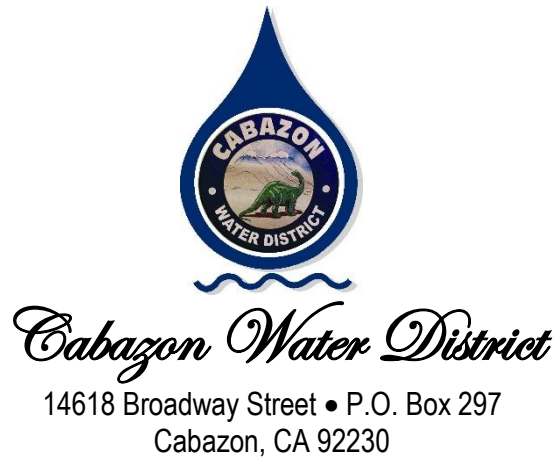




BOARD MEETING PACKET

October 21, 2025

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, October 21, 2025 – 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. Discussion: Miscellaneous District Financial Matters
3. 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, October 21, 2025 – 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 September 16, 2025
- b. Regular Board Meeting Minutes and Warrants of September 16, 2025

2. Warrants – None

3. Awards of Contracts – None

NEW BUSINESS

- | | | |
|-----------------------|------------------------------|---|
| <u>[TAB 1]</u> | 1. Discussion: | Report of the Audited Financial Statements for FY 2024/2025 as presented by CJ Brown & Company |
| <u>[TAB 2]</u> | 2. Discussion/Action: | Receive and File Rate Study Report by Water Resources Economics |
| <u>[TAB 3]</u> | 3. Discussion: | Review General Manager Applications and Schedule Interviews |

OLD BUSINESS

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

2. Discussion/Action: Community Involvement

UPDATES

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

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))

FUTURE AGENDA ITEMS AND 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. 11/03/2025 (Monday) at 1:30 PM: San Gorgonio Pass Water Agency Meeting
 - b. 11/17/2025 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
 - c. 11/18/2025 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting
 - d. 11/18/2025 (Tuesday) at 6:00 PM: Regular Board Meeting
 - e. 01/28/2026 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
 - f. 02/12/2026 (Thursday) at 6:00 PM: West Desert MAC Meeting at the Community Center
 - g. TBD: Personnel Committee Meeting

ADJOURNMENT

ADA Compliance Issues

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



Cabazon Water District
Statement of Net Position
(Preliminary and Unaudited)
As of September 30, 2025

	September 2025
1 ASSETS	
2 Current Assets	
3 Checking/Savings	\$ 370,568
4 Investments - LAIF and CLASS	2,204,116
5 Total Cash and Investments	<u>2,574,684</u>
6 Accounts Receivable	349,817
7 Bank of New York Trustee Accounts	65,287
8 Prepaid Expenses	50,432
9 Inventory	86,796
10 Total Current Assets	<u>3,127,015</u>
11 Fixed Assets	
12 Total Fixed Assets	17,522,227
13 Accumulated Depreciation	<u>(7,973,510)</u>
14 Net Fixed Assets	9,548,717
15 Other Assets	
16 Lease Receivable-Cell Towers	907,891
17 Total Other Assets	<u>907,891</u>
18 TOTAL ASSETS	<u>13,583,624</u>
19 LIABILITIES, DIR and FUND BALANCE	
20 Liabilities	
21 Current Liabilities	
22 Accounts Payable	58,129
23 Due to Other Government - SGPWA	34,370
24 Customer Deposits	7,050
25 Deferred Revenue - Tower Lease	-
26 Current Portion DWR Loan	47,183
27 Current RCAC (Well 4) Loan	13,947
28 Current Portion 2022 Ford	-
29 Accrued Expenses	67,538
30 Total Current Liabilities	<u>228,217</u>
31 Long Term Liabilities	
32 DWR Loan Payable	15,524
33 Ford Loan Payable	-
34 RCAC Loan Payable	133,464
35 Total Long Term Liabilities	<u>148,988</u>
36 TOTAL LIABILITIES	377,205
37 Deferred Inflow of Resources (DIR)	
38 Deferred Lease Inflows	833,081
39 Total Deferred Inflows	<u>833,081</u>
40 Total Fund Balance	12,373,338
41 TOTAL LIABILITIES, DIR and FUND BALANCE	<u>\$ 13,583,624</u>



Cabazon Water District
Budget to Actual
(Preliminary and Unaudited)
For Period Ending September 30, 2025

	A	B	C	D=B/C
	September 2025	Current YTD	Budget FY 25/26	YTD 25%
1 REVENUES				
2 OPERATING REVENUES				
3 Base Rate - Water Bills	\$ 56,155	\$ 157,852	\$ 615,100	26%
4 Commodity Sales	84,854	283,496	909,200	31%
5 Fire Sales - Water Bills	1,149	3,447	9,400	37%
6 Fees and Charges	7,676	17,811	67,100	27%
7 Basic Facilities Fee	-	63,618	90,760	70%
8 Stand By Fees - Tax Revenue	-	-	124,200	0%
9 TOTAL OPERATING REVENUES	149,833	526,225	1,815,760	29%
10 NON-OPERATING REVENUES				
11 Property Taxes	0	5,640	128,800	4%
12 Cell Tower Lease Income	2,892	8,675	39,800	22%
13 Miscellaneous Non-Operating Income	101	38,159	-	N/A
14 Main St Yard Sale	-	-	-	N/A
15 Interest Income - Investment Accounts	7,733	24,271	67,600	36%
16 Interest Income - Water Bills	796	2,121	8,300	26%
17 TOTAL NON-OPERATING REVENUES	11,522	78,866	244,500	32%
18 TOTAL REVENUES	161,356	605,091	2,060,260	29%
19 EXPENSES				
20 PAYROLL				
21 Directors Fees	1,100	4,000	20,000	20%
22 Management and Customer Service	19,024	65,263	263,300	25%
23 Field Workers	19,007	65,788	250,300	26%
24 Employee Benefits Expense	17,587	52,830	209,000	25%
25 Payroll Taxes	2,980	11,196	46,300	24%
26 TOTAL PAYROLL	59,698	199,076	788,900	25%
27 OPERATING EXPENSES				
28 Facilities, Wells, Transmission and Distribution				
29 Lab Fees	301	762	13,000	6%
30 Meter Testing and Repair	-	-	1,000	0%
31 Utilities - Wells	11,568	39,653	225,000	18%
32 Line Repair and Maintenance Materials	324	9,709	45,000	22%
33 Well Maintenance	1,431	5,892	34,000	17%
34 Security	3,000	4,716	18,700	25%
35 Engineering Services	-	241	15,000	2%
36 Facilities, Wells, Transmission and Distribution - Other	5,649	17,433	25,000	70%
37 Total Facilities, Wells, Transmission and Distribution	22,273	78,405	376,700	21%
38 Office Expenses				
39 Utilities - Office	1,616	8,963	36,500	25%
40 Water Billing System	-	-	13,400	0%
41 Supplies and Equipment	336	5,975	9,400	64%
42 Copier and Supplies	666	1,179	4,900	24%
43 Dues and Subscriptions	15	145	2,000	7%
44 Postage	100	2,104	11,800	18%
45 Printing and Publications	550	550	500	110%
46 Computer Services	3,808	9,838	25,800	38%
47 Air Conditioning Servicing	-	455	5,500	8%
48 Office Expenses - Other	-	612	900	68%
49 Total Office Expenses	7,090	29,821	110,700	27%



Cabazon Water District
Budget to Actual
(Preliminary and Unaudited)
For Period Ending September 30, 2025

	A	B	C	D=B/C
	September 2025	Current YTD	Budget FY 25/26	YTD 25%
50 Support Services				
51 Financial Audit	1,353	6,883	15,600	44%
52 Accounting	16,047	19,543	55,400	35%
53 Legal Services	520	520	15,000	3%
54 Payroll/Bank Service Charge	462	1,093	7,900	14%
55 Website Support	75	225	1,100	20%
56 Insurance	-	-	54,300	0%
57 Total Support Services	18,456	28,264	149,300	19%
58 Training/Travel	86	106	4,000	3%
59 Other Fees/State Water Resource Control Board	52	724	11,300	6%
60 Service Tools and Equipment				N/A
61 Shop Supplies and Small Tools	46	1,502	9,000	17%
62 Vehicle Fuel	1,395	2,913	12,500	23%
63 Employee Uniforms	-	296	2,000	15%
64 Safety	511	654	2,000	33%
65 Tractor Expenses/ Maintenance	-	-	4,000	0%
66 Equipment Rental	-	-	4,000	0%
67 Service Trucks - Repair and Maintenance	805	3,498	12,000	29%
68 Water Operations On-Call Phones	323	615	4,500	14%
69 Total Service Tools and Equipment	3,080	9,478	50,000	19%
70 TOTAL OPERATING EXPENSES	110,736	345,875	1,490,900	23%
71 NON-OPERATING EXPENSES				
72 Loan Interest and Processing Fee	638	1,276	11,400	11%
73 Bad Debt Expense	-	-	1,400	0%
74 Miscellaneous	-	(3)	1,500	0%
75 TOTAL NON-OPERATING EXPENSES	638	1,273	14,300	9%
76 TOTAL EXPENSES	111,373	347,148	1,505,200	23%
77 NET INCOME BEFORE CAPITAL and DEBT SERVICE	49,983	257,943	555,060	46%
78 Capital Projects - District Funded	(39,372)	(44,312)	(290,300)	15%
79 Capital Projects - Debt Funded	(281)	(8,150)	(461,500)	2%
80 Debt Service - Principal	(1,113)	(2,225)	(77,700)	3%
NET INCOME / (LOSS)	9,217	203,257	(274,440)	-74%



Cabazon Water District
Capital Detail
(Preliminary and Unaudited)
For Period Ending September 30, 2025

	A	B	C	D=B/C
	September 2025	Current YTD	FY 25/26 Budget	YTD 25%
1 CAPITAL PROJECTS				
2 DISTRICT FUNDED				
3 Replace Computer Workstations	-	-	17,000	0%
4 Bonita Pipeline Project 3400' 12" C900	-	-	160,000	0%
5 Meter Replacements	-	-	3,000	0%
6 Main Rep-Fire Hydrant & Air Vac	-	-	45,000	0%
7 Rate Study	9,616	14,556	33,300	44%
8 Well #2 New Facility Building	29,756	29,756	25,000	119%
9 Tank Maintenance	-	-	7,000	0%
10 TOTAL DISTRICT FUNDED PROJECTS	39,372	44,312	290,300	15%
11 GRANT/DEBT FUNDED				
12 State Water Resource Control Board (SWRCB)				
13 Groundwater Well Improvements	18,231	26,100	461,500	5%
14 Grant Funding - DWR	(17,950)	(17,950)	(461,500)	2%
15 NET GRANT/DEBT FUNDED PROJECTS	281	8,150	0	
16 TOTAL NET COST OF CAPITAL PROJECTS	\$ 39,653	\$ 52,461	\$ 290,300	

Grant/Debt Funded Activity Summary

Groundwater Well Improvement Project	Expenses	Funding Received	Total Receivable
Groundwater Well Improvements - FY 22	\$ 42,466	\$ 42,466	\$ -
Groundwater Well Improvements - FY 23	19,744	19,744	-
Groundwater Well Improvements - FY 24	12,935	12,935	-
Groundwater Well Improvements - FY 25	21,339	9,459	11,880
Groundwater Well Improvements - FY 26	26,100	(17,950)	44,050
Total	\$ 96,484	\$ 84,604	\$ 11,880



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, September 16, 2025 – 5:00 PM

CALL TO ORDER
PLEDGE OF ALLEGIANCE
ROLL CALL

Director Melissa Carlin – Present
Board Chair Terry Tincher – 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

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 and Investments with Chase Bank, Local Agency Investment Fund (LAIF), and California Cooperative Liquid Assets Securities System (CLASS) balance was \$2,538,536 at month end. The District's total liabilities were approximately \$612,889 at month end.

Budget to Actual: - Year to date (YTD) is 16.7% of the year.

4. Commodity Sales: Volumetric water sales including residential, commercial & construction water sales. YTD is 22% of the annual budget using more water in summer months.

7. Basic Facilities Fee: Fees for new service connections, meter installations, and upgrades. These revenues are budgeted conservatively due to their unpredictable nature. YTD is 70% of the annual budget due to three new services requested in July, which is higher than anticipated for this time of year. 5 new 3/4" services were requested and one upgrade from 5/8 to 3/4" meter requested.

14. Main St. Yard Sale: Sale of the Main Street property. This item was specifically for FY 25 and will be removed.

15. Interest Income-Investment Accounts: Interest earnings in the District's LAIF and other investment accounts. YTD is 24% of budget due to budgeting investment income conservatively.

36. Facilities, Wells, T&D – Other: Generator service contract expenses, site landscaping & maintenance, chlorinators, and SCADA. Expenses vary throughout the year. YTD is 47% of annual budget due to \$10.4K to work on Almond PRV and install main valve at Bonita PRV.

39. Utilities – Office: Office electricity, gas, telephones, trash service, and office cleaning.

40. Water Billing System: Water billing system maintenance costs.

41. Supplies & Equipment: Supply and equipment purchases for the District office. YTD is 60% of annual budget due to \$4k for the purchase of bill forms and envelopes.

51. Financial Audit: Annual financial audit. YTD is 35% of annual budget due to timing of audit fees.

Preliminary net income as of August 31st is \$197,206.

2. Discussion: Miscellaneous District Financial Matters
3. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

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ADJOURNMENT

Meeting adjourned at _____ on Tuesday, September 16, 2025 and the FAC proceeded to check signing.

**Terry Tincher, 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
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

**REGULAR BOARD MEETING
MINUTES**

Meeting Location:

14618 Broadway St.
Cabazon, CA 92230

Teleconference:

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

Meeting Date:

Tuesday, September 16, 2025 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

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

Note: This meeting was recorded by the District

CONSENT CALENDAR

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

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and Warrants of August 19, 2025
- b. Regular Board Meeting Minutes and Warrants of August 19, 2025

Motion to approve following consent calendar items (a.) Finance and Audit Committee Meeting Minutes and Warrants of August 19, 2025 and (b.) Regular Board Meeting Minutes and Warrants of August 19, 2025 made by Director Carlin and 2nd by Director Perez.

**Director Perez - Aye
Director Carlin - Aye
Director Davis - Aye
Board Vice Chair Brock - Aye
Board Chair Tincher – Aye**

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

NEW BUSINESS

1. Discussion: Rate Study Report by Water Economics Resources

- The draft rate study report was prepared by Water Resources Economics. Charles Diamond from WRE was available to answer any questions. Since the report is so detailed, Board Chair Tincher suggested that everyone read it on their own and then bring their questions to the next meeting. Mr. Diamond also said that questions can be sent in prior to the next meeting. The rates are expected to be approved at the December 16 meeting.

2. Discussion: Sustainable Groundwater Management Act (SGMA) 5-Year Periodic Update for the San Geronio Pass Groundwater Sustainability Agency

- Every 5 years, the Groundwater Sustainability Plan needs to be addressed. Provost & Pritchard will be handling the plan updates for the San Geronio Pass Groundwater Sustainability Agency, which includes 6 agencies. According to the initial cost share calculations, CWD will be paying \$45,004 throughout the process, although the calculations may be revised, especially since Cabazon is much smaller than the service areas of some of the other agencies.
- No action was taken on this item at this time, since the costs will likely be included in FY 27.

OLD BUSINESS

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

- SGPWA Director Sarah Wargo was present and shared the following updates:
 - SGPWA is a member of the Community Water Systems Alliance. CWD used to be a member of this group, but left due to the membership costs. Wargo said that CWD may be able to provide a voice to this group through SGPWA, if needed.
 - One of the Heli-Hydrants was used very recently, although it was unclear if it was just being used for testing or another purpose. Some additional methods to help with dust control are being researched.
 - SGPWA Director Kevin Walton will be leaving the Board soon.
 - There are a couple of upcoming workshops about native flowers and gardening in Banning and Beaumont.
 - There is another Cabazon EIFD meeting on 10/07/2025.

2. Discussion/Action: Community Involvement

- The next trash pickup day is 09/27/2025.
- Staff will find out if there are any upcoming events for Halloween at the Community Center.

UPDATES

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

- DHPO is expanding 43,000 ft² to include more retail stores. GM Pollack will be meeting with DHPO's management to do a walk through. No new water services will be needed from CWD, but this will result in additional water usage through DHPO's meter.
- Brett Rocine of Towerpoint requested a copy of CWD's cell tower lease and current monthly income from the lease.
- The Well #2 building is complete. GM Pollack told the Board that any Directors can schedule a time during business hours to take a tour of the building.
- Another grant application was completed for the replacement of waterlines on Bonita, Broadway, and in the Jensen area.

PUBLIC COMMENTS

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FUTURE AGENDA ITEMS AND 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.**
- The final audit report.
- **Suggested agenda items from Board Members.**
- The rate study report will remain on the agenda until the rates are adopted.
- GM Applications.

