



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024

Cabazon Water District
Board of Directors as of June 30, 2025

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Terry Tinch	Chair	Elected	12/2023 - 12/2027
Taffy Brock	Vice Chair	Elected	12/2023 - 12/2025
Alan Davis	Director	Elected	12/2023 - 12/2025
Melissa Carlin	Director	Elected	12/2023 - 12/2027
Guillermo "Gill" Perez	Director	Elected	1/2025 - 12/2025

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

Cabazon Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

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Introductory Section



October 21, 2025

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, 2025 and 2024, 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 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 30% 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



C.J. Brown & Company CPAs

An Accountancy Corporation

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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, 2025 and 2024, 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, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing the audits in accordance with GAAS, we:

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

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

Emphasis of matter

As discussed in Note 12 to the financial statements, the District has adopted the provisions of *GASB Statement No. 101 – Compensated Absences*. As a result, the District has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025 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 32 and 33.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

October 21, 2025

Cabazon Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

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, 2025 and 2024. 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 2025, the District's net position increased 10.68% or \$1,175,414 to \$12,184,390. In fiscal year 2024, the District's net position increased 4.49% or \$473,326 to \$11,008,976.
- In fiscal year 2025, the District's total revenues increased 12.12% or \$240,215, to \$2,221,465. In fiscal year 2024, the District's total revenues decreased 9.83% or \$216,078, to \$1,981,250.
- In fiscal year 2025, the District's total expenses increased 6.18% or \$114,434 to \$1,966,125. In fiscal year 2024, the District's operating expenses increased 14.42% or \$233,418 to \$1,851,691.

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, 2025 and 2024

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 17 through 31.

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 \$12,184,390 and \$11,008,976 as of June 30, 2025 and 2024, respectively.

By far the largest portion of the District's net position (76.15% and 76.66% as of June 30, 2025 and 2024, 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 2025 and 2024, the District showed a positive balance in its unrestricted net position of \$2,849,623 and \$2,506,801, respectively. See note 11 for further discussion.

Condensed Statements of Net Position

	<u>2025</u>	<u>As Restated 2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Assets:					
Current assets	\$ 3,330,440	2,753,789	576,651	3,485,976	(732,187)
Non-current assets	<u>10,384,536</u>	<u>9,641,402</u>	<u>743,134</u>	<u>9,476,015</u>	<u>165,387</u>
Total assets	<u>13,714,976</u>	<u>12,395,191</u>	<u>1,319,785</u>	<u>12,961,991</u>	<u>(566,800)</u>
Liabilities:					
Current liabilities	568,829	312,249	256,580	1,403,825	(1,091,576)
Non-current liabilities	<u>163,387</u>	<u>240,885</u>	<u>(77,498)</u>	<u>154,723</u>	<u>86,162</u>
Total liabilities	<u>732,216</u>	<u>553,134</u>	<u>179,082</u>	<u>1,558,548</u>	<u>(1,005,414)</u>
Deferred inflows of resources					
Deferred lease inflows	<u>798,370</u>	<u>833,081</u>	<u>(34,711)</u>	<u>867,793</u>	<u>(34,712)</u>
Total deferred inflows of resources	<u>798,370</u>	<u>833,081</u>	<u>(34,711)</u>	<u>867,793</u>	<u>(34,712)</u>
Net position:					
Net investment in capital assets	9,278,878	8,439,761	839,117	8,355,555	84,206
Restricted for debt service	55,889	62,414	(6,525)	66,099	(3,685)
Unrestricted	<u>2,849,623</u>	<u>2,506,801</u>	<u>342,822</u>	<u>2,113,996</u>	<u>392,805</u>
Total net position	<u>\$ 12,184,390</u>	<u>11,008,976</u>	<u>1,175,414</u>	<u>10,535,650</u>	<u>473,326</u>

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statement of Revenues, Expenses, and Changes in Net Position

