



Cabazon Water District

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

BOARD MEETING PACKET

September 19, 2023

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 19, 2023 – 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 19, 2023 – 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 15, 2023
- b. Regular Board Meeting Minutes and Warrants of August 15, 2023
- c. Special Board Meeting Minutes of August 21, 2023

2. Warrants – None

3. Awards of Contracts – None

UPDATES

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

NEW BUSINESS

1. Discussion/Action: Report of the Audited Financial Statements for FY 2022/2023 as presented by Fedak & Brown LLP
[TAB 2]

OLD BUSINESS

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

PUBLIC COMMENTS

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CLOSED SESSION

1. Discussion/Action Public Employee Performance Evaluation (Government Code section 54957): (General Manager)
2. Discussion/Action: Conference with Labor Negotiator – Unrepresented Employee (Government Code section 54957.6) Position: General Manager, Agency Designated Representative: Roger Crawford

OPEN SESSION

NEW BUSINESS (continued)

2. Discussion/Action: Approval of Amendment to General Manager Employment Agreement
3. Discussion/Action: Enersponse Demand Response Program
[TAB 3]
4. Discussion/Action: Authorization to Transfer \$165,000 for RCAC Loan to CA CLASS Account Upon Receipt of Funds
5. Discussion/Action: FY 23/24 Budget Amendment – Increase “T2, T3, & T4 Recoating” from \$13,348 to \$473,521
[TAB 4]

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. 09/27/2023 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
- b. 10/02/2023 (Monday) at 1:30 PM: San Gorgonio Pass Water Agency Meeting
- c. 10/16/2023 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
- d. 10/17/2023 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting
- e. 10/17/2023 (Tuesday) at 6:00 PM: Regular Board Meeting
- f. 11/18/2023 (Saturday) at 10:00 AM: Community Action Committee at the Cabazon Library
- g. TBD: Personnel Committee Meeting

ADJOURNMENT

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Cabazon Water District

Balance Sheet

As of August 31, 2023

	<u>2023</u>	
1 ASSETS		
2 Current Assets		
3 Checking/Savings	\$ 1,378,996	\$ 1,378,996 Chase
4 Accounts Receivable	552,365	836,441 LAIF/CLASS
5 Investments - LAIF & CLASS	836,441	<u>\$ 2,215,437</u> Cash & Investments
6 Bank of New York Trustee Accounts	74,466	
7 Inventory	109,238	
8 Total Current Assets	<u>2,951,506</u>	
9 Fixed Assets		
10 Total Fixed Assets	15,556,108	
11 Accumulated Depreciation	<u>(6,987,985)</u>	
12 Net Fixed Assets	8,351,411	
13 TOTAL ASSETS	<u>\$ 11,519,629</u>	
14 LIABILITIES & FUND BALANCE		
15 Liabilities		
16 Current Liabilities		
17 Accounts Payable	\$ 142,851	
18 Due to Other Gov't SGPWA	900,247	
19 Customer Deposits	10,441	
20 Current Portion DWR Loan	44,487	
21 Current Portion 2022 Ford	13,358	
22 Accrued Expenses	<u>41,574</u>	
23 Total Current Liabilities	1,152,958	
24 Long Term Liabilities		
25 DWR Loan Payable	108,532	
26 RCEDA* Loan Payable	<u>300,000</u>	
27 Total Long Term Liabilities	454,724	
28 TOTAL LIABILITIES	1,607,682	
29 Total Fund Balance	<u>9,911,947</u>	
30 TOTAL LIABILITIES & FUND BALANCE	<u>\$ 11,519,629</u>	

*Riverside County Economic Development Agency (RCEDA)



Cabazon Water District
Budget to Actual
 For the Period Ended August 31, 2023

	A	B	C	D=B/C
	Aug-23	Current YTD	FY 23/24 Budget	YTD 17%
1 REVENUES				
2 OPERATING INCOME				
3 Base Rate - Water Bills	\$ 47,314	\$ 94,871	\$ 595,900	16%
4 Commodity Sales	103,832	199,106	993,900	20%
5 Fire Sales - Water Bills	274	547	4,900	11%
6 Fees & Charges	5,978	10,202	58,600	17%
7 Basic Facilities Fee	13,384	13,384	9,300	144%
8 Stand By Fees - Tax Revenue	-	-	123,600	0%
9 TOTAL OPERATING INCOME	170,781	318,110	1,786,200	18%
10 NON-OPERATING INCOME				
11 Property Taxes	23	23	102,000	0%
12 Cell Tower Lease Income	2,779	5,559	33,400	17%
13 Miscellaneous Non-Operating Income	370	370	-	N/A
14 Interest Income	4,446	5,281	35,700	15%
15 TOTAL NON-OPERATING INCOME	7,619	11,233	171,100	7%
16 TOTAL REVENUES	178,400	329,343	1,957,300	17%
17 EXPENSES				
18 PAYROLL				
19 Directors Fees	1,500	3,500	20,000	18%
20 Management & Customer Service	20,352	50,324	277,300	18%
21 Field Workers	17,789	43,970	230,100	19%
22 Employee Benefits Expense	18,764	34,568	184,900	19%
23 Payroll Taxes	3,009	7,371	41,100	18%
24 TOTAL PAYROLL	61,415	139,733	753,400	19%
25 OPERATIONAL EXPENSES				
26 Facilities, Wells, Transmission & Distribution (T&D)				
27 Lab Fees	233	1,550	12,000	13%
28 Meter Testing & Repair	-	-	2,500	0%
29 Utilities - Wells	8,961	16,472	170,000	10%
30 Line R&M Materials	15	603	65,000	1%
31 Well Maintenance	1,432	1,314	42,000	3%
32 Security	1,105	3,940	25,900	15%
33 Engineering Services -	5,637	5,637	40,000	14%
34 Facilities, Wells, T&D - Other	144	1,411	24,000	6%
35 Total Facilities, Wells, T&D	17,527	30,928	381,400	8%
36 Office Expenses				
37 Utilities - Office	3,581	7,154	35,100	20%
38 Water Billing System	-	2,246	2,800	80%**
39 Supplies & Equipment	230	372	11,100	3%
40 Copier & Supplies	396	904	5600	16%
41 Dues & Subscriptions	115	1,235	2,400	51%**
42 Postage	207	988	10,600	9%
43 Printing & Publications	-	184	500	37%
44 Computer Services	2,730	5,454	34,300	16%
45 Air Conditioning Servicing	485	970	5,800	17%
46 Office Expenses - Other	150	150	900	17%

*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.

