

Cabazon Water District

14618 Broadway Street • P.O. Box 297
Cabazon, CA 92230

BOARD MEETING PACKET

September 17, 2024

FAC Meeting at 5:00 pm
Regular Meeting at 6:00 pm



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

Meeting Location:
14618 Broadway St.
Cabazon, CA 92230

Teleconference:
Dial-in #: 978-990-5321
Access Code: 117188

Meeting Date:
Tuesday, September 17, 2024 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL
FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison
 - Capital Detail

2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

REGULAR BOARD MEETING

AGENDA

Meeting Location:

14618 Broadway St.
Cabazon, CA 92230

Teleconference:

Dial-in #: 978-990-5321
Access Code: 117188
Email: info@cabazonwater.org

Meeting Date:

Tuesday, September 17, 2024 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and Warrants of August 20, 2024
- b. Regular Board Meeting Minutes and Warrants of August 20, 2024

2. Warrants – None

3. Awards of Contracts – None

UPDATES

1. Update: CWD Operations Report
[TAB 1](#) (by GM Pollack)

NEW BUSINESS

1. Discussion: **Report of the Audited Financial Statements for FY 2023/2024 as presented by CJ Brown & Company**
[TAB]
- . Discussion/Action: **Resolution 2024-03 – Authorized Representative for Grant Application, Assisted by Cal Rural Water Association**
[TAB]
- . Discussion/Action: **FY 25 Budget Amendment**
[TAB 4]
4. Discussion: **Direction for Water Rates Study**
5. Discussion/Action: **Reorganization of Agenda Layout**

OLD BUSINESS

1. Discussion/Updates: **Discussion/Updates with SGPWA Director(s) regarding various matters**
- . Discussion/Action: **Community Involvement – Community Fair (09/21), Trunk or Treat (10/26)**
[TAB 5]

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is not listed on the agenda; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

CLOSED SESSION

1. Discussion/Action **Public Employee Performance Evaluation (Government Code section 54957): (General Manager)**

OPEN SESSION

NEW BUSINESS (continued)

6. Discussion/Action: **Approval of Amendment to General Manager Employment Agreement**

GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items
 The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.
 - Suggested agenda items from the Public.
 - Suggested agenda items from Management.

- Suggested agenda items from Board Members.
2. **Management Comments**
Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)
 3. **Board Member Comments**
Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. **Future Board Items/Next Board Meeting Date(s)**
 - a. 09/25/2024 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
 - b. 10/07/2024 (Monday) at 1:30 PM: San Gorgonio Pass Water Agency Meeting
 - c. 10/15/2024 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting
 - d. 10/15/2024 (Tuesday) at 6:00 PM: Regular Board Meeting
 - e. 10/21/2024 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
 - f. 10/24/2024 (Thursday) at 6:00 PM: West Desert MAC Meeting at the Community Center
 - g. TBD: Community Action Committee at the Cabazon Library
 - h. TBD: Personnel Committee Meeting

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide access.



Cabazon Water District

Balance Sheet

As of August 31, 2024

			2024
1	ASSETS		
2	Current Assets		
3	Checking/Savings	\$	352,510
4	Investments - LAIF & CLASS		1,857,264
5	Total Cash & Investments		2,209,774
6	Accounts Receivable		475,946
7	Bank of New York Trustee Accounts		74,305
8	Prepaid Expenses		31,969
9	Inventory		92,169
10	Total Current Assets		2,884,163
11	Fixed Assets		
12	Total Fixed Assets		16,229,368
13	Other Assets		
14	Lease Receivable-Cell Towers		907,891
15	Accumulated Depreciation		(7,475,455)
16	Net Fixed Assets		9,661,804
17	TOTAL ASSETS		\$ 12,545,966
18	LIABILITIES & FUND BALANCE		
19	Liabilities		
20	Current Liabilities		
21	Accounts Payable	\$	240,252
22	Due to Other Gov't SGPWA		95,746
23	Customer Deposits		8,523
24	Current Portion DWR Loan		45,825
25	Current RCAC (Well 4) Loan		13,268
26	Current Portion 2022 Ford		14,174
27	Accrued Expenses		43,709
28	Total Current Liabilities		461,497
29	Long Term Liabilities		
30	DIR-Leases		833,081
31	DWR Loan Payable		62,707
32	Ford Loan Payable		30,766
33	RCAC Loan Payable		147,411
34	Total Long Term Liabilities		1,073,966
35	TOTAL LIABILITIES		1,535,463
36	Total Fund Balance		11,010,503
37	TOTAL LIABILITIES & FUND BALANCE		\$ 12,545,966