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

	2025	As Restated 2024	Change	2023	Change
Revenues:					
Operating revenues	\$ 1,926,583	1,712,952	213,631	1,715,772	(2,820)
Non-operating revenues	294,882	268,298	26,584	481,556	(213,258)
Total revenues	<u>2,221,465</u>	<u>1,981,250</u>	<u>240,215</u>	<u>2,197,328</u>	<u>(216,078)</u>
Expenses:					
Operating expenses	1,445,634	1,352,355	93,279	1,228,110	124,245
Depreciation	508,011	487,470	20,541	380,432	107,038
Non-operating expenses	12,480	11,866	614	9,731	2,135
Total expenses	<u>1,966,125</u>	<u>1,851,691</u>	<u>114,434</u>	<u>1,618,273</u>	<u>233,418</u>
Net income before capital contributions	255,340	129,559	125,781	579,055	(449,496)
Capital contributions	<u>920,074</u>	<u>343,767</u>	<u>576,307</u>	<u>1,537,180</u>	<u>(1,193,413)</u>
Changes in net position	<u>1,175,414</u>	<u>473,326</u>	<u>702,088</u>	<u>2,116,235</u>	<u>(1,642,909)</u>
Net position, beginning of year as restated (Note 12)	<u>11,008,976</u>	<u>10,535,650</u>	<u>473,326</u>	<u>8,419,415</u>	<u>2,116,235</u>
Net position, end of year	<u>\$ 12,184,390</u>	<u>11,008,976</u>	<u>1,175,414</u>	<u>10,535,650</u>	<u>473,326</u>

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

In the case of the District, net position increased 10.68% or \$1,175,414, in fiscal year 2025, due primarily to income of \$255,340 from ongoing operations, and \$920,074 in capital contributions.

In fiscal year 2024, the District's net position increased 4.49% or \$473,326, primarily due to income of \$129,559 from ongoing operations, and \$343,767 in capital contributions.

The District's total revenues increased 12.12% or \$240,215 in fiscal year 2025. The District's operating revenues increased 12.47% or \$213,631, to \$1,926,583, due primarily to an increase in water consumption sales. The District's non-operating revenues increased 9.91% or \$26,584 to \$294,882, due primarily to an increase of \$17,119 in investment returns and \$11,080 in property taxes.

In fiscal year 2024, the District's total revenues decreased 9.83% or \$216,078. The District's operating revenues decreased 0.16% or \$2,820, to \$1,712,952. The District's non-operating revenues decreased 44.29% or \$213,258 to \$268,298, due primarily to the expiration of the District's loan with Riverside County Economic Development Agency (RCEDA) in fiscal year 2024 amounting to \$300,000, which was offset by increases of \$71,427 in investment returns and \$19,988 in property taxes.

The District's total expenses increased 6.18% or \$114,434 in fiscal year 2025. The District's operating expenses increased 6.90% or \$93,279 to \$1,445,634, due primarily to increases of \$36,445 in pumping and water treatment, \$35,993 in transmission and distribution, and \$20,428 in general and administrative.

In fiscal year 2024, the District's total expenses increased 14.42% or \$233,418. The District's operating expenses increased 10.12% or \$124,245 to \$1,352,355, due primarily to increases of \$155,764 in general and administrative and \$33,451 in pumping and water treatment; which were offset by a decrease of \$63,214 in transmission and distribution.

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Capital Asset Administration

At the end of fiscal years 2025 and 2024, the District's investment in capital assets (net of accumulated depreciation) amounted to \$9,518,435 and \$8,753,913, 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 2025 was as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Capital assets:				
Non-depreciable assets	\$ 802,983	1,433,266	(1,101,990)	1,134,259
Depreciable assets	15,426,385	1,101,990	(170,689)	16,357,686
Accumulated depreciation	<u>(7,475,455)</u>	<u>(508,011)</u>	<u>9,956</u>	<u>(7,973,510)</u>
Total capital assets, net	<u>\$ 8,753,913</u>	<u>2,027,245</u>	<u>(1,262,723)</u>	<u>9,518,435</u>

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

The changes in capital assets for 2024 was as follows:

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

In 2024, major capital asset additions include transmission and distribution mains.