**CUSI is paid through April, 2024. ParcelQuest and CRWA fees are paid through fiscal year end.



Cabazon Water District
Budget to Actual
 For the Period Ended August 31, 2023

	A	B	C	D=B/C
	Aug-23	Current YTD	FY 23/24 Budget	YTD 17%
47 Total Office Expenses	\$ 7,892	\$ 19,658	\$ 109,100	18%
48 Support Services				
49 Financial Audit	5,410	5,410	15,600	35%
50 Accounting	3,850	7,700	46,200	17%
51 Legal Services	124	124	20,000	1%
52 Payroll/Bank Service Charge	441	1,166	5,800	20%
53 Website Support	75	150	1,000	15%
54 Insurance	-	31,792	42,400	75%**
55 Total Support Services	9,900	46,341	131,000	35%
56 Training/Travel	897	1,588	5,000	32%
57 Other Fees/State Water Resource Control Board	-	658	10,400	6%
58 Service Tools & Equipment				
59 Shop Supplies and Small Tools	280	4,903	17,000	29%
60 Vehicle Fuel	1,024	1,030	9,400	11%
61 Employee Uniforms	-	-	1,950	0%
62 Safety	-	267	2,000	13%
63 Tractor Expenses/ Maintenance	-	36	4,200	1%
64 Equipment Rental	-	-	3,000	0%
65 Service Trucks - Repair & Maintenance	376	1,313	11,900	11%
66 Water Operations On-Call Phones	349	699	4,700	15%
67 Total Service Tools & Equipment	2,029	8,248	54,150	15%
68 NON-OPERATING EXPENSES				
69 Loan Interest & Processing Fee	378	514	12,900	4%
70 Bad Debt Expense	-	-	1,400	N/A
71 Miscellaneous	-	-	1,500	N/A
72 TOTAL NON-OPERATING EXPENSES	378	514	15,800	3%
73 TOTAL EXPENSES	100,038	247,668	1,460,250	17%
74 INCOME BEFORE CAPITAL & GSA	78,363	81,675	497,050	16%
75 Capital Projects - Reserve Funded	(118,941)	(148,487)	(272,400)	55%
76 Debt Service - Principal	(1,101)	(2,445)	(65,500)	4%
78 NET INCOME / (LOSS)	\$ (41,679)	\$ (69,257)	\$ 159,150	

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**Property and liability insurance is paid through April, 2024.



Cabazon Water District
Capital Detail
 For the Period Ended August 31, 2023

	A	B	C	D=B/C
	Aug-23	Current YTD	FY 23/24 Budget	YTD 17%
1 CAPITAL PROJECTS				
2 RESERVE FUNDED				
3 Well & Tank Repairs	\$ -	\$ -	\$ (3,700)	0%
4 Customer Shut-Off Valves	-	-	(10,000)	0%
5 Meter Replacement	(1,840)	(4,886)	(23,700)	21%
6 Main Replacements Fire Hydrant & Air Vac	-	-	(145,000)	0%
7 Bonita Vault	-	-	(70,000)	0%
8 New Truck	-	-	(10,000)	0%
9 Utility Billing	-	-	(10,000)	0%
10 Well #1 Emergency Repair	(117,101)	(143,601)	-	0%
11 TOTAL RESERVE FUNDED PROJECTS	(118,941)	(148,487)	(272,400)	55%
12 GRANT/DEBT FUNDED				
13 Department of Water Resources (DWR)				
14 Isolation Valves	-	-	(72,378)	0%
15 Grant Funding - DWR	-	-	72,378	0%
16 State Water Resource Control Board (SWRCB)				
17 Groundwater Well Improvements	(792)	(792)	(482,095)	0%
18 Grant Funding - SWRCB	-	-	482,095	0%
19 American Rescue Plan Act (ARPA)				
20 Broadway & Main St. Gate Valve	-	-	(15,064)	0%
21 T2, T3, & T4 Recoating*	(93,318)	(194,113)	(473,521)	41%
22 Grant Funding - ARPA*	-	-	488,585	0%
23 Well 4				
24 Well 4 Repairs	-	-	(165,000)	0%
25 Debt Funding	-	-	165,000	0%
26 NET GRANT/DEBT FUNDED PROJECTS	(94,110)	(194,905)	-	0%
27 TOTAL NET COST OF CAPITAL PROJECTS	\$ (213,050)	\$ (343,391)	\$ (272,400)	

*Budget shown includes proposed budget amendment pending board approval

Total Project Activity Summary

	Expenses	Funding Received	Total Receivable
Isolation Valves Project			
Total Budget	\$ 1,243,000	\$ 1,243,000	
Isolation Valves - FY 22	(33,118)	33,118	-
Isolation Valves - FY 23	(1,169,143)	1,169,143	-
Isolation Valves - FY 24	-	-	-
Total	\$ (1,202,261)	\$ 1,202,261	\$ -
Groundwater Well Improvement Project			
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	(792)	-	-
Total	\$ (63,001)	\$ 62,210	\$ 792
ARPA Funded Projects			
Total Budget	\$ 488,585	\$ 488,585	
Broadway & Main St. Gate Valve - FY 23	(74,035)	74,035	-
T2, T3, & T4 Recoating - FY 23	(196,968)	196,968	-
T2, T3, & T4 Recoating - FY 24	(194,113)	-	194,113
Total	\$ (465,116)	\$ 271,003	\$ 194,113

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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 15, 2023 – 5:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

Director Terry Tincher – Present
Director 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 and Local Agency Investment Fund (LAIF) balance was \$1,404,217 at month end. The District's total liabilities were approximately \$1,501,290 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 in line with budget.

8. Standby Fees – Tax Revenue: This accounts for standby fees accessed to all parcels in the District. The minimum fee is \$5/acre; rates vary per location and nature of the parcel. YTD is trending under budget due to the bulk of these receipts occurring around January and May.

16. Total Revenues: YTD is at 8%.

24. Total Payroll: YTD is at 10% due to 3 pay periods in the month of July.

38. Water Billing System: This account includes the annual water billing system maintenance costs. YTD is trending over budget at 80% due to timing of water billing system annual charges. No more activity is expected on this account for the rest of the year.