Cabazon Water District
Budget to Actual
 For the Period Ended August 31, 2024

	A	B	C	D=B/C
	Aug-24	Current YTD	FY 24/25 Budget	YTD 17%
1 REVENUES				
2 OPERATING INCOME				
3 Base Rate - Water Bills	\$ 50,828	\$ 100,407	\$ 601,100	17%
4 Commodity Sales	121,978	222,522	900,600	25%
5 Fire Sales - Water Bills	286	571	3,500	16%
6 Fees & Charges	5,683	10,232	62,500	16%
7 Basic Facilities Fee	-	42,879	45,400	94%
8 Stand By Fees - Tax Revenue	-	-	122,600	0%
9 TOTAL OPERATING INCOME	178,775	376,611	1,735,700	22%
10 NON-OPERATING INCOME				
11 Property Taxes	-	-	111,600	0%
12 Cell Tower Lease Income	5,670	8,505	34,100	25%
13 Miscellaneous Non-Operating Income	169,183	169,183	-	N/A
14 Interest Income - Investment Accounts	8,019	15,665	62,600	25%
15 Interest Income - Water Bills	574	1,097	7,300	15%
16 TOTAL NON-OPERATING INCOME	183,445	194,449	215,600	90%
17 TOTAL REVENUES	362,220	571,061	1,951,300	29%
18 EXPENSES				
19 PAYROLL				
20 Directors Fees	900	2,600	20,000	13%
21 Management & Customer Service	22,006	56,097	270,200	21%
22 Field Workers	20,001	44,277	244,000	18%
23 Employee Benefits Expense	19,096	40,507	219,900	18%
24 Payroll Taxes	3,208	7,775	42,100	18%
25 TOTAL PAYROLL	65,212	151,256	796,200	19%
26 OPERATIONAL EXPENSES				
27 Facilities, Wells, Transmission & Distribution (T&D)				
28 Lab Fees	1,517	2,668	12,000	22%
29 Meter Testing & Repair	-	11	1,000	1%
30 Utilities - Wells	16,008	21,896	195,900	11%
31 Line R&M Materials	2,322	9,312	50,000	19%
32 Well Maintenance	1,316	2,068	45,000	5%
33 Security	1,830	3,077	17,800	17%
34 Engineering Services -	896	896	40,000	2%
35 Facilities, Wells, T&D - Other	241	396	25,000	2%
36 Total Facilities, Wells, T&D	24,131	40,325	386,700	10%
37 Office Expenses				
38 Utilities - Office	3,394	6,285	37,900	17%
39 Water Billing System	253	508	4,100	12%
40 Supplies & Equipment	582	703	9,300	8%
41 Copier & Supplies	580	967	4,700	21%
42 Dues & Subscriptions	15	30	3,100	1%
43 Postage	1,971	1,971	10,000	20%
44 Printing & Publications	-	280	500	56%
45 Computer Services	2,807	5,618	34,900	16%
46 Air Conditioning Servicing	500	1,000	6,100	16%
47 Office Expenses - Other	269	269	800	34%
48 Total Office Expenses	\$ 10,370	\$ 17,631	\$ 111,400	16%

*No assurance provided on these financial statements. These financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included.



Cabazon Water District
Budget to Actual
 For the Period Ended August 31, 2024

	A	B	C	D=B/C
	Aug-24	Current YTD	FY 24/25 Budget	YTD 17%
49	Support Services			
50	\$ 5,509	\$ 5,622	\$ 15,600	36%
51	8,220	8,220	51,000	16%
52	96	96	20,000	0%
53	462	1,170	6,300	19%
54	75	150	1,100	14%
55	4,025	8,049	48,300	17%
56	18,386	23,307	142,300	16%
57	210	257	5,000	5%
58	52	640	10,900	6%
59	Service Tools & Equipment			
60	1,051	1,438	11,000	13%
61	1,558	1,558	13,500	12%
62	272	272	2,000	14%
63	-	874	2,000	44%
64	-	73	4,000	2%
65	-	198	3,000	7%
66	1,302	3,779	11,000	34%
67	365	730	4,500	16%
68	4,809	8,922	51,000	17%
69	NON-OPERATING EXPENSES			
70	865	1,998	14,500	14%
71	-	-	1,400	0%
72	-	89	1,500	6%
73	865	2,087	17,400	12%
74	123,773	244,426	1,520,900	16%
75	238,447	326,635	430,400	76%
76	(26,814)	(47,378)	(340,900)	14%
77	(2,479)	(4,690)	(74,600)	6%
78	\$ 209,154	\$ 274,567	\$ 14,900	