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. 09/24/2025 (Wednesday) at 5:00 PM: San Gorgonio Pass Regional Water Alliance Committee Meeting
- b. 10/06/2025 (Monday) at 1:30 PM: San Gorgonio Pass Water Agency Meeting
- c. 10/07/2025 (Tuesday) at 2:00 PM: Cabazon EIFD Meeting at Board Chambers in Riverside
- d. 10/09/2025 (Thursday) at 6:00 PM: West Desert MAC Meeting at the Community Center
- e. 10/20/2025 (Monday) at 6:00 PM: San Gorgonio Pass Water Agency Meeting
- f. 10/21/2025 (Tuesday) at 5:00 PM: Finance & Audit Committee Meeting
- g. 10/21/2025 (Tuesday) at 6:00 PM: Regular Board Meeting
- h. TBD: Personnel Committee Meeting

ADJOURNMENT

Motion to adjourn at 6:30 PM made by Director Davis and 2nd by Director Carlin.

Director Perez - Aye
Director Carlin - Aye
Director Davis - Aye
Board Vice Chair Brock - Aye
Board Chair Tincher – Aye

Meeting adjourned at 6:30 PM on Tuesday, September 16, 2025

Terry Tincher, Board Chair
Board of Directors
Cabazon Water District

Evelyn Aguilar, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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New Business

1. Discussion/Action Item:

[TAB 1]

Report of the Audited Financial Statements for FY
2024/2025 as presented by CJ Brown & Company

Attachments:

1. FY 24/25 Audit PowerPoint Presentation
2. FY 24/25 Management Report
3. FY 24/25 Audited Financial Statements



Board of Directors Meeting October 21, 2025

FY 2025 Audit Report Presentation



C.J. Brown & Company, CPAs

Audit Requirements

- **State Law Requires the District to Have an Audit Performed Each Year by a Qualified CPA.**
- **A Copy of the Audit Report and the Results of That Years Operations Must be Submitted to the State Auditor Controller by January 31st**

The Auditor's Opinion – Page 4 of the Audit Report

Independent Auditor's Report

- **Unmodified “CLEAN” Opinion**

- In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cabazon Water District as of June 30, 2025....

Management Report

Our communication of control deficiencies, if any:

- **No Material Weakness or Significant deficiencies.**

Financial Highlights – Page 8 of the Audit Report

Condensed Statements of Net Position

	2025	As Restated 2024	Change
Assets:			
Current assets	\$ 3,330,440	2,753,789	576,651
Non-current assets	10,384,536	9,641,402	743,134
Total assets	13,714,976	12,395,191	1,319,785
Liabilities:			
Current liabilities	568,829	312,249	256,580
Non-current liabilities	163,387	240,885	(77,498)
Total liabilities	732,216	553,134	179,082
Deferred inflows of resources			
Deferred lease inflows	798,370	833,081	(34,711)
Total deferred inflows of resources	798,370	833,081	(34,711)
Net position:			
Net investment in capital assets	9,278,878	8,439,761	839,117
Restricted for debt service	55,889	62,414	(6,525)
Unrestricted	2,849,623	2,506,801	342,822
Total net position	\$ 12,184,390	11,008,976	Page 20 of 162

Financial Highlights – Page 9 of the Audit Report

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

		As Restated	
	2025	2024	Change
Revenues:			
Operating revenues	\$ 1,926,583	1,712,952	213,631
Non-operating revenues	294,882	268,298	26,584
Total revenues	2,221,465	1,981,250	240,215
Expenses:			
Operating expenses	1,445,634	1,352,355	93,279
Depreciation	508,011	487,470	20,541
Non-operating expenses	12,480	11,866	614
Total expenses	1,966,125	1,851,691	114,434
Net income before capital contributions	255,340	129,559	125,781
Capital contributions	920,074	343,767	576,307
Changes in net position	1,175,414	473,326	702,088
Net position, beginning of year as restated (Note 12)	11,008,976	10,535,650	473,326
Net position, end of year	\$ 12,184,390	11,008,976	1,175,414

2025 Financial Highlights

What was earned?

The District earned \$2.22M in total revenues (a 12% increase from FY 2024)

❑ Why did revenues go up?

- ❑ Total water revenues went up due to an increase in water rates.
- ❑ Non-operating revenues went up by \$26K.

What was spent?

The District spent \$1.97 million in total operating expenses (a 6% increase from FY 2024)

❑ Why did expenses go up?

- ❑ Pumping/water treatment costs and transmission/distribution costs - went up by \$36K each.
- ❑ General and administrative expenses went up by \$20K.

Total cash balance of the District?

The District's total **cash account** position remained strong at \$2.5M compared to \$2M from the prior year.

Questions



Cabazon Water District

Management Report

June 30, 2025

DRAFT

Cabazon Water District

Management Report

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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, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

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

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

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

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

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system as of June 30, 2025.

* * * * *

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
October 21, 2025

APPENDIX

Cabazon Water District

Audit/Finance Committee Letter

June 30, 2025



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

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

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Introductory Section

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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

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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
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

	2025	As Restated 2024	Change	2023	Change
Assets:					
Current assets	\$ 3,330,440	2,753,789	576,651	3,485,976	(732,187)
Non-current assets	10,384,536	9,641,402	743,134	9,476,015	165,387
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	163,387	240,885	(77,498)	154,723	86,162
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	798,370	833,081	(34,711)	867,793	(34,712)
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	2,849,623	2,506,801	342,822	2,113,996	392,805
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

	<u>2025</u>	<u>As Restated 2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 1,926,583	1,712,952	213,631	1,715,772	(2,820)
Non-operating revenues	<u>294,882</u>	<u>268,298</u>	<u>26,584</u>	<u>481,556</u>	<u>(213,258)</u>
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	<u>12,480</u>	<u>11,866</u>	<u>614</u>	<u>9,731</u>	<u>2,135</u>
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</u> <u>2024</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>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</u> <u>2023</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2024</u>
Capital assets:				
Non-depreciable assets	\$ 906,260	683,230	(786,507)	802,983
Depreciable assets	14,649,849	776,536	-	15,426,385
Accumulated depreciation	<u>(6,987,985)</u>	<u>(487,470)</u>	<u>-</u>	<u>(7,475,455)</u>
Total capital assets, net	<u>\$ 8,568,124</u>	<u>972,296</u>	<u>(786,507)</u>	<u>8,753,913</u>

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</u> <u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>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	<u>67,328</u>	<u>62,434</u>
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	<u>1,029,495</u>	<u>1,009,067</u>
Total operating expenses	<u>1,445,634</u>	<u>1,352,355</u>
Operating income before depreciation and amortization	480,949	360,597
Depreciation	<u>(508,011)</u>	<u>(487,470)</u>
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	<u>8,365</u>	<u>14,980</u>
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	(884,103)	(947,961)
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	1,060,090	528,235
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	(12,852)	(12,171)
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	101,705	90,824
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	2,093,326	1,652,516
Cash and cash equivalents, end of year	<u>\$ 2,585,779</u>	<u>2,093,326</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	55,889	62,414
Total cash and cash equivalents	<u>\$ 2,585,779</u>	<u>2,093,326</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	\$ <u>(27,062)</u>	<u>(126,873)</u>
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	<u>(386)</u>	<u>(1,209)</u>
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)	\$ <u>26</u>	<u>12,710</u>
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:

Investment Type	Total	<u>Remaining maturity</u>
		12 months or less
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:

Investment Type	Total	<u>Remaining maturity</u>
		12 months or less
Local Agency Investment Fund (LAIF)	\$ 5,246	5,246
California CLASS	1,611,808	1,611,808
Held by bond trustee:		
Money market funds	62,414	62,414
	<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 2024</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2025</u>	<u>Current</u>	<u>Non-current</u>	<u>Deferred 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 2023</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2024</u>	<u>Current</u>	<u>Non-current</u>	<u>Deferred 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 Gorgonio 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 Gorgonio 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 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, 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	216,712	683,230	(786,507)	113,435
Total non-depreciable assets	<u>906,260</u>	<u>683,230</u>	<u>(786,507)</u>	<u>802,983</u>
Depreciable assets:				
Transmission and distribution mains	11,676,426	5,806	-	11,682,232
Source of supply	2,404,654	770,730	-	3,175,384
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	182,969	-	-	182,969
Office furniture and equipment	97,882	-	-	97,882
Vehicles	144,767	-	-	144,767
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>14,649,849</u>	<u>776,536</u>	<u>-</u>	<u>15,426,385</u>
Accumulated depreciation:				
Transmission and distribution mains	(5,811,169)	(340,663)	-	(6,151,832)
Source of supply	(860,330)	(120,260)	-	(980,590)
Water treatment	(8,800)	-	-	(8,800)
Tools and equipment	(123,203)	(116)	-	(123,319)
Buildings and structures	(13,891)	(4,832)	-	(18,723)
Office furniture and equipment	(81,367)	(3,896)	-	(85,263)
Vehicles	(78,193)	(17,703)	-	(95,896)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(6,987,985)</u>	<u>(487,470)</u>	<u>-</u>	<u>(7,475,455)</u>
Total depreciable assets, net	<u>7,661,864</u>	<u>289,066</u>	<u>-</u>	<u>7,950,930</u>
Total capital assets, net	<u>\$ 8,568,124</u>			<u>8,753,913</u>

Major capital assets additions during the year include improvements to the District's 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	<u>(163,387)</u>	<u>(240,885)</u>
Total net investment in capital assets	<u>9,278,878</u>	<u>8,439,761</u>
Restricted:		
Cash and cash equivalents – restricted	<u>55,889</u>	<u>62,414</u>
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	<u>50,062</u>	<u>43,110</u>
Total non-spendable unrestricted net position	<u>136,858</u>	<u>135,279</u>
Spendable unrestricted net position:		
Operating reserve	<u>2,712,765</u>	<u>2,371,522</u>
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><u>\$ 12,184,390</u></u>	<u><u>11,008,976</u></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><u>\$ 11,008,976</u></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

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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
Cypress, California
October 21, 2025

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, 2025, and have issued our report thereon dated October 21, 2025. 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 8, 2025, 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 2025. 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 and Related Disclosures

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

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

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

Financial Statement Disclosures

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

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

Significant Unusual Transactions

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

Identified or Suspected Fraud

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

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

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 21, 2025.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information Included in Annual Reports

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

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

Conclusion

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

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

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

Cabazon Water District
Schedule of Audit Adjusting Journal Entries
For Fiscal Year Ended June 30, 2025

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To recognize lease receivable per GASB 87 at year-end.			
25102	Deferred inflows of resources - leases	\$ 34,711.72	
44002	Contra lease revenue	34,020.46	
15101	Lease receivable		20,402.10
42210	Cell Tower Lease Income		34,711.72
44001	Interest revenue - leases		13,618.36
Adjusting Journal Entries JE # 2			
To accrue accounts payable at year-end.			
53190	Line Maint and Repair Materials	9,576.00	
21490	Accrued Expenses	\$	9,576.00

New Business

2. Discussion/Action Item: [TAB 2]

Receive and File Rate Study Report by Water Economics
Resources

Attachments:

1. Draft Water Rate Study by Water Resources Economics
2. Prop 218 Notice to be mailed out

Cabazon Water District

2025 Water Rate Study
Draft Report – September 9, 2025

Prepared by: Water Resources Economics, LLC



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

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September 9, 2025

Michael Pollack
General Manager
Cabazon Water District
14618 Broadway Street
Cabazon, CA 92230

Subject: Cabazon Water District 2025 Water Rate Study Report

Dear Mr. Pollack,

Water Resources Economics, LLC (WRE) is pleased to submit this 2025 Water Rate Study Report to Cabazon Water District (District). This report documents the results and recommendations of the 2025 Water Rate Study. The goal of the study was to develop an updated five-year schedule of water rates that will sufficiently fund the District's water system expenses, help the District to meet its financial goals, and comply with cost-of-service principles.

This study utilized industry-standard rate-setting methodology in accordance with guidelines developed by the American Water Works Association and incorporates guidance provided by the District's Board of Directors and staff. Our project team has a proven record of developing fair and equitable water rates for numerous public water agencies in California over the past 25 years. We are confident in our ability to develop sound water rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the District, and we appreciate the support provided by yourself and Ms. Aguilar during this study.

Sincerely,



Sanjay Gaur
Founder / President
Water Resources Economics, LLC

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1. EXECUTIVE SUMMARY

1.1 SYSTEM OVERVIEW

Cabazon Water District (District) provides potable water service to over 900 metered connections, which include Single Family Residential and Non-Residential customer classes. The District's service area encompasses the unincorporated community of Cabazon and other unincorporated areas of Riverside County and covers approximately 7,040 acres.

The water system, which is owned and operated by the District, consists of four groundwater wells (Well #1, Well #2, Well #5, and Well #4), distribution pipelines, and multiple water storage facilities and tanks. The District's only water supply source is local groundwater produced from the District's wells.

1.2 RATE STUDY OVERVIEW

Public retail water agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for water service and to reestablish the cost-of-service nexus that is required by Proposition 218. The District's existing rate structure was developed in 2020 in a prior cost-of-service study.

The District engaged Water Resources Economics, LLC (WRE) in 2025 to conduct a comprehensive water rate study, with the following objectives:

- Develop a five-year financial plan to meet financial targets for Fiscal Year (FY) 2026¹ to FY 2030
- Conduct a cost-of-service analysis based on the most recent data and customer use characteristics
- Develop a five-year water rate schedule for FY 2026 through FY 2030

1.3 LEGAL REQUIREMENTS

Legal considerations relating to retail water rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide water service and the rates charged to customers. The primary means by which retail water agencies address this requirement is by conducting a "cost-of-service analysis."

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show

¹ FY 2026 is the fiscal year starting July 1, 2025 and ending June 30, 2026.

all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the American Water Works Association (AWWA) in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition* (M1 Manual). The rate study process includes the following steps:

1. **Financial Plan:** Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Cost-of-Service Analysis:** Costs are allocated to customers in proportion to use of and burden on the water system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers, as required by Proposition 218.
3. **Rate Design:** The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. This provides transparency and enhances legal defensibility in light of Proposition 218 requirements. This document serves as the report for this rate study.

1.5 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the District's water rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of June 2025.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually replicate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on a monthly basis.

1.6 CURRENT WATER RATES

The District's current water rate structure includes monthly fixed service charges by meter size, monthly fixed fire service charges by fire line diameter (charged to private fire customers

only), and commodity charges by water usage measured in hundred cubic feet (hcf). Single Family Residential customers' commodity charges have three tiers; other Non-Residential customers have a uniform commodity charge. **Table 1-1**, **Table 1-2**, and **Table 1-3** show the current monthly fixed service charges, monthly fixed fire service charges, and commodity charges, respectively.

Table 1-1: Current Monthly Fixed Service Charges

Line	Monthly Fixed Service Charges	As of 1/2025
1	5/8-inch meter	\$37.53
2	3/4-inch meter	\$53.21
3	1-inch meter	\$84.56
4	1 1/2-inch meter	\$162.94
5	2-inch meter	\$257.01
6	3-inch meter	\$507.84
7	4-inch meter	\$790.02
8	10-inch meter	\$6,590.45
9	Construction (3-inch meter)	\$532.61

Table 1-2: Current Monthly Fixed Fire Service Charges

Line	Monthly Fixed Fire Service Charges	As of 1/2025
1	4-inch connection	\$38.33
2	6-inch connection	\$79.67
3	8-inch connection	\$134.79

Table 1-3: Current Commodity Charges

Line	Commodity Charges (per hcf)	Tier Width	As of 1/2025
1	Single Family Residential		
2	Tier 1	0-7 hcf	\$2.22
3	Tier 2	8-14 hcf	\$7.88
4	Tier 3	14+ hcf	\$14.45
5	Non-Residential		\$5.37

1.7 FINANCIAL PLAN

WRE worked closely with District staff and the District's Board of Directors to determine the financial plan scenario that best suits the District's needs. The results and recommendations of the water rate study are driven by the District's financial performance, input from District staff, and feedback and direction from the Board.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The District's financial performance is driven by the ability of the current water rates to meet the District's funding needs. To maintain financial sufficiency, water rates must fully fund operations and maintenance (O&M) costs, capital improvement plan (CIP) expenditures, and

any relevant financial policies, which typically include target reserve balances and debt coverage.

The key factors affecting financial performance include:

- **Capital investment needs over the next five years:** The District anticipates to spend \$1.9 million over the next five years (FY 2026 through FY 2030) to complete critical projects such as well repairs, tank maintenance, and pipeline rehabilitation.
- **Operating cost increases:** Operating expenses are expected to increase by 6% on average each year of the study period due to inflationary pressures.
- **Reserve policy targets:** The District's current reserve policy, which is shown in **Table 1-4**, includes targets for operating and capital reserves for the first year of the study period. The current reserve policy is intended to provide sufficient cash on hand to meet short-term cash flow requirements and to execute CIP projects.

