



**Cabazon Water District  
Annual Financial Report**

**For the Fiscal Years Ended June 30, 2022 and 2021**



**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**Cabazon Water District**  
**Board of Directors as of June 30, 2022**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Robert Lynk	Chair	Elected	12/2021 - 12/2023
Sarah Wargo	Vice Chair	Elected	12/2021 - 12/2025
Diana Morris	Director	Elected	12/2019 - 12/2023
Terry Tincher	Director	Appointed	12/2021 - 12/2023
Alan Davis	Director	Elected	3/2022 - 12/2025

**Cabazon Water District**  
**Michael Pollack, General Manager**  
**14618 Broadway Street**  
**P.O. Box 297**  
**Cabazon, California 92230**  
**(951) 849-4442**

**Cabazon Water District**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2022 and 2021**

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**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Introductory Section</b>	
Letter of Transmittal	1-3
<b>Financial Section</b>	
Independent Auditor's Report	4-6
Management's Discussion and Analysis	7-11
<b>Basic Financial Statements:</b>	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14-15
Notes to the Financial Statements	16-33
<b>Report on Internals Controls and Compliance</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on The Audits of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35

# **Introductory Section**





October 18, 2022

Board of Directors  
Cabazon Water District

## **Introduction**

It is our pleasure to submit the Annual Financial Report for the Cabazon Water District for the fiscal years ended June 30, 2022 and 2021, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities, and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

## **District Structure and Leadership**

The Cabazon Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1954 and is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs five (5) full-time and one (1) part-time employees organized into two departments. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water service to approximately 1,000 customers within its 7,040 acre service area, located in the eastern portion of Riverside County. The District encompasses the unincorporated town of Cabazon and some of the unincorporated areas of Riverside County, California.

## **District Services**

Residential customers are approximately 97% of the District's customer base and consume approximately 90% of the water produced annually by the District. The District currently has a total of four groundwater wells with a maximum production capacity of 3,160 gallons per minute.

## **Economic Condition and Outlook**

The District office is located in the unincorporated town of Cabazon in Riverside County. Regional growth has been slow to recover from the continuing effects of the dissolution of Redevelopment Agencies throughout the State.

## **Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

## **Budgetary Control**

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

## **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, and institutional savings and checking accounts.

## **Water Rates and District Revenues**

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed on an annual basis. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter standby charge.

## **Audit and Financial Reporting**

State Law and debt covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

**Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

**Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Cabazon Water District's fiscal policies.

Respectfully submitted,

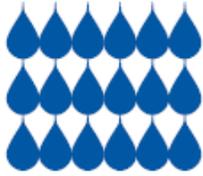
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Michael Pollack, General Manager

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# **Financial Section**





Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Andy Beck, CPA

# Fedak & Brown LLP

Certified Public Accountants

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17777 Center Court Drive  
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Cerritos, California 90703  
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Riverside, California 92507  
(951) 783-9149

## Independent Auditor's Report

Board of Directors  
Cabazon Water District  
Cabazon, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of the Cabazon Water District (District) , as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Cabazon Water District, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

The District's 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 District's ability to continue as a going concern for one year after the date that the financial statements are issued.

## **Independent Auditor's Report, continued**

### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 judgment, 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 audits.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Independent Auditor's Report, continued

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the letter of transmittal but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
October 18, 2022

**Cabazon Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Cabazon Water District (District) provide an introduction to the financial statements of the District for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In fiscal year 2022, the District's net position increased 3.14% or \$255,388 to \$8,376,104. In fiscal year 2021, the District's net position increased 4.87% or \$376,771 to \$8,120,716.
- In fiscal year 2022, the District's operating revenues decreased 1.98% or \$33,953, to \$1,684,604. In fiscal year 2021, the District's operating revenues increased 7.45% or \$119,111, to \$1,718,557.
- In fiscal year 2022, the District's operating expenses increased 12.40% or \$138,242 to \$1,253,328. In fiscal year 2021, the District's operating expenses decreased 13.75% or \$177,771 to \$1,115,086.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. The statement also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**Financial Analysis of the District, continued**

These two statements report the District's *net position* and changes in it. One can think of the District's net position (assets and deferred outflows less liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 32.

