



**Cabazon Water District  
Annual Financial Report**

**For the Fiscal Years Ended June 30, 2024 and 2023**



**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**Cabazon Water District**  
**Board of Directors as of June 30, 2024**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Sarah Wargo	Chair	Elected	12/2021 - 12/2025
Terry Tincher	Vice Chair	Elected	12/2023 - 12/2027
Alan Davis	Director	Elected	12/2023 - 12/2025
Taffy Brock	Director	Elected	12/2023 - 12/2025
Melissa Carlin	Director	Elected	12/2023 - 12/2027

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

**Cabazon Water District**

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# **Introductory Section**





**September 17, 2024**

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, 2024 and 2023, 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 six (6) 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 95% of the District's customer base and consume approximately 45% of the water produced annually by the District. Commercial customers are approximately 5% of the District's customer base and consume approximately 28% 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 C.J. Brown & Company, CPAs – An Accountancy Corporation, 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**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

**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, 2024 and 2023, 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, 2024 and 2023, 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 the 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.

### ***Emphasis of matter***

As discussed in Note 10 to the financial statements, the District has adopted the provisions of GASB Statement No. 87 – Leases. As a result, the District has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

## Independent Auditor's Report, continued

### ***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.

### ***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 does 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 September 17, 2024 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. This report can be found on pages 31 and 32.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
September 17, 2024

**Cabazon Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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, 2024 and 2023. 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 2024, the District's net position increased 4.59% or \$483,968 to \$11,019,618. In fiscal year 2023, the District's net position increased 25.14% or \$2,116,235 to \$10,535,650.
- In fiscal year 2024, the District's total revenues decreased 9.92% or \$218,189, to \$1,981,250. In fiscal year 2023, the District's total revenues increased 18.89% or \$349,486, to \$2,199,439.
- In fiscal year 2024, the District's total expenses increased 13.62% or \$220,665 to \$1,841,049. In fiscal year 2023, the District's operating expenses decreased 0.09% or \$1,477 to \$1,620,384.

**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, 2024 and 2023**

**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 30.

**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 \$11,019,618 and \$10,535,650 as of June 30, 2024 and 2023, respectively.

By far the largest portion of the District's net position (76.59% and 79.31% as of June 30, 2024 and 2023, 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 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$2,517,443 and \$2,113,996, respectively. See note 9 for further discussion.

**Condensed Statements of Net Position**

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 2,753,789	3,485,976	(732,187)	1,737,436	1,748,540
Non-current assets	<u>9,641,402</u>	<u>9,476,015</u>	<u>165,387</u>	<u>8,376,465</u>	<u>1,099,550</u>
<b>Total assets</b>	<u>12,395,191</u>	<u>12,961,991</u>	<u>(566,800)</u>	<u>10,113,901</u>	<u>2,848,090</u>
<b>Liabilities:</b>					
Current liabilities	301,607	1,403,825	(1,102,218)	278,235	1,125,590
Non-current liabilities	<u>240,885</u>	<u>154,723</u>	<u>86,162</u>	<u>513,746</u>	<u>(359,023)</u>
<b>Total liabilities</b>	<u>542,492</u>	<u>1,558,548</u>	<u>(1,016,056)</u>	<u>791,981</u>	<u>766,567</u>
<b>Deferred inflows of resources</b>					
Deferred lease inflows	<u>833,081</u>	<u>867,793</u>	<u>(34,712)</u>	<u>902,505</u>	<u>(34,712)</u>
Total deferred inflows of resources	<u>833,081</u>	<u>867,793</u>	<u>(34,712)</u>	<u>902,505</u>	<u>(34,712)</u>
<b>Net position:</b>					
Net investment in capital assets	8,439,761	8,355,555	84,206	6,792,508	1,563,047
Restricted for debt service	62,414	66,099	(3,685)	64,930	1,169
Unrestricted	<u>2,517,443</u>	<u>2,113,996</u>	<u>403,447</u>	<u>1,561,977</u>	<u>552,019</u>
<b>Total net position</b>	<u>\$ 11,019,618</u>	<u>10,535,650</u>	<u>483,968</u>	<u>8,419,415</u>	<u>2,116,235</u>