Table 1-4: Reserve Policy Targets

Line	Reserve Policy	Policy Targets	FY 2026
1	Operating Reserve	180 days of O&M expenses	\$739,726
2	Capital Reserve	6% of net capital assets	\$518,428
3	Combined Reserves Target		\$1,258,154

STATUS QUO FINANCIAL PLAN

The first step in evaluating the District's financial performance is to develop a "status quo financial plan," which is the scenario in which the District does not increase its water rate revenues or issue new debt to fund CIP. This exercise is to determine whether the District's current water rates are sufficient to meet key financial performance metrics. This section shows two important metrics: fund balance and debt coverage.

Figure 1-1 shows the projected fund balances under the status quo scenario. The green bars represent the ending fund balances, and the dashed line represents the reserve policy targets. In this scenario the District is able to meet its reserve targets without revenue adjustments.

Figure 1-1: Projected Fund Balances (Status Quo Financial Plan)

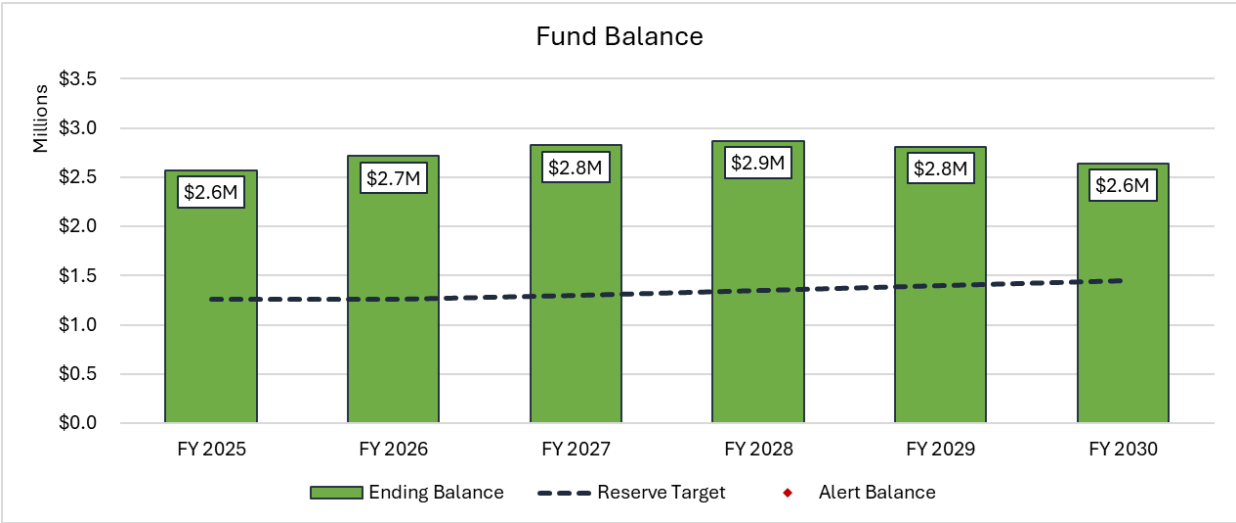
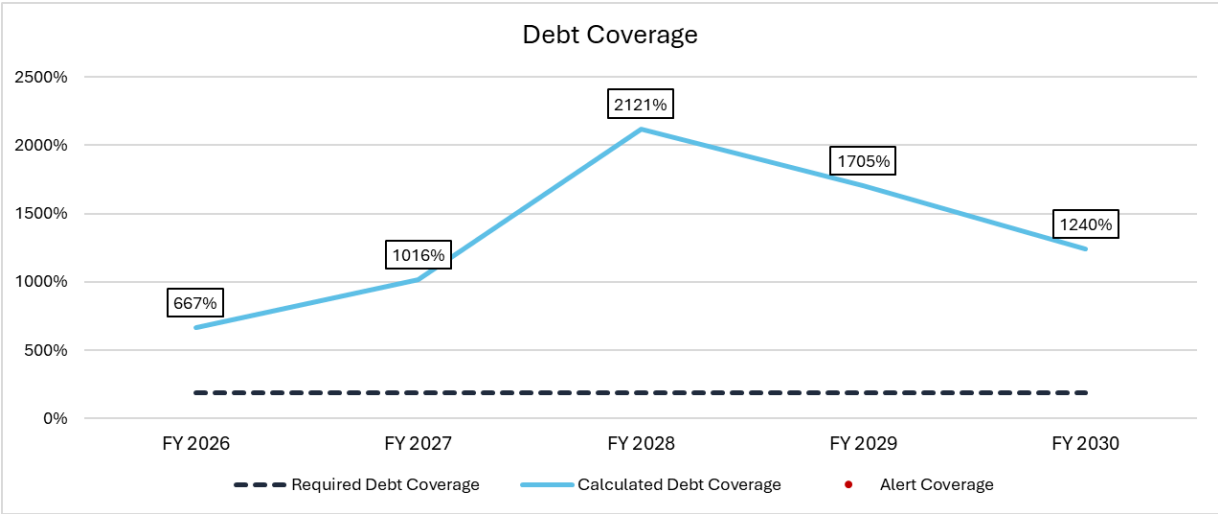


Figure 1-2 shows the projected debt service coverage under the status quo scenario. The District’s existing debt service has a required coverage of 185%. Debt coverage is calculated by dividing the net operating revenue (revenues less O&M expenses) by annual debt service payments. The District currently has three existing loans, two of which will be retired in FY 2027. In this scenario, the District can meet its debt coverage requirements without revenue adjustments.

Figure 1-2: Projected Debt Coverage (Status Quo Financial Plan)



PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES

Overall annual increases in water rate revenues resulting from rate increases are referred to as “revenue adjustments.” WRE worked with the Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-5**.

Cabazon Water District 2025 Water Rate Study

The proposed financial plan scenario includes no revenue adjustment in the first year (FY 2026), followed by 3% annual revenue adjustments in the final four years of the study period (FY 2027 through FY 2030). No revenue adjustment is proposed in FY 2026 to minimize distributional impacts to customers in the first year of the proposed rate schedule resulting from proposed changes to the current rate structure.

The status quo financial plan is projected to meet the District's reserve policy and debt coverage requirements over the next five years. However, 3% revenue adjustments are proposed in the final four years of the study period to build up reserves in anticipation of significantly increased CIP funding requirements in FY 2031 through FY 2035. This will reduce the likelihood that substantial revenue adjustments will be necessary during the next five-year rate-setting cycle for FY 2031 through FY 2035, thus smoothing out rate increases over time and avoiding short-term rate shocks to customers.

Table 1-5: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2026	End of January 2026	0.0%	\$0	\$0
2	FY 2027	End of January 2027	3.0%	\$0	\$0
3	FY 2028	End of January 2028	3.0%	\$0	\$0
4	FY 2029	End of January 2029	3.0%	\$0	\$0
5	FY 2030	End of January 2030	3.0%	\$0	\$0

PROPOSED FINANCIAL PLAN

The proposed financial plan applies the revenue adjustments and debt issuance, shown in **Table 1-5**, to reevaluate financial performance based on the same two metrics: fund balance and debt coverage.

Figure 1-3 shows the projected fund balances under the proposed scenario. In this scenario, the District will meet its reserve targets for all years of the planning period and build up additional reserves in anticipation of significant CIP spending in FY 2031 through FY 2035.

Figure 1-3: Projected Fund Balances (Proposed Financial Plan)

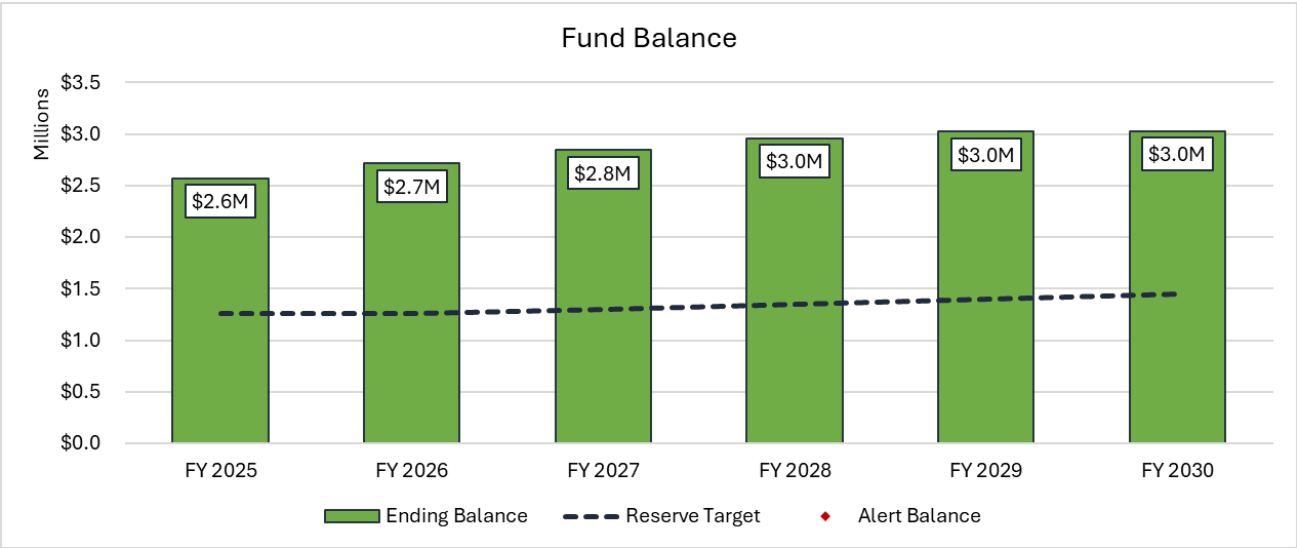
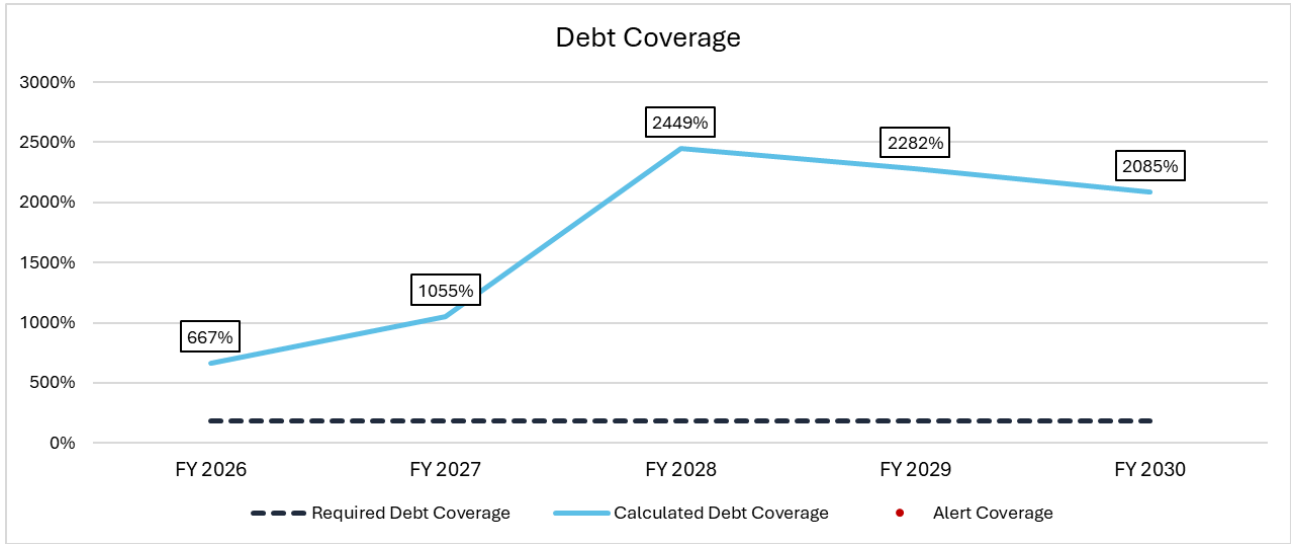


Figure 1-4 shows the projected debt coverage under the proposed scenario. The District will meet coverage requirements for all years.

Figure 1-4: Projected Debt Coverage (Proposed Financial Plan)



1.8 COST-OF-SERVICE ANALYSIS

A cost-of-service analysis is a technical process used to determine the cost of providing water service to the District’s customers based on each customer’s use of and burden on the water system. The cost-of-service analysis is the basis of the nexus between the costs incurred by the utility to provide water service and the water rates charged to customers, which is a requirement of Proposition 218.

COST-OF-SERVICE METHODOLOGY

The cost-of-service methodology is based on industry standards set forth by AWWA in its M1 Manual; this rate study utilizes the base-extra capacity method. The overall goal of the cost-of-service analysis is to develop “unit costs,” which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five years, the cost-of-service analysis is limited to a single representative year referred to as the “test year.” The test year in this study is FY 2026. The key steps in conducting a water cost-of-service analysis are outlined below:

- **Revenue requirement determination:** The total rate revenue requirement for the test year is determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization:** Operating and capital costs are evaluated and assigned to “functional categories” in the water system (e.g., customer service, groundwater wells, distribution, etc.). This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components:** Functionalized costs are allocated to “cost causation components” (e.g., water supply, base delivery, max day delivery, etc.), which is used to attribute customers’ use of the system to the District’s incursion of costs.
- **Unit cost development:** The rate revenue requirement allocation for each individual cost causation component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

1.9 PROPOSED WATER RATES

WRE worked closely with the Board and District staff to determine the most appropriate water rate structure that meets the District’s needs.

PROPOSED RATE STRUCTURE CHANGES

The District’s current rate structure includes a monthly fixed service charge, a monthly fixed fire service charge, three-tiered commodity charges for Single Family Residential, and uniform commodity charges for other Non-Residential customers. We propose the following two key changes to the current rate structure:

- **Fixed service charges for 6-inch and 8-inch meters:** The District’s current rate schedule does not include fixed service charges for 6-inch or 8-inch meters, as no current customers have meters of either size. Because there is a possibility that future connections will require a 6-inch or 8-inch meter, we recommend adding fixed service charges for these meter sizes to the proposed rate schedule.
- **Two-tiered Single Family Residential commodity charges:** WRE recommends reducing the number of tiers for the Single Family commodity charge from three to two tiers. This recommended change will result in a rate structure more closely aligned with evolving interpretations of Proposition 218 legal requirements. The proposed tier

Cabazon Water District 2025 Water Rate Study

1 allotment will remain unchanged at 7 hcf per month. Proposed tier 2 will include all monthly water use above 7 hcf.

PROPOSED FIVE-YEAR WATER RATE SCHEDULE

The proposed five-year water rate schedule is based on the proposed rate structure changes, the updated cost-of-service analysis, and the proposed revenue adjustments for the five-year study period. The rate schedule shows the proposed water rates to be implemented in January 2026 through January 2030. **Table 1-6**, **Table 1-7**, and **Table 1-8** show the proposed monthly fixed service charges, monthly fixed fire service charges, and commodity charges, respectively.

Table 1-6: Proposed Monthly Fixed Service charges

Line	Monthly Fixed Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	5/8-inch meter	\$37.17	\$38.29	\$39.44	\$40.63	\$41.85
2	3/4-inch meter	\$51.90	\$53.46	\$55.07	\$56.73	\$58.44
3	1-inch meter	\$81.36	\$83.81	\$86.33	\$88.92	\$91.59
4	1 1/2-inch meter	\$155.02	\$159.68	\$164.48	\$169.42	\$174.51
5	2-inch meter	\$243.40	\$250.71	\$258.24	\$265.99	\$273.97
6	3-inch meter	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25
7	4-inch meter	\$744.26	\$766.59	\$789.59	\$813.28	\$837.68
8	6-inch meter	\$1,480.81	\$1,525.24	\$1,571.00	\$1,618.13	\$1,666.68
9	8-inch meter	\$2,364.67	\$2,435.62	\$2,508.69	\$2,583.96	\$2,661.48
10	10-inch meter	\$6,194.72	\$6,380.57	\$6,571.99	\$6,769.15	\$6,972.23
11	Construction (3-inch meter)	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25

Table 1-7: Proposed Monthly Fixed Fire Service Charges

Line	Monthly Fixed Fire Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	4-inch connection	\$117.58	\$121.11	\$124.75	\$128.50	\$132.36
2	6-inch connection	\$326.88	\$336.69	\$346.80	\$357.21	\$367.93
3	8-inch connection	\$687.87	\$708.51	\$729.77	\$751.67	\$774.23

Table 1-8: Proposed Commodity charges

Line	Commodity Charge (per hcf)	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	Single Family Residential					
2	Tier 1 (0-7 hcf)	\$3.53	\$3.64	\$3.75	\$3.87	\$3.99
3	Tier 2 (7+ hcf)	\$8.44	\$8.70	\$8.97	\$9.24	\$9.52
4	Non-Residential	\$5.38	\$5.55	\$5.72	\$5.90	\$6.08

CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family Residential customer class, which represents approximately 94% of the District's meter connections, based on the proposed water rates for FY 2026. **Table 1-9** shows the proposed impacts for a Single Family

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Residential customer with a 5/8-inch meter (the most common meter size within this class, representing over 95% of customers) at various levels of monthly usage. For the average Single Family Residential customer that uses 8 hcf of water per month, the monthly bill increase will be \$9.37 or 15.4%, which reflects the impact of the cost-of-service analysis and proposed rate structure changes.