41. Dues & Subscriptions: This account includes various annual dues and fees. Expenses vary depending upon timing of dues renewals. This account is trending over budget at 47% due to timing of renewals for ParcelQuest and California Rural Water Association through fiscal year end.

54. Insurance: This account includes the annual costs of liability insurance for the District. YTD is trending over budget at 75% due to timing of property and liability insurance renewal for the fiscal year.

56. Training/Travel: This account includes staff/board training expenses and any related travel costs. YTD is trending over budget at 14% due to a WaterWisePro water treatment class.

59. Shop Supplies & Small Tools: This account includes various shop supply and small tool purchases. YTD is trending over budget at 27% due to a \$2.9k purchase for a Northstar Skid Sprayer.

62. Safety: This account includes safety equipment purchases.

75. Total Expenses: YTD is at 10%.

The accounts that have items that are paid through the whole year will include an asterisk with a note on the next financial report so that the variance doesn't need to be explained at each meeting (Lines 38, 41, and 54).

As of July 31st, the fiscal year-to-date net loss is \$26,953.

Capital Detail:

5. Meter Replacement: This account is for the Water Meter Replacement Program. YTD is at 13%.

20. T2, T3, & T4 Recoating: Includes Tank Recoating for T1, T2 & T4, anticipated to be 100% grant funded. The financial report shows that this account is at 75% because the full remaining grant amount wasn't carried over to the FY 23 budget. Ms. Aguilar said she would try to get this resolved before the next FAC meeting.

PUBLIC COMMENT

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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 5:14 PM on Tuesday, August 15, 2023 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

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**REGULAR BOARD MEETING
MINUTES**

Meeting Location:

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Cabazon, CA 92230

Teleconference:

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Access Code: 117188
Email: info@cabazonwater.org

Meeting Date:

Tuesday, August 15, 2023 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Taffy Brock - Present
Director Terry Tincher - Present
Director Diana Morris - Present
Director Alan Davis - Present
Director Sarah Wargo - Present
Michael Pollack, General Manager - Present
Evelyn Aguilar, Board Secretary - Present

Note: This meeting was recorded by the District

CONSENT CALENDAR

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1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and Warrants of July 18, 2023

b. Regular Board Meeting Minutes and Warrants of July 18, 2023

Motion to approve following consent calendar items (a.) Finance and Audit Committee Meeting Minutes and Warrants of July 18, 2023, and (b.) Regular Board Meeting Minutes and Warrants of July 18, 2023 made by Director Davis and 2nd by Director Tincher.

**Director Brock - Aye
Director Tincher - Aye
Director Morris - Aye
Director Davis - Aye
Director Wargo - Aye**

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

UPDATES

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

- The RCAC loan for the Well #4 rehabilitation was signed on 08/09/23.
- The Tank Recoating project began on 05/22/23. Tanks 4, 2, and 1 have been completed. Tank 3 is 75% done. Air vacs and storage containers will also be repainted, and logos will possibly be added on some of the tanks.
- Well #1 has been repaired and reinstalled. The total cost was \$142,509.
- Bay Alarm has installed new security systems at all sites except for the office and the Main St. yard, which are both locked into contracts with Securitas Technology.
- There has been no updates to the insurance claim for the stolen truck and tools. An update was requested on 08/08/23.
- Esperanza Waterline Improvements, Phase 1 is a grant funded project that is in the approval process. The grant amount is \$343,700.
- GM Pollack acknowledged Evelyn Aguilar's part in many of the grant projects and improvements to the water system. He explained that she handles a large portion of interactions with various contractors and agencies.

**2. Update: San Gorgonio Pass Regional Water Alliance (SGPRWA) Meeting
(by Director Brock)**

- Director Brock reported that there was a lot of talk about new chromium and PFOS compliance that will be expensive.

NEW BUSINESS

1. Discussion: Update from Victor Diaz regarding the Community Action Committee

- Victor Diaz said that the general plan is being looked at to figure out what exactly is needed to develop the land on the east side of Bonita, towards Elm. He said that he is working on getting Flood Control to conduct a new flood study in that area. He also said that several property owners are interested in putting money into this project to extend the main waterline, but not all of the owners are aware of this potential project. He asked if the District would be willing to endorse a letter to send to the unaware property owners to increase the likelihood of their involvement, but Director Morris suggested that he ask the County for this endorsement instead since it is more than just water that is needed to develop the land. It was mentioned that the biggest issues are probably

that the area is in a flood zone, and the financial aspect since the project could cost hundreds of thousands to millions of dollars.

2. Discussion/Action: Increase credit card limit to \$5,000.00

- The current credit card limit is \$500, which leads to employees needing to make big purchases with their own credit cards to be reimbursed at a later time.

Motion to increase the credit card limit to \$5,000.00 made by Director Davis and 2nd by Director Tincher.

**Director Brock - Aye
Director Tincher - Aye
Director Morris - Aye
Director Davis - Aye
Director Wargo - Aye**

OLD BUSINESS

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

- No SGPWA Directors were present this month.
- At a recent SGPWA meeting, they talked about working on updating their policies, the backbone pipeline, and liquid injections that minimize pond algae.
- A break was taken at 5:58 PM, then the Board immediately entered closed session.

CLOSED SESSION

**1. Discussion/Action PUBLIC EMPLOYEE PERFORMANCE EVALUATION:
(General Manager)**

OPEN SESSION at 7:25 PM

- No reportable actions were taken during closed session.

PUBLIC COMMENTS

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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.
- GM Pollack will provide an update on Well #4.
- The Audit presentation is expected to be included in the September meeting.
- Suggested agenda items from Board Members.
- Community Involvement.