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
<b>Revenues:</b>					
Operating revenues	\$ 1,712,952	1,715,772	(2,820)	1,684,604	31,168
Non-operating revenues	268,298	483,667	(215,369)	165,349	318,318
<b>Total revenues</b>	<u>1,981,250</u>	<u>2,199,439</u>	<u>(218,189)</u>	<u>1,849,953</u>	<u>349,486</u>
<b>Expenses:</b>					
Operating expenses	1,341,713	1,228,110	113,603	1,253,328	(25,218)
Depreciation	487,470	380,432	107,038	347,162	33,270
Non-operating expenses	11,866	11,842	24	21,371	(9,529)
<b>Total expenses</b>	<u>1,841,049</u>	<u>1,620,384</u>	<u>220,665</u>	<u>1,621,861</u>	<u>(1,477)</u>
<b>Net income before capital contributions</b>	140,201	579,055	(438,854)	228,092	350,963
<b>Capital contributions</b>	<u>343,767</u>	<u>1,537,180</u>	<u>(1,193,413)</u>	<u>46,864</u>	<u>1,490,316</u>
<b>Changes in net position</b>	<u>483,968</u>	<u>2,116,235</u>	<u>(1,632,267)</u>	<u>274,956</u>	<u>1,841,279</u>
<b>Net position, beginning of year as previously stated</b>	10,535,650	8,419,415	2,116,235	8,120,716	298,699
<b>Prior period adjustment (note 10)</b>	-	-	-	23,743	(23,743)
<b>Net position, beginning of year as restated</b>	<u>10,535,650</u>	<u>8,419,415</u>	<u>2,116,235</u>	<u>8,144,459</u>	<u>274,956</u>
<b>Net position, end of year</b>	<u>\$ 11,019,618</u>	<u>10,535,650</u>	<u>483,968</u>	<u>8,419,415</u>	<u>2,116,235</u>

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

In the case of the District, net position increased 4.59% or \$483,968, in fiscal year 2024, due primarily to income of \$140,201 from ongoing operations, and \$343,767 in capital contributions.

In fiscal year 2023, the District's net position increased 25.14% or \$2,116,235, primarily due to income of \$579,055 from ongoing operations, and \$1,537,180 in capital contributions.

The District's total revenues decreased 9.92% or \$218,189 in fiscal year 2024. The District's operating revenues decreased 0.16% or \$2,820, to \$1,712,952. The District's non-operating revenues decreased 44.53% or \$215,369 to \$268,298, due primarily to the expiration of the District's loan with Riverside County Economic Development Agency (RCEDA) in fiscal year 2023 amounting to \$300,000, which was offset by increases of \$71,427 in investment returns and \$19,988 in property taxes.

In fiscal year 2023, the District's total revenues increased 18.89% or \$349,486. The District's operating revenues increased 1.85% or \$31,168 to \$1,715,772, due primarily to an increases of \$24,134 in other charges and \$23,745 in standby fees; which were offset by a decrease of \$19,061 in water consumption sales. The District's non-operating revenues increased 192.51% or \$318,318 to \$483,667, due primarily to the expiration of the District's loan with Riverside County Economic Development Agency (RCEDA) amounting to \$300,000.

The District's total expenses increased 13.62% or \$220,665 in fiscal year 2024. The District's operating expenses increased 9.25% or \$113,603 to \$1,341,713, due primarily to increases of \$145,122 in general and administrative and \$33,451 in pumping and water treatment; which were offset by a decrease of \$63,214 in transmission and distribution.

In fiscal year 2023, the District's total expenses decreased 0.09% or \$1,477.

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**Capital Asset Administration**

At the end of fiscal years 2024 and 2023, the District's investment in capital assets (net of accumulated depreciation) amounted to \$8,753,913 and \$8,568,124, 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 2024 was as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2024</u>
Capital assets:				
Non-depreciable assets	\$ 906,260	683,230	(786,507)	802,983
Depreciable assets	14,649,849	776,536	-	15,426,385
Accumulated depreciation	<u>(6,987,985)</u>	<u>(487,470)</u>	<u>-</u>	<u>(7,475,455)</u>
Total capital assets, net	<u>\$ 8,568,124</u>	<u>972,296</u>	<u>(786,507)</u>	<u>8,753,913</u>

Major capital asset additions during the year include source of supply systems.

