

LATHROP IRRIGATION DISTRICT

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

For the Years Ended June 30, 2023 and 2022

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, 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, 2023, 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 Summarized Comparative Information

Other auditors have previously audited Lathrop Irrigation District June 30, 2022, financial statements, and their report dated June 27, 2023, express 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, 2022, 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

December 12, 2023

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022

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:

	<u>Statement of Net Position</u>			
	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 6,501,017	\$ 7,043,505	\$ (542,488)	-7.70%
Accounts Receivable	854,442	764,168	90,274	11.81%
Prepaid Expenses	665,973	689,758	(23,785)	-3.45%
Capital Assets	<u>23,683,093</u>	<u>22,059,069</u>	<u>1,624,024</u>	<u>7.36%</u>
Total Assets	<u>\$ 31,704,525</u>	<u>\$ 30,556,500</u>	<u>\$ 1,148,025</u>	<u>3.76%</u>
Total Liabilities	\$ 31,428,846	\$ 30,945,399	\$ 483,447	1.56%
Net Position:				
Restricted for future capacity	-	-	-	0.00%
Net investment in capital assets	23,683,093	22,059,069	1,624,024	7.36%
Unrestricted	<u>(23,407,414)</u>	<u>(22,447,968)</u>	<u>(959,446)</u>	<u>4.27%</u>
Total Net Position	<u>275,679</u>	<u>(388,899)</u>	<u>664,578</u>	<u>170.89%</u>
Total Liabilities and Net Position	<u>\$ 31,704,525</u>	<u>\$ 30,556,500</u>	<u>\$ 1,148,025</u>	<u>3.76%</u>

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2023 and 2022

District Financial Statements (Continued)

**Condensed Statement of Activities
and Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 8,396,619	\$ 7,211,641	\$ 1,184,978	16.43%
Less Operating Expenses	(6,290,685)	(4,610,153)	(1,680,532)	36.45%
Less Administrative Expenses	(575,014)	(489,303)	(85,711)	17.52%
Add Non-Operating Revenues (Expenses)	<u>(866,342)</u>	<u>(950,790)</u>	<u>84,448</u>	<u>8.88%</u>
Increase (Decrease) in Net Position	664,578	1,161,395	(496,817)	-42.78%
Net Position - Beginning of year	<u>(388,899)</u>	<u>(602,933)</u>	<u>214,034</u>	<u>-35.50%</u>
Prior Period Adjustment	<u>-</u>	<u>(947,361)</u>	<u>947,361</u>	<u>-100.00%</u>
Net Position - End of year	<u>\$ 275,679</u>	<u>\$ (388,899)</u>	<u>\$ 664,578</u>	<u>170.89%</u>

During the years ended June 30, 2023 and 2022 the District's net position increased by \$664,578 and \$1,161,39 (not including prior period adjustment), respectively.

Capital Asset Activity:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Land Easement	\$ 787,156	\$ 787,156	\$ -	0.00%
Construction in Progress	1,871,390	1,055,356	816,034	77.32%
Substation	4,420,103	4,420,103	-	0.00%
Transmission	1,460,437	1,460,437	-	0.00%
Switchyard	6,482,900	6,482,900	-	0.00%
Distribution	9,556,761	8,319,778	1,236,983	14.87%
Autos	257,818	158,565	99,253	62.59%
Electrical Systems	254,885	254,885	-	0.00%
Meters	928,780	834,699	94,081	11.27%
Miscellaneous equipment	<u>102,146</u>	<u>95,617</u>	<u>6,529</u>	<u>6.83%</u>
Total	<u>\$ 26,122,376</u>	<u>\$ 23,869,496</u>	<u>\$ 2,252,880</u>	<u>9.44%</u>
Less: Accumulated Depreciation	<u>(2,439,283)</u>	<u>(1,810,427)</u>	<u>(628,856)</u>	<u>34.74%</u>
Total Assets (net of accumulated depreciation)	<u>\$ 23,683,093</u>	<u>\$ 22,059,069</u>	<u>\$ 1,624,024</u>	<u>7.36%</u>