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

Debt Administration

The change in long-term debt in 2025 was as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2025</u>
Long-term debt:				
Capital lease payable	\$ 44,941	-	(15,502)	29,439
Loans payable	<u>269,211</u>	<u>-</u>	<u>(59,093)</u>	<u>210,118</u>
Total long-term debt	<u>\$ 314,152</u>	<u>-</u>	<u>(74,595)</u>	<u>239,557</u>

Long-term debt decreased by \$74,595, as a result of principal payments during the year.

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Debt Administration, continued

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

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

In 2024, long-term debt long-term debt increased by \$101,583, as a result of loan issuance of \$163,894, which was offset by principal payments of \$62,311.

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 14618 Broadway Street, P.O. Box 297, Cabazon, California 92230.

Basic Financial Statements

Cabazon Water District
Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>As Restated 2024</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,529,890	2,030,912
Cash and cash equivalents – restricted (note 2)	55,889	62,414
Accrued interest receivable	60	59
Accounts receivable – water sales, net (note 3)	265,674	247,302
Grants receivable (note 5)	310,614	253,712
Property taxes and assessments receivable	10,067	3,709
Lease receivable - current (note 4)	21,388	20,402
Materials and supplies inventory	86,796	92,169
Prepaid and other assets	50,062	43,110
Total current assets	<u>3,330,440</u>	<u>2,753,789</u>
Non-current assets:		
Lease receivable - non-current (note 4)	866,101	887,489
Capital assets – non-depreciable assets (note 6)	1,134,259	802,983
Capital assets – depreciable assets, net (note 6)	8,384,176	7,950,930
Total non-current assets	<u>10,384,536</u>	<u>9,641,402</u>
Total assets	<u>\$ 13,714,976</u>	<u>12,395,191</u>

Continued on next page

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Net Position, continued
June 30, 2025 and 2024

	<u>2025</u>	<u>As Restated 2024</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 121,445	77,188
Accrued wages and related payables	21,939	22,418
Customer advances and deposits	16,352	15,160
Developer deposits	-	386
Accrued interest payable on long-term debt	457	829
Due to SGWPA (note 5)	292,664	95,746
Long-term liabilities – due within one year:		
Compensated absences (note 7)	39,802	27,255
Capital lease (note 8)	15,040	14,174
Loans payable (note 8)	61,130	59,093
Total current liabilities	<u>568,829</u>	<u>312,249</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Capital lease (note 8)	14,399	30,767
Loans payable (note 8)	148,988	210,118
Total non-current liabilities	<u>163,387</u>	<u>240,885</u>
Total liabilities	<u>732,216</u>	<u>553,134</u>
Deferred inflows of resources		
Deferred lease inflows (note 4)	798,370	833,081
Total deferred inflows of resources	<u>798,370</u>	<u>833,081</u>
Net position: (note 11)		
Net investment in capital assets	9,278,878	8,439,761
Restricted	55,889	62,414
Unrestricted	2,849,623	2,506,801
Total net position	<u>\$ 12,184,390</u>	<u>11,008,976</u>