The changes in capital assets for 2023 was as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2023</u>
Capital assets:				
Non-depreciable assets	\$ 689,548	1,502,127	(1,285,415)	906,260
Depreciable assets	13,422,803	1,282,714	(55,668)	14,649,849
Accumulated depreciation	<u>(6,663,220)</u>	<u>(380,433)</u>	<u>55,668</u>	<u>(6,987,985)</u>
Total capital assets, net	<u>\$ 7,449,131</u>	<u>2,404,408</u>	<u>(1,285,415)</u>	<u>8,568,124</u>

In 2023, major capital asset additions include transmission and distribution mains.

See Note 6 to the basic financial statements for further detailed information on the District's capital assets.

**Debt Administration**

The change in long-term debt in 2024 was as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Capital lease payable	\$ 59,550	-	(14,609)	44,941
Loans payable	<u>153,019</u>	<u>163,894</u>	<u>(47,702)</u>	<u>269,211</u>
Total long-term debt	<u>\$ 212,569</u>	<u>163,894</u>	<u>(62,311)</u>	<u>314,152</u>

Long-term debt increased by \$101,583, as a result of loan issuance of \$163,894, which was offset by principal payments of \$62,311.

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**Debt Administration, continued**

The change in long-term debt in 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2023</u>
Long-term debt:				
Capital lease payable	\$ 73,317	-	(13,767)	59,550
Loans payable	<u>583,306</u>	<u>-</u>	<u>(430,287)</u>	<u>153,019</u>
Total long-term debt	<u>\$ 656,623</u>	<u>-</u>	<u>(444,054)</u>	<u>212,569</u>

In 2023, long-term debt decreased by \$444,054, as a result of principal payments during the year.

**Conditions Affecting Current Financial Position**

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, 2024 and 2023**

	<u>2024</u>	<u>As Restated 2023</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 2,030,912	1,586,417
Cash and cash equivalents – restricted (note 2)	62,414	66,099
Accrued interest receivable	59	6,588
Accounts receivable – water sales, net (note 3)	247,302	241,215
Grants receivable (note 5)	253,712	1,415,012
Property taxes and assessments receivable	3,709	3,400
Lease receivable - current (note 4)	20,402	19,443
Materials and supplies inventory	92,169	109,238
Prepaid and other assets	43,110	38,564
<b>Total current assets</b>	<u>2,753,789</u>	<u>3,485,976</u>
<b>Non-current assets:</b>		
Lease receivable - non-current (note 4)	887,489	907,891
Capital assets – non-depreciable assets (note 6)	802,983	906,260
Capital assets – depreciable assets, net (note 6)	7,950,930	7,661,864
<b>Total non-current assets</b>	<u>9,641,402</u>	<u>9,476,015</u>
<b>Total assets</b>	<u>12,395,191</u>	<u>12,961,991</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	77,188	218,430
Accrued wages and related payables	22,418	20,697
Customer advances and deposits	15,160	15,652
Developer deposits	386	1,595
Accrued interest payable on long-term debt	829	1,134
Due to SGWPA (note 5)	95,746	1,072,578
Long-term liabilities – due within one year:		
Compensated absences (note 7)	16,613	15,893
Capital lease (note 8)	14,174	13,359
Loans payable (note 8)	59,093	44,487
<b>Total current liabilities</b>	<u>301,607</u>	<u>1,403,825</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Capital lease (note 8)	30,767	46,191
Loans payable (note 8)	210,118	108,532
<b>Total non-current liabilities</b>	<u>240,885</u>	<u>154,723</u>
<b>Total liabilities</b>	<u>542,492</u>	<u>1,558,548</u>
<b>Deferred inflows of resources</b>		
Deferred lease inflows (note 4)	833,081	867,793
<b>Total deferred inflows of resources</b>	<u>833,081</u>	<u>867,793</u>
<b>Net position: (note 9)</b>		
Net investment in capital assets	8,439,761	8,355,555
Restricted	62,414	66,099
Unrestricted	2,517,443	2,113,996
<b>Total net position</b>	<u>\$ 11,019,618</u>	<u>10,535,650</u>

