, the District entered into a note agreement with Ford Motor Credit for the purchase of a new truck. Beginning July 2022 and ending June 2027, the note is payable in monthly payments of \$916, which includes interest at a rate of 5.9%.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 9 – Long-term Debt (continued)

Electric Revenue Bonds Series 2020

On September 1, 2020, revenue bonds were issued through River Islands Public Financing Authority for \$26,325,000 to pay off debt. Beginning March 2021 and ending September 2050, principal payments are due annually in September and interest payments are due semi-annually in March and September at a rate of 4.0%.

Electric Revenue Bonds Series 2023

On October 31, 2023, revenue bonds were issued through River Islands Public Financing Authority for \$9,645,000. The Bonds Series are for 30 years beginning March 2024 and ending September 2054, principal payments are due annually in September and interest payments are due semi-annually in March and September at a rate of 5.0%.

The Long-term debt summary is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 603,754	\$ 1,507,654	\$ 2,111,408
2025	626,505	1,481,805	2,108,310
2026	653,539	1,454,858	2,108,397
2027	665,996	1,427,471	2,093,467
2028-2032	3,700,000	6,672,585	10,372,585
2033-2037	4,540,000	5,871,859	10,411,859
2038-2042	5,580,000	4,445,594	10,025,594
2043-2047	6,865,000	3,172,775	10,037,775
2048-2051	5,990,387	1,722,300	7,712,687
2052-2054	5,805,000	444,875	6,249,875
	<u>\$ 35,030,181</u>	<u>\$ 28,201,776</u>	<u>\$ 63,231,957</u>

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2024 and 2023

Note 10 – Related Party Transactions

In the fiscal year ending June 30, 2022, the District entered into a tentative loan agreement with a related party, River Islands Development (Developer). The District is related to this entity through similar management.

Note Payable with River Island Development

Lathrop Irrigation District Tariffs provide that the cost for transformers, safety equipment, cabling, and splicing is the responsibility of the District. All other costs are the responsibility of the applicant, in this case, the Developer, River Islands Development, who has contributed the funds to install the infrastructure. With the District being new, there are not sufficient funds in the District's reserves to fund or immediately repay the allowable costs, so the District has established a specific revenue source through the implementation of the Infrastructure Charge which is based on customer kilowatt hour usage. When a home becomes occupied, the billing system calculates the Infrastructure Charge on the homeowner's bill. A portion of this charge is used to reimburse the costs that are the District's responsibility to the Developer.

The District and the Developer have created a tentative agreement for the repayment of the District's portion of these costs. The proposed repayment is spread over 10 years with no interest from the date of the homes closing. The costs do not become the District's liability until the home is occupied. Currently the cost per home is \$2,000 per home with a repayment of \$16.67 per month per home. The District will make quarterly payments with a true-up each year in June.

As of the date of the issuance of the audit, November 26, 2024, the tentative agreement has not been formally executed by the parties, Lathrop Irrigation District and River Island Development, nor has it been accepted by the Board of Directors. If for any reason an agreement is not reached between the Developer and the District, the District would bear no liability for repayment of these costs.

On June 30, 2024, the District's calculated liability based on occupied homes was \$2,625,438. Total infrastructure costs incurred by the Developer on June 30, 2024 were \$12,054,814.

Note 11 – Subsequent Events

The management has evaluated subsequent events through November 25, 2024, the date these financial statements were available to be issued and determined that there were no events occurring subsequent to June 30, 2024, that would have material impact on the District's result of operations of the financial position.