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. 08/21/2023 (Monday) at 3:30 PM: Special Board Meeting
- b. 08/21/2023 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
- c. 09/11/2023 (Monday) at 1:30 PM: San Gorgonio Pass Water Agency Meeting
- d. 09/18/2023 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
- e. 09/19/2023 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting
- f. 09/19/2023 (Tuesday) at 6:00 PM: Regular Board Meeting
- g. 09/27/2023 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
- h. 11/09/2023 (Thursday) at 6:00 PM: West Desert Municipal Advisory Council (MAC) Meeting
- i. 11/18/2023 (Saturday) at 10:00 AM: Community Action Committee at the Cabazon Library
- j. TBD: Personnel Committee Meeting

ADJOURNMENT

Motion to adjourn at 7:35 PM made by Director Morris and 2nd by Director Tincher

Director Brock - Aye
Director Tincher - Aye
Director Morris - Aye
Director Davis - Aye

Director Wargo - Aye

Meeting adjourned at 7:35 PM on Tuesday, August 15, 2023

**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.



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

**SPECIAL BOARD MEETING
MINUTES**

Meeting Location:
14618 Broadway St.
Cabazon, CA 92230

Email: info@cabazonwater.org

Meeting Date:
Monday, August 21, 2023 – 3:30 PM

CALL TO ORDER at 3:26 PM

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Taffy Brock - Present
Director Terry Tincher - Present
Director Diana Morris - Present
Director Alan Davis - Present
Director Sarah Wargo - Present
Michael Pollack, General Manager - Present
Evelyn Aguilar, Board Secretary - Present
Roger Crawford, Legal Consultant - Present

Note: The open session portion of this meeting was recorded by the District

CLOSED SESSION at 3:27 PM

1. Discussion/Action **PUBLIC EMPLOYEE PERFORMANCE EVALUATION:
(General Manager)**

OPEN SESSION at 4:03 PM

- No reportable actions were taken during closed session.

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))

ADJOURNMENT

Motion to adjourn at 4:03 PM made by Director Morris and 2nd by Director Tincher

**Director Brock - Aye
Director Tincher - Aye
Director Morris - Aye
Director Davis - Aye
Director Wargo - Aye**

Meeting adjourned at 4:03 PM on Monday, August 21, 2023

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

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

ADA Compliance Issues

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Cabazon Water District

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

September 12 2023 CWD Board Meeting Operations Update

- Eversponse Grid Service Agreement is a volunteer program to prevent wells from running from 4pm to 9pm Monday through Friday giving a rebate up to \$22,000 annually by lessening the demand of Edison
- Named the 2022 Leading Innovator in Demand Response Solutions for California by the Global Excellence Awards..
- **Program and payment summary example for DRAM program. (Preferred)**
- Event Duration: 1-2 hours
- Events per year: 6-10
- Hours an event may be called: 3-9pm Monday-Friday
- Advanced notification: 24 hours
- Payments: \$40/kW
- Example: $40 \times 450 \text{ kW} = \$18,000 - \$22,500/\text{yr}$
- Payments - Incentive quarterly estimates: \$4,000-\$5,625/quarter/ Discretionary Spending O & M
- One time Auto DR rebates at 450 kW = \$90,000 / Limited Conservation Capital Spending
- **Program and payment summary example for RA program.**
- Event Duration: 4 hours
- Events per year: 3-4
- Hours an event may be called: 3-9pm Monday-Friday
- Advanced notification: 24 hours up to 1 week
- Payments: \$45/kW
- Example: $45 \times 450 \text{ kW} = \$20,250 - \$24,750/\text{yr}$
- Payments - Incentive quarterly estimates: \$5,062.5- \$6,187.5/quarter
- One time Auto DR rebates at 450 kW= N/A
-
- Update for the insurance claim filed on June 14, 2023. (Vehicle and tool theft). Contact has been made with the Insurance Adjuster, is in the process of distributing checks.
- Well 4 Rehab is ongoing, brush and bail is complete, and now moving onto the rebuilding the motor, ordering a new pump, and clean and inspect.
- The Grant Funded Reservoir Corrosion Project has been completed. Tank 1,2,3, &4 painting is complete, along with the painting of all system Air Vac Containers, with the warehouses on Main St.
- Esperanza St. Waterline Improvement, Phase 1 is a Prop 1 Grant Funded Project currently in the approval process in the amount \$343,700.

- The Cabazon Water District did experience another vandalism incident on August 30th. The suspect jumped the back wall and drilled a hole in the gas tank of the Ford F250.
- Bay Alarm did install the voice down camera on September 11th. We will be paying 2 security companies until our contract expires with Securitas in November 2023.



New Business

1. Discussion/Action Item:

[TAB 2]

Report of the Audited Financial Statements for FY
2022/2023 as presented by Fedak & Brown LLP

Attachments:

1. CWD Draft Financial Statements 2023
2. CWD Draft Management Report 2023



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022

Cabazon Water District
Board of Directors as of June 30, 2023

Name	Title	Elected/ Appointed	Current Term
Sarah Wargo	Chair	Elected	12/2021 - 12/2025
Alan Davis	Vice Chair	Elected	3/2022 - 12/2023
Diana Morris	Director	Elected	12/2019 - 12/2023
Terry Tincher	Director	Appointed	12/2021 - 12/2023
Taffy Brock	Director	Elected	9/2022 - 12/2023

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, 2023 and 2022

**Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2023 and 2022**

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Introductory Section

DRAFT



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, 2023 and 2022, 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

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Financial Section

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, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing the audits in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Independent Auditor's Report, continued

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the letter of transmittal but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements 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 19, 2023 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 19, 2023

Cabazon Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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, 2023 and 2022. 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 2023, the District's net position increased 21.49% or \$1,800,005 to \$10,176,109. In fiscal year 2022, the District's net position increased 3.14% or \$255,388 to \$8,376,104.
- In fiscal year 2023, the District's operating revenues increased 1.85% or \$31,168, to \$1,715,772. In fiscal year 2022, the District's operating revenues decreased 1.98% or \$33,953, to \$1,684,604.
- In fiscal year 2023, the District's operating expenses decreased 2.01% or \$25,218 to \$1,228,110. In fiscal year 2022, the District's operating expenses increased 12.40% or \$138,242 to \$1,253,328.

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, 2023 and 2022

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 \$10,176,109 and \$8,376,104 as of June 30, 2023 and 2022, respectively.

By far the largest portion of the District's net position (79.16% and 81.09% as of June 30, 2023 and 2022, 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 2023 and 2022, the District showed a positive balance in its unrestricted net position of \$2,054,455 and \$1,518,666, respectively. See note 8 for further discussion.