Cabazon Water District
Capital Detail
 For the Period Ended August 31, 2024

	A	B	C	D=B/C
	Aug-24	Current YTD	FY 24/25 Budget	YTD 17%
1 CAPITAL PROJECTS				
2 RESERVE FUNDED				
3 Meter Replacement	-	-	(10,000)	0%
4 Main Replacements Fire Hydrant & Air Vac	-	-	(45,000)	0%
5 Bonita Vault	(18,316)	(38,881)	(20,200)	192%
6 New Truck	-	-	(10,000)	0%
7 Utility Billing	-	-	(30,000)	0%
8 Rate Study	-	-	(40,000)	0%
9 Well #4 Electrical Panel	-	-	(136,000)	0%
10 Well #2 New Facility Building	(8,497)	(8,497)	(30,000)	28%
11 Tank Maintenance	-	-	(3,700)	0%
12 TOTAL RESERVE FUNDED PROJECTS	(26,814)	(47,378)	(324,900)	15%
13 GRANT/DEBT FUNDED				
14 Department of Water Resources (DWR)				
15 Esperanza Waterline Improvements	(209,169)	(284,247)	(325,288)	87%
16 Grant Funding - DWR	-	-	309,288	0%
17 State Water Resource Control Board (SWRCB)				
18 Groundwater Well Improvements	(3,473)	(3,473)	(470,963)	1%
19 Grant Funding - SWRCB	4,039	4,039	470,963	1%
20 NET GRANT/DEBT FUNDED PROJECTS	(208,603)	(283,681)	(16,000)	
21 TOTAL NET COST OF CAPITAL PROJECTS	\$ (235,416)	\$ (331,060)	\$ (340,900)	

Total Project Activity Summary

Groundwater Well Improvement Project	Expenses	Funding Received	Total Receivable
Total Budget	\$ 499,000	\$ 499,000	
Groundwater Well Improvements - FY 22	(42,466)	42,466	-
Groundwater Well Improvements - FY 23	(19,744)	19,744	-
Groundwater Well Improvements - FY 24	(11,617)	7,791	3,826
Groundwater Well Improvements - FY 25	(3,473)	4,039	(566)
Total	<u>\$ (73,827)</u>	<u>\$ 74,040</u>	<u>\$ (213)</u>
Esperanza Waterline Project	Expenses	Funding Received	Total Receivable
Total Budget			
Esperanza Waterline Improvements - FY 24	\$ (43,014)	\$ -	43,014
Esperanza Waterline Improvements - FY 25	\$ (284,247)	\$ -	284,247
Total	<u>\$ (43,014)</u>	<u>\$ -</u>	<u>\$ 327,261</u>



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

MINUTES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Teleconference:
Dial-in #: 978-990-5321
Access Code: 117188

Meeting Date:
Tuesday, August 20, 2024 – 5:00 PM

CALL TO ORDER
PLEDGE OF ALLEGIANCE
ROLL CALL

Board Vice Chair Terry Tincher – Present
Board Chair Sarah Wargo – Present
Michael Pollack, General Manager – Present
Evelyn Aguilar, Board Secretary – Present

***Note: This meeting was recorded by the District**

FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison
 - Capital Detail

2. Finance & Audit Committee District Payables Review and Approval/Signing

Main Reports:

- Balance Sheet – depicts what the District owns and what the District owes.

- Profit & Loss Budget Performance – shows how the District is performing against the budget, and the condition of the District fiscal year to date.
- Capital Detail – shows activity pertaining to Capital Projects.

Balance Sheet:

The District's combined Cash with Chase Bank, Local Agency Investment Fund (LAIF), and California Cooperative Liquid Assets Securities System (CLASS) balance was \$2,115,534 at month end. The District's total liabilities were approximately \$593,589 at month end.

Profit and Loss: - Year to date (YTD) is 8% of the year

4. Commodity Sales: Volumetric water sales including residential, commercial & construction water sales. YTD is trending in line with budget.

7. Basic Facilities Fee: These are fees charged for new service connections, meter installations, and upgrades. These revenues are budgeted conservatively due to their unpredictable nature. YTD is trending over budget at 73% due to multiple service installations.

14. Interest Income-Investment Accounts: This account includes interest earnings in the District's LAIF and other investment accounts. YTD is trending over budget due to higher interest rates.

15. Interest Income-Water Bills: This account includes interest charged on overdue customer balances. YTD is trending in line with budget.

17. Total Revenues: YTD is at 10%.

25. Total Payroll: YTD is slightly over budget at 11% due to a third pay period in July.

31. Line R&M Materials: This account includes the expenses relating to materials for line repair and maintenance. YTD varies depending on the R&M needs of the water system. YTD is trending over budget due to various meter box material purchases.

32. Well Maintenance: This account includes repairs, maintenance, and chemical expenses relating to the District wells. Expenses vary throughout the year. YTD is trending under budget due to timing of repairs and maintenance.

44. Printing & Publications: This account includes printing and publication costs for any District notices or reports. YTD is trending over budget due to a public notice ad in July.

50. Financial Audit: This account includes the costs for the annual financial audit. There is no activity YTD.

60. Shop Supplies & Small Tools: This account includes various shop supply and small tool purchases. YTD is trending under budget due to less purchases than anticipated.

63. Safety: This account includes safety equipment purchases. YTD is trending over budget due to the purchase of an ice machine and a safety course in July.

66. Service Trucks Repair & Maintenance (R&M): This account includes repair & maintenance costs for District vehicles. YTD is trending over budget due to various auto services.

74. Total Expenses: YTD is at 9%.

As of July 31st, the fiscal year-to-date net income is \$43,150.