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,376,104 and \$8,120,716 as of June 30, 2022 and 2021, respectively.

By far the largest portion of the District's net position (81.09% and 84.53% as of June 30, 2022 and 2021, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2022 and 2021, the District showed a positive balance in its unrestricted net position of \$1,518,666 and \$1,195,612, respectively. See note 7 for further discussion.

**Condensed Statements of Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 1,718,954	1,430,261	288,693	1,532,088	(101,827)
Capital assets, net	<u>7,449,131</u>	<u>7,574,391</u>	<u>(125,260)</u>	<u>7,137,922</u>	<u>436,469</u>
<b>Total assets</b>	<u>9,168,085</u>	<u>9,004,652</u>	<u>163,433</u>	<u>8,670,010</u>	<u>334,642</u>
<b>Liabilities:</b>					
Current liabilities	278,235	300,630	(22,395)	215,852	84,778
Non-current liabilities	<u>513,746</u>	<u>583,306</u>	<u>(69,560)</u>	<u>710,213</u>	<u>(126,907)</u>
<b>Total liabilities</b>	<u>791,981</u>	<u>883,936</u>	<u>(91,955)</u>	<u>926,065</u>	<u>(42,129)</u>
<b>Net position:</b>					
Net investment in capital assets	6,792,508	6,864,178	(71,670)	6,304,074	560,104
Restricted for debt service	64,930	60,926	4,004	60,928	(2)
Unrestricted	<u>1,518,666</u>	<u>1,195,612</u>	<u>323,054</u>	<u>1,378,943</u>	<u>(183,331)</u>
<b>Total net position</b>	<u>\$ 8,376,104</u>	<u>8,120,716</u>	<u>255,388</u>	<u>7,743,945</u>	<u>376,771</u>

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**Statement of Revenues, Expenses, and Changes in Net Position**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>	<u>Change</u>
<b>Revenues:</b>					
Operating revenues	\$ 1,684,604	1,718,557	(33,953)	1,599,446	119,111
Non-operating revenues	145,781	112,671	33,110	112,397	274
<b>Total revenues</b>	<u>1,830,385</u>	<u>1,831,228</u>	<u>(843)</u>	<u>1,711,843</u>	<u>119,385</u>
<b>Expenses:</b>					
Operating expenses	1,253,328	1,115,086	138,242	1,292,857	(177,771)
Depreciation	347,162	323,011	24,151	322,478	533
Non-operating expenses	21,371	16,360	5,011	10,472	5,888
<b>Total expenses</b>	<u>1,621,861</u>	<u>1,454,457</u>	<u>167,404</u>	<u>1,625,807</u>	<u>(171,350)</u>
<b>Net income(loss) before capital contributions</b>	208,524	376,771	(168,247)	86,036	290,735
<b>Capital contributions</b>	46,864	-	46,864	-	-
<b>Changes in net position</b>	255,388	376,771	(121,383)	86,036	290,735
<b>Net position, beginning of year</b>	8,120,716	7,743,945	376,771	7,657,909	86,036
<b>Net position, end of year</b>	<u>\$ 8,376,104</u>	<u>8,120,716</u>	<u>255,388</u>	<u>7,743,945</u>	<u>376,771</u>

The statement of revenues, expenses, and changes in net position shows how the District's net position changes during the fiscal year.

A closer examination of the sources of changes in net position reveal that:

In fiscal year 2022, the District's net position increased 3.14% or \$255,388 to \$8,376,104. In fiscal year 2021, the District's net position increased 4.87% or \$376,771 to \$8,120,716. See note 7 for further discussion.