**Cabazon Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>As Restated 2023</u>
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,463,245	1,440,498
Connection fees	3,355	4,799
Standby fees	120,133	124,061
Facility fees	63,785	89,791
Other charges	62,434	56,623
<b>Total operating revenues</b>	<u>1,712,952</u>	<u>1,715,772</u>
<b>Operating expenses:</b>		
Pumping and water treatment	212,983	179,532
Transmission and distribution	56,393	119,607
Customer accounts	73,912	75,668
General and administrative	998,425	853,303
<b>Total operating expenses</b>	<u>1,341,713</u>	<u>1,228,110</u>
Operating income before depreciation and amortization	371,239	487,662
Depreciation	<u>(487,470)</u>	<u>(380,432)</u>
<b>Operating (loss) income</b>	<u>(116,231)</u>	<u>107,230</u>
<b>Non-operating revenue(expense)</b>		
Property taxes	120,401	100,413
Rental income – cellular antennas	34,712	34,712
Interest income – leases	13,910	14,187
Investment earnings	71,699	28,889
Unrealized gain(loss) on investments	12,596	(2,111)
Interest expense – long-term debt	(11,866)	(9,731)
Other non-operating revenue, net	14,980	305,466
<b>Total non-operating revenues, net</b>	<u>256,432</u>	<u>471,825</u>
<b>Net income before capital contributions</b>	140,201	579,055
<b>Capital contributions</b>	<u>343,767</u>	<u>1,537,180</u>
<b>Changes in net position</b>	483,968	2,116,235
<b>Net position, beginning of year</b>	<u>10,535,650</u>	<u>8,419,415</u>
<b>Net position, end of year</b>	<u>\$ 11,019,618</u>	<u>10,535,650</u>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales	\$ 1,585,031	1,621,707
Proceeds from standby fees	120,133	124,061
Cash paid to employees for salaries and wages	(494,408)	(347,154)
Cash paid to vendors and suppliers for materials and services	(958,603)	(432,416)
<b>Net cash provided by operating activities</b>	<b>252,153</b>	<b>966,198</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from rental income – cellular antennas	19,443	32,669
Proceeds from property taxes	120,092	97,013
Proceeds from grant	528,235	1,194,746
<b>Net cash provided by non-capital financing activities</b>	<b>667,770</b>	<b>1,324,428</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(673,259)	(1,499,425)
Proceeds from financing	163,894	-
Principal paid on long-term debt	(62,311)	(444,054)
Interest paid on long-term debt	(12,171)	(10,593)
<b>Net cash used in capital and related financing activities</b>	<b>(583,847)</b>	<b>(1,954,072)</b>
<b>Cash flows from investing activities:</b>		
Interest earnings	104,734	21,734
<b>Net cash provided by investing activities</b>	<b>104,734</b>	<b>21,734</b>
<b>Net increase in cash and cash equivalents</b>	<b>440,810</b>	<b>358,288</b>
Cash and cash equivalents, beginning of year	1,652,516	1,294,228
Cash and cash equivalents, end of year	\$ 2,093,326	1,652,516
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 2,030,912	1,586,417
Cash and cash equivalents – restricted	62,414	66,099
<b>Total cash and cash equivalents</b>	<b>\$ 2,093,326</b>	<b>1,652,516</b>



**Cabazon Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating (loss) income	\$ (116,231)	107,230
<b>Adjustments to reconcile operating income to net cash provided operating activities:</b>		
Depreciation	487,470	380,432
Other non-operating	14,980	305,466
<b>Change in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(6,087)	32,418
Materials and supplies inventory	17,069	77
Prepaid and other assets	(4,546)	1,670
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(141,242)	123,323
Accrued wages and related payables	1,721	8,753
Compensated absences	720	9,251
Customer advances and deposits	(492)	(4,017)
Developer deposits	(1,209)	1,595
<b>Total adjustments</b>	<b>368,384</b>	<b>858,968</b>
<b>Net cash provided by operating activities</b>	<b>\$ 252,153</b>	<b>966,198</b>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair-market value of funds deposited with:		
Local Agency Investment Fund (LAIF)	\$ 12,710	(2,111)
California CLASS Investment Pool (CA CLASS)	(114)	-
See accompanying notes to the basic financial statements	-	-