Capital Detail:

5. Bonita Vault: This account is for new vault and materials. YTD is over budget due to material purchases of \$20.5K in July being higher than anticipated.

15. Esperanza Waterline Improvements: Includes the Esperanza Waterline project which is expected to be primarily grant funded with the project costing \$359,700 and the grant funding being \$343,700.

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

Meeting adjourned at 5:13 PM on Tuesday, August 20, 2024 and the FAC proceeded to check signing.

**Sarah Wargo, Board Chair
Board of Directors
Cabazon Water District**

**Evelyn Aguilar, Secretary
Board of Directors
Cabazon Water District**

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

**REGULAR BOARD MEETING
MINUTES**

Meeting Location:

14618 Broadway St.
Cabazon, CA 92230

Teleconference:

Dial-in #: 978-990-5321
Access Code: 117188
Email: info@cabazonwater.org

Meeting Date:

Tuesday, August 20, 2024 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Melissa Carlin - Present
Director Taffy Brock - Present
Director Alan Davis - Present
Board Vice Chair Terry Tincher - Present
Board Chair Sarah Wargo - Present
Michael Pollack, General Manager - Present
Evelyn Aguilar, Board Secretary - Present

Note: This meeting was recorded by the District

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and Warrants of July 16, 2024
- b. Regular Board Meeting Minutes and Warrants of July 16, 2024

Motion to approve following consent calendar items (a.) Finance and Audit Committee Meeting Minutes and Warrants of July 16, 2024 and (b.) Regular Board Meeting Minutes and Warrants of July 16, 2024 made by Director Davis and 2nd by Board Vice Chair Tincher.

**Director Carlin - Aye
Director Brock - Aye
Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye**

2. **Warrants – None**
3. **Awards of Contracts – None**

UPDATES

**1. Update: CWD Operations Report
(by GM Pollack)**

- The lowest bid for the well #4 electrical panel was from Well Tec at \$119,142. There are additional costs for a Check Valve and Deep Well Pump Control Valve, estimated at a total of ~\$18,000, but those costs may be postponed until FY 26.
- G&A Nelos is 99% done with the Esperanza Waterline Improvements Project. Paving is still needed.
- The Bonita Vault was installed on 08/16. The pipeline and fittings still need to be connected.
- A meeting was held on 08/12 regarding updates on the Heli-Hydrants. Another meeting is expected to be held in September.
- The CWD owned property on Elm St. was listed for sale. Supervisor Gutierrez's office was notified of the listing, since he had been inquiring about a potential wastewater treatment site.
- There was a computer outage on 07/22 due to outdated servers. The cost for new servers from VC3 is quoted at \$22,742.30. Cloud-based hosting was considered, but that would be \$600/month, which adds up to \$36,000 after 5 years.
- Webb & Associates met with CWD staff on 08/12 regarding future development in Cabazon.
- The Main St. Yard property has been sold for \$185,000.

NEW BUSINESS

1. **Discussion/Action: Recommendation of Acceptance of Contract Work for Esperanza Waterline Improvements performed by G&A Nelos Construction, Inc. upon verification of work by General Manager**
 - G&A Nelos is expected to complete work on the Esperanza Waterline Improvements project by the end of the week.

Motion to approve acceptance of contract work for the Esperanza Waterline Improvements performed by G&A Nelos Construction, Inc. upon verification of work by General Manager made by Board Vice Chair Tincher and 2nd by Director Brock.

**Director Carlin - Aye
Director Brock - Aye**

Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye

2. Discussion/Action: Quote from VC3 to replace Host Server - \$22,742.30

- CWD's current servers have been obsolete since the end of 2023. There was an outage on 07/22, which lasted a day and a half, and then another outage on 08/19, which lasted a couple of hours. Since VC3 seems to be able to patch these types of outages, GM Pollack plans to hold off on replacing the servers until FY 26, unless absolutely necessary.

Motion to approve the quote from VC3 to replace the servers, if needed made by Director Carlin and 2nd by Board Vice Chair Tincher.

Director Carlin - Aye
Director Brock - Aye
Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye

3. Discussion/Action: Quote from Well Tec to replace Well #4 Electrical Panel - \$119,142.00

- The current electrical panel at well #4 is very outdated.

Motion to approve the quote from Well Tec to replace the Well #4 electrical panel at \$119,142 made by Director Davis and 2nd by Director Brock.

Director Carlin - Aye
Director Brock - Aye
Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye

4. Discussion/Action: Retirement Party for Customer Accounts Lead (scheduled to retire at the end of 2024)

- There was discussion to hold a retirement party for Ellen Koumparis in January, after she retires.
- Board Chair Wargo asked if the Board would have to pay for their own food, or if they are legally allowed to receive food that has been paid by CWD. Legal will be contacted to find out.

Motion to approve a retirement party for Ellen Koumparis made by Board Vice Chair Tincher and 2nd by Director Davis.