LATHROP IRRIGATION DISTRICT
Management's Discussion and Analysis
June 30, 2023 and 2022

Long-term Debt:

As of June 30, 2023, and 2022, the District long-term debt was in the amount of \$31,368,263, and \$30,776,924, respectively. The further details can be found on Note 7 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, 2023 and 2022

ASSETS

	2023	2022
Current Assets		
Cash & Cash Equivalents (Note 2)	\$ 5,731,550	\$ 3,582,850
Accounts Receivable (net allowance of -0-):	854,442	764,168
Prepaid Expenses	130,947	130,947
Total Current Assets	6,716,939	4,477,965
Non-current Assets		
Restricted Cash & Cash Equivalents (Note 2)	769,467	3,460,655
Prepaid expense	535,026	558,811
Total Non-current Assets	1,304,493	4,019,466
Property & Equipment		
Capital assets, at cost	24,250,986	22,846,726
Construction in Progress	1,871,390	1,055,356
Accumulated Depreciation	(2,439,283)	(1,843,013)
Total Property and Equipment, Net	23,683,093	22,059,069
TOTAL ASSETS	31,704,525	30,556,500
LIABILITIES		
Current Liabilities		
Accounts Payable	-	103,164
Customer deposits	60,583	65,311
Current portion - LT debt	533,754	513,495
Total Current Liabilities	594,337	681,970
Long-Term Liabilities		
Long-term debt	28,987,071	29,652,974
Note payable - due to related party	1,847,438	610,455
Total Non-current Liabilities	30,834,509	30,263,429
TOTAL LIABILITIES	31,428,846	30,945,399
NET POSITION		
Restricted:		
Investment in Fixed Assets	23,683,093	22,059,069
Unrestricted	(23,407,414)	(22,447,968)
TOTAL NET POSITION	\$ 275,679	\$ (388,899)

LATHROP IRRIGATION DISTRICT
Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING INCOME		
Electrical Charges	\$ 6,690,531	\$ 5,542,408
Infratructure charge	1,134,628	914,362
Other Operating Income	<u>571,460</u>	<u>754,871</u>
 Total Operating Income	 <u>8,396,619</u>	 <u>7,211,641</u>
 OPERATING EXPENSES		
Electricity purchases	4,734,752	3,044,423
Other electricity expense	10,419	30,781
Operation, supervision and engineering	311,160	362,369
Meter expense	17,356	92,264
Transmission & Distribution	188,849	130,018
Customer accounting and collection	223,735	188,052
Administrative & General	575,014	489,303
Depreciation	628,856	598,722
Legal and professional	72,792	85,227
Insurance	89,695	63,846
Transportation	<u>13,071</u>	<u>14,451</u>
 Total Operating Expenses	 <u>6,865,699</u>	 <u>5,099,456</u>
 Net Income from Operations	 <u>1,530,920</u>	 <u>2,112,185</u>
 NON-OPERATING INCOME (EXPENSES)		
Other operating income	42,404	-
Interest income	33,122	-
Interest expense	(1,049,030)	(927,005)
Bond insurance	<u>107,162</u>	<u>(23,785)</u>
 Total Non-Operating Income	 <u>(866,342)</u>	 <u>(950,790)</u>
 Changes in Net Position	 664,578	 1,161,395
 Net Position - Beginning of Year	 <u>(388,899)</u>	 <u>(602,933)</u>
 Prior period adjustment (Note 9)	 <u>-</u>	 <u>(947,361)</u>
 Net Position - End of Year	 <u>\$ 275,679</u>	 <u>\$ (388,899)</u>