In fiscal year 2022, the District's operating revenues decreased 1.98% or \$33,953, due primarily to an decreases of \$59,787 in water consumption sales and \$13,292 in standby fees; which was offset by increases of \$28,443 in facility fees and \$10,407 in other charges. In fiscal year 2021, the District's operating revenues increased 7.45% or \$119,111, due primarily to an increase of \$153,383 in water consumption sales; which was offset by decreases of \$22,440 in other charges and \$20,496 in standby fees.

In fiscal year 2022, the District's operating expenses increased 12.40% or \$138,242, due primarily to increases of \$117,970 in general and administrative, \$22,928 in pumping and water treatment, and \$8,408 in transmission and distribution; which were offset by an decrease of \$11,064 in transmission and distribution. In 2021, the District's operating expenses decreased 13.75% or \$177,771, due primarily to decreases of \$133,815 in general and administrative and \$68,207 in transmission and distribution; which were offset by an increase of \$22,418 in pumping and water treatment.

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**Capital Asset Administration**

At the end of fiscal years 2022 and 2021, the District's investment in capital assets (net of accumulated depreciation) amounted to \$7,449,131 and \$7,574,391, respectively. This investment in capital assets includes land, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets additions during the years include improvements to the transmission and distribution system, source of supply, and purchase of vehicles.

The change in capital assets for 2022 was as follows:

	<b>Balance 2021</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance 2022</b>
Capital assets:				
Non-depreciable assets	\$ 1,585,573	100,314	(996,339)	689,548
Depreciable assets	12,304,876	1,117,927	-	13,422,803
Accumulated depreciation	<u>(6,316,058)</u>	<u>(347,162)</u>	<u>-</u>	<u>(6,663,220)</u>
Total capital assets, net	<u>\$ 7,574,391</u>	<u>871,079</u>	<u>(996,339)</u>	<u>7,449,131</u>

The changes in capital assets for 2021 was as follows:

	<b>Balance 2020</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance 2021</b>
Capital assets:				
Non-depreciable assets	\$ 859,694	759,480	(33,601)	1,585,573
Depreciable assets	12,271,275	33,601	-	12,304,876
Accumulated depreciation	<u>(5,993,047)</u>	<u>(323,011)</u>	<u>-</u>	<u>(6,316,058)</u>
Total capital assets, net	<u>\$ 7,137,922</u>	<u>470,070</u>	<u>(33,601)</u>	<u>7,574,391</u>

**Debt Administration**

The change in long-term debt in 2022 was as follows:

	<b>Balance 2021</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2022</b>
Long-term debt:				
Loans payable	\$ 710,213	-	(126,907)	583,306
Total loans payable	<u>\$ 710,213</u>	<u>-</u>	<u>(126,907)</u>	<u>583,306</u>

The change in long-term debt in 2021 was as follows:

	<b>Balance 2020</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2021</b>
Long-term debt:				
Loans payable	\$ 833,848	-	(123,635)	710,213
Total loans payable	<u>\$ 833,848</u>	<u>-</u>	<u>(123,635)</u>	<u>710,213</u>

**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**Conditions Affecting Current Financial Position**

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. The disruption is currently expected to be temporary; however, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

**Requests 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 at 14618 Broadway Street, P.O. Box 297, Cabazon, California 92230.