Director Carlin - Aye
Director Brock - Aye
Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye

5. Discussion: Announcement from Sarah Wargo regarding SGPWA

- Sarah Wargo announced that she will be running for the Division 1 SGPWA seat, since Director Ron Duncan has decided to step down. She said if she is elected, she will be stepping down from the CWD Board. She said she appreciates any support.

6. Discussion/Action: Reorganization of Board Committees

- Community Action Committee (CAC): Carlin & Wargo. Alternate: Tincher
- Finance and Audit Committee (FAC): Tincher & Wargo. Alternate: Carlin
- Personnel Committee: Tincher & Wargo. Alternate: Brock
- San Gorgonio Pass Regional Water Alliance Committee (SGPRWA): Brock. Alternate: Carlin
- San Gorgonio Pass Water Agency (SGPWA): Brock & Davis. Alternate: Wargo
- Special Projects Committee: Tincher & Wargo. Alternate: Davis

OLD BUSINESS

1. Discussion/Updates: Discussion/Updates with SGPWA Director(s) regarding various matters

- SGPWA Directors Duncan and Valdivia were present.
- Ron Duncan repeated that he is stepping down from his seat on the SGPWA Board. He expressed his support for Sarah Wargo, and encouraged the rest of the CWD Board to support her as well.
- Mickey Valdivia said that the Heli-Hydrant project is progressing, but is just awaiting the development of the contract with the County.
- Valdivia stated that CWD has set high standards for grant projects, and that SGPWA uses CWD as an example for other agency's grants.

2. Discussion: Community Involvement

- A Community Fair will be held on 09/21. The Board discussed possibly having a table at the fair and considered what the table could consist of. The Special Projects Committee (Tincher & Wargo) will meet up to discuss this topic at the next check signing.
- Dumpster Day is on 09/28.
- Someone has reached out about organizing a Trunk or Treat in the CWD parking lot for Halloween.
- Board Chair Wargo said that she attended the State of the District event the previous week, and there was hardly anyone from Cabazon. She recommended future involvement in these events.

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is not listed on the agenda; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

- A short break was taken from 7:01 PM.

CLOSED SESSION at 7:06 PM.

1. Discussion/Action **Public Employee Performance Evaluation (Government Code section 54957): (General Manager)**

OPEN SESSION at 7:29

- No reportable actions were taken during closed session.

GENERAL MANAGER/BOARD COMMENTS

1. **Future Agenda Items**

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.

- Board Chair Wargo: Reorganization of the agenda layout.

2. **Management Comments**

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

- GM Pollack: Will provide an update on the Esperanza Waterline Improvements project.
- Board Secretary Aguilar: There was a transfer of \$225,000 from the Chase General account to the CA CLASS account to earn higher interest. In the future, the Board will be informed of large transfers in an agenda item.

3. **Board Member Comments**

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. **Future Board Items/Next Board Meeting Date(s)**

- a. 09/09/2024 (Monday) at 1:30 PM: San Geronio Pass Water Agency Meeting
- b. 09/16/2024 (Monday) at 6:00 PM: San Geronio Pass Water Agency Meeting
- c. 09/17/2024 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting

- d. 09/17/2024 (Tuesday) at 6:00 PM: Regular Board Meeting
- e. 09/25/2024 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
- f. 10/24/2024 (Thursday) at 6:00 PM: West Desert MAC Meeting at the Community Center
- g. TBD: Community Action Committee at the Cabazon Library
- h. TBD: Personnel Committee Meeting

ADJOURNMENT

Motion to adjourn at 7:34 PM made by Board Vice Chair Tincher and 2nd by Director Davis.

Director Carlin - Aye
Director Brock - Aye
Director Davis - Aye
Board Vice Chair Tincher - Aye
Board Chair Wargo - Aye

Meeting adjourned at 7:34 PM on Tuesday, August 20, 2024

Sarah Wargo, Board Chair
Board of Directors
Cabazon Water District

Evelyn Aguilar, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

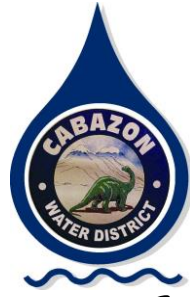
In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide access.

Updates

CWD Operations Report: [TAB 1]

Attachments:

1. Monthly Operations Report



Cabazon Water District

14-618 Broadway Street • P.O. Box 297
Cabazon, California 92230

September 17, 2024 CWD Board Meeting Operations Update

- Heli Hydrants, scheduled installations at Tank 1, and Tank 3. A field meet on September 3, 2024 with the contractor Glenn Chavez, and Matt Howard (Operations Manager of San Geronio Pass Water Agency) to determine the location of the tank and water lines on the premises. Next meeting September 19th, and October 9th
- Tank Inspection quotes for Tank 1 (1MG) and Tank 2 (.5MG) Inland Potable Services \$4,238 with possible additional fees at a rate of \$530 per hour. Dive Corr \$4,800, Municipal Diving \$7,626.19. Last inspections were performed in 2017, AWWA Standards recommend tanks should be inspected at least once every 3 to 5 years The State Water Resources Control Board is requesting that all 4 tank inspections be completed before the end of 2025. Tanks 1 & 3 will be completed before the end of 2024, Tank Inspections 2 & 4 will be completed before the end of 2025. (All 4 Tanks received physical upgrades during the Grant Funded Corrosion Repair and Prevention Project in 2023) However a written report that the county requires was not something that the contractor provides.
- Evelyn and I had a meeting with our IT Department VC3 regarding grant funding available through the California Cybersecurity Grant Program to replace both our servers @ \$22,742.30. We are currently completing the forms and will be submitted before September 27th, 2024.
- The Cabazon Water District initially budgeted \$40,000 for a rate study under Item 8 (Rate Study) of the Capital Projects section of the 2024 / 2025 Budget. The Cabazon Water District received (1) quote in the amount of \$48,000 from B Consulting. Given the current stable financial direction I believe a minor adjustment to rates can be provided by the Cabazon Water District staff, with the most significant adjustment would be to lower the highest tiered rate by 30%. I can provide a detailed proposal, which would save the district \$40,000 for a rate study, if the Board advises. I have managed the districts efficiently which will minimize the impact of a future rate increase.
- Esperanza Pipeline Project is complete. The Cabazon Water District loaned Nelos Construction (1) Air Vac and (1) and was delivered to the Cabazon Water District on September 5, 2024.
- Water Utility Theft was investigated and reported to the Sheriff's Department (Case # B242560010) on Dolores St between Magnolia and Orange St. Water loss (\$3,400) plus time and material (\$1,975) is the amount that will be submitted on the report.



-
- The New Walk Behind Concrete Saw and 20 in Blade (\$495) was purchased for \$3,191.44 originally budgeted for \$8,700 for a Saw with a 24 in Blade. The 20 in saw will be sufficient for 90% of our street cuts.



-
- San Geronio Water Pass Agency General Managers meeting is scheduled for September 23rd
- Well 2 New Asphalt, Sand, and Gravel Bins have been completed by Masonry & Concrete Design for \$7,700. Additional bids were received by Grand American Builders for \$8,500, and Pyramid Rock & Block Masonry for \$13,500.





New Business

1. Discussion Item:

[TAB 2]

Report of the Audited Financial Statements for FY
2023/2024 as presented by CJ Brown & Company

Attachments:

1. Draft Management Report for FY 2024 Audit
2. Draft Financial Statements for FY 2024 Audit

Cabazon Water District

Management Report

June 30, 2024

DRAFT

Cabazon Water District

Management Report

Table of Contents

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Current Year Comment and Recommendation	2
Appendix:	
Audit/Finance Committee Letter	1-3
Summary of Adjusting Journal Entries	4

DRAFT

Board of Directors
Cabazon Water District
Cabazon, California

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Cabazon Water District (District) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered District's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District’s financial statements in conformity with accounting principles generally accepted in the United States of America.

For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management’s Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District’s accounting system as of June 30, 2024.

* * * * *

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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

APPENDIX

Cabazon Water District

Audit/Finance Committee Letter

June 30, 2024

DRAFT

Board of Directors
Cabazon Water District
Cabazon, California

We have audited the financial statements of the Cabazon Water District (District) as of and for the year ended June 30, 2024, and have issued our report thereon dated September 17, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 24, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Whenever threats to independence have been identified, safeguards have been applied to either eliminate identified threats or reduce them to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

- Management’s estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments and determined that it is reasonable in relation to the financial statements taken as a whole and in relation to the opinion unit.
- Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation expense and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the opinion unit.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting District’s financial statements relate to:

- The disclosure of fair value of cash and investments in Note 2 to the financial statements represents amounts susceptible to market fluctuations.
- The disclosure of capital assets, net in Note 6 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management.

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on page 5 presents the material journal entries that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 17, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding audit and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Conclusion

We appreciate the cooperation extended to us by Michael Pollack, General Manager, and Evelyn Aguilar, Business Administrative Assistant in the performance of our audit testwork.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

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

Cabazon Water District
Schedule of Audit Adjusting Journal Entries
For Fiscal Year Ended June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To recognize lease receivable per GASB 87 at year-end.			
15101	Lease receivable	\$ 907,890.93	
44002	Contra lease revenue	33,353.40	
32001	Prior Period Adjustment		59,541.22
42210	Cell Tower Lease Income		34,711.72
25102	Deferred inflows of resources - leases		833,081.38
44001	Interest revenue - leases		13,910.01
Adjusting Journal Entries JE # 2			
To recognize the expiration of the RCEDA Loan properly.			
43500	RCEDA Loan - Dissolved	300,000.00	
32001	Prior Period Adjustment	\$	300,000.00

DRAFT



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

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023

DRAFT

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

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Introductory Section	
Letter of Transmittal	1-3
Financial Section	
Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	7-11
Basic Financial Statements:	
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	16-30
Report on Internals Controls and Compliance	
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>	31-32