**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(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 April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

**C. Financial Reporting, continued**

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

**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. 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.

**3. 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.

**4. 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.

**5. 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

**6. 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.

**7. 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 \$5,000. 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

**8. 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

**9. 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

**10. 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.

**11. Water Sales**

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

**12. 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>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 2,030,912	1,586,417
Cash and cash equivalents – restricted	62,414	66,099
Total	\$ 2,093,326	1,652,516

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

	<b>2024</b>	<b>2023</b>
Cash on hand	\$ 100	100
Deposits with bank	413,758	759,988
Investments	1,679,468	892,428
Total	\$ 2,093,326	1,652,516

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

	<b>2024</b>	<b>2023</b>
Deposits in California Local Agency Investment Fund (LAIF)	217 days	260 days
Deposits in California CLASS Investment Pool (CLASS)	75 days	76 days

***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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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, 2024 and 2023, 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

***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.

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.

***Investment in California CLASS***

The District is a voluntary participant in the California CLASS (CLASS) that is regulated by the California Government Code Section 16429 and is a Joint Powers Authority investment pool that provides the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily, and next day liquidity, and optimized returns.

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 CLASS for the entire CLASS portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CLASS, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District’s deposits with the bank in accordance with the Code.

***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, 2024, consisted of the following:

<b>Investment Type</b>	<b>Total</b>	<b>Remaining maturity 12 months or less</b>
Local Agency Investment Fund (LAIF)	\$ 5,246	5,246
California CLASS	1,611,808	1,611,808
Held by bond trustee:		
Money market funds	62,414	62,414
	\$ 1,679,468	1,679,468

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

Maturities of investments at June 30, 2023, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ 826,329	826,329
Held by bond trustee:		
Money market funds	66,099	66,099
	<u>\$ 892,428</u>	<u>892,428</u>

***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, 2024, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year end</u>		
			<u>AAA</u>	<u>S&amp;P Global Ratings AAAm</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 5,246	N/A	-	-	5,246
California CLASS	-	AAA	-	1,611,808	-
Held by bond trustee:					
Money market funds	62,414	AAA	62,414	-	-
	<u>\$ 67,660</u>		<u>62,414</u>	<u>1,611,808</u>	<u>5,246</u>

Credit ratings of investments as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 826,329	N/A	-	826,329
Held by bond trustee:				
Money market funds	66,099	AAA	66,099	-
	<u>\$ 892,428</u>		<u>66,099</u>	<u>826,329</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, 2024 and 2023.



**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(3) Accounts Receivable**

The balance at June 30 consists of the following:

	<b>2024</b>	<b>2023</b>
Accounts receivable - water sales and services	\$ 276,660	285,611
Allowance for uncollectible accounts	(29,358)	(44,396)
	<b>\$ 247,302</b>	<b>241,215</b>

**(4) Lease Receivable**

Changes in lease receivable for the year ended June 30, 2024 were as follows:

	<b>Balance 2024</b>	<b>Additions</b>	<b>Principal Payment</b>	<b>Balance 2024</b>	<b>Current</b>	<b>Non-current</b>
Cell Tower Lease	\$ 927,334	-	(19,443)	907,891	20,402	887,489

Changes in lease receivable for the year ended June 30, 2023 were as follows:

	<b>Balance 2024</b>	<b>Additions</b>	<b>Principal Payment</b>	<b>Balance 2023</b>	<b>Current</b>	<b>Non-current</b>
Cell Tower Lease	\$ 945,816	-	(18,482)	927,334	19,443	907,891

Future payments to be received as of June 30, 2024, are as follows:

	<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	2025	\$ 20,402	13,618	34,020
	2026	21,389	13,312	34,701
	2027	22,403	12,992	35,395
	2028	23,447	12,655	36,102
	2029	27,409	12,304	39,713
	2030-2034	155,820	54,982	210,802
	2035-2039	190,457	42,285	232,742
	2040-2044	230,123	26,843	256,966
	2045-2048	216,441	8,260	224,701
	Total	907,891	197,251	1,105,142
	Current	(20,402)		
	Non-current	\$ 887,489		

***STC One LLC***

On October 1, 1997, the District entered into a communication site ground lease agreement with Cox Communications PCS, L.P., (Cox). The terms of the agreement require Cox to pay the District \$7,800 annually, which shall increase by July 1 of each year by 2% for an initial term of 10 years.