# **Basic Financial Statements**

**Cabazon Water District  
Statements of Net Position  
June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,229,298	984,527
Cash and cash equivalents – restricted (note 2)	64,930	60,926
Accrued interest receivable	1,544	672
Accounts receivable – water sales, net (note 3)	273,633	240,216
Property taxes and assessments receivable	-	4,997
Materials and supplies inventory	109,315	110,471
Prepaid and other assets	40,234	28,452
<b>Total current assets</b>	<b>1,718,954</b>	<b>1,430,261</b>
<b>Non-current assets:</b>		
Capital assets – non-depreciable assets (note 4)	689,548	1,585,573
Capital assets – depreciable assets, net (note 4)	6,759,583	5,988,818
<b>Total non-current assets</b>	<b>7,449,131</b>	<b>7,574,391</b>
<b>Total assets</b>	<b>9,168,085</b>	<b>9,004,652</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	95,107	121,384
Accrued wages and related payables	11,944	11,521
Customer advances and deposits	19,669	26,962
Accrued interest payable on long-term debt	1,996	2,835
Long-term liabilities – due within one year:		
Compensated absences (note 5)	6,642	11,021
Capital lease (note 6)	12,590	-
Loans payable (note 6)	130,287	126,907
<b>Total current liabilities</b>	<b>278,235</b>	<b>300,630</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Capital lease (note 6)	60,727	-
Loans payable (note 6)	453,019	583,306
<b>Total non-current liabilities</b>	<b>513,746</b>	<b>583,306</b>
<b>Total liabilities</b>	<b>791,981</b>	<b>883,936</b>
<b>Net position:</b> (note 7)	<b>6,792,508</b>	
Net investment in capital assets		6,864,178
Restricted	64,930	60,926
Unrestricted	1,518,666	1,195,612
<b>Total net position</b>	<b>\$ 8,376,104</b>	<b>8,120,716</b>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,459,559	1,519,346
Connection fees	5,033	4,757
Standby fees	100,316	113,608
Facility fees	87,207	58,764
Other charges	32,489	22,082
<b>Total operating revenues</b>	<b>1,684,604</b>	<b>1,718,557</b>
<b>Operating expenses:</b>		
Pumping and water treatment	142,123	119,195
Transmission and distribution	41,453	52,517
Customer accounts	64,967	56,559
General and administrative	1,004,785	886,815
<b>Total operating expenses</b>	<b>1,253,328</b>	<b>1,115,086</b>
Operating income before depreciation and amortization	431,276	603,471
Depreciation	(347,162)	(323,011)
<b>Operating income</b>	<b>84,114</b>	<b>280,460</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	85,857	81,698
Rental income – cellular antennas	29,558	25,547
Investment earnings	7,054	4,504
Unrealized gain (loss) on investments	(10,687)	(3,425)
Interest expense – long-term debt	(10,684)	(12,935)
Other non-operating revenue, net	23,312	922
<b>Total non-operating revenues, net</b>	<b>124,410</b>	<b>96,311</b>
<b>Net income before capital contributions</b>	<b>208,524</b>	<b>376,771</b>
<b>Capital contributions</b>	<b>46,864</b>	<b>-</b>
<b>Changes in net position</b>	<b>255,388</b>	<b>376,771</b>
<b>Net position, beginning of year</b>	<b>8,120,716</b>	<b>7,743,945</b>
<b>Net position, end of year</b>	<b>\$ 8,376,104</b>	<b>8,120,716</b>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales	\$ 1,543,578	1,596,008
Proceeds from standby fees	100,316	113,608
Cash paid to employees for salaries and wages	(347,154)	(271,329)
Cash paid to vendors and suppliers for materials and services	(923,721)	(777,017)
<b>Net cash provided by operating activities</b>	<b>373,019</b>	<b>661,270</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from rental income – cellular antennas	29,558	25,547
Proceeds from property taxes	90,854	91,280
Proceeds from grant	46,864	-
<b>Net cash provided by non-capital financing activities</b>	<b>167,276</b>	<b>116,827</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(221,902)	(759,480)
Proceeds from financing	76,457	-
Principal paid on long-term debt	(130,047)	(123,635)
Interest paid on long-term debt	(11,523)	(13,747)
<b>Net cash used in capital and related financing activities</b>	<b>(287,015)</b>	<b>(896,862)</b>
<b>Cash flows from investing activities:</b>		
Interest earnings	(4,505)	3,001
<b>Net cash (used in)provided by investing activities</b>	<b>(4,505)</b>	<b>3,001</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>248,775</b>	<b>(115,764)</b>
Cash and cash equivalents, beginning of year	1,045,453	1,161,217
Cash and cash equivalents, end of year	\$ 1,294,228	1,045,453
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 1,229,298	984,527
Cash and cash equivalents – restricted	64,930	60,926
<b>Total cash and cash equivalents</b>	<b>\$ 1,294,228</b>	<b>1,045,453</b>