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Assets:					
Current assets	\$ 3,466,533	1,718,954	1,747,579	1,430,261	288,693
Capital assets, net	8,568,124	7,449,131	1,118,993	7,574,391	(125,260)
Total assets	<u>12,034,657</u>	<u>9,168,085</u>	<u>2,866,572</u>	<u>9,004,652</u>	<u>163,433</u>
Liabilities:					
Current liabilities	1,403,825	278,235	1,125,590	300,630	(22,395)
Non-current liabilities	454,723	513,746	(59,023)	583,306	(69,560)
Total liabilities	<u>1,858,548</u>	<u>791,981</u>	<u>1,066,567</u>	<u>883,936</u>	<u>(91,955)</u>
Net position:					
Net investment in capital assets	8,055,555	6,792,508	1,263,047	6,864,178	(71,670)
Restricted for debt service	66,099	64,930	1,169	60,926	4,004
Unrestricted	2,054,455	1,518,666	535,789	1,195,612	323,054
Total net position	<u>\$ 10,176,109</u>	<u>8,376,104</u>	<u>1,800,005</u>	<u>8,120,716</u>	<u>255,388</u>

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Statement of Revenues, Expenses, and Changes in Net Position

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 1,715,772	1,684,604	31,168	1,718,557	(33,953)
Non-operating revenues	167,437	145,781	21,656	112,671	33,110
Total revenues	<u>1,883,209</u>	<u>1,830,385</u>	<u>52,824</u>	<u>1,831,228</u>	<u>(843)</u>
Expenses:					
Operating expenses	1,228,110	1,253,328	(25,218)	1,115,086	138,242
Depreciation	380,432	347,162	33,270	323,011	24,151
Non-operating expenses	11,842	21,371	(9,529)	16,360	5,011
Total expenses	<u>1,620,384</u>	<u>1,621,861</u>	<u>(1,477)</u>	<u>1,454,457</u>	<u>167,404</u>
Net income(loss) before capital contributions	262,825	208,524	54,301	376,771	(168,247)
Capital contributions	1,537,180	46,864	1,490,316	-	46,864
Changes in net position	1,800,005	255,388	1,544,617	376,771	(121,383)
Net position, beginning of year	8,376,104	8,120,716	255,388	7,743,945	376,771
Net position, end of year	<u>\$ 10,176,109</u>	<u>8,376,104</u>	<u>1,800,005</u>	<u>8,120,716</u>	<u>255,388</u>

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

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

In fiscal year 2023, the District's net position increased 21.49% or \$1,800,005 to \$10,176,109. In fiscal year 2022, the District's net position increased 3.14% or \$255,388 to \$8,376,104. See note 8 for further discussion.

In fiscal year 2023, the District's operating revenues increased 1.85% or \$31,168, due primarily to an increases of \$23,745 in standby fees, \$24,134 in other charges, and \$2,584 in facility fees; which was offset by a decrease of \$19,061 in water consumption sales. In fiscal year 2022, the District's operating revenues decreased 1.98% or \$33,953, due primarily to decreases of \$59,787 in water consumption sales and \$13,292 in standby fees; which were offset by increases of \$28,443 in facility fees and \$10,407 in other charges.

In fiscal year 2023, the District's operating expenses decreased 2.01% or \$25,218, due primarily to a decrease of \$151,482 in general and administrative; which were offset by increases of \$78,154 in transmission and distribution, \$37,409 in pumping and water treatment, and \$10,701 in customer accounts. In 2022, the District's operating expenses increased 12.40% or \$138,242, due primarily to increases of \$117,970 in general and administrative, \$22,928 in pumping and water treatment, and \$8,408 in customer accounts; which was offset by a decrease of \$11,064 in transmission and distribution.

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Capital Asset Administration

At the end of fiscal years 2023 and 2022, the District's investment in capital assets (net of accumulated depreciation) amounted to \$8,568,124 and \$7,449,131, 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 2023 was as follows:

	Balance 2022	Additions/ Transfers	Deletions/ Transfers	Balance 2023
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>

The changes in capital assets for 2022 was as follows:

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

Debt Administration

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

	Balance 2022	Additions	Payments	Balance 2023
Long-term debt:				
Capital lease payable	\$ 73,317	-	(13,767)	59,550
Loans payable	<u>583,306</u>	<u>-</u>	<u>(130,287)</u>	<u>453,019</u>
Total long-term debt	<u>\$ 656,623</u>	<u>-</u>	<u>(144,054)</u>	<u>512,569</u>

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2023 and 2022

Debt Administration, continued

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

	<u>Balance 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2022</u>
Long-term debt:				
Capital lease payable	\$ -	76,457	(3,140)	73,317
Loans payable	<u>710,213</u>	<u>-</u>	<u>(126,907)</u>	<u>583,306</u>
Total long-term debt	<u>\$ 710,213</u>	<u>76,457</u>	<u>(130,047)</u>	<u>656,623</u>

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, 2023 and 2022**

	2023	2022
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,586,417	1,229,298
Cash and cash equivalents – restricted (note 2)	66,099	64,930
Accrued interest receivable	6,588	1,544
Accounts receivable – water sales, net (note 3)	241,215	273,633
Grants receivable (note 5)	1,415,012	-
Property taxes and assessments receivable	3,400	-
Materials and supplies inventory	109,238	109,315
Prepaid and other assets	38,564	40,234
Total current assets	3,466,533	1,718,954
Non-current assets:		
Capital assets – non-depreciable assets (note 4)	906,260	689,548
Capital assets – depreciable assets, net (note 4)	7,661,864	6,759,583
Total non-current assets	8,568,124	7,449,131
Total assets	12,034,657	9,168,085
Current liabilities:		
Accounts payable and accrued expenses	218,430	95,107
Accrued wages and related payables	20,697	11,944
Customer advances and deposits	15,652	19,669
Developer deposits	1,595	-
Accrued interest payable on long-term debt	1,134	1,996
Due to SGWPA (note 5)	1,072,578	-
Long-term liabilities – due within one year:		
Compensated absences (note 6)	15,893	6,642
Capital lease (note 7)	13,359	12,590
Loans payable (note 7)	44,487	130,287
Total current liabilities	1,403,825	278,235
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Capital lease (note 7)	46,191	60,727
Loans payable (note 7)	408,532	453,019
Total non-current liabilities	454,723	513,746
Total liabilities	1,858,548	791,981
Net position: (note 8)		
Net investment in capital assets	8,055,555	6,792,508
Restricted	66,099	64,930
Unrestricted	2,054,455	1,518,666
Total net position	\$ 10,176,109	8,376,104