Table 1-9: Proposed Residential Customer Impacts

Line	Residential Customer Impacts	Monthly Usage (hcf)	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	10th Percentile	1	\$39.75	\$40.70	\$0.95	2.4%
2	25th Percentile	3	\$44.19	\$47.76	\$3.57	8.1%
3	50th Percentile	6	\$50.85	\$58.35	\$7.50	14.7%
4	Average	8	\$60.95	\$70.32	\$9.37	15.4%
5	75th Percentile	12	\$92.47	\$104.08	\$11.61	12.6%
6	90th Percentile	16	\$137.13	\$137.84	\$0.71	0.5%

2. FINANCIAL PLAN

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue. For this study, the planning period is from FY 2026 through FY 2030; data for FY 2025 or earlier is shown when needed to represent actual data inputs. The key steps in developing a financial plan for a water enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 REVENUES

CURRENT WATER RATES

The District's current water rates include a monthly fixed service charge based on meter size, a monthly fixed fire service charge based on fire line diameter (for customers with private fire service), and a commodity charge based on metered water use in hcf. Single Family Residential customers have a three-tiered commodity charge; Non-Residential customers have a uniform commodity charge.

Table 2-1, Table 2-2, and Table 2-3 show the current monthly fixed service charges, monthly fixed fire service charges, and commodity charges, respectively. The current rates are based on the District's most recent water rate study and were implemented in January 2025 (for FY 2025).

Table 2-1: Current Monthly Fixed Service Charges

Line	Monthly Fixed Service Charges	As of 1/2025
1	5/8-inch meter	\$37.53
2	3/4-inch meter	\$53.21
3	1-inch meter	\$84.56
4	1 1/2-inch meter	\$162.94
5	2-inch meter	\$257.01
6	3-inch meter	\$507.84
7	4-inch meter	\$790.02
8	10-inch meter	\$6,590.45
9	Construction (3-inch meter)	\$532.61

Table 2-2: Current Monthly Fixed fire Service Charges

Line	Monthly Fire Service Charges	As of 1/2025
1	4-inch connection	\$38.33
2	6-inch connection	\$79.67
3	8-inch connection	\$134.79

Table 2-3: Current Commodity Charges

Line	Commodity Charges (per hcf)	Tier Width	As of 1/2025
1	Single Family Residential		
2	Tier 1	0-7 hcf	\$2.22
3	Tier 2	8-14 hcf	\$7.88
4	Tier 3	14+ hcf	\$14.45
5	Non-Residential		\$5.37

CUSTOMER ACCOUNTS AND USAGE

This section details the customer accounts and water usage for all years of the study, which are referred to as the units of service. Units of service represent the quantity of billing units that are subject to the District's water rates and charges.

Table 2-4 shows the projected number of meters for each customer class for the study period. District staff provided actual data for FY 2025; this study assumes four new 5/8-inch and 3/4-inch Single Family Residential connections each year per District staff estimates. The number of metered connections is the unit of service for the District's monthly fixed service charges.

Table 2-4: Projected Number of Water Meters

Line	Number of Water Meters	FY 2025 Actual	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
1	Single Family Residential						
2	5/8-inch	860	864	868	872	876	880
3	3/4-inch	22	26	30	34	38	42
4	1-inch	8	8	8	8	8	8
5	1 1/2-inch	0	0	0	0	0	0
6	2-inch	0	0	0	0	0	0
7	3-inch	0	0	0	0	0	0
8	4-inch	0	0	0	0	0	0
9	Subtotal	891	899	907	915	923	931
10							
11	Non-Residential						
12	5/8-inch	17	17	17	17	17	17
13	3/4-inch	2	2	2	2	2	2
14	1-inch	6	6	6	6	6	6
15	1 1/2-inch	4	4	4	4	4	4
16	2-inch	18	18	18	18	18	18
17	3-inch	3	3	3	3	3	3
18	4-inch	1	1	1	1	1	1
19	Contract (10-inch)	1	1	1	1	1	1
20	Construction (3-inch)	2	2	2	2	2	2
21	Subtotal - Non-Residential	54	54	54	54	54	54
22							
23	Total - Potable Meters	945	953	961	969	977	985

Table 2-5 shows the projected number of private fire lines for the study period. District staff provided actual data for FY 2025; this study assumes no growth in private fire connections for the period. The number of private fire lines is the unit of service for the District's monthly fixed fire service charges.

Table 2-5: Projected Number of Private Fire Lines

Line	Number of Private Fire Lines	FY 2025 Actual	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
1	Private Fire						
2	4-inch connection	0	0	0	0	0	0
3	6-inch connection	2	2	2	2	2	2
4	8-inch connection	1	1	1	1	1	1
5	Subtotal - Private Fire	3	3	3	3	3	3

Table 2-6 shows the demand growth assumptions for each customer class. WRE worked with District staff to determine the most appropriate estimates for annual water usage based on historical trends and future expectations. Current water demand is projected to rebound slightly to 400 acre-feet per year (AFY) in FY 2026, which is still below the five-year actual average of 435 AFY. Beyond FY 2026, all projected demand increases are due to new Single Family Residential customers connecting to the District's water system, which is projected to add an additional 0.22 AFY in water demand per connection.

Table 2-6: Demand Growth Assumptions

Line	Water Demand Growth	FY 2026 ²	FY 2027	FY 2028	FY 2029	FY 2030
1	Single Family Residential	1.2%	0.9%	0.9%	0.9%	0.9%
2	Non-Residential	1.2%	0.0%	0.0%	0.0%	0.0%

Table 2-7 shows the projected water usage for each customer class and tier. District staff provided estimated water usage for FY 2024, which is then projected forward based on the demand growth assumptions (**Table 2-6**).

Table 2-7: Projected Customer Water Usage (hcf)

Line	Water Consumption (hcf)	FY 2024 Estimate	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
1	Single Family Residential						
2	Tier 1	54,066	54,736	55,223	55,710	56,198	56,685
3	Tier 2	19,598	19,841	20,017	20,194	20,371	20,547
4	Tier 3	13,064	13,226	13,344	13,461	13,579	13,697
5	Subtotal	86,728	87,803	88,584	89,366	90,147	90,929
6							
7	Non-Residential	85,380	86,437	86,437	86,437	86,437	86,437
8							
9	Total	172,108	174,240	175,022	175,803	176,585	177,366

REVENUES FROM CURRENT RATES

Table 2-8 shows the calculated water rate revenues for the study period based on the current effective water rates and the projected units of service. The monthly fixed service charge revenues (Lines 1-4) are calculated by multiplying the monthly fixed service charge (from **Table 2-1**) by the projected meter connections (**Table 2-4**) for a period of 12 months. The monthly fixed fire service charge revenues (Lines 6-8) are calculated by multiplying the monthly fixed fire service charge (from **Table 2-2**) by the projected private fire connections (**Table 2-5**) for a period of 12 months. The commodity charge revenues (Lines 10-16) are calculated by multiplying the effective commodity charges (from **Table 2-3**) by the projected water usage (**Table 2-7**) in each year.

² Relative to FY 2024 rather than FY 2025, as estimates/actuals for FY 2025 were not yet available when the study analysis was conducted.

Table 2-8: Calculated Rate Revenues at Current Rates

Line	Calculated Rate Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Monthly Fixed Service Charges					
2	Single Family Residential	\$415,673	\$420,029	\$424,384	\$428,740	\$433,095
3	Non-Residential	\$198,512	\$198,512	\$198,512	\$198,512	\$198,512
4	Subtotal	\$614,185	\$618,540	\$622,896	\$627,251	\$631,607
5						
6	Monthly Fire Service Charges					
7	Private Fire	\$3,530	\$3,530	\$3,530	\$3,530	\$3,530
8	Subtotal	\$3,530	\$3,530	\$3,530	\$3,530	\$3,530
9						
10	Commodity Charges					
11	Single Family Residential					
12	Tier 1	\$121,514	\$122,596	\$123,677	\$124,759	\$125,841
13	Tier 2	\$156,346	\$157,737	\$159,129	\$160,521	\$161,912
14	Tier 3	\$191,113	\$192,814	\$194,515	\$196,216	\$197,918
15	Non-Residential	\$464,168	\$464,168	\$464,168	\$464,168	\$464,168
16	Subtotal	\$933,141	\$937,315	\$941,490	\$945,664	\$949,839
17						
18	Total	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975

REVENUE SUMMARY

Table 2-9 shows the summary of projected revenues for the study period. District staff provided the budgeted revenues for FY 2026; all other years are projected based on the relevant assumptions or calculations. Water rate revenues (Line 1) are equal to the rate revenues at current rates (**Table 2-8**, Line 18). Property Taxes (Line 2) and Cell Tower Lease (Line 3) are inflated for future years based on a 2% growth rate. Interest Income (Line 4) is calculated based on average fund balances and a 3% interest rate, and miscellaneous revenues (Line 5) are held constant at FY 2026 budgeted amounts. Detailed revenue projections are included in the **Appendix (Table 5-1)**.

Table 2-9: Revenue Summary

Line	Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Water Rate Revenues	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975
2	Property Taxes	\$253,000	\$258,060	\$263,221	\$268,486	\$273,855
3	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
4	Interest Income	\$67,600	\$82,105	\$85,694	\$88,344	\$89,410
5	Miscellaneous Revenues	\$172,060	\$172,060	\$172,060	\$172,060	\$172,060
6	Total	\$2,083,315	\$2,112,206	\$2,130,299	\$2,147,571	\$2,163,381

2.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE worked with District staff to determine annual inflationary assumptions to apply to the District's O&M expense budget. District staff provided the budgeted O&M expenses for FY

2026; all other years are projected based on the inflationary assumptions shown in **Table 2-10**.

Table 2-10: Expense Inflationary Assumptions

Line	Inflationary Assumptions	FY 2027	FY 2028	FY 2029	FY 2030
1	General	4.0%	4.0%	4.0%	4.0%
2	Electricity & Fuel	10.0%	10.0%	10.0%	10.0%
3	Insurance	10.0%	10.0%	10.0%	10.0%
4	Salaries	5.0%	5.0%	5.0%	5.0%
5	Benefits	6.0%	6.0%	6.0%	6.0%
6	Capital	4.0%	4.0%	4.0%	4.0%
7	Chemicals	5.0%	5.0%	5.0%	5.0%
8	Non-Inflated	0.0%	0.0%	0.0%	0.0%
9	Non-Recurring	-100.0%	-100.0%	-100.0%	-100.0%

OPERATING EXPENSE SUMMARY

Table 2-11 shows the summary of O&M expenses for the study period. District staff provided budgeted expenses for FY 2026; expenses for other years are projections. All expenses are inflated based on the assumptions in **Table 2-10**. Detailed operating expense projections are included in the **Appendix (Table 5-2)**.

Table 2-11: Operating Expense Summary

Line	Expenses	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Payroll Expenses	\$788,900	\$830,898	\$875,149	\$921,775	\$970,905
2	Facilities, Wells, Transmission & Distribution (T&D)	\$376,700	\$405,512	\$436,849	\$470,951	\$508,078
3	Office Expenses	\$115,900	\$121,778	\$128,015	\$134,639	\$141,677
4	Support Services	\$148,900	\$158,114	\$168,022	\$178,685	\$190,169
5	Other Operating Expenses	\$15,300	\$15,912	\$16,548	\$17,210	\$17,899
6	Service Tools & Equipment	\$50,000	\$52,750	\$55,685	\$58,820	\$62,171
7	Non-Operating Expenses	\$4,300	\$2,960	\$3,022	\$3,087	\$3,155
8	Total	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053

2.4 DEBT SERVICE

EXISTING DEBT SERVICE

Table 2-12 shows the District's annual debt service for the study period. The District has existing debt service payments on three outstanding issues (Lines 1-3), totaling approximately \$202,000 over the study period. Debt service payments on two outstanding issues are projected to end in FY 2027. The proposed financial plan scenario includes no new debt issuances.

Table 2-12: Existing Debt Service

Line	Debt Service	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	DWR Loan	\$48,691	\$15,754	\$0	\$0	\$0

2	Well 4 Loan	\$21,001	\$21,001	\$21,001	\$21,001	\$21,001
3	2022 Ford Loan	\$17,754	\$14,795	\$0	\$0	\$0
4	Total	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001

2.5 CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PROJECTS

WRE worked with District staff to project spending on CIP projects over the study period. It is estimated that the District will spend approximately \$350,000 annually on average on CIP over the next five years, before accounting for inflation (see **Table 2-13**, Line 1).³ This includes five-year CIP projections from the FY 2026 proposed capital budget associated with the replacement of water meters, water mains, vehicles, and machinery. It also accounts for significant additional spending on other critical infrastructure upgrades. Annual CIP costs (see **Table 2-13**, Line 2) are inflated based on the Capital inflationary factor of 4% per year (from **Table 2-10**, Line 6) starting in FY 2027. All CIP is anticipated to be rate funded (i.e., no new debt or grant funding).

Table 2-13: Capital Project Costs and Execution Rate

Line	Capital Projects	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Levelized Annual CIP (Excluding Inflation)	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
2	Levelized Annual CIP (Including Inflation)	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450

2.6 FINANCIAL POLICIES

RESERVE POLICY

The District's reserve policy maintains cash on hand to meet short-term cash imbalances and execute CIP projects. The reserve target for the study period ranges from approximately \$1.3 to \$1.5 million in the District's reserve funds.

The District currently has an adopted reserve policy that consists of the following components:

- Operating Reserve Target: 180 days of operating expenses
- Capital Reserve Target: 6% of net capital assets

DEBT COVERAGE REQUIREMENT

The District's debt coverage requirement is 185% of annual debt service. To meet coverage requirements, net revenues (revenues less operating expenses) must equal 185% or more of annual debt service.

³ This study utilizes a levelized approach to CIP spending, in which annual CIP project expenditures are held constant over the study period (before accounting for inflation). This simplifies the financial planning process, as actual CIP project execution may diverge significantly from preliminary projections on an annual basis.

2.7 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 2-14 shows the status quo financial plan scenario, which assumes no revenue adjustments and no proposed debt issuances. This scenario is used to evaluate the ability of the current water rates to meet the District's financial targets and to determine the need for revenue adjustments.

Table 2-14: Status Quo Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2026	January 2026	0.0%	\$0	\$0
2	FY 2027	January 2027	0.0%	\$0	\$0
3	FY 2028	January 2028	0.0%	\$0	\$0
4	FY 2029	January 2029	0.0%	\$0	\$0
5	FY 2030	January 2030	0.0%	\$0	\$0

STATUS QUO CASH FLOW PROJECTIONS

Table 2-15 shows the cash flow projections for the status quo financial plan. Revenues⁴ (Lines 1-8) are from **Table 2-9**. Operating expenses (Lines 10-18) are from **Table 2-11**. Net operating revenue (Line 20) is equal to the difference between total revenues (Line 8) and total operating expenses (Line 18). Debt service (Lines 22-25) is from **Table 2-12**. Rate funded CIP (Line 29) is from **Table 2-13**. The status quo scenario assumes no new debt; all CIP is expected to be rate funded. Net cash flow (Line 31) is equal to the net operating revenue (Line 20) less debt service (Line 25) and rate funded CIP (Line 29).

The net operating revenue in this scenario is positive for all years, meaning that the District's current revenues are sufficient to fund its operating expenses. However, the net cash flow in the status quo scenario is negative starting in FY 2029, meaning that the District's current revenues are not sufficient to fund all CIP.

⁴ Interest income (Line 6) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less interest income. **Table 2-9** shows the interest income for the proposed financial plan scenario.

Table 2-15: Projected Cash Flows (Status Quo Financial Plan)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenues					
2	Rate Revenues at Existing Rates	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
4	Property Taxes	\$253,000	\$258,060	\$263,221	\$268,486	\$273,855
5	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
6	Interest Income	\$67,600	\$81,812	\$84,093	\$83,932	\$80,582
7	Miscellaneous Revenues	\$172,060	\$172,060	\$172,060	\$172,060	\$172,060
8	Subtotal	\$2,083,315	\$2,111,914	\$2,128,697	\$2,143,159	\$2,154,553
9						
10	Operating Expenses					
11	Payroll Expenses	\$788,900	\$830,898	\$875,149	\$921,775	\$970,905
12	Facilities, Wells, Transmission & Distribution (T&D)	\$376,700	\$405,512	\$436,849	\$470,951	\$508,078
13	Office Expenses	\$115,900	\$121,778	\$128,015	\$134,639	\$141,677
14	Support Services	\$148,900	\$158,114	\$168,022	\$178,685	\$190,169
15	Other Operating Expenses	\$15,300	\$15,912	\$16,548	\$17,210	\$17,899
16	Service Tools & Equipment	\$50,000	\$52,750	\$55,685	\$58,820	\$62,171
17	Non-Operating Expenses	\$4,300	\$2,960	\$3,022	\$3,087	\$3,155
18	Subtotal	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053
19						
20	Net Revenue	\$583,315	\$523,990	\$445,405	\$357,991	\$260,500
21						
22	Debt Service					
23	Existing Debt	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
24	Proposed Debt	\$0	\$0	\$0	\$0	\$0
25	Subtotal	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
26						
27	CIP					
28	Rate Funded	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
29	Subtotal	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
30						
31	Net Cash Flow	\$145,869	\$108,440	\$45,844	(\$56,712)	(\$169,951)

STATUS QUO FUND BALANCE PROJECTIONS

Table 2-16 shows the fund balance projections for the status quo financial plan. Sources of funds include revenues and uses of funds include operating expenses, debt service, and CIP. Overall reserves are projected to be drawn down by approximately \$73,000 over the study period.