Continued on next page

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>84,114</u>	<u>280,460</u>
<b>Adjustments to reconcile operating income to net cash provided operating activities:</b>		
Depreciation	347,162	323,011
Other non-operating	23,312	922
<b>Change in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(33,417)	(16,267)
Materials and supplies inventory	1,156	(16,456)
Prepaid and other assets	(11,782)	7,282
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(26,277)	74,036
Accrued wages and related payables	423	(628)
Compensated absences	(4,379)	1,584
Customer advances and deposits	<u>(7,293)</u>	<u>7,326</u>
<b>Total adjustments</b>	<u>288,905</u>	<u>380,810</u>
<b>Net cash provided by operating activities</b>	<u>\$ 373,019</u>	<u>661,270</u>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair-market value of funds deposited with LAIF	<u>\$ (10,687)</u>	<u>(3,425)</u>
	<u>\$ (10,687)</u>	<u>(3,425)</u>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Cabazon Water District (District) was formed on May 21, 1954, and provides potable water and water services within a 7,040 acre service area between the cities of Beaumont and Palm Springs within the County of Riverside. The District is governed by a five-member Board of Directors who serves four-year terms.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full-accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**2. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. The disruption is currently expected to be temporary; however, the related financial impact on the District and the duration cannot be estimated at this time.

**3. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**4. Investments**

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**5. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**6. Property Taxes and Assessments**

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies. By such financing, the District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**7. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipes, and pipefittings for construction and repair of the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**8. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**9. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 15 to 40 years
- Reservoirs and tanks – 10 to 40 years
- Wells – 10 to 30 years
- Buildings and structures – 5 to 40 years
- Office furniture and equipment – 5 to 10 years
- Tools and equipment – 7 to 20 years
- Vehicles – 5 years

**10. Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and 50% of any unused sick time for non-exempt employees.

**11. Net Position**

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**12. Water Sales**

Water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

**13. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Investments**

Cash and investments as of June 30, are classified as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,229,298	984,527
Cash and cash equivalents – restricted	64,930	60,926
Total	\$ 1,294,228	1,045,453

Cash and investments as of June 30, consist of the following:

	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 100	100
Deposits with bank	415,061	161,900
Investments	879,067	883,453
Total	\$ 1,294,228	1,045,453

As of June 30, the District's authorized deposits had the following maturities:

	<b>2022</b>	<b>2021</b>
Deposits in California Local Agency Investment Fund (LAIF)	311 days	291 days

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(2) Cash and Investments, continued**

***Investments Authorized by the California Government Code and the District's Investment Policy***

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes, and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of 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 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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).

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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

Of the bank balance, up to \$250,000 as of June 30, 2022 and 2021, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

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

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(2) Cash and Investments, continued**

***Investment in State Investment Pool, continued***

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

***Interest Rate Risk***

Interest rate risk is the risk that the change 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 the change in market interest rates. One of the ways that the District can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Information about the sensitivity of fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2022, consisted of the following:

<b>Investment Type</b>	<b>Total</b>	<b><u>Remaining maturity</u> 12 months or less</b>
Local Agency Investment Fund (LAIF)	\$ 814,137	814,137
Held by bond trustee:		
Money market funds	64,930	64,930
	\$ 879,067	879,067

Maturities of investments at June 30, 2021, consisted of the following:

<b>Investment Type</b>	<b>Total</b>	<b><u>Remaining maturity</u> 12 months or less</b>
Local Agency Investment Fund (LAIF)	\$ 822,527	822,527
Held by bond trustee:		
Money market funds	60,926	60,926
	\$ 883,453	883,453