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Water consumption sales	\$ 1,440,498	1,459,559
Connection fees	4,799	5,033
Standby fees	124,061	100,316
Facility fees	89,791	87,207
Other charges	56,623	32,489
Total operating revenues	1,715,772	1,684,604
Operating expenses:		
Pumping and water treatment	179,532	142,123
Transmission and distribution	119,607	41,453
Customer accounts	75,668	64,967
General and administrative	853,303	1,004,785
Total operating expenses	1,228,110	1,253,328
Operating income before depreciation and amortization	487,662	431,276
Depreciation	(380,432)	(347,162)
Operating income	107,230	84,114
Non-operating revenue(expense)		
Property taxes	100,413	85,857
Rental income – cellular antennas	32,699	29,558
Investment earnings	28,889	7,054
Unrealized loss on investments	(2,111)	(10,687)
Interest expense – long-term debt	(9,731)	(10,684)
Other non-operating revenue, net	5,436	23,312
Total non-operating revenues, net	155,595	124,410
Net income before capital contributions	262,825	208,524
Capital contributions	1,537,180	46,864
Changes in net position	1,800,005	255,388
Net position, beginning of year	8,376,104	8,120,716
Net position, end of year	\$ 10,176,109	8,376,104

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers for water sales	\$ 1,621,707	1,543,578
Proceeds from standby fees	124,061	100,316
Cash paid to employees for salaries and wages	(347,154)	(271,329)
Cash paid to vendors and suppliers for materials and services	(732,446)	(999,546)
Net cash provided by operating activities	666,168	373,019
Cash flows from non-capital financing activities:		
Proceeds from rental income – cellular antennas	32,699	29,558
Proceeds from property taxes	97,013	90,854
Proceeds from grant	1,194,746	46,864
Net cash provided by non-capital financing activities	1,324,458	167,276
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,499,425)	(221,902)
Proceeds from financing	-	76,457
Principal paid on long-term debt	(144,054)	(130,047)
Interest paid on long-term debt	(10,593)	(11,523)
Net cash used in capital and related financing activities	(1,654,072)	(287,015)
Cash flows from investing activities:		
Interest earnings	21,734	(4,505)
Net cash provided by (used in) investing activities	21,734	(4,505)
Net increase in cash and cash equivalents	358,288	248,775
Cash and cash equivalents, beginning of year	1,294,228	1,045,453
Cash and cash equivalents, end of year	\$ 1,652,516	1,294,228
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 1,586,417	1,229,298
Cash and cash equivalents – restricted	66,099	64,930
Total cash and cash equivalents	\$ 1,652,516	1,294,228

Continued on next page

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 107,230	84,114
Adjustments to reconcile operating income to net cash provided operating activities:		
Depreciation	380,432	347,162
Other non-operating	5,436	23,312
Change in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	32,418	(33,417)
Materials and supplies inventory	77	1,156
Prepaid and other assets	1,670	(11,782)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	123,323	(26,277)
Accrued wages and related payables	8,753	423
Compensated absences	9,251	(4,379)
Customer advances and deposits	(4,017)	(7,293)
Developer deposits	1,595	-
Total adjustments	558,938	288,905
Net cash provided by operating activities	\$ 666,168	373,019
Non-cash investing, capital, and financing transactions:		
Changes in fair-market value of funds deposited with LAIF	\$ (2,111)	(10,687)

See accompanying notes to the basic financial statements

Cabazon Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022

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

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

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

C. Financial Reporting, continued

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

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

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

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

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

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

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.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

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

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. 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

6. 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.

7. Prepaid Expenses

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

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

8. 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

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.

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.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

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

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

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:

	2023	2022
Cash and cash equivalents	\$ 1,586,417	1,229,298
Cash and cash equivalents – restricted	66,099	64,930
Total	\$ 1,652,516	1,294,228

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

	2023	2022
Cash on hand	\$ 100	100
Deposits with bank	759,988	415,061
Investments	892,428	879,067
Total	\$ 1,652,516	1,294,228

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

	2023	2022
Deposits in California Local Agency Investment Fund (LAIF)	260 days	311 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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

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, 2023 and 2022, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

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

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.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

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

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

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

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

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

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

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

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(2) Cash and Investments, continued

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, 2023 and 2022.

(3) Accounts Receivable

The balance at June 30 consists of the following:

	2023	2022
Accounts receivable - water sales and services	\$ 285,611	326,746
Allowance for uncollectible accounts	(44,396)	(53,113)
	\$ 241,215	273,633

(4) Capital Assets

The change in capital assets for 2023 was as follows:

	Balance 2022	Additions/ Transfers	Deletions/ Transfers	Balance 2023
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	-	1,502,127	(1,285,415)	216,712
Total non-depreciable assets	689,548	1,502,127	(1,285,415)	906,260
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	13,422,803	1,282,714	(55,668)	14,649,849
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	(6,663,220)	(380,433)	55,668	(6,987,985)
Total depreciable assets, net	6,759,583	902,281	-	7,661,864
Total capital assets, net	\$ 7,449,131			8,568,124

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(4) Capital Assets, continued

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

The change in capital assets for 2022 was as follows:

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

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

(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. Of the total grants receivable amount of \$1,415,012 recorded in the statements of net position as of June 30, 2023, total receivable from the project amounted to \$1,168,278.

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, 2023, the District's balance due to SGWPA amounted to \$1,072,578.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(6) Compensated Absences

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>
\$	6,642	28,332	(19,081)	15,893

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

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

(7) Long-Term Debt

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

	<u>Balance 2022</u>	<u>Additions</u>	<u>Principal Payments</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	73,317	-	(13,767)	59,550	13,359	46,191
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	-	300,000
Total loans payable	583,306	-	(130,287)	453,019	44,487	408,532
Total long-term debt	656,623	-	(144,054)	512,569	57,846	454,723
Less current portion	(142,877)			(57,846)		
Total non-current	\$ 513,746			454,723		

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

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(7) Long-Term Debt, continued

Ford Credit

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,359	4,395	17,754
2025	15,425	2,329	17,754
2026	16,367	1,387	17,754
2027	14,400	395	14,795
Total	59,550	8,506	68,057
Current	(13,359)		
Non-current	\$ 46,191		

Riverside County Economic Development Agency

In 1997, the Cabazon Water District contracted with the Riverside County Economic Development Agency for a \$300,000 loan to construct water improvements, in conjunction with MKA Cabazon Partnership Construction Agreement. The agreement calls for a zero interest loan with funds to be repaid with connection fees as development occurs. The unpaid balance has been classified as long-term as no connections are anticipated in 2023.