Table 2-16: Projected Fund Balances (Status Quo Financial Plan)

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$2,567,900	\$2,713,769	\$2,822,209	\$2,868,053	\$2,811,340
2						
3	Sources of Funds					
4	Rate Revenues at Existing Rates	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975
5	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
6	Property Taxes	\$253,000	\$258,060	\$263,221	\$268,486	\$273,855
7	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
8	Interest Income	\$67,600	\$81,812	\$84,093	\$83,932	\$80,582
9	Miscellaneous Revenues	\$172,060	\$172,060	\$172,060	\$172,060	\$172,060
10	Grant Proceeds	\$0	\$0	\$0	\$0	\$0
11	Debt Proceeds	\$0	\$0	\$0	\$0	\$0
12	Subtotal	\$2,083,315	\$2,111,914	\$2,128,697	\$2,143,159	\$2,154,553
13						
14	Uses of Funds					
15	Expenses	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053
16	Debt Service	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
17	Grant Funded CIP	\$0	\$0	\$0	\$0	\$0
18	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0
19	Rate Funded CIP	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
20	Subtotal	\$1,937,446	\$2,003,474	\$2,082,853	\$2,199,871	\$2,324,505
21						
22	Ending Fund Balance	\$2,713,769	\$2,822,209	\$2,868,053	\$2,811,340	\$2,641,389

STATUS QUO FINANCIAL PERFORMANCE

The District's financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 2-17**. Under the status quo financial plan, the District will meet its reserve targets and debt coverage requirements in all years of the study period without revenue adjustments.

Table 2-17: Forecasted Financial Performance (Status Quo Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Reserve Policies					
2	Operating Reserve	\$739,726	\$783,086	\$830,117	\$880,357	\$934,054
3	Capital Reserve	\$518,428	\$518,428	\$518,428	\$518,428	\$518,428
4	Combined Reserves Target	\$1,258,154	\$1,301,514	\$1,348,545	\$1,398,785	\$1,452,482
5	Combined Reserves	\$2,713,769	\$2,822,209	\$2,868,053	\$2,811,340	\$2,641,389
6	Meets Target?	Yes	Yes	Yes	Yes	Yes
7						
8	Debt Coverage Target					
9	Required Debt Coverage	185%	185%	185%	185%	185%
10	Calculated Debt Coverage	667%	1016%	2121%	1705%	1240%
11	Meets Target?	Yes	Yes	Yes	Yes	Yes

Figure 2-1 shows the comparison of revenues and the revenue requirements for the status quo scenario. The stacked bars represent the revenue requirements, or costs: light blue for O&M expenses, green for debt service, and dark blue for rate funded CIP. The District will be adding to its reserves (gray bars) in this scenario through FY 2028. The current revenue, shown as a solid line, is lower than the revenue requirements starting in FY 2029, meaning that revenues are insufficient to fund all costs.

Figure 2-1: Revenue Requirements vs. Revenues (Status Quo Financial Plan)

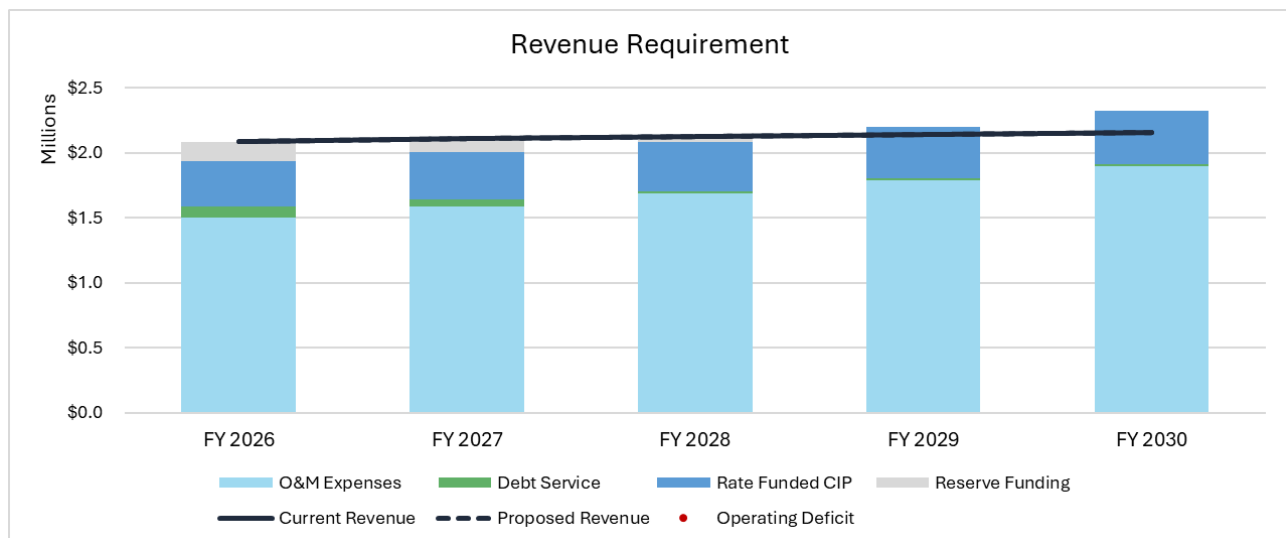


Figure 2-2 shows the debt coverage projections in the status quo financial plan. The required debt coverage (dashed line) is equal to 185%. Debt service for two debt issues ends in FY 2027, resulting in higher debt coverage after FY 2027. The District is expected to meet its debt coverage requirements for all years under the status quo financial plan.

Figure 2-2: Projected Debt Coverage (Status Quo Financial Plan)

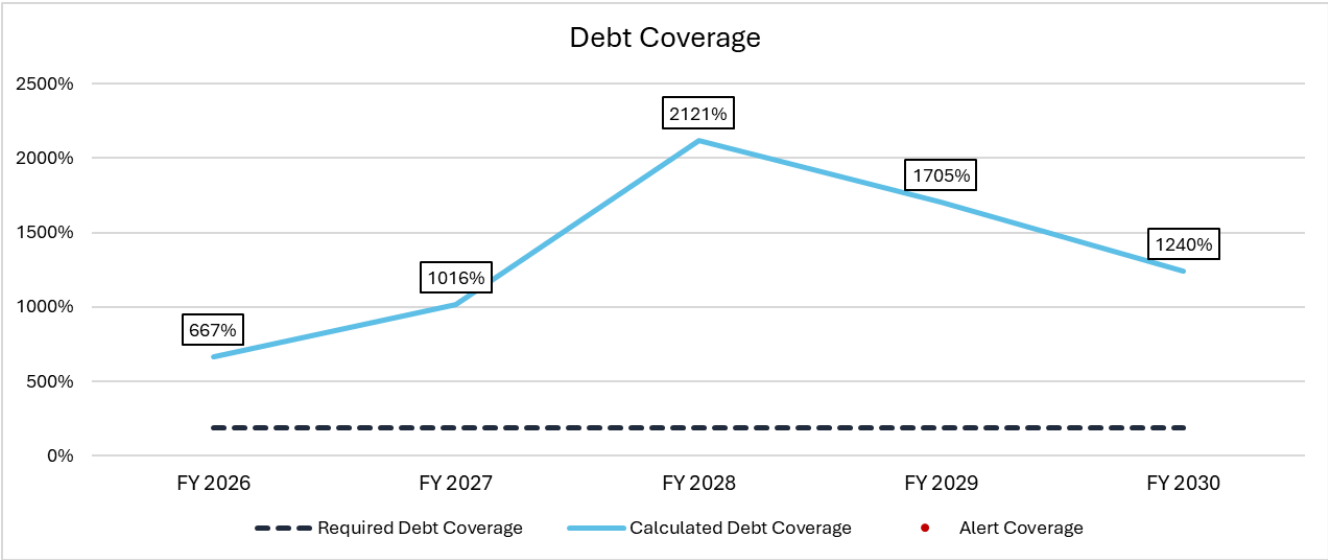
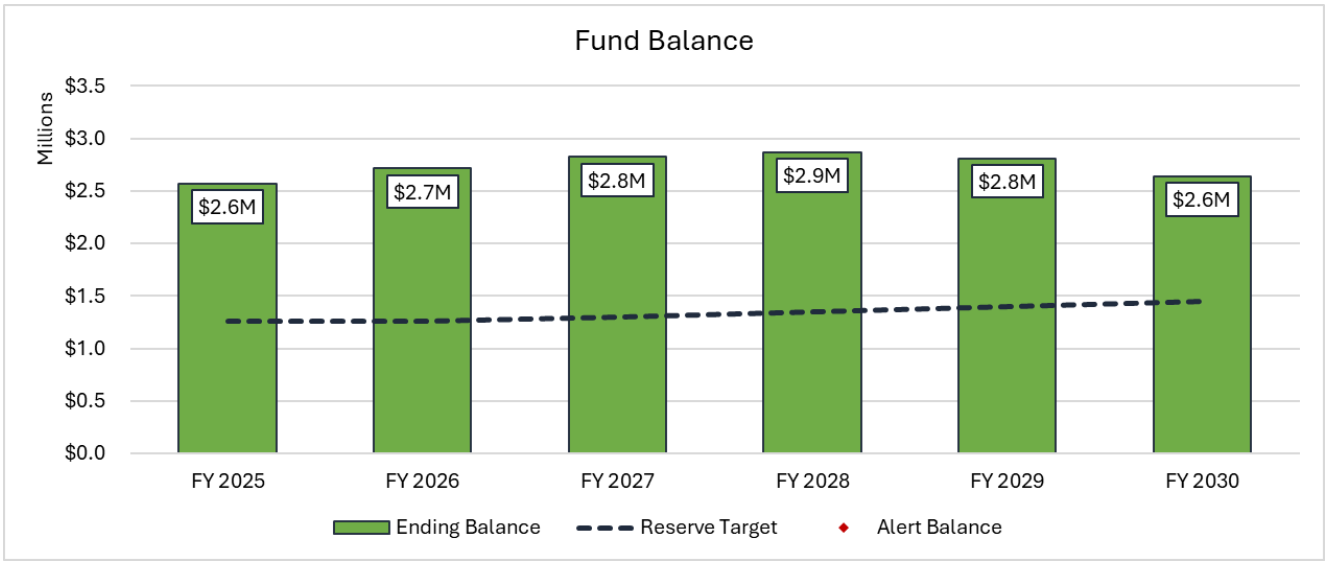


Figure 2-3 shows the fund balance projections in the status quo financial plan. The District's ending balance (green bars) will meet the reserve targets (dashed line) in all years of the study period under the status quo financial plan.

Figure 2-3: Projected Fund Balances (Status Quo Financial Plan)



2.8 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN SCENARIO

Overall annual increases in water rate revenues resulting from rate increases are referred to as “revenue adjustments.” WRE worked with the Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 2-18**.

The proposed financial plan scenario includes no revenue adjustment in the first year (FY 2026), followed by 3% annual revenue adjustments in the final four years of the study period (FY 2027 through FY 2030). No revenue adjustment is proposed in FY 2026 to minimize distributional impacts to customers in the first year of the proposed rate schedule resulting from proposed changes to the current rate structure.

The status quo financial plan is projected to meet the District’s reserve policy and debt coverage requirements over the next five years but is insufficient to fully recover all CIP. We propose 3% revenue adjustments in the final four years of the study period to recover all CIP over the study period, and to build up reserves in anticipation of significantly increased CIP funding requirements in FY 2031 through FY 2035. This will reduce the likelihood that substantial revenue adjustments will be necessary during the next five-year rate-setting cycle for FY 2031 through FY 2035, thus smoothing out rate increases over time and avoiding short-term rate shocks to customers.

Table 2-18: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2026	January 2026	0.0%	\$0	\$0
2	FY 2027	January 2027	3.0%	\$0	\$0
3	FY 2028	January 2028	3.0%	\$0	\$0
4	FY 2029	January 2029	3.0%	\$0	\$0
5	FY 2030	January 2030	3.0%	\$0	\$0

PROPOSED CASH FLOW PROJECTIONS

Table 2-19 shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-8) are from **Table 2-9**, except for revenue adjustments (Line 3) which are calculated based on the revenue adjustment percentages from Table 2-18. Operating expenses (Lines 10-18) are from **Table 2-11**. Net operating revenue (Line 20) is equal to the difference between total revenues (Line 8) and total expenses (Line 18). Debt service (Lines 22-25) is from **Table 2-12**. Rate funded CIP (Line 29) is from **Table 2-13**. The proposed scenario assumes no new debt; all CIP is expected to be rate funded. Net cash flow (Line 31) is equal to the net operating revenue (Line 20) less debt service (Line 25) and rate funded CIP (Line 29).

The net cash flow in the proposed scenario is positive for all years (except for FY 2025), meaning that the District’s current revenues are sufficient to fund its operating expenses, debt service, and annual CIP.

Table 2-19: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenues					
2	Rate Revenues at Existing Rates	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975
3	Revenue Adjustments	\$0	\$19,492	\$67,224	\$116,911	\$168,619
4	Property Taxes	\$253,000	\$258,060	\$263,221	\$268,486	\$273,855
5	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
6	Interest Income	\$67,600	\$82,105	\$85,694	\$88,344	\$89,410
7	Miscellaneous Revenues	\$172,060	\$172,060	\$172,060	\$172,060	\$172,060
8	Subtotal	\$2,083,315	\$2,131,698	\$2,197,523	\$2,264,482	\$2,332,000
9						
10	Expenses					
11	Payroll Expenses	\$788,900	\$830,898	\$875,149	\$921,775	\$970,905
12	Facilities, Wells, Transmission & Distribution (T&D)	\$376,700	\$405,512	\$436,849	\$470,951	\$508,078
13	Office Expenses	\$115,900	\$121,778	\$128,015	\$134,639	\$141,677
14	Support Services	\$148,900	\$158,114	\$168,022	\$178,685	\$190,169
15	Other Operating Expenses	\$15,300	\$15,912	\$16,548	\$17,210	\$17,899
16	Service Tools & Equipment	\$50,000	\$52,750	\$55,685	\$58,820	\$62,171
17	Non-Operating Expenses	\$4,300	\$2,960	\$3,022	\$3,087	\$3,155
18	Subtotal	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053
19						
20	Net Revenue	\$583,315	\$543,774	\$514,231	\$479,314	\$437,947
21						
22	Debt Service					
23	Existing Debt	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
24	Proposed Debt	\$0	\$0	\$0	\$0	\$0
25	Subtotal	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
26						
27	CIP					
28	Rate Funded	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
29	Subtotal	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
30						
31	Net Cash Flow	\$145,869	\$128,224	\$114,670	\$64,611	\$7,495

PROPOSED FUND BALANCE PROJECTIONS

Table 2-20 shows the fund balance projections for the proposed financial plan. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the District's fund balance is projected to increase to approximately \$3 million at the end of the study period.

Table 2-20: Projected Fund Balances (Proposed Financial Plan)

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$2,567,900	\$2,713,769	\$2,841,994	\$2,956,664	\$3,021,275
2						
3	Sources of Funds					
4	Rate Revenues at Existing Rates	\$1,550,855	\$1,559,385	\$1,567,915	\$1,576,445	\$1,584,975
5	Revenue Adjustments	\$0	\$19,492	\$67,224	\$116,911	\$168,619
6	Property Taxes	\$253,000	\$258,060	\$263,221	\$268,486	\$273,855
7	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
8	Interest Income	\$67,600	\$82,105	\$85,694	\$88,344	\$89,410
9	Miscellaneous Revenues	\$172,060	\$172,060	\$172,060	\$172,060	\$172,060
10	Grant Proceeds	\$0	\$0	\$0	\$0	\$0
11	Debt Proceeds	\$0	\$0	\$0	\$0	\$0
12	Subtotal	\$2,083,315	\$2,131,698	\$2,197,523	\$2,264,482	\$2,332,000
13						
14	Uses of Funds					
15	Expenses	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053
16	Debt Service	\$87,446	\$51,550	\$21,001	\$21,001	\$21,001
17	Grant Funded CIP	\$0	\$0	\$0	\$0	\$0
18	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0
19	Rate Funded CIP	\$350,000	\$364,000	\$378,560	\$393,702	\$409,450
20	Subtotal	\$1,937,446	\$2,003,474	\$2,082,853	\$2,199,871	\$2,324,505
21						
22	Ending Fund Balance	\$2,713,769	\$2,841,994	\$2,956,664	\$3,021,275	\$3,028,770

PROPOSED FINANCIAL PERFORMANCE

Table 2-21 shows the forecasted financial performance for the proposed financial plan. Under this plan, the District will meet its reserve targets and debt coverage requirements in all years of the study period. Additionally, reserve levels will be built up to help cover significantly higher anticipated CIP funding requirements beyond the study period from FY 2031 through FY 2035.