Introductory Section

DRAFT

DRAFT



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,

Michael Pollack, General Manager

DRAFT

< Page Intentionally Left Blank >

Financial Section

DRAFT

DRAFT

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
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>
Assets:					
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>
Total assets	<u>12,395,191</u>	<u>12,961,991</u>	<u>(566,800)</u>	<u>10,113,901</u>	<u>2,848,090</u>
Liabilities:					
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>
Total liabilities	<u>542,492</u>	<u>1,558,548</u>	<u>(1,016,056)</u>	<u>791,981</u>	<u>766,567</u>
Deferred inflows of resources					
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>
Net position:					
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>
Total net position	<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>
Revenues:					
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
Total revenues	<u>1,981,250</u>	<u>2,199,439</u>	<u>(218,189)</u>	<u>1,849,953</u>	<u>349,486</u>
Expenses:					
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)
Total expenses	<u>1,841,049</u>	<u>1,620,384</u>	<u>220,665</u>	<u>1,621,861</u>	<u>(1,477)</u>
Net income(loss) before capital contributions	140,201	579,055	(438,854)	228,092	350,963
Capital contributions	<u>343,767</u>	<u>1,537,180</u>	<u>(1,193,413)</u>	<u>46,864</u>	<u>1,490,316</u>
Changes in net position	<u>483,968</u>	<u>2,116,235</u>	<u>(1,632,267)</u>	<u>274,956</u>	<u>1,841,279</u>
Net position, beginning of year as previously stated	10,535,650	8,419,415	2,116,235	8,120,716	298,699
Prior period adjustment	-	-	-	23,743	(23,743)
Net position, beginning of year as restated	<u>10,535,650</u>	<u>8,419,415</u>	<u>2,116,235</u>	<u>8,144,459</u>	<u>274,956</u>
Net position, end of year	<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 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 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 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 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 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 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

DRAFT

Cabazon Water District
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>As Restated 2023</u>
Current assets:		
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
Total current assets	<u>2,753,789</u>	<u>3,485,976</u>
Non-current assets:		
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
Total non-current assets	<u>9,641,402</u>	<u>9,476,015</u>
Total assets	<u>12,395,191</u>	<u>12,961,991</u>
Current liabilities:		
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
Total current liabilities	<u>301,607</u>	<u>1,403,825</u>
Non-current liabilities:		
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
Total non-current liabilities	<u>240,885</u>	<u>154,723</u>
Total liabilities	<u>542,492</u>	<u>1,558,548</u>
Deferred inflows of resources		
Deferred lease inflows (note 4)	833,081	867,793
Total deferred inflows of resources	<u>833,081</u>	<u>867,793</u>
Net position: (note 9)		
Net investment in capital assets	8,439,761	8,355,555
Restricted	62,414	66,099
Unrestricted	2,517,443	2,113,996
Total net position	<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>
Operating revenues:		
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
Total operating revenues	<u>1,712,952</u>	<u>1,715,772</u>
Operating expenses:		
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
Total operating expenses	<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>
Operating (loss) income	<u>(116,231)</u>	<u>107,230</u>
Non-operating revenue(expense)		
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
Total non-operating revenues, net	<u>256,432</u>	<u>471,825</u>
Net income before capital contributions	140,201	579,055
Capital contributions	<u>343,767</u>	<u>1,537,180</u>
Changes in net position	483,968	2,116,235
Net position, beginning of year	<u>10,535,650</u>	<u>8,419,415</u>
Net position, end of year	<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

	2024	2023
Cash flows from operating activities:		
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)
Net cash provided by operating activities	252,153	966,198
Cash flows from non-capital financing activities:		
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
Net cash provided by non-capital financing activities	667,770	1,324,428
Cash flows from capital and related financing activities:		
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)
Net cash used in capital and related financing activities	(583,847)	(1,954,072)
Cash flows from investing activities:		
Interest earnings	104,734	21,734
Net cash provided by investing activities	104,734	21,734
Net increase in cash and cash equivalents	440,810	358,288
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
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 2,030,912	1,586,417
Cash and cash equivalents – restricted	62,414	66,099
Total cash and cash equivalents	\$ 2,093,326	1,652,516

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

	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (116,231)	107,230
Adjustments to reconcile operating income to net cash provided operating activities:		
Depreciation	487,470	380,432
Other non-operating	14,980	305,466
Change in assets and liabilities:		
(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
Total adjustments	368,384	858,968
Net cash provided by operating activities	\$ 252,153	966,198
Non-cash investing, capital, and financing transactions:		
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:

	2024	2023
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:

	2024	2023
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:

	2024	2023
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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.

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, 2024, consisted of the following:

Investment Type	Total	Remaining maturity 12 months or less
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

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

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

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

(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, 2024, were as follows:

Investment Type	Total	Minimum legal rating	Rating as of year end		
			AAA	S&P Global Ratings AAAm	Not Rated
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:

Investment Type	Total	Minimum legal rating	Rating as of year-end	
			AAA	Not Rated
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.