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(2) Cash and Investments, continued**

***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. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2022, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 814,137	N/A	-	814,137
Held by bond trustee:				
Money market funds	<u>64,930</u>	<u>AAA</u>	<u>64,930</u>	<u>-</u>
	<u>\$ 879,067</u>		<u>64,930</u>	<u>814,137</u>

Credit ratings of investments as of June 30, 2021, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 822,527	N/A	-	822,527
Held by bond trustee:				
Money market funds	<u>60,926</u>	<u>AAA</u>	<u>60,926</u>	<u>-</u>
	<u>\$ 883,453</u>		<u>60,926</u>	<u>822,527</u>

***Concentration of Credit Risk***

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments as of June 30, 2022 and 2021.

**(3) Accounts Receivable**

The balance at June 30 consists of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable - water sales and services	\$ 326,746	301,111
Allowance for uncollectible accounts	<u>(53,113)</u>	<u>(60,895)</u>
	<u>\$ 273,633</u>	<u>240,216</u>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(4) Capital Assets**

The change in capital assets for 2022 was as follows:

	<u>Balance 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	896,025	100,314	(996,339)	-
Total non-depreciable assets	<u>1,585,573</u>	<u>100,314</u>	<u>(996,339)</u>	<u>689,548</u>
Depreciable assets:				
Transmission and distribution mains	10,380,403	22,309	-	10,402,712
Source of supply	1,556,431	848,223	-	2,404,654
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	12,281	170,688	-	182,969
Office furniture and equipment	97,882	-	-	97,882
Vehicles	114,728	76,707	-	191,435
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>12,304,876</u>	<u>1,117,927</u>	<u>-</u>	<u>13,422,803</u>
Accumulated depreciation:				
Transmission and distribution mains	(5,300,535)	(254,960)	-	(5,555,495)
Source of supply	(684,598)	(78,401)	-	(762,999)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(122,173)	(566)	-	(122,739)
Buildings and structures	(7,602)	(1,456)	-	(9,058)
Office furniture and equipment	(71,311)	(5,099)	-	(76,410)
Vehicles	(110,007)	(6,680)	-	(116,687)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(6,316,058)</u>	<u>(347,162)</u>	<u>-</u>	<u>(6,663,220)</u>
Total depreciable assets, net	<u>5,988,818</u>	<u>770,765</u>	<u>-</u>	<u>6,759,583</u>
Total capital assets, net	<u>\$ 7,574,391</u>			<u>7,449,131</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains, source of supply, buildings and structures, and vehicles.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(4) Capital Assets, continued**

The change in capital assets for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	170,146	759,480	(33,601)	896,025
Total non-depreciable assets	<u>859,694</u>	<u>759,480</u>	<u>(33,601)</u>	<u>1,585,573</u>
Depreciable assets:				
Transmission and distribution mains	10,375,657	4,746	-	10,380,403
Source of supply	1,553,650	2,781	-	1,556,431
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	12,281	-	-	12,281
Office furniture and equipment	71,808	26,074	-	97,882
Vehicles	114,728	-	-	114,728
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>12,271,275</u>	<u>33,601</u>	<u>-</u>	<u>12,304,876</u>
Accumulated depreciation:				
Transmission and distribution mains	(5,046,644)	(253,891)	-	(5,300,535)
Source of supply	(625,882)	(58,716)	-	(684,598)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(121,298)	(875)	-	(122,173)
Buildings and structures	(6,858)	(744)	-	(7,602)
Office furniture and equipment	(67,381)	(3,930)	-	(71,311)
Vehicles	(105,152)	(4,855)	-	(110,007)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(5,993,047)</u>	<u>(323,011)</u>	<u>-</u>	<u>(6,316,058)</u>
Total depreciable assets, net	<u>6,278,228</u>	<u>(289,410)</u>	<u>-</u>	<u>5,988,818</u>
Total capital assets, net	<u>\$ 7,137,922</u>			<u>7,574,391</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains, source of supply, and office furniture and equipment.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(5) Compensated Absences**