On June 19, 2024, the District entered into an amended agreement with STC One LLC (STC), is currently the lessee as successor in interest to Cox. The lease had an initial term that commenced on July 1, 1998 and expired on June 30, 2008. The lease provides for four (4) extension of five (5) years each (each a “Renewal Term”), all of which were exercised by Lessee through June 30, 2028. Terms of the amended agreement, includes a final Renewal Term expiring on June 30, 2048. On July 1, 2028, the annual rent shall increase by an amount equal to ten percent (10%). Following such an increase, the annual rent shall continue to adjust pursuant to the terms of the Lease, which is 2% each year.

Following the implementation of GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 1.5%. The deferred inflow is amortized on a straight-line basis over the term of the lease.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(4) Lease Receivable, continued**

As of June 30, 2024 and 2023, the balance of lease receivable amounted to \$907,891, and \$927,334, respectively. As of June 30, 2024 and 2023, the balance of deferred inflows amounted to \$833,081, and \$867,793, respectively.

**(5) Grants Receivable**

On May 23, 2022, the District entered into an agreement with City of Banning (City) for funds from a Proposition 1 Integrated Regional Water Management (IRWM) Grant to the San Geronio Region to complete the Isolation Valve Improvement Project (Project). Total Project Cost is estimated to be \$1,243,035. As of June 30, 2024 and 2023, included in the total grants receivable amount of \$253,712 and \$1,415,012 (as recorded in the statements of net position), respectively, are total receivable from the project amounted to \$107,827 and \$1,168,278, respectively.

On April 11, 2022, the District entered into a GAP funding agreement with San Geronio Pass Water Agency (SGPWA) related to the approved agreement between the City and the District for SGWPA to advance monies to fund the Project. As of June 30, 2024 and 2023, the District's balance due to SGWPA amounted to \$95,746 and \$1,072,578, respectively.

**(6) Capital Assets**

The change in capital assets for 2024 was as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	216,712	683,230	(786,507)	113,435
Total non-depreciable assets	<u>906,260</u>	<u>683,230</u>	<u>(786,507)</u>	<u>802,983</u>
Depreciable assets:				
Transmission and distribution mains	11,676,426	5,806	-	11,682,232
Source of supply	2,404,654	770,730	-	3,175,384
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	182,969	-	-	182,969
Office furniture and equipment	97,882	-	-	97,882
Vehicles	144,767	-	-	144,767
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>14,649,849</u>	<u>776,536</u>	<u>-</u>	<u>15,426,385</u>
Accumulated depreciation:				
Transmission and distribution mains	(5,811,169)	(340,663)	-	(6,151,832)
Source of supply	(860,330)	(120,260)	-	(980,590)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(123,203)	(116)	-	(123,319)
Buildings and structures	(13,891)	(4,832)	-	(18,723)
Office furniture and equipment	(81,367)	(3,896)	-	(85,263)
Vehicles	(78,193)	(17,703)	-	(95,896)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(6,987,985)</u>	<u>(487,470)</u>	<u>-</u>	<u>(7,475,455)</u>
Total depreciable assets, net	<u>7,661,864</u>	<u>289,066</u>	<u>-</u>	<u>7,950,930</u>
Total capital assets, net	<u>\$ 8,568,124</u>			<u>8,753,913</u>

Major capital assets additions during the year include improvements to the District's source of supply.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(6) Capital Assets, continued**