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, 2025 and 2024

	<u>2025</u>	<u>As Restated 2024</u>
Operating revenues:		
Water consumption sales	\$ 1,575,365	1,463,245
Connection fees	3,478	3,355
Standby fees	131,080	120,133
Facility fees	149,332	63,785
Other charges	67,328	62,434
Total operating revenues	<u>1,926,583</u>	<u>1,712,952</u>
Operating expenses:		
Pumping and water treatment	249,428	212,983
Transmission and distribution	92,326	56,393
Customer accounts	74,385	73,912
General and administrative	1,029,495	1,009,067
Total operating expenses	<u>1,445,634</u>	<u>1,352,355</u>
Operating income before depreciation and amortization	480,949	360,597
Depreciation	(508,011)	(487,470)
Operating loss	<u>(27,062)</u>	<u>(126,873)</u>
Non-operating revenue(expense)		
Property taxes	131,481	120,401
Rental income – cellular antennas	39,712	34,712
Interest income – leases	13,618	13,910
Investment earnings	101,602	71,699
Unrealized gain(loss) on investments	104	12,596
Interest expense – long-term debt	(12,480)	(11,866)
Other non-operating revenue, net	8,365	14,980
Total non-operating revenues, net	<u>282,402</u>	<u>256,432</u>
Net income before capital contributions	255,340	129,559
Capital contributions	<u>920,074</u>	<u>343,767</u>
Changes in net position	1,175,414	473,326
Net position, beginning of year, as restated (Note 12)	<u>11,008,976</u>	<u>10,535,650</u>
Net position, end of year	<u>\$ 12,184,390</u>	<u>11,008,976</u>

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales	\$ 1,777,937	1,585,031
Proceeds from standby fees	131,080	120,133
Cash paid to employees for salaries and wages	(498,420)	(505,050)
Cash paid to vendors and suppliers for materials and services	<u>(884,103)</u>	<u>(947,961)</u>
Net cash provided by operating activities	<u>526,494</u>	<u>252,153</u>
Cash flows from non-capital financing activities:		
Proceeds from rental income – cellular antennas	39,021	33,353
Proceeds from property taxes	125,123	120,092
Proceeds from grant	<u>1,060,090</u>	<u>528,235</u>
Net cash provided by non-capital financing activities	<u>1,224,234</u>	<u>681,680</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,272,533)	(673,259)
Proceeds from financing	-	163,894
Principal paid on long-term debt	(74,595)	(62,311)
Interest paid on long-term debt	<u>(12,852)</u>	<u>(12,171)</u>
Net cash used in capital and related financing activities	<u>(1,359,980)</u>	<u>(583,847)</u>
Cash flows from investing activities:		
Interest earnings	<u>101,705</u>	<u>90,824</u>
Net cash provided by investing activities	<u>101,705</u>	<u>90,824</u>
Net increase in cash and cash equivalents	492,453	440,810
Cash and cash equivalents, beginning of year	<u>2,093,326</u>	<u>1,652,516</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,585,779</u></u>	<u><u>2,093,326</u></u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 2,529,890	2,030,912
Cash and cash equivalents – restricted	<u>55,889</u>	<u>62,414</u>
Total cash and cash equivalents	<u><u>\$ 2,585,779</u></u>	<u><u>2,093,326</u></u>

Cabazon Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash		
net cash provided by operating activities:		
Operating loss	\$ (27,062)	(126,873)
Adjustments to reconcile operating income to		
operating activities:		
Depreciation	508,011	487,470
Other non-operating revenue, net	8,365	14,980
Change in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(18,372)	(6,087)
Materials and supplies inventory	5,373	17,069
Prepaid and other assets	(6,952)	(4,546)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	44,257	(141,242)
Accrued wages and related payables	(479)	1,721
Compensated absences	12,547	11,362
Customer advances and deposits	1,192	(492)
Developer deposits	(386)	(1,209)
Total adjustments	<u>553,556</u>	<u>379,026</u>
Net cash provided by operating activities	<u>\$ 526,494</u>	<u>252,153</u>
Non-cash investing, capital, and financing transactions:		
Changes in fair-market value of funds deposited with:		
Local Agency Investment Fund (LAIF)	\$ 26	12,710
California CLASS Investment Pool (CA CLASS)	<u>78</u>	<u>(114)</u>
See accompanying notes to the basic financial statements	-	-

Cabazon Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

B. Basis of Accounting and Measurement Focus

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

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

C. Financial Reporting

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

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

In June 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.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

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

C. Financial Reporting, continued

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

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Materials and Supplies Inventory