LATHROP IRRIGATION DISTRICT
Statement of Cash Flow
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 8,306,345	\$ 7,032,810
Cash Payments to Vendors and Employees	<u>(6,320,950)</u>	<u>(3,934,168)</u>
Net Cash Provided by Operating Activities	<u>1,985,395</u>	<u>3,098,642</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Miscellaneous	<u>42,404</u>	<u>-</u>
Net Cash Provided by Non-Capital Activities	<u>42,404</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Property and Equipment	(2,252,880)	(1,098,232)
Interest expense	(1,049,030)	(1,057,952)
Principal payments on long-term debt	(645,644)	(26,817)
Proceeds from the Related Parties	<u>1,236,983</u>	<u>-</u>
Net Cash used by Capital and Related Financing Activities	<u>(2,710,571)</u>	<u>(2,183,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	33,122	-
Rental Income	<u>107,162</u>	<u>-</u>
Net Cash Provided by Investing Activities	140,284	-
Net Increase in Cash and Cash Equivalents	(542,488)	915,641
Cash - Beginning of Year	<u>7,043,505</u>	<u>6,127,864</u>
Cash - End of Year	<u>\$ 6,501,017</u>	<u>\$ 7,043,505</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 1,530,920	\$ 2,112,185
Adjustments to Reconcile Operating income to Net Cash Provided by Operating Activities:		
Depreciation	628,856	598,722
Change in Assets and Liabilities:		
Accounts Receivable	(90,274)	(178,831)
Prepaid Expenses	23,785	550,284
Cost of Issuance	-	(23,785)
Accounts & Accrued Payable	(103,164)	24,756
Customer Deposits	<u>(4,728)</u>	<u>15,311</u>
Net Cash Provided by Operating Activities	<u>\$ 1,985,395</u>	<u>\$ 3,098,642</u>

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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 nonoperating 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 the 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.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

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

G. Net Position

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 are not restricted or invested in capital assets net of related debt.

H. 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, 2023 and 2022

Note 3 – Cash and Cash Equivalents:

Cash and cash equivalents of June 30, 2023, and 2022 consisted of the following:

	2023	2022
Petty cash	\$ 400	\$ 400
Deposits with financial institutions		
Checking accounts (3)	5,731,152	5,549,404
Savings (2)	769,467	1,493,701
Total cash and cash equivalents	\$ 6,501,019	\$ 7,043,505

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

Cash and cash equivalents	1,309,301	3,582,850
Restricted cash and cash equivalents	5,191,718	3,460,655
Total cash and cash equivalents	\$ 6,501,019	\$ 7,043,505

Restricted Cash

The District's restricted cash on June 30, 2023 is as follows:

	2023	2022
Board Policy restricted reserves	\$ 3,606,217	\$ 1,816,954
Bond covenant rate stabilization fund	-	150,000
2020 bond fund	769,467	677,667
Capital improvement project fund	816,034	816,034
Total restricted cash and cash equivalents	\$ 5,191,718	\$ 3,460,655

Deposits

On June 30, 2023, the carrying amount of the District's deposits was \$7,043,105, and the balance in the financial institutions was \$7,085,919. Of the balance in the financial institutions, \$500,000 was covered by federal depository insurance and \$6,585,919 of the bank balance was not covered by the Federal Deposit Insurance Corporation as of June 30, 2023.

On June 30, 2022, the carrying amount of the District's deposits was \$6,500,619, and the balance in the financial institutions was \$6,537,206. Of the balance in the financial institutions, \$500,000 was covered by federal depository insurance and \$6,037,206 of the bank balance was not covered by the Federal Deposit Insurance Corporation as of June 30, 2022.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022 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.

	2023	2022
Accounts receivable	665,973	689,758
Total Accounts receivable	\$ 665,973	\$ 689,758

Note 5 – Prepaid Expenses

Prepaid expenses as of June 30, 2023 and 2022 consists of the following:

	2023	2022
Prepaid expenses (Bond Insurance)	665,973	689,758
Total Prepaid expenses	\$ 665,973	\$ 689,758

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

Note 6 – Property and Equipment

A summary of changes in capital assets for the years ended June 30, 2023, and 2022 are as follows:

<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>
	Balance July 1, 2021	Additions/Transfers	Disposals	Balance June 30, 2022
<u>June 30, 2022</u>	2021	Additions/Transfers	Disposals	Balance June 30, 2022
Land Easement	\$ 787,156	\$ -	\$ -	\$ 787,156
Substation	4,420,103	-	-	4,420,103
Transmission	1,460,437	-	-	1,460,437
Switchyard	6,476,589	6,311	-	6,482,900
Distribution	7,709,323	610,455	-	8,319,778
Autos	133,490	25,075	-	158,565
Electrical Systems	254,885	-	-	254,885
Meters	571,611	263,088	-	834,699
Miscellaneous equipment	87,124	8,493	-	95,617
Total Assets	<u>\$ 21,900,718</u>	<u>\$ 913,422</u>	<u>\$ -</u>	<u>\$ 22,814,140</u>
Less: Accumulated Depreciation	<u>(1,211,705)</u>	<u>(598,722)</u>	<u>-</u>	<u>(1,810,427)</u>
Total Assets (net of accumulated depreciation)	<u>\$ 20,689,013</u>	<u>\$ 314,700</u>	<u>\$ -</u>	<u>\$ 21,003,713</u>

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

Note 6 – Property and Equipment (continued)

Total construction in progress on June 30, 2023, and 2022 consists of:

	Beginning Balance	Additions	Transfers	Ending Balance
Construction in progress - June 2023	\$ 1,055,356	\$ 816,034	\$ -	\$ 1,871,390
Construction in progress - June 2022	\$ 244,140	\$ 811,216	\$ -	\$ 1,055,356

Depreciation in the amount of \$628,856 and \$598,722 was charged to operating expense for the years ended June 30, 2023 and 2022, respectively.

Note 7 – Long-term Debt

Long-term debt activities for the year ended June 30, 2023 are as follows:

	Balance 07/01/2022	Restatement	Additions	Retirement	Balance 06/30/2023	Current Portion
Note Payable - Ateco Capital Services	\$ 60,952	\$ -	\$ -	\$ 14,418	\$ 46,534	\$ 16,725
Note payable - Ford Motor Credit	48,539	-	-	10,279	38,260	9,642
Electric Revenue Bonds, Series 2020	26,325,000	-	-	490,000	25,835,000	507,387
Total Principal	\$ 26,434,491	\$ -	\$ -	\$ 514,697	\$ 25,919,794	\$ 533,754
Unamortized bond Premium	3,731,978	-	-	130,947	3,601,031	
Total long-term debt	\$ 30,166,469	\$ -	\$ -	\$ 645,644	\$ 29,520,825	

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.

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

Note 7 – Long-term Debt (continued)

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 a 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%.

Electric Revenue Bonds Series 2020

On September 1, 2020, revenue bonds were issued through River Islands Public Financing Authority in the amount of \$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%.

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 533,754	\$ 1,027,592	\$ 1,561,346
2025	556,505	1,005,243	1,561,748
2026	578,539	981,921	1,560,460
2027	585,996	958,409	1,544,405
2028-2032	3,255,000	4,417,900	7,672,900
2033-2037	3,965,000	3,698,500	7,663,500
2038-2042	4,855,000	2,819,100	7,674,100
2043-2047	5,915,000	1,745,500	7,660,500
2048-2051	5,675,000	465,300	6,140,300
	<u>\$25,919,794</u>	<u>\$ 17,119,465</u>	<u>\$43,039,259</u>

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

Note 8 – 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, June 27, 2023, 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, 2023, the District's calculated liability based on occupied homes was \$1,847,438. Total infrastructure costs incurred by the Developer on June 30, 2023 was \$6,891,332.

Note 9 – Prior Period Adjustment

There was no prior period adjustment for the fiscal year ending June 30, 2023.

For June 30, 2022, the District had a prior period adjustment in the amount of (\$947,361). The prior period adjustment was related to the Electric Revenue Bonds, series 2020.

Note 10 – Subsequent Events

LATHROP IRRIGATION DISTRICT
Notes to Basic Financial Statements
June 30, 2023 and 2022

The management has evaluated subsequent events through December 12, 2023, the date these financial statements were available to be issued and determined that there were no events occurring subsequent to June 30, 2023, that would have material impact on the District's result of operations of the financial position.