The change in capital assets for 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	-	1,502,127	(1,285,415)	216,712
Total non-depreciable assets	<u>689,548</u>	<u>1,502,127</u>	<u>(1,285,415)</u>	<u>906,260</u>
Depreciable assets:				
Transmission and distribution mains	10,402,712	1,273,714	-	11,676,426
Source of supply	2,404,654	-	-	2,404,654
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	182,969	-	-	182,969
Office furniture and equipment	97,882	-	-	97,882
Vehicles	191,435	9,000	(55,668)	144,767
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>13,422,803</u>	<u>1,282,714</u>	<u>(55,668)</u>	<u>14,649,849</u>
Accumulated depreciation:				
Transmission and distribution mains	(5,555,495)	(255,674)	-	(5,811,169)
Source of supply	(762,999)	(97,331)	-	(860,330)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(122,739)	(464)	-	(123,203)
Buildings and structures	(9,058)	(4,833)	-	(13,891)
Office furniture and equipment	(76,410)	(4,957)	-	(81,367)
Vehicles	(116,687)	(17,174)	55,668	(78,193)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(6,663,220)</u>	<u>(380,433)</u>	<u>55,668</u>	<u>(6,987,985)</u>
Total depreciable assets, net	<u>6,759,583</u>	<u>902,281</u>	<u>-</u>	<u>7,661,864</u>
Total capital assets, net	<u>\$ 7,449,131</u>			<u>8,568,124</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains.

**(7) Compensated Absences**

The change in compensated absences at June 30, 2024 was as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2024</u>
\$	<u>15,893</u>	<u>32,221</u>	<u>(31,501)</u>	<u>16,613</u>

The change in compensated absences at June 30, 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2023</u>
\$	<u>6,642</u>	<u>28,332</u>	<u>(19,081)</u>	<u>15,893</u>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(8) Long-Term Debt**

The change in long-term debt in 2024 was as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Principal Payments / Expiration</u>	<u>Balance 2024</u>	<u>Current</u>	<u>Non-current</u>
Capital lease:						
Ford Credit	\$ 59,550	-	(14,609)	44,941	14,174	30,767
Total capital lease	<u>59,550</u>	<u>-</u>	<u>(14,609)</u>	<u>44,941</u>	<u>14,174</u>	<u>30,767</u>
Loans payable:						
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 153,019	-	(44,487)	108,532	45,825	62,707
Rural Community Assistance Corporation	-	163,894	(3,215)	160,679	13,268	147,411
Total loans payable	<u>153,019</u>	<u>163,894</u>	<u>(47,702)</u>	<u>269,211</u>	<u>59,093</u>	<u>210,118</u>
Total long-term debt	<u>212,569</u>	<u>163,894</u>	<u>(62,311)</u>	<u>314,152</u>	<u>73,267</u>	<u>240,885</u>
Less current portion	<u>(57,846)</u>			<u>(73,267)</u>		
Total non-current	<u>\$ 154,723</u>			<u>240,885</u>		

The change in long-term debt in 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Principal Payments / Expiration</u>	<u>Balance 2023</u>	<u>Current</u>	<u>Non-current</u>
Capital lease:						
Ford Credit	\$ 73,317	-	(13,767)	59,550	13,359	46,191
Total capital lease	<u>73,317</u>	<u>-</u>	<u>(13,767)</u>	<u>59,550</u>	<u>13,359</u>	<u>46,191</u>
Loans payable:						
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 196,227	-	(43,208)	153,019	44,487	108,532
Zions First National Bank	87,079	-	(87,079)	-	-	-
Riverside County Economic Development Agency	300,000	-	(300,000)	-	-	-
Total loans payable	<u>583,306</u>	<u>-</u>	<u>(430,287)</u>	<u>153,019</u>	<u>44,487</u>	<u>108,532</u>
Total long-term debt	<u>656,623</u>	<u>-</u>	<u>(444,054)</u>	<u>212,569</u>	<u>57,846</u>	<u>154,723</u>
Less current portion	<u>(142,877)</u>			<u>(57,846)</u>		
Total non-current	<u>\$ 513,746</u>			<u>154,723</u>		