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

6. Prepaid Expenses

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

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

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

7. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

8. Property Taxes and Assessments

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

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

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

9. Compensated Absences

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

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

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

10. Net Position

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

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

11. Water Sales

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

12. Budgetary Policies

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

(2) Cash and Investments

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,529,890	2,030,912
Cash and cash equivalents – restricted	<u>55,889</u>	<u>62,414</u>
Total	<u>\$ 2,585,779</u>	<u>2,093,326</u>

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

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 100	100
Deposits with bank	349,471	413,758
Investments	<u>2,236,208</u>	<u>1,679,468</u>
Total	<u>\$ 2,585,779</u>	<u>2,093,326</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

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

	<u>2025</u>	<u>2024</u>
Deposits in California Local Agency Investment Fund (LAIF)	<u>248 days</u>	<u>217 days</u>
Deposits in California CLASS Investment Pool (CLASS)	<u>75 days</u>	<u>75 days</u>

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

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

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

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

Of the bank balance, up to \$250,000 as of June 30, 2025 and 2024, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Investment in State Investment Pool

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

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

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

Interest Rate Risk

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

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

Maturities of investments at June 30, 2025, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ 5,518	5,518
California CLASS	2,174,801	2,174,801
Held by bond trustee:		
Money market funds	55,889	55,889
	<u>\$ 2,236,208</u>	<u>2,236,208</u>

Maturities of investments at June 30, 2024, consisted of the following:

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Credit Risk

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

Credit ratings of investments as of June 30, 2025, were as follows:

Investment Type	Total	Minimum legal rating	Rating as of year end		
			AAA	S&P Global Ratings AAAm	Not Rated
Local Agency Investment Fund (LAIF)	\$ 5,518	N/A	-	-	5,518
California CLASS	2,174,801	AAAm	-	2,174,801	-
Held by bond trustee:					
Money market funds	55,889	AAA	55,889	-	-
	<u>\$ 2,236,208</u>		<u>55,889</u>	<u>2,174,801</u>	<u>5,518</u>

Credit ratings of investments as of June 30, 2024, were as follows:

Investment Type	Total	Minimum legal rating	Rating as of year-end		
			AAA	S&P Global Ratings AAAm	Not Rated
Local Agency Investment Fund (LAIF)	\$ 5,246	N/A	-	-	5,246
California CLASS	1,611,808	AAAm	-	1,611,808	-
Held by bond trustee:					
Money market funds	62,414	AAA	62,414	-	-
	<u>\$ 1,679,468</u>		<u>62,414</u>	<u>1,611,808</u>	<u>5,246</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments as of June 30, 2025 and 2024.

(3) Accounts Receivable

The balance at June 30 consists of the following:

	2025	2024
Accounts receivable - water sales and services	\$ 302,160	276,660
Allowance for uncollectible accounts	(36,486)	(29,358)
	<u>\$ 265,674</u>	<u>247,302</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Lease Receivable

Changes in lease receivable for the year ended June 30, 2025 were as follows:

	<u>Balance</u> <u>2024</u>	<u>Additions</u>	<u>Principal</u> <u>Payment</u>	<u>Balance</u> <u>2025</u>	<u>Current</u>	<u>Non-current</u>	<u>Deferred</u> <u>Inflows</u>
Cell Tower Lease	\$ 907,891	-	(20,402)	887,489	21,388	866,101	798,370

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

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Principal</u> <u>Payment</u>	<u>Balance</u> <u>2024</u>	<u>Current</u>	<u>Non-current</u>	<u>Deferred</u> <u>Inflows</u>
Cell Tower Lease	\$ 927,334	-	(19,443)	907,891	20,402	887,489	833,081