Table 2-21: Forecasted Financial Performance (Proposed Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Reserve Policies					
2	Operating Reserve	\$739,726	\$783,086	\$830,117	\$880,357	\$934,054
3	Capital Reserve	\$518,428	\$518,428	\$518,428	\$518,428	\$518,428
4	Combined Reserves Target	\$1,258,154	\$1,301,514	\$1,348,545	\$1,398,785	\$1,452,482
5	Combined Reserves	\$2,713,769	\$2,841,994	\$2,956,664	\$3,021,275	\$3,028,770
6	Meets Target?	Yes	Yes	Yes	Yes	Yes
7						
8	Debt Coverage Target					
9	Required Debt Coverage	185%	185%	185%	185%	185%
10	Calculated Debt Coverage	667%	1055%	2449%	2282%	2085%
11	Meets Target?	Yes	Yes	Yes	Yes	Yes

Figure 2-4 shows the comparison of revenues and the revenue requirements for the proposed scenario. The stacked bars represent the revenue requirements, or costs. The current revenue, shown as a solid line, is lower than the revenue requirements starting in FY 2029. The proposed revenue, shown as a dotted line, is greater than the revenue requirements in all years of the study, meaning that the District's revenues are able to sufficiently fund all expenses.

Figure 2-4: Revenue Requirements vs. Revenues (Proposed Financial Plan)

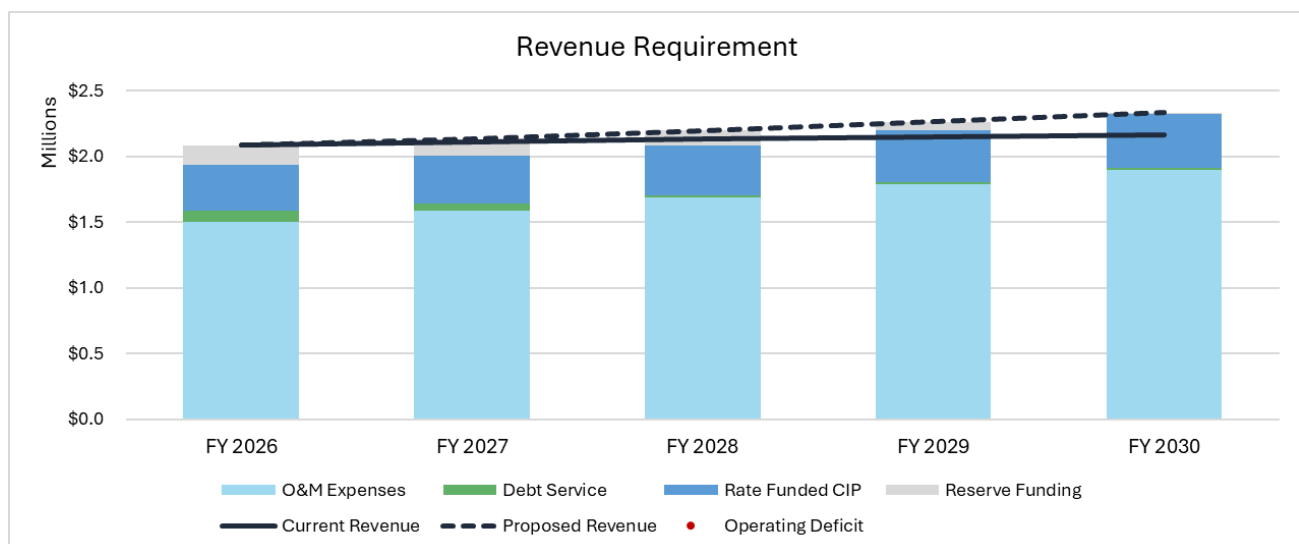


Figure 2-5 shows the debt coverage projections in the proposed financial plan. The required debt coverage (dashed line) is equal to 185%. The District is expected to meet its debt coverage requirements for all years under the proposed financial plan.

Figure 2-5: Projected Debt Coverage (Proposed Financial Plan)

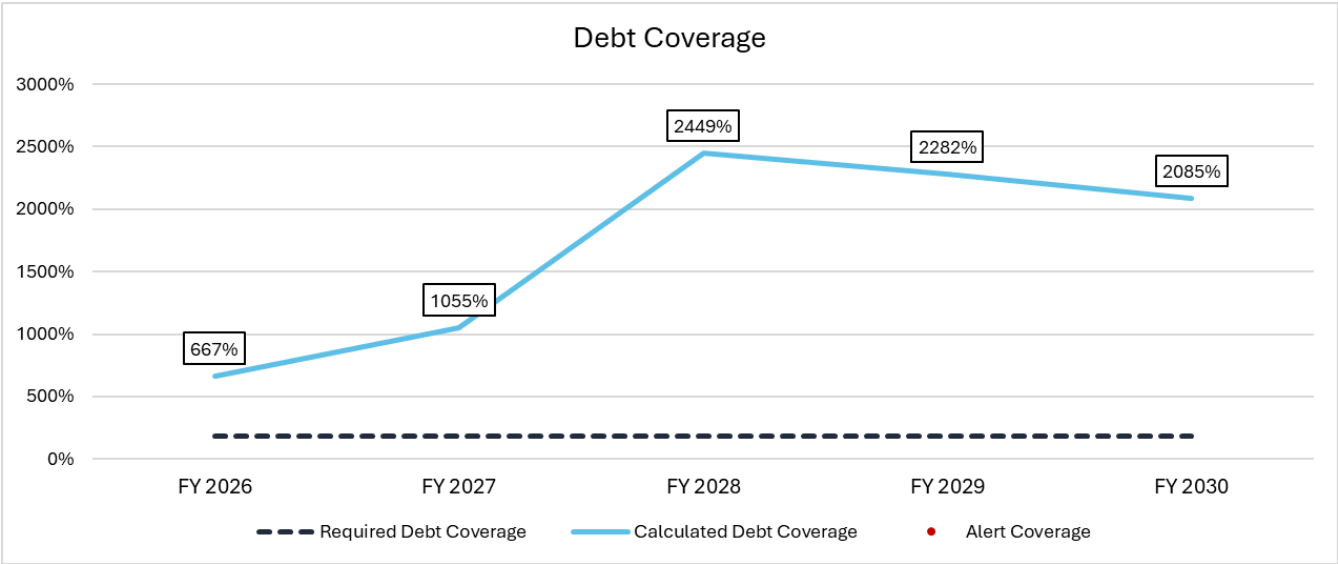
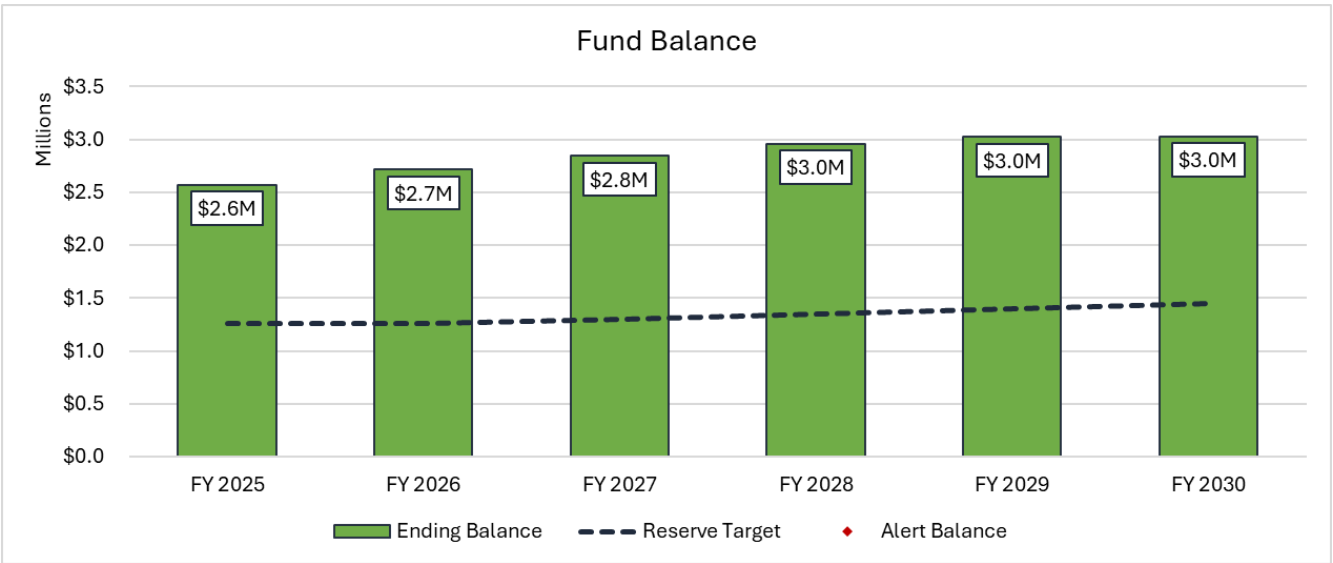


Figure 2-6 shows the fund balance projections in the proposed financial plan. The District's ending balance (green bars) will meet the reserve targets (dashed line) in all years of the study. The projected build up in reserves to approximately \$3 million will help contribute towards significant ten-year CIP funding needs beyond FY 2030.

Figure 2-6: Projected Fund Balances (Proposed Financial Plan)



3. COST-OF-SERVICE ANALYSIS

3.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate the proposed FY 2026 rate revenue requirement to customers in proportion to use of and burden on the District's water system. The overall goal of the cost-of-service analysis is to develop "unit costs," which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five years, the cost-of-service analysis is limited to a single representative year referred to as the "test year." The test year in this study is FY 2026.

The cost-of-service analysis is "revenue neutral," meaning that the resulting cost-of-service based rates collect the same amount of revenue as the District expects to collect in FY 2026. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan revenue adjustments to arrive at the proposed water rates for five years. All values presented in this section pertain to FY 2026 and are revenue neutral unless stated otherwise.

The key steps in conducting a water cost-of-service analysis are outlined below:

- **Revenue requirement determination:** The total rate revenue requirement for the test year is determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization:** Operating and capital costs are evaluated and assigned to "functional categories" in the water system (e.g., customer service, groundwater wells, distribution, etc.). This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components:** Functionalized costs are allocated to "cost causation components" (e.g., water supply, base delivery, max day delivery, etc.), which is used to attribute customers' use of the system to the District's incursion of costs.
- **Unit cost development:** The rate revenue requirement allocation for each individual cost causation component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

3.2 REVENUE REQUIREMENT

REVENUE REQUIREMENT DETERMINATION

The total rate revenue requirement for the test year, FY 2026, is based on the financial plan projections (**Table 2-19**) and is allocated between the Operating, Capital, and Revenue Offset components, as shown in **Table 3-1**. The Operating revenue requirement consists of operating expenses (Line 2). The Capital revenue requirement includes debt service (Line 3), rate funded CIP (Line 4), and cash to/ (from) reserves (Line 15; from **Table 2-19**, Line 31). The Revenue Offset revenue requirement reduces the overall revenue requirement by the

non-rate revenues (Lines 8-11; from **Table 2-19**, Lines 4-7). The total revenue requirement (Line 19) is equal to the amount of rate revenue collected in FY 2026 (**Table 2-19**, Line 2).

Table 3-1: FY 2026 Revenue Requirement

Line	FY 2026 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	Revenue Requirements				
2	Operating Expenses	\$1,500,000	\$0	\$0	\$1,500,000
3	Debt Service	\$0	\$87,446	\$0	\$87,446
4	Rate Funded CIP	\$0	\$350,000	\$0	\$350,000
5	Subtotal	\$1,500,000	\$437,446	\$0	\$1,937,446
6					
7	Revenue Offsets				
8	Property Taxes	\$0	\$0	(\$253,000)	(\$253,000)
9	Cell Tower Lease	\$0	\$0	(\$39,800)	(\$39,800)
10	Interest Income	\$0	\$0	(\$67,600)	(\$67,600)
11	Miscellaneous Revenues	\$0	\$0	(\$172,060)	(\$172,060)
12	Subtotal	\$0	\$0	(\$532,460)	(\$532,460)
13					
14	Adjustments				
15	Cash to/ (from) Reserves	\$0	\$145,869	\$0	\$145,869
16	Revenue Adjustment Annualization	\$0	\$0	\$0	\$0
17	Subtotal	\$0	\$145,869	\$0	\$145,869
18					
19	Total - Revenue Requirement	\$1,500,000	\$583,315	(\$532,460)	\$1,550,855

3.3 COST FUNCTIONALIZATION

FUNCTIONAL CATEGORY DEFINITIONS

After determining the revenue requirement, the next step in the cost-of-service analysis is to allocate the District's costs into various functional categories. These categories represent the main functions of the District's water system and include:

- **Meters:** costs of meter maintenance and replacement
- **Customer:** costs related to customer service and billing
- **Fire:** costs related to providing fire protection services
- **Wells:** costs related to groundwater wells
- **Treatment:** costs related to the treatment of water to potable standards
- **Storage:** costs related to water storage facilities (such as reservoirs and tanks)
- **Distribution:** costs related to the distribution of water to customers
- **Revenue Offset:** miscellaneous revenues that are not generated by specific customer classes or for payment of services provided by the District; these revenues can be used to offset rates at the District's discretion under Proposition 218 requirements
- **General:** costs that are not directly attributable to any other functional category

OPERATING COST FUNCTIONALIZATION

WRE worked closely with District staff to evaluate and allocate the operating expenses for FY 2026 (from **Table 2-11**) to the most closely associated functional categories within the water

system, as shown in **Table 3-2**. The detailed allocation of the operating expense budget to the functional categories is included in the **Appendix (Table 5-3)**.

Table 3-2: Operating Costs by System Functions

Line	Cost Functions	Operating Expenses	Percent of Total
1	Meters	\$1,000	0.1%
2	Customer	\$87,407	5.8%
3	Fire	\$0	0.0%
4	Wells	\$381,828	25.5%
5	Treatment	\$104,328	7.0%
6	Storage	\$4,500	0.3%
7	Distribution	\$255,656	17.0%
8	Revenue Offset	\$0	0.0%
9	General	\$665,280	44.4%
10	Total	\$1,500,000	100.0%

CAPITAL ASSET FUNCTIONALIZATION

WRE worked with District staff to evaluate and allocate the District's current capital assets to the most closely associated functional categories within the water system, as shown in **Table 3-3**. The detailed allocation of the current capital assets to the functional categories is included in the **Appendix (Table 5-4)**.

It is standard practice in most water cost-of-service studies to functionalize current capital assets rather than planned CIP costs, since the latter can fluctuate more significantly from year to year. The current capital asset base provides a more stable representation of long-term capital needs and their associated costs. The asset valuation methodology used in the study is Replacement Cost (RC) which takes inflation into account. Note that land assets are excluded from the totals shown in **Table 3-3**.

Table 3-3: Capital Assets by System Functions

Line	Cost Functions	Capital Assets (RC)	Percent of Total
1	Meters	\$200,565	0.7%
2	Customer	\$45,037	0.2%
3	Fire	\$0	0.0%
4	Wells	\$2,266,054	8.3%
5	Treatment	\$53,881	0.2%
6	Storage	\$1,380,193	5.0%
7	Distribution	\$22,757,575	82.9%
8	Revenue Offset	\$0	0.0%
9	General	\$732,300	2.7%
10	Total	\$27,435,605	100.0%

REVENUE OFFSET FUNCTIONALIZATION

Table 3-4 shows the revenue offsets allocated by functional categories. All revenue offsets are simply allocated to the revenue offset function.

Table 3-4: Revenue Offsets by System Functions

Line	Cost Functions	Revenue Offsets	Percent of Total
1	Meters	\$0	0.0%
2	Customer	\$0	0.0%
3	Fire	\$0	0.0%
4	Wells	\$0	0.0%
5	Treatment	\$0	0.0%
6	Storage	\$0	0.0%
7	Distribution	\$0	0.0%
8	Revenue Offset	\$532,460	100.0%
9	General	\$0	0.0%
10	Total	\$532,460	100.0%

3.4 COST CAUSATION COMPONENTS

COST COMPONENT DEFINITIONS

While the functional categories represent the costs of system functions, cost causation components represent the reasons for why and how costs are incurred within the system (thus, cost causation). Cost causation components will be referred to as cost components in this report. The next step of the cost-of-service analysis is to allocate the Operating, Capital, and Revenue Offsets by functional category to each cost component. Most cost components directly correspond to a single functional category.