(3) Accounts Receivable

The balance at June 30 consists of the following:

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

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

(4) Lease Receivable

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

	<u>Balance 2024</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2024</u>	<u>Current</u>	<u>Non-current</u>
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:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2023</u>	<u>Current</u>	<u>Non-current</u>
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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.

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.

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

(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 Gorgonio 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 Gorgonio 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	44,941	<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 1st and April 1st 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	15,524	230	15,754
Total	108,532	4,604	113,136
Current	(45,825)		
Non-current	\$ 62,707		

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 1st of each month beginning April 1st 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	87,193	10,741	97,934
Total	160,679	42,260	202,939
Current	(13,268)		
Non-current	\$ 147,411		

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 1st and October 1st 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:

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

(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	<u>(937,217)</u>
Total adjustments	<u>23,743</u>
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.

< Page Intentionally Left Blank >

DRAFT

Report on Internal Controls and Compliance

DRAFT

DRAFT

**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
Cypress, California
September 17, 2024

DRAFT

New Business

2. Discussion/Action Item:

[TAB 3]

Resolution 2024-03 – Authorized Representative for
Grant Application, Assisted by Cal Rural Water
Association

Attachments:

1. Resolution 2024-03

RESOLUTION NO. 2024-03

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CABAZON WATER DISTRICT
AUTHORIZED REPRESENTATIVE RESOLUTION/ORDINANCE**

WHEREAS, The Cabazon Water District is applying for Funding with the Drinking Water State Revolving Fund resolved by the Board of Directors of the Cabazon Water District (the "Entity"), As Follows:

The General Manager (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the Entity, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning, design, and construction of *Water Main Replacements and Hydrant Installations* (the "Project").

This Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

The Authorized Representative, or his/her designee, is designated to represent the Entity in carrying out the Entity's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

RESOLUTION NO. 2024-03
PAGE 2 OF 2

PASSED AND ADOPTED by the Board of Directors of the Cabazon Water District, Riverside County, State of California, this ____ day of _____ 2024.

MOTION:

SECOND:

AYES:

NOES:

ABSTAIN:

ABSENT:

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Cabazon Water District Board of Directors held on _____, 2024.

SIGNED:

ATTEST:

Sarah Wargo
President of the Board
of Directors
Cabazon Water District

Evelyn Aguilar
Secretary to the Board of
Directors
Cabazon Water District

SEAL

New Business

3. Discussion/Action Item:

[TAB 4]

FY 25 Budget Amendment

Attachments:

1. Budget Amendment Narrative



Cabazon Water District FY 24/25 Proposed Budget Amendment 9/9/24

Line Item	Adopted Budget Revenue/ (Expense)	Proposed Amended Budget Revenue/ (Expense)	Net Change \$
Gain on Sale of Property	\$ -	\$ 168,098	\$ 168,098
Well #2 New Facility Building	(30,000)	(130,000)	(100,000)
Bonita Vault	(20,200)	(55,000)	(34,800)
Net Budget Effect	\$ (50,200)	\$ (16,902)	\$ 33,298

Gain on Sale of Property: FY 25 proposed amendment will add budget to account for sale of Main St. Yard property.

Well #2 New Facility Building: FY 25 adopted budget includes \$30K for a new facility building at Well #2. Proposed amended budget includes land development and a new workshop building at the Well #2 site using the proceeds from the Main St. property sale.

Bonita Vault: Adopted FY 25 Budget consisted of carryover from FY 24 in order to complete the project and included \$15K for a vault box and \$5K for a crane to lift the vault. Proposed amendment is to adjust for material ordered in FY24 but not received until FY25, as well additional costs needed to complete project.

Net Budget Effect: Net effect of the proposed budget amendments is the addition of \$33,298 to budgeted net income as a result of remaining proceeds from Main St. Property sale.

Old Business

1. Discussion/Action Item: [TAB 5]

Community Involvement –

- Community Fair (Saturday, 09/21)
- Trunk or Treat (Saturday, 10/26)

Attachments:

1. Community Fair flyer

*Note: Victoria Burke reached out about utilizing the CWD parking lot on Saturday, 10/26/2024 from 5:00 pm to 8:30 pm for a Community Trunk or Treat.



CABAZON COMMUNITY FAIR

Brought to you by Riverside County 5th District Supervisor Gutierrez

SATURDAY, SEPTEMBER 21, 2024

10:00 AM - 1:00 PM

**CABAZON COMMUNITY PARK
50390 Carmen Ave, Cabazon, CA 92230**

ACTIVITIES INCLUDE

BMX Freestyle Show - Kid Zone - Giveaways - Resource Fair - Games

Bounce House - Arts & Crafts - Food & Refreshments



County of Riverside
Supervisor - 5th District

Yxstian Gutierrez



Riverside County
Page 87 of 87