Future payments to be received as of June 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 21,388	13,312	34,700
2027	22,403	12,992	35,395
2028	23,447	12,655	36,102
2029	27,409	12,304	39,713
2030	28,615	11,893	40,508
2030-2034	162,373	52,645	215,018
2035-2039	197,969	39,428	237,397
2040-2044	238,715	23,391	262,106
2045-2048	165,170	5,013	170,183
Total	887,489	183,633	1,071,122
Current	(21,388)		
Non-current	\$ 866,101		

STC One LLC

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

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

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

As of June 30, 2025 and 2024, the balance of lease receivable amounted to \$887,489, and \$907,891, respectively. As of June 30, 2025 and 2024, the balance of deferred inflows amounted to \$798,370, and \$833,081, respectively.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(5) Grants Receivable

On November 13, 2024, entered into an agreement with San Geronio Pass Water Agency for the installation of two heli-hydrants within the District's service area. Total Project Cost is estimated to be \$600,000.

On May 23, 2022, the District entered into an agreement with City of Banning (City) for funds from a Proposition 1 Integrated Regional Water Management (IRWM) Grant to the San Geronio Region to complete the Isolation Valve Improvement Project (Project). Total Project Cost is estimated to be \$1,243,035.

On April 11, 2022, the District entered into a GAP funding agreement with San Geronio Pass Water Agency (SGPWA) related to the approved agreement between the City and the District for SGWPA to advance monies to fund the Project.

As of June 30, 2025 and 2024, total grants receivable amount of \$310,614 and \$253,712. As of June 30, 2025 and 2024, the District's balance due to SGWPA amounted to \$292,664 and \$95,746, respectively.

(6) Capital Assets

The change in capital assets for 2025 was as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	113,435	1,433,266	(1,101,990)	444,711
Total non-depreciable assets	<u>802,983</u>	<u>1,433,266</u>	<u>(1,101,990)</u>	<u>1,134,259</u>
Depreciable assets:				
Transmission and distribution mains	11,682,232	943,709	-	12,625,941
Source of supply	3,175,384	158,281	-	3,333,665
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	182,969	-	(170,689)	12,280
Office furniture and equipment	97,882	-	-	97,882
Vehicles	144,767	-	-	144,767
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>15,426,385</u>	<u>1,101,990</u>	<u>(170,689)</u>	<u>16,357,686</u>
Accumulated depreciation:				
Transmission and distribution mains	(6,151,832)	(348,681)	-	(6,500,513)
Source of supply	(980,590)	(137,188)	-	(1,117,778)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(123,319)	-	-	(123,319)
Buildings and structures	(18,723)	(1,276)	9,956	(10,043)
Office furniture and equipment	(85,263)	(3,725)	-	(88,988)
Vehicles	(95,896)	(17,141)	-	(113,037)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(7,475,455)</u>	<u>(508,011)</u>	<u>9,956</u>	<u>(7,973,510)</u>
Total depreciable assets, net	<u>7,950,930</u>	<u>593,979</u>	<u>(160,733)</u>	<u>8,384,176</u>
Total capital assets, net	<u>\$ 8,753,913</u>			<u>9,518,435</u>

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Capital Assets, continued

The change in capital assets for 2024 was as follows:

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

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

(7) Compensated Absences

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, "Compensated Absences". Compensated absences include unpaid vacation leave, sick leave and compensating time off which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement.

As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees' pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out. The total liability for compensated absences amounted to \$39,802 and \$27,255, respectively. The net change in the compensated absences liability for the fiscal year ended June 30, 2025 and 2024 was \$12,547 and \$11,362, respectively, reflecting a net increase due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business type fund financial statements

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Long-Term Debt

The change in long-term debt in 2025 was as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Principal Payments / Expiration</u>	<u>Balance 2025</u>	<u>Current</u>	<u>Non-current</u>
Capital lease:						
Ford Credit	\$ 44,941	-	(15,502)	29,439	15,040	14,399
Total capital lease	44,941	-	(15,502)	29,439	15,040	14,399
Loans payable:						
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 108,532	-	(45,825)	62,707	47,183	15,524
Rural Community Assistance Corporation	160,679	-	(13,268)	147,411	13,947	133,464
Total loans payable	269,211	-	(59,093)	210,118	61,130	148,988
Total long-term debt	314,152	-	(74,595)	239,557	76,170	163,387
Less current portion	(73,267)			(76,170)		
Total non-current	\$ 240,885			163,387		