The change in compensated absences at June 30, 2022 was as follows:

<u>Balance</u> <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2022</u>
\$ 11,021	36,291	(40,670)	6,642

The change in compensated absences at June 30, 2021 was as follows:

<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2021</u>
\$ 9,437	32,766	(31,182)	11,021

**(6) Long-Term Debt**

The change in long-term debt in 2022 was as follows:

	<u>Balance</u> <u>2021</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2022</u>	<u>Current</u>	<u>Non-current</u>
Capital lease:						
Ford Credit	\$ -	76,457	(3,140)	73,317	12,590	60,727
Total capital lease	-	76,457	(3,140)	73,317	12,590	60,727
Loans payable:						
1993 Calif. Dept. of Water Resources Loan - E58416	238,186	-	(41,959)	196,227	43,208	153,019
Zions First National Bank	172,027	-	(84,948)	87,079	87,079	-
Riverside County Economic Development Agency	300,000	-	-	300,000	-	300,000
Total loans payable	710,213	-	(126,907)	583,306	130,287	453,019
Total long-term debt	710,213	76,457	(130,047)	656,623	142,877	513,746
Less current portion	(130,047)			(142,877)		
Total non-current	\$ 580,166			513,746		

The change in long-term debt in 2021 was as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2021</u>	<u>Current</u>	<u>Non-current</u>
Loans payable:						
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 278,949	-	(40,763)	238,186	41,959	196,227
Zions First National Bank	254,899	-	(82,872)	172,027	84,948	87,079
Riverside County Economic Development Agency	300,000	-	-	300,000	-	300,000
Total long-term debt	833,848	-	(123,635)	710,213	126,907	583,306
Less current portion	(123,635)			(126,907)		
Total non-current	\$ 710,213			583,306		

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(6) Long-Term Debt, continued**

***Ford Credit***

On March 23, 2022, the Cabazon Water District financed the purchased a vehicle with Ford Credit in the amount of \$76,457. The financing term call for payments of principal and interest of \$1,479 payable each month at a rate of 5.94%, maturing in 2027. Annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 12,590	4,053	16,643
2024	14,537	3,217	17,754
2025	15,425	2,329	17,754
2026	16,367	1,387	17,754
2027	14,398	395	14,793
Total	73,317	11,381	84,698
Current	(12,590)		
Non-current	\$ 60,727		

***Riverside County Economic Development Agency***

In 1997, the Cabazon Water District contracted with the Riverside County Economic Development Agency for a \$300,000 loan to construct water improvements, in conjunction with MKA Cabazon Partnership Construction Agreement. The agreement calls for a zero interest loan with funds to be repaid with connection fees as development occurs. The unpaid balance has been classified as long-term as no connections are anticipated in 2022.

***1993 California Dept. of Water Resources Loan – E58416***

In 1993, the Cabazon Water District contracted with the California Department of Water Resources for a \$979,860, 30-year loan under the 1984 California Safe Drinking Water Bond Law to fund capital improvements in order to comply with the California Safe Drinking Water Standards. Terms of the loan call for monthly debt service deposits by the District with a trustee. Principal and interest payments of \$24,346 are payable semi-annually on October 1<sup>st</sup> and April 1<sup>st</sup> each year at a rate of 2.955%, with the obligation maturing in 2027. Annual debt service requirements on the 1993 California Dept. of Water Resources Loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	43,208	5,483	48,691
2024	44,487	4,204	48,691
2025	45,825	2,866	48,691
2026	47,183	1,508	48,691
2027	15,524	230	15,754
Total	196,227	14,291	210,518
Current	(43,208)		
Non-current	\$ 153,019		