***Ford Credit***

On March 23, 2022, 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>
	2025	\$ 14,174	2,329	16,503
	2026	16,367	1,387	17,754
	2027	<u>14,400</u>	<u>395</u>	<u>14,795</u>
	Total	<u>44,941</u>	<u>4,111</u>	<u>49,052</u>
	Current	<u>(14,174)</u>		
	Non-current	<u>\$ 30,767</u>		

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

In 1993, the 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 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 45,825	2,866	48,691
2026	47,183	1,508	48,691
2027	<u>15,524</u>	<u>230</u>	<u>15,754</u>
Total	108,532	<u>4,604</u>	<u>113,136</u>
Current	<u>(45,825)</u>		
Non-current	<u>\$ 62,707</u>		

***Rural Community Assistance Corporation***

On August 4, 2023, the District entered into a loan agreement with Rural Community Assistance Corporation in the amount of \$165,000 to fund its Well 4 rehabilitation project. Terms of the loan call for monthly debt service payments of principal and interest payable every 1<sup>st</sup> of each month beginning April 1<sup>st</sup> at a rate of 5%, maturing on April 1, 2034.

Annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 13,268	7,733	21,001
2026	13,947	7,054	21,001
2027	14,661	6,340	21,001
2028	15,411	5,590	21,001
2029	16,199	4,802	21,001
2030-2034	<u>87,193</u>	<u>10,741</u>	<u>97,934</u>
Total	160,679	<u>42,260</u>	<u>202,939</u>
Current	<u>(13,268)</u>		
Non-current	<u>\$ 147,411</u>		

***Riverside County Economic Development Agency***

In 1997, the 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 loan agreement expired on January 31, 2023.

***Zions First National Bank***

In 2013, the 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. The loan was fully paid in fiscal year 2023.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(9) Net Position**

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

	<b>2024</b>	<b>2023</b>
<b>Net investment in capital assets:</b>		
Capital assets, net	\$ 8,753,913	8,568,124
Loans payable – current portion	(73,267)	(57,846)
Loans payable – non-current portion	(240,885)	(154,723)
<b>Total net investment in capital assets</b>	<b>8,439,761</b>	<b>8,355,555</b>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	62,414	66,099
<b>Total restricted</b>	<b>62,414</b>	<b>66,099</b>
<b>Unrestricted:</b>		
Non-spendable unrestricted net position:		
Materials and supplies inventory	92,169	109,238
Prepaid and other assets	43,110	38,564
Total non-spendable unrestricted net position	135,279	147,802
Spendable unrestricted net position:		
Operating reserve	2,382,164	1,966,194
Total spendable unrestricted net position	2,382,164	1,966,194
<b>Total unrestricted</b>	<b>2,517,443</b>	<b>2,113,996</b>
<b>Total net position</b>	<b>\$ 11,019,618</b>	<b>10,535,650</b>

**(10) Prior Period Adjustment**

In 2022, the District implemented GASB Statement No. 87, Leases. As a result of the implementation, the District recognized the lease receivables and deferred inflows of resources and recorded prior period adjustments of \$23,743, to establish beginning balances as of July 1, 2021.

The adjustment to net position is as follows:

Net position as of June 30, 2021, as previously stated	\$ <u>8,120,716</u>
Effect of adjustment to record lease receivable	960,960
Effect of adjustment to record deferred lease inflows	(937,217)
Total adjustments	23,743
Net position as of July 1, 2021, as restated	\$ <u>8,144,459</u>

**(11) 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 \$76,886 and \$72,413 for the years ended June 30, 2024 and 2023, respectively.

**(12) Deferred Compensation Savings Plan**

In 2003, as amended in 2008, the District offered a Profit Sharing 457(b) 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, 2024, the Plan included one participant. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2024 amounted to \$58,747.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(13) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District 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, 2024:

- Property: Blanket limit of \$7,288,255 with a \$5,000 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.

**(14) 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. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

***Governmental Accounting Standards Board Statement No. 102***

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 103***

In April 2024, the GASB issued Statement No. 103 – Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**(15) 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.

**(16) Subsequent Events**

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of September 17, 2024, which is the date the financial statements were available to be issued.



# **Report on Internal Controls and Compliance**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

**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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2024.

**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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
September 17, 2024