The cost components in this study include the following:

- **Meter:** directly corresponds to the Meter functional category
- **Customer:** directly corresponds to the Customer functional category
- **Fire:** directly corresponds to the Fire functional category
- **Average Day Demand (Base):** costs associated with delivering water to customers during average water demand conditions (average daily use)
- **Maximum Day Demand (Max Day):** costs associated with delivering water to customers during maximum day demand conditions (water usage during highest day of year)
- **Maximum Hour Demand (Max Hour):** costs associated with delivering water to customer during maximum hour demand conditions (water usage during highest hour of highest day)
- **Revenue Offset:** directly corresponds to the Revenue Offset functional category
- **General:** directly corresponds to the General functional category

SYSTEM-WIDE CAPACITY FACTORS

System-wide capacity factors for the District's water system, shown in **Table 3-6** are used to allocate costs associated with the Wells, Treatment, Storage, and Distribution functional categories to the Base, Max Day, and Max Hour cost components. Capacity factors represent the ratio of maximum to average water demand over the course of one year for the entire system. This provides a basis to identify costs incurred to provide water service during average demand conditions and to provide additional capacity during peak demand conditions.

The assumptions used to calculate the capacity factors are shown in **Table 3-5**. District staff provided system-wide average day demand and max day demand in mgd (million gallons per day). The average day, maximum day, and maximum hour demand capacity factors are normalized based on average day demand (meaning that the average day demand is equal to 1.00). The max day demand capacity factor (**Table 3-6**, Line 2) is calculated by dividing max day demand in line 2 by average day demand in Line 1. The max hour capacity factor (**Table 3-6**, Line 3) is estimated by multiplying the max day demand capacity factor (**Table 3-6**, Line 2) by an industry standard ratio of max hour to max day demand of 1.50 (Line 3).

Table 3-5: Capacity Factor Assumptions

Line	Capacity Factor Assumptions	Value
1	Average Day Demand (mgd)	0.27
2	Max Day Demand (mgd)	0.41
3	Max Hour to Max Day Demand	1.50

The percentage allocations to the Base, Max Day, and Max Hour cost components based on the average day, maximum day, and maximum demand capacity factors are calculated as follows:

- Average day demand is allocated entirely to Base
- Max day demand is allocated proportionately to Base⁵ and Max Day⁶
- Max hour demand is allocated proportionately to Base⁷, Max Day⁸, and Max Hour⁹

Table 3-6: System-Wide Capacity Allocation

Line	System-Wide Capacity	Capacity Factor	Base	Max Day	Max Hour	Total
1	Average Day Demand	1.00	100.0%	0.0%	0.0%	100.0%
2	Max Day Demand	1.50	66.7%	33.3%	0.0%	100.0%

⁵ 1.00/1.50 = 66.7%

⁶ (1.50-1.00)/1.50 = 33.3%

⁷ 1.00/2.25 = 44.4%

⁸ (1.50-1.00)/2.25 = 22.2%

⁹ (2.25-1.50)/2.25 = 33.3%

Cabazon Water District 2025 Water Rate Study

3	Max Hour Demand	2.25	44.4%	22.2%	33.3%	100.0%
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COST COMPONENT ALLOCATION FACTORS

Table 3-7 shows the factors used to allocate the functionalized costs to the cost components. For the cost components that directly correlate to a functional category (Meter, Customer, Fire, Revenue Offset, and General), the functionalized costs are allocated entirely to the corresponding cost component. Wells, Treatment, and Storage facilities (Lines 4-6) are sized based on maximum day demand and are allocated based on the Max Day capacity factor (**Table 3-6**, Line 2). Distribution facilities (Line 7) are sized based on maximum hour demand and are allocated based on the Max Hour capacity factor (**Table 3-6**, Line 3).

Table 3-7: System Function Allocation to Cost Components

Line	Cost Functions	Meter	Cust- omer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	100%								100%
2	Customer		100%							100%
3	Fire			100%						100%
4	Wells				67%	33%				100%
5	Treatment				67%	33%				100%
6	Storage				67%	33%				100%
7	Distribution				44%	22%	33%			100%
8	Revenue Offset							100%		100%
9	General								100%	100%

OPERATING COST COMPONENT ALLOCATION

Table 3-8 shows the operating cost allocation by cost component. The functionalized operating expenses from **Table 3-2** are allocated based on the cost component allocation factors in **Table 3-7**. The operating allocation (Line 11) is derived from the total operating expenses by cost component (Line 10) and represents the proportion of the Operating revenue requirement that will be allocated to each cost component.

Table 3-8: Operating Allocation by Cost Component

Line	Operating Expenses	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
2	Customer	\$0	\$87,407	\$0	\$0	\$0	\$0	\$0	\$0	\$87,407
3	Fire	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Wells	\$0	\$0	\$0	\$254,552	\$127,276	\$0	\$0	\$0	\$381,828
5	Treatment	\$0	\$0	\$0	\$69,552	\$34,776	\$0	\$0	\$0	\$104,328
6	Storage	\$0	\$0	\$0	\$3,000	\$1,500	\$0	\$0	\$0	\$4,500
7	Distribution	\$0	\$0	\$0	\$113,625	\$56,812	\$85,219	\$0	\$0	\$255,656
8	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	General	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$665,280	\$665,280
10	Total - Operating Expenses	\$1,000	\$87,407	\$0	\$440,729	\$220,365	\$85,219	\$0	\$665,280	\$1,500,000
11	Operating Cost Allocation	0.1%	5.8%	0.0%	29.4%	14.7%	5.7%	0.0%	44.4%	100.0%

CAPITAL COST COMPONENT ALLOCATION

Table 3-9 shows the capital cost allocation by cost component. The functionalized capital assets from **Table 3-3** are allocated based on the cost component allocation factors in **Table 3-7**. The capital allocation (Line 11) is derived from the total capital asset value by cost component (Line 10) and represents the proportion of the Capital revenue requirement that will be allocated to each cost component.

Table 3-9: Capital Allocation by Cost Component

Line	Capital Assets (RC)	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	\$200,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,565
2	Customer	\$0	\$45,037	\$0	\$0	\$0	\$0	\$0	\$0	\$45,037
3	Fire	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Wells	\$0	\$0	\$0	\$1,510,702	\$755,351	\$0	\$0	\$0	\$2,266,054
5	Treatment	\$0	\$0	\$0	\$35,921	\$17,960	\$0	\$0	\$0	\$53,881
6	Storage	\$0	\$0	\$0	\$920,129	\$460,064	\$0	\$0	\$0	\$1,380,193
7	Distribution	\$0	\$0	\$0	\$10,114,478	\$5,057,239	\$7,585,858	\$0	\$0	\$22,757,575
8	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	General	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$732,300	\$732,300
10	Total - Capital Assets	\$200,565	\$45,037	\$0	\$12,581,230	\$6,290,615	\$7,585,858	\$0	\$732,300	\$27,435,605
11	Capital Cost Allocation	0.7%	0.2%	0.0%	45.9%	22.9%	27.6%	0.0%	2.7%	100.0%

REVENUE OFFSET COST COMPONENT ALLOCATION

Table 3-10 shows the allocation of revenue offsets to each cost component. The functionalized revenue offsets from **Table 3-4** are allocated based on the cost component allocation factors in **Table 3-7**. All revenue offsets are allocated to the Revenue Offset cost component.

Table 3-10: Revenue Offset Allocation by Cost Component

Line	Revenue Offsets	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Fire	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Wells	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Treatment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Storage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	(\$532,460)	\$0	(\$532,460)
9	General	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Total - Revenue Offsets	\$0	\$0	\$0	\$0	\$0	\$0	(\$532,460)	\$0	(\$532,460)

3.5 SYSTEM CAPACITY ALLOCATIONS

The costs for certain system functions are based on the capacity requirements related to that function. For example, meter-related costs are allocated based on meter capacity, which is defined by the safe maximum operating capacity of each meter size. This section describes and defines capacity requirements and allocations relating to water meters, private fire lines, customer water usage, and fire protection.

EQUIVALENT METER UNITS

Costs related to meter capacity increase based on meter size. Therefore, equivalent meter units are calculated to provide a basis from which to allocate costs in proportion to meter size. Equivalent meter calculations are shown in **Table 3-11**.

Equivalent meters are calculated based on meter capacity ratios, which represent the safe operating capacity of a water meter relative to the base meter size. For this study, the base meter size is a 5/8-inch meter, which is the most common meter size in the District's system. Capacity in gallons per minute (gpm) is derived from the *AWWA M1 Manual*. The meter ratio for a 1.5-inch meter is 5.00, which means that the capacity of a 1.5-inch meter is five times that of a 5/8-inch meter.

The number of meters in each meter size is from **Table 2-4**. Equivalent meters are calculated by multiplying the meter counts by the meter ratio for each size.

Table 3-11: Equivalent Meter Units

Line	Meter Size	Safe Operating Capacity (gpm)	Meter Ratio	Total Meter Counts	Total Equivalent Meters
1	5/8-inch meter	20	1.00	881	881
2	3/4-inch meter	30	1.50	28	43
3	1-inch meter	50	2.50	14	35
4	1 1/2-inch meter	100	5.00	4	21
5	2-inch meter	160	8.00	18	147
6	3-inch meter	320	16.00	3	53
7	4-inch meter	500	25.00	1	25
8	6-inch meter	1,000	50.00	0	0
9	8-inch meter	1,600	80.00	0	0
10	10-inch meter	4,200	210.00	1	210
11	Construction (3-inch meter)	320	16.00	2	28
12	Total			953	1,443

EQUIVALENT FIRE LINES

Costs related to fire protection capacity increase exponentially based on fire line diameter and are attributable to both public fire hydrants and private fire connections. Therefore, equivalent fire lines are calculated to provide a basis from which to allocate costs in proportion to fire line size, and between public and private fire connections. Equivalent fire line calculations are shown in **Table 3-12**; private fire line counts are from **Table 2-5** and public fire line counts were provided by District staff.

The capacity of a fire line is based on the diameter of the connection and is equal to the connection diameter in inches raised to power of 2.63 based on the Hazen-Williams equation in the *AWWA M1 Manual*. The fire line ratio is the fire capacity of each diameter size divided by the base fire line, which is a 4-inch diameter. Equivalent fire lines are calculated by multiplying the fire line ratio of each diameter size by the number of connections by size.

The concept of equivalent fire lines provides a basis from which to compare the capacity requirements of both private fire protection and public hydrants. The fire protection capacity attributed to private fire connections is equal to 4%; the remaining 96% is attributed to public fire hydrants (Line 5).

Table 3-12: Equivalent Fire Lines

Line	Fire Line Size	Fire Demand Units	Fire Demand Ratio	Private Fire Line Counts	Public Fire Line Counts	Private Fire Equivalent Fire Lines	Public Fire Equivalent Fire Lines
1	4-inch	38	1.00	0	0	0	0
2	6-inch	111	2.90	2	113	6	328
3	8-inch	237	6.19	1	0	6	0
4	Total			3	113	12	328
5	Percent of Total			3%	97%	4%	96%

CUSTOMER DEMAND AND FIRE CAPACITY

Cost-of-service allocations are typically based on system-wide capacity (which is the combination of customer demand and fire protection). However, Max Day and Max Hour cost components are further allocated between customer demand and fire protection based on their proportional share of required capacity within the water system.

Table 3-13 shows the customer demand capacity calculations for Max Day and Max Hour. The system-wide Max Day capacity factor is from **Table 3-6**. Max Month capacity factor data is typically used as a proxy for Max Day capacity factors in lieu of daily water use data for all customers. Max Hour capacity is equal to Max Day capacity increased by the ratio of system-wide Max Hour to system-wide Max Day (**Table 3-6**). The annual use for each customer class and tier is from **Table 2-7**. The daily use is equal to the annual use divided by 365 days.

Max Day demand is calculated by multiplying the daily use in hcf by the Max Day capacity factor for each customer class and tier. Max Day extra capacity is equal to Max Day demand less daily use. Similarly, Max Hour demand is calculated by multiplying the daily use in hcf by

the Max Hour capacity factor for each customer class and tier. Max Hour extra capacity is equal to the Max Hour demand less Max Day demand.

The total Max Day and Max Hour extra capacity (Line 5) represents the capacity required to meet customer demand that will be used to allocate Max Day and Max Hour costs between public fire hydrant capacity, private fire line capacity, and customer demand capacity.

Table 3-13: Customer Demand Capacity

Line	Customer Class	Annual Use	Daily Use	Max Day Capacity Factor	Max Day Demand	Max Day Extra Capacity	Max Hour Capacity Factor	Max Hour Demand	Max Hour Extra Capacity
1	Single Family Residential								
2	Tier 1	54,736	150	1.50	225	75	2.25	337	112
3	Tier 2	33,067	91	1.50	136	45	2.25	204	68
4	Non-Residential	86,437	237	1.50	355	118	2.25	533	178
5	Total	174,240	477		716	239		1,074	358

Table 3-14 shows the calculation of fire capacity requirements in the District's system and the capacity allocation between fire and customer demand. The extra capacity required for fire is based on assumed fire flow requirements of 1,000 gpm for one hour. The fire capacity is allocated between public hydrants (Line 6) and private fire (Line 7) using the proportion of equivalent fire lines attributed to each service (**Table 3-12**).

The customer demand (**Table 3-13**), public hydrant, and private fire extra capacity (Lines 5-7) are added together to form the total capacity requirements of the system within the Max Day and Max Hour cost components. From there, the capacity allocation factors (Lines 10-12) are calculated based on the proportion of the total capacity requirements related to each service. These allocations are used in a later section of the report to reallocate Max Day and Max Hour costs.

Table 3-14: Capacity Allocation by Fire and Customer Demand

Line	Capacity Allocation	Max Day	Max Hour
1	Hours for Fire	1	1
2	Capacity for Fire (gpm)	1,000	1,000
3	Fire Extra Capacity	80	1,845
4			
5	Customer Demand	239	358
6	Public Hydrants	77	1,780
7	Private Fire	3	65
8	Total	319	2,203
9			
10	Customer Demand	75%	16%
11	Public Hydrants	24%	81%
12	Private Fire	1%	3%
13	Total	100%	100%

3.6 ALLOCATION TO COST COMPONENTS

PRELIMINARY COST-OF-SERVICE ALLOCATION AND GENERAL REALLOCATION

Table 3-15 shows the preliminary cost-of-service allocation prior to any adjustments and the adjusted cost-of-service allocations after the General cost reallocation. The Operating costs (Line 1) are equal to the total Operating revenue requirements (**Table 3-1**, Line 19) allocated to each cost component based on the Operating allocation (**Table 3-8**, Line 11). The Capital costs (Line 2) are equal to the total Capital revenue requirements (**Table 3-1**, Line 19) allocated to each cost component based on the Capital allocation (**Table 3-9**, Line 11). The Revenue Offsets (Line 3) are equal to the total Revenue Offset requirements (**Table 3-1**, Line 19) and are allocated based on the Revenue Offset allocation (**Table 3-10**, Line 10). Note that the total cost-of-service (Line 4) is equal to the total rate revenue requirement for FY 2026 (**Table 3-1**, Line 19).

The next step is to reallocate General costs (Line 5) in proportion to the preliminary allocation to each cost component, excluding Customer (which is restricted to billing and customer service costs) and Revenue Offset (which pertains only to revenues). The total revenue requirement (Line 6) remains unchanged after the General cost reallocation.

Table 3-15: Cost-of-Service Allocation by Cost Component (Preliminary, General)

Line	Revenue Requirement	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Operating Costs	\$1,000	\$87,407	\$0	\$440,729	\$220,365	\$85,219	\$0	\$665,280	\$1,500,000
2	Capital Costs	\$4,264	\$958	\$0	\$267,493	\$133,746	\$161,285	\$0	\$15,570	\$583,315
3	Revenue Offsets	\$0	\$0	\$0	\$0	\$0	\$0	(\$532,460)	\$0	(\$532,460)
4	Preliminary Allocation	\$5,264	\$88,365	\$0	\$708,222	\$354,111	\$246,504	(\$532,460)	\$680,850	\$1,550,855
5	General Cost Allocation	\$2,727	N/A	\$0	\$366,937	\$183,469	\$127,716	N/A	(\$680,850)	\$0
6	Adjusted for General	\$7,992	\$88,365	\$0	\$1,075,159	\$537,580	\$374,220	(\$532,460)	\$0	\$1,550,855

FIRE PROTECTION AND CAPACITY REALLOCATION

Table 3-16 shows the cost-of-service allocation to each cost component after reallocating fire protection and capacity-related costs. The cost-of-service allocations after reallocation of General costs (Line 1) is from **Table 3-15**.

Public Fire costs (Line 2) within the Max Day and Max Hour components are reallocated based on the proportion of capacity related to public fire protection (**Table 3-14**, Line 11). All Public Fire costs are reallocated to the Meter component, since public fire protection is a safety benefit shared by all District customers.

Private Fire costs (Line 3) are reallocated from Max Day and Max Hour to the Fire cost component based on the proportion of capacity related to private fire service (**Table 3-14**, Line 12).

Finally, the capacity reallocation (Line 5) reallocates 15% of Max Day and Max Hour costs to the Meter component. This reallocation is necessary to maintain the same percentage of fixed revenue recovery (40% fixed revenues to 60% variable revenues), which will maintain current levels of revenue stability provided by current rates.