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(6) Long-Term Debt, continued**

***Zions First National Bank***

In 2013, the Cabazon Water District entered into a loan agreement with Zions First National Bank in the amount of \$787,309 to refinance the 1993 California Dept. of Water Resources Loan – E62039, and provide funding for the construction and upgrade of the District’s transmission mains. Terms of the loan call for semi-annual debt service payments of principal and interest payable on April 1<sup>st</sup> and October 1<sup>st</sup> of each year at a rate of 2.49%, maturing in 2023. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 87,079	1,623	88,702
Total	87,079	1,623	88,702
Current	(87,079)		
Non-current	\$ -		

**(7) Net Position**

Calculation of net position as of June 30 was as follows:

	<u>2022</u>	<u>2021</u>
<b>Net investment in capital assets:</b>		
Capital assets, net	\$ 7,449,131	7,574,391
Loans payable – current portion	(142,877)	(126,907)
Loans payable – non-current portion	(513,746)	(583,306)
<b>Total net investment in capital assets</b>	<u>6,792,508</u>	<u>6,864,178</u>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	64,930	60,926
<b>Total restricted</b>	<u>64,930</u>	<u>60,926</u>
<b>Unrestricted:</b>		
Non-spendable unrestricted net position:		
Materials and supplies inventory	109,315	110,471
Prepaid and other assets	40,234	28,452
Total non-spendable unrestricted net position	<u>149,549</u>	<u>138,923</u>
Spendable unrestricted net position:		
Operating reserve	1,369,117	1,056,689
Total spendable unrestricted net position	<u>1,369,117</u>	<u>1,056,689</u>
<b>Total unrestricted</b>	<u>1,518,666</u>	<u>1,195,612</u>
<b>Total net position</b>	<u>\$ 8,376,104</u>	<u>8,120,716</u>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(8) Defined Benefit Pension Plan**

The District provides pension benefits to all covered employees under the Collective Bargaining Agreement to the Service Employees International Union National Industry Pension Fund. The District's contribution is based on 15% of gross wages. The District's contributions to the Plan were \$68,215 and \$63,946 for the years ended June 30, 2022 and 2021, respectively.

**(9) Deferred Compensation Savings Plan**

In 2003, as amended in 2008, the District offered a Profit Sharing 401(a) Plan (Plan), to qualified employees. Participation in the Plan is open to employees who do not meet the eligibility requirements for pension benefits under the terms of a separate collective bargaining agreement. At June 30, 2022 and 2021, the Plan included one participant. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2022 and 2021, amounted to \$21,215 and \$21,147, respectively.

**(10) 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 is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2022:

- Property: Blanket limit of \$6,385,000 with a \$1,000 deductible per incident.
- Property damage: \$1,000,000 per occurrence and \$10,000,000 in the aggregate.
- Personal and advertising injury: \$1,000,000 per person or organization and \$10,000,000 in the aggregate.
- Wrongful acts: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employment practices liability: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employee benefits plan: \$1,000,000 per person and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Automobile: \$1,000,000 per occurrence with a \$500 deductible.
- Crime coverage: \$250,000 per occurrence with a \$1,000 deductible.
- Excess liability: \$4,000,000 employer's liability excluded.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 94, continued***

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 96***

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

*Governmental Accounting Standards Board Statement No. 97, continued*

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**(12) Commitments and Contingencies**

*Grant Awards*

Grant funds received by the District are subject to audit by grantor agencies. Such an audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(13) Subsequent Events**

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of October 18, 2022, which is the date the financial statements were available to be issued.

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# **Report on Internal Controls and Compliance**





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# Fedak & Brown LLP

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## **Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Cabazon Water District  
Cabazon, California

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 Cabazon Water District (District), as of and for the years ended June 30, 2022 **and 2021**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audits 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, 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.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting  
and on Compliance and Other Matters Based on the Audits of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**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.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
October 18, 2022