1993 California Dept. of Water Resources Loan – E58416

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 44,487	4,204	48,691
2025	45,825	2,866	48,691
2026	47,183	1,508	48,691
2027	15,524	230	15,754
Total	153,019	8,808	161,827
Current	(44,487)		
Non-current	\$ 108,532		

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(7) Long-Term Debt, continued

Zions First National Bank

In 2013, the Cabazon Water District entered into a loan agreement with Zions First National Bank in the amount of \$787,309 to refinance the 1993 California Dept. of Water Resources Loan – E62039, and provide funding for the construction and upgrade of the District’s transmission mains. Terms of the loan call for semi-annual debt service payments of principal and interest payable on April 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.

(8) Net Position

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

	2023	2022
Net investment in capital assets:		
Capital assets, net	\$ 8,568,124	7,449,131
Loans payable – current portion	(57,846)	(142,877)
Loans payable – non-current portion	(454,723)	(513,746)
Total net investment in capital assets	8,055,555	6,792,508
Restricted:		
Cash and cash equivalents – restricted	66,099	64,930
Total restricted	66,099	64,930
Unrestricted:		
Non-spendable unrestricted net position:		
Materials and supplies inventory	109,238	109,315
Prepaid and other assets	38,564	40,234
Total non-spendable unrestricted net position	147,802	149,549
Spendable unrestricted net position:		
Operating reserve	1,906,653	1,369,117
Total spendable unrestricted net position	1,906,653	1,369,117
Total unrestricted	2,054,455	1,518,666
Total net position	\$ 10,176,109	8,376,104

(9) 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 \$93,931 and \$68,215 for the years ended June 30, 2023 and 2022, respectively.

(10) 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, 2023 and 2022, the Plan included one participant. The market value of all assets held in trust by the District’s 401(a) Plan at June 30, 2023 and 2022, amounted to \$0 and \$21,215, respectively.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2023 and 2022

(11) 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, 2023:

- Property: Blanket limit of \$6,811,453 with a \$1,000 deductible per incident.
- Property damage: \$1,000,000 per occurrence and \$10,000,000 in the aggregate.
- Personal and advertising injury: \$1,000,000 per person or organization and \$10,000,000 in the aggregate.
- Wrongful acts: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employment practices liability: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employee benefits plan: \$1,000,000 per person and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Automobile: \$1,000,000 per occurrence with a \$500 deductible.
- Crime coverage: \$250,000 per occurrence with a \$1,000 deductible.
- Excess liability: \$4,000,000 employer's liability excluded.

(12) 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. 99

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.

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

Governmental Accounting Standards Board Statement No. 100

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, 2023 and 2022

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

Governmental Accounting Standards Board Statement No. 100, 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.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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, 2023 and 2022

(13) 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.

(14) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of September 19, 2023, which is the date the financial statements were available to be issued.

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Report on Internal Controls and Compliance

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**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, 2023 and 2022, 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 19, 2023.

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 19, 2023

Cabazon Water District

Management Report

June 30, 2023

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Cabazon Water District

Management Report

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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, 2023, 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.

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 19, 2023

APPENDIX

Cabazon Water District

Audit/Finance Committee Letter

June 30, 2023

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, 2023, and have issued our report thereon dated September 19, 2023. 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 May 11, 2023, 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 2023. 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:

- 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 4 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; however, no significant unusual transactions were identified as a result of our audit procedures.

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. The attached schedule summarizes uncorrected financial statement 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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. No circumstances affecting the form and content of our auditor's report were noted.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 19, 2023.

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.

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 (*if applicable*)

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.

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 19, 2023

New Business

2. Discussion/Action Item:

[TAB 3]

Enersponse Demand Response Program

Attachments:

1. Enersponse Water District Case Study
2. Enersponse ADR Checklist

Case Study

Water/Wastewater District



A California Water District's Yearly Impact

28 Locations	2,000 kW Load Shed
\$80,000 DR Standby Payments	\$360,000 Rebate Dollars*
\$440,000 First Year Earnings + Rebates	

Typical Curtailment Plan

- Reduce the number of influent pumps in use
- Shut off digester mixing and heating pumps
- Curtailing various air handling fans
- Shut down compressors

Benefits

- Financial earnings & savings.
- Pays for or offsets cost for new or existing SCADA systems.
- Contributes to their corporate sustainability goals (ESG).
- Participation on their terms.
- Programs are automated, no need to manually reduce.
- No cost, no financial risk!

Environmental Impact (ESG)

Over 55,500 lbs
of CO2 Avoided

Equivalent to a year of....

-  Removing **5.5** Passenger vehicles driven
-  Eliminating **nearly 28,000** Pounds of coal burned
-  Adding **more than 30** Acres of U.S. forests

What is Demand Response?

Demand Response is a program that exists to help reduce electricity demand during power shortages or grid instability. This typically occurs during the summer months between 4-9pm due to extreme heat, storms, or high power demand. Because of the high power demand between 4-9pm, energy prices go up and can cause black outs or brown outs.

Benefits of enrolling

- Enrolling in this program will take stress off the grid which helps the environment and community, saves Cabazon Water from peak pricing, and pays the company for every kW reduced.

How it works

- When the grid is stressed, we call this an "event". We pay Cabazon Water for every kW reduced when an event is called.
- We send an advanced notification to prepare for an energy reduction depending on the program and the strategy we come up with. There are no fees or penalties.
- The goal is to reduce as much energy as possible without affecting the business in a negative way. The more we reduce, the more you earn.

Common water district reduction strategies

- **Pre-pump**
 - Fill the reservoirs before the event then turn off the pumps
- **Compressors**
 - Switch operation time to before or after the 4-9pm time period

There are two different programs you are eligible for. We can discuss the pros and cons to each but it ultimately comes down to what Cabazon Water is comfortable reducing.

Program and payment summary example for DRAM program.

Event Duration: 1-2 hours

Events per year: 6-10

Hours an event may be called: 3-9pm Monday-Friday

Advanced notification: 24 hours

Payments: \$40/kW

Example: $\$40 \times 450 \text{ kW} = \$18,000 - \$22,500/\text{yr}$

Potential one time rebates at 450 kW = \$90,000

Program and payment summary example for RA program.