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

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

Ford Credit

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

Annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 15,040	1,387	16,427
2028	14,399	395	14,794
Total	29,439	1,782	31,221
Current	(15,040)		
Non-current	\$ 14,399		

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Long-Term Debt, continued

1993 California Dept. of Water Resources Loan – E58416

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

Annual debt service requirements are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$	47,183	1,508	48,691
2028		15,524	230	15,754
Total		62,707	1,738	64,445
Current		(47,183)		
Non-current	\$	15,524		

Rural Community Assistance Corporation

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

Annual debt service requirements are as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	13,947	7,054	21,001
2027		14,661	6,340	21,001
2028		15,411	5,590	21,001
2029		16,199	4,802	21,001
2030		17,028	3,973	21,001
2031-2034		70,165	6,768	76,933
Total		147,411	34,527	181,938
Current		(13,947)		
Non-current	\$	133,464		

(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 \$106,365 and \$104,060 for the years ended June 30, 2025 and 2024, 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. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2025 and 2024 amounted to \$98,326, and \$58,748, respectively.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(11) Net Position

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

	<u>2025</u>	<u>2024</u>
Net investment in capital assets:		
Capital assets, net	\$ 9,518,435	8,753,913
Loans payable – current portion	(76,170)	(73,267)
Loans payable – non-current portion	(163,387)	(240,885)
Total net investment in capital assets	<u>9,278,878</u>	<u>8,439,761</u>
Restricted:		
Cash and cash equivalents – restricted	55,889	62,414
Total restricted	<u>55,889</u>	<u>62,414</u>
Unrestricted:		
Non-spendable unrestricted net position:		
Materials and supplies inventory	86,796	92,169
Prepaid and other assets	50,062	43,110
Total non-spendable unrestricted net position	<u>136,858</u>	<u>135,279</u>
Spendable unrestricted net position:		
Operating reserve	2,712,765	2,371,522
Total spendable unrestricted net position	<u>2,712,765</u>	<u>2,371,522</u>
Total unrestricted	<u>2,849,623</u>	<u>2,506,801</u>
Total net position	<u>\$ 12,184,390</u>	<u>11,008,976</u>

(12) Prior Period Adjustment

Compensated absences

In 2025, the District implemented GASB Statement No. 101, Compensated absences. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recorded prior period adjustment of \$10,642, to restate beginning balances as of July 1, 2024.

The adjustment to net position is as follows:

Net position as of June 30, 2023	\$ 10,535,650
Changes in net position, June 30, 2024, as previously stated	483,968
Effect of adjustment to restate compensated absences	<u>(10,642)</u>
Changes in net position, June 30, 2024, as restated	<u>473,326</u>
Net position as of June 30, 2024, as restated	<u>\$ 11,008,976</u>

(13) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2025:

- Property: Blanket limit of \$7,288,255 with a \$5,000 deductible per incident.
- Property damage: \$1,000,000 per occurrence and \$10,000,000 in the aggregate.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(13) Risk Management, continued

- 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 \$1,000 deductible.
- Crime coverage: \$250,000 per occurrence with a \$1,000 deductible.
- Excess liability: \$4,000,000 employer's liability excluded.

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

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

Governmental Accounting Standards Board Statement No. 103

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

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

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued *Statement No. 104 – Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, 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, 2025 and 2024

(15) Commitments and Contingencies

Grant Awards

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

Litigation

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

(16) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of October 21, 2025, which is the date the financial statements were available to be issued.

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Report on Internal Controls and Compliance



Christopher J. Brown, CPA, CGMA
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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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2025.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 21, 2025