Event Duration: 4 hours

Events per year: 3-4

Hours an event may be called: 4-9pm Monday-Friday

Advanced notification: 24 hours up to 1 week

Payments: \$40/kW

Example: $\$40 \times 450 \text{ kW} = \$20,250 - \$24,750/\text{yr}$

Potential one time rebates at 4500 kW = N/A

The figures above are reducing the 4 pumps through SCE with an average of 200 HP. After running 800 HP through our programs tool with estimated de-rating on the equipment we came up with 450 kW.

Auto-DR

It's as simple as....



Auto-DR Rebates

Incentive dollars available to pay towards the enablement of technology at customer sites that are participating in Auto-DR Programs.

Demand Response Payments

Ongoing Capacity and/or Energy payments made by the Utility, or Aggregators, to end-use customers for their participation in an Auto-DR program.

Auto-DR Rebates

Incentive dollars available to pay towards the enablement of technology at customer sites that are participating in Auto-DR Programs.

Demand Response Payments

Ongoing Capacity and/or Energy payments made by the Utility, or Aggregators, to end-use customers for their participation in an Auto-DR program.

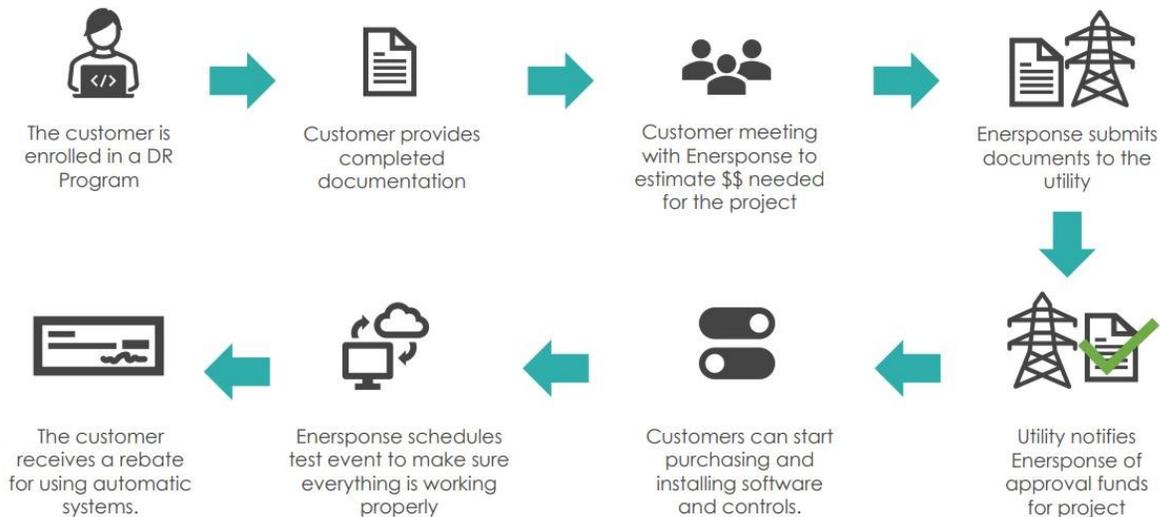
Auto-DR Rebates

What's covered

- Any equipment and/or programming that automates Demand Response
- Energy Management Systems (EMS)
- Digitally controlled thermostats
- HVAC temp and/or cycling controls
- Automated lighting controls
- Remote controlled switches
- Building automation systems (BAS)
- Curtailment schedule programming
- Enablement, installation, and measurement & verification services

Auto-DR Rebate Process

What to Expect



ADR REBATES CHECKLIST

CUSTOMER INFORMATION (For individual signing/Point Of Contact)

Name/Title: _____

Phone / Cell: (____) _____

Email: _____

Mailing Address: _____

PRE-APPROVAL DOCUMENT CHECKLIST

COPY OF CURRENT UTILITY BILL:

PROJECT PROPOSAL:

SIGNED CONTRACT:

SCOPE OF WORK(SOW):

SIGNED REBATE APPLICATION:

DOCUMENTS REQUIRED FOR FINAL APPROVAL*

INVOICES:

INSTALL REPORT:

TC ENABLEMENT FORM:

DRAS Connection:

*Differs slightly by utility, but same general review process before M&V: is the install complete, is the site connected to DRAS, has the customer been trained and do we have all invoices for the project?

New Business

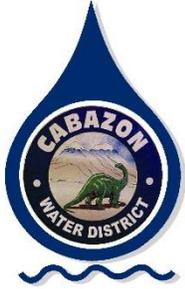
3. Discussion/Action Item:

[TAB 4]

FY 23/24 Budget Amendment – Increase “T2, T3, & T4
Recoating” from \$13,348 to \$473,521

Attachments:

1. Staff Report - Budget Amendment



MEMORANDUM

DATE: September 14, 2023
TO: Board of Directors
FROM: Evelyn Aguilar, BAA
SUBJ: FY 2023/2024 Budget Amendment
cc: Board Meeting Packet

STATEMENT OF FACTS

- The Fiscal Year 2023/2024 Budget was approved during the June 20, 2023 Board Meeting.
- “T2, T3, & T4 Recoating” is an expense account assigned for any expenses related to the ARPA Grant funded reservoir recoating project.
- The overall grant budget for this project is \$500,000.
- At the time that the budget was approved, the “projected year-end” for FY 2022/2023 was \$486,652, leaving only \$13,348 to be carried over to the current year.
- The projected year-end amount was largely based off of J. Colon’s contract amount of \$464,600, even though most of the work was not performed by the end of FY 2022/2023.
- **The actual year-end expenses for this project was \$26,479, so \$473,521 was supposed to be carried over into the current year.**
- Since only \$13,348 was approved for the FY 2023/2024 budget, “T2, T3, & T4 Recoating” appeared to be at 755% of the budget during last month’s meeting.

19	American Rescue Plan Act (ARPA)				
20	T2, T3, & T4 Recoating	(100,795)	(100,795)	(13,348)	755%
21	Grant Funding - ARPA	-	-	28,412	0%

CONCLUSION

- Amending the FY 2023/2024 Budget by increasing “T2, T3, & T4 Recoating” from \$13,348 to \$473,521 will correct these issues. Since it is a grant funded project, the full amount will be reimbursed. Therefore, this amendment will not affect the ending income/loss.