Table 3-16: Cost-of-Service Allocation by Cost Component (Fire Protection, Capacity)

Line	Revenue Requirement	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Adjusted for General	\$7,992	\$88,365	\$0	\$1,075,159	\$537,580	\$374,220	(\$532,460)	\$0	\$1,550,855
2	Public Fire Allocation	\$432,798	\$0	\$0	\$0	(\$130,451)	(\$302,348)	\$0	\$0	\$0
3	Private Fire Allocation	\$0	\$0	\$15,822	\$0	(\$4,769)	(\$11,053)	\$0	\$0	\$0
4	Adjusted for Fire	\$440,790	\$88,365	\$15,822	\$1,075,159	\$402,360	\$60,819	(\$532,460)	\$0	\$1,550,855
5	Reallocation to Meter	\$69,477	\$0	\$0	\$0	(\$60,354)	(\$9,123)	\$0	\$0	\$0
6	Adjusted for Capacity	\$510,267	\$88,365	\$15,822	\$1,075,159	\$342,006	\$51,696	(\$532,460)	\$0	\$1,550,855

FINAL COST-OF-SERVICE ALLOCATION

Table 3-17 shows the final cost-of-service allocation based on the adjustments for General, Fire, and Capacity from the prior report tables. The Fire component, after removing costs related to public fire protection, now represents Private Fire costs and is renamed in the following table. The Max Day and Max Hour components now represent the capacity requirements of customer water demand only and do not include costs related to public or private fire protection capacity.

Table 3-17: Cost-of-Service Allocation by Cost Component (Final)

Line	Cost Components	Final Cost Allocation
1	Meter	\$510,267
2	Customer	\$88,365
3	Private Fire	\$15,822
4	Base	\$1,075,159
5	Max Day	\$342,006
6	Max Hour	\$51,696
7	Rev. Offset	(\$532,460)
8	Total	\$1,550,855

3.7 UNIT COST CALCULATION

UNITS OF SERVICE DEFINITIONS

The appropriate units of service are then established for each cost component based on cost causation, which is shown in **Table 3-18**. Cost components to be recovered by the fixed charges are assigned units of service based on the number of equivalent meters (from **Table 3-11**), customers (sum of meter counts and private fire line counts from **Table 3-11** and **Table 3-12**), and equivalent fire lines (**Table 3-12**). Cost components to be recovered by the commodity charges are assigned units based on annual usage in hcf or extra capacity for Max Day or Max Hour (from **Table 3-13**).

Table 3-18: Units of Service Definitions

Line	Cost Components	Units of Service Definition	Units of Service	Units
1	Meter	Equivalent meters x 12 mo.	17,320	EMUs/ year
2	Customer	Meter and private fire counts x 12 mo.	11,472	bills/ year
3	Fire	Equivalent private fire lines x 12 mo.	144	EFL/ year
4	Base	Annual usage in hcf	174,240	hcf/ year
5	Max Day	Max Day extra capacity	239	hcf/ day
6	Max Hour	Max Hour extra capacity	358	hcf/ day
7	Rev. Offset	Annual usage in hcf	174,240	hcf/ year

UNIT COST BY COST COMPONENT

Table 3-19 shows the calculation of unit costs by each cost component. The final cost-of-service allocation (**Table 3-17**) is divided by the units of service (**Table 3-18**) for each cost component to derive the unit cost. These unit costs will determine the cost-of-service by customer class.

Table 3-19: Unit Cost by Cost Component

Line	Cost Components	Final Cost Allocation	Units of Service	Unit Cost	Units
1	Meter	\$510,267	17,320	\$29.46	per EMU
2	Customer	\$88,365	11,472	\$7.70	per bill
3	Fire	\$15,822	144	\$109.88	per EFL
4	Base	\$1,075,159	174,240	\$6.17	per hcf
5	Max Day	\$342,006	239	\$1,432.88	per hcf/day
6	Max Hour	\$51,696	358	\$144.39	per hcf/day
7	Rev. Offset	(\$532,460)	174,240	(\$3.06)	per hcf

3.8 COST-OF-SERVICE BY CUSTOMER CLASS

The final step in the cost-of-service analysis is to determine the cost to serve each customer class, which is shown in **Table 3-20**. The unit cost by cost component (**Table 3-19**) is multiplied by the units of service for each customer class to determine the cost to serve each class. Note that the total cost-of-service is equal to the total rate revenue requirement for FY 2026 (**Table 3-1**, Line 19).

Table 3-20: Cost-of-Service Allocation by Cost Component and Customer Class

Line	Revenue Requirement Allocation by Class	Meter	Customer	Fire	Base	Max Day	Max Hour	Rev. Offset	Total
1	Single Family Residential	\$328,000	\$83,073					(\$268,316)	\$142,757
2	Tier 1				\$337,752	\$107,438	\$16,240		\$461,431
3	Tier 2				\$204,040	\$64,905	\$9,811		\$278,755
4	Non-Residential	\$182,267	\$5,014		\$533,367	\$169,663	\$25,646	(\$264,144)	\$651,813
5	Private Fire Lines		\$277	\$15,822					\$16,099
6	Total	\$510,267	\$88,365	\$15,822	\$1,075,159	\$342,006	\$51,696	(\$532,460)	\$1,550,855

4. WATER RATES

4.1 RATE DESIGN METHODOLOGY

A five-year proposed water rate schedule was developed based on the results of the proposed financial plan and cost-of-service analysis. The key steps in developing the proposed rate schedule are outlined below:

- **Rate structure evaluation:** The existing rate structure is evaluated, and any proposed changes are identified. Proposed rate structure changes are typically intended to address specific policy objectives or to improve legal defensibility.
- **Test year rate development:** Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2026). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments. Although total rate revenues in the first year of adjustments (FY 2026) are designed to increase by the proposed revenue adjustment percentage, the proposed percentage increase to each rate/charge varies due to the updated cost-of-service allocations.
- **Five-year rate schedule development:** Proposed rates for the full five-year period are calculated by increasing the cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

4.2 PROPOSED CHANGES TO RATE STRUCTURE

The District's current rate structure includes a monthly fixed service charge, a monthly fixed fire service charge, three-tiered commodity charges for Single Family Residential, and uniform commodity charges for Non-Residential customers. We propose the following two key changes to the current rate structure:

- **Fixed service charges for 6-inch and 8-inch meters:** The District's current rate schedule does not include fixed service charges for 6-inch or 8-inch meters, as no current customers have meters of either size. Because there is a possibility that future connections will require a 6-inch or 8-inch meter, we recommend adding fixed service charges for these meter sizes to the proposed rate schedule.
- **Two-tiered Single Family Residential commodity charges:** WRE recommends reducing the number of tiers for the Single Family commodity charge from three to two tiers. This recommended change will result in a rate structure more closely aligned with evolving interpretations of Proposition 218 legal requirements. The proposed tier 1 allotment will remain unchanged at 7 hcf per month. Proposed tier 2 will include all monthly water use above 7 hcf.

4.3 PROPOSED MONTHLY FIXED SERVICE CHARGES REVENUE NEUTRAL CHARGES

Table 4-1 shows the revenue neutral monthly fixed service charge calculations. The Meter and Customer unit costs are from **Table 3-19** (Lines 1-2). Meter unit costs are multiplied by

the meter capacity ratio; Customer costs do not vary based on meter size and thus are the same for all meter sizes. The revenue neutral charge represents the cost-of-service analysis for FY 2026 but does not include any proposed revenue adjustments.

Table 4-1: Revenue Neutral Monthly Fixed Service Charges

Line	Meter Size	Meter Ratio	Number of Accounts	Meter	Customer	Revenue Neutral Charge
1	5/8-inch meter	1.00	881	\$29.46	\$7.70	\$37.17
2	3/4-inch meter	1.50	28	\$44.19	\$7.70	\$51.90
3	1-inch meter	2.50	14	\$73.65	\$7.70	\$81.36
4	1 1/2-inch meter	5.00	4	\$147.31	\$7.70	\$155.02
5	2-inch meter	8.00	18	\$235.70	\$7.70	\$243.40
6	3-inch meter	16.00	3	\$471.39	\$7.70	\$479.10
7	4-inch meter	25.00	1	\$736.55	\$7.70	\$744.26
8	6-inch meter	50.00	0	\$1,473.10	\$7.70	\$1,480.81
9	8-inch meter	80.00	0	\$2,356.96	\$7.70	\$2,364.67
10	10-inch meter	210.00	1	\$6,187.02	\$7.70	\$6,194.72
11	Construction (3-inch meter)	16.00	2	\$471.39	\$7.70	\$479.10

PROPOSED CHARGES WITH ADJUSTMENT

Table 4-2 shows the proposed monthly fixed service charges for FY 2026 compared to current charges. Because the proposed revenue adjustment in FY 2026 is 0% (per **Table 2-18**), the proposed FY 2026 charges simply equal the revenue neutral charges (from **Table 4-1**).

Table 4-2: Proposed Monthly Fixed Service Charges after Adjustment

Line	Meter Size	Proposed FY 2026 Charge	Current Charge	Difference (\$)	Difference (%)
1	5/8-inch meter	\$37.17	\$37.53	(\$0.36)	-1.0%
2	3/4-inch meter	\$51.90	\$53.21	(\$1.31)	-2.5%
3	1-inch meter	\$81.36	\$84.56	(\$3.20)	-3.8%
4	1 1/2-inch meter	\$155.02	\$162.94	(\$7.92)	-4.9%
5	2-inch meter	\$243.40	\$257.01	(\$13.61)	-5.3%
6	3-inch meter	\$479.10	\$507.84	(\$28.74)	-5.7%
7	4-inch meter	\$744.26	\$790.02	(\$45.76)	-5.8%
8	6-inch meter	\$1,480.81	N/A	N/A	N/A
9	8-inch meter	\$2,364.67	N/A	N/A	N/A
10	10-inch meter	\$6,194.72	\$6,590.45	(\$395.73)	-6.0%
11	Construction (3-inch meter)	\$479.10	\$532.61	(\$53.51)	-10.0%

4.4 PROPOSED MONTHLY FIXED FIRE SERVICE CHARGES REVENUE NEUTRAL CHARGES

Table 4-3 shows the revenue neutral monthly fixed fire service charge calculations. The Private Fire and Customer unit costs are from **Table 3-19** (Lines 2-3). Private Fire unit costs are multiplied by the fire line ratio; Customer costs do not vary based on fire line size and

thus are the same for all sizes. The revenue neutral rate represents the cost-of-service analysis for FY 2026 but does not include any proposed revenue adjustments.

Table 4-3: Revenue Neutral Monthly Fixed Fire Service Charges

Line	Fire Line Size	Fire Line Ratio	Number of Accounts	Fire	Customer	Revenue Neutral Charge
1	4-inch connection	1.00	0	\$109.88	\$7.70	\$117.58
2	6-inch connection	2.90	2	\$319.17	\$7.70	\$326.88
3	8-inch connection	6.19	1	\$680.17	\$7.70	\$687.87

PROPOSED CHARGES WITH ADJUSTMENT

Table 4-4 shows the proposed monthly fixed fire service charges for FY 2026 compared to current charges. Because the proposed revenue adjustment in FY 2026 is 0% (per **Table 2-18**), the proposed FY 2026 charges simply equal the revenue neutral charges (from **Table 4-3**). More significant increases to fixed fire service charges are due to the utilization of updated rate-setting methodology in this study based on AWWA guidance.

Table 4-4: Proposed Monthly Fixed Fire Service Charges after Adjustment

Line	Fire Line Size	Proposed FY 2026 Charge	Current Charge	Difference (\$)	Difference (%)
1	4-inch connection	\$117.58	\$38.33	\$79.25	206.8%
2	6-inch connection	\$326.88	\$79.67	\$247.21	310.3%
3	8-inch connection	\$687.87	\$134.79	\$553.08	410.3%

4.5 PROPOSED COMMODITY CHARGES

The commodity charge calculations include the Base, Capacity, and Revenue Offset components, which are detailed in this section.

BASE COST

The Base unit cost of \$6.17 per hcf is from **Table 3-19** (Line 4) and is charged to all customer classes and tiers equally

CAPACITY COST

Table 4-5 shows the combined Capacity unit cost by customer class and tier. The total Capacity costs are the sum of Max Day and Max Hour costs (**Table 3-20**). The Capacity unit cost is calculated by dividing the total Capacity costs by the annual usage in hcf for each customer class and tier.

Table 4-5: Capacity Unit Cost by Customer Class

Line	Customer Class	Usage (hcf)	Max Day	Max Hour	Total Cost	Capacity Unit Cost
1	Single Family Residential					
2	Tier 1 (0-7 hcf)	54,736	\$107,438	\$16,240	\$123,678	\$2.26

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3	Tier 2 (7+ hcf)	33,067	\$64,905	\$9,811	\$74,715	\$2.26
4	Non-Residential	86,437	\$169,663	\$25,646	\$195,309	\$2.26
5	Total	174,240	\$342,006	\$51,696	\$393,702	

REVENUE OFFSET

Table 4-6 shows the Revenue Offset by customer class and tier. The District has discretion to use these revenues to offset the cost of water; all customer classes benefit from the Revenue Offsets equally, which are allocated based on usage in each customer class.

Within the Single Family Residential class, Tier 1 receives the full Revenue Offset. This allocation within the Single Family Residential class is to lower the cost of water for essential indoor water use for basic health and safety.

Table 4-6: Revenue Offset by Customer Class

Line	Customer Class	Usage (hcf)	Allocated to Rev. Offset	Allocated Usage (hcf)	Rev. Offset	Rev. Offset Unit Cost
1	Single Family Residential			54,736	(\$268,316)	
2	Tier 1 (0-7 hcf)	54,736	100%	54,736	(\$268,316)	(\$4.90)
3	Tier 2 (7+ hcf)	33,067	0%	0	\$0	\$0.00
4	Non-Residential	86,437	100%	86,437	(\$264,144)	(\$3.06)
5	Total	174,240			(\$532,460)	

REVENUE NEUTRAL RATES

Table 4-7 shows the revenue neutral commodity charges for all classes and tiers, based on the Base unit cost from **Table 3-19**, the Capacity unit cost from **Table 4-5**, and the Revenue Offset unit cost from **Table 4-6**. The revenue neutral rate represents the cost-of-service analysis for FY 2026 but does not include any proposed revenue adjustments.

Table 4-7: Revenue Neutral Commodity Charges (per hcf)

Line	Customer Class	Usage (hcf)	Base	Capacity	Rev. Offset	Revenue Neutral Rate
1	Single Family Residential					
2	Tier 1 (0-7 hcf)	54,736	\$6.17	\$2.26	(\$4.90)	\$3.53
3	Tier 2 (7+ hcf)	33,067	\$6.17	\$2.26	\$0.00	\$8.44
4	Non-Residential	86,437	\$6.17	\$2.26	(\$3.06)	\$5.38

PROPOSED RATES WITH ADJUSTMENT

Table 4-8 shows the proposed commodity charges for FY 2026 compared to current charges. Because the proposed revenue adjustment in FY 2026 is 0% (per **Table 2-18**), the proposed FY 2026 charges simply equal the revenue neutral charges (from **Table 4-7**).

Table 4-8: Proposed Commodity Charges after Adjustment (per hcf)

Line	Customer Class	Proposed FY 2026 Rate	Current Rate	Difference (\$)	Difference (%)
1	Single Family Residential				
2	Tier 1	\$3.53	\$2.22	\$1.31	59.0%
3	Tier 2	\$8.44	\$7.88	\$0.56	7.1%
4	Current Tier 3/Proposed Tier 2	\$8.44	\$14.45	(\$6.01)	-41.6%
5	Non-Residential	\$5.38	\$5.37	\$0.01	0.2%

4.6 PROPOSED WATER RATE SCHEDULE

PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS

Table 4-9 shows the proposed revenue adjustments for the five-year period and their effective date based on the proposed financial plan (per **Table 2-18**).

Table 4-9: Proposed Revenue Adjustments

Line	Fiscal Year	Effective Date	Revenue Adjustments
1	FY 2026	January 2026	0.0%
2	FY 2027	January 2027	3.0%
3	FY 2028	January 2028	3.0%
4	FY 2029	January 2029	3.0%
5	FY 2030	January 2030	3.0%

PROPOSED FIVE-YEAR WATER RATE SCHEDULE

The proposed five-year water rate schedule is calculated by increasing the FY 2026 proposed charges (from **Table 4-2**, **Table 4-4**, and **Table 4-8**) by the proposed annual revenue adjustments (from **Table 4-9**) and rounding up to the nearest cent. **Table 4-10**, **Table 4-11**, and **Table 4-12** show the proposed five-year monthly fixed service charges, monthly fixed fire service charges, and commodity charges, respectively.

Table 4-10: Proposed Monthly Fixed Service Charges

Line	Monthly Fixed Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	5/8-inch meter	\$37.17	\$38.29	\$39.44	\$40.63	\$41.85
2	3/4-inch meter	\$51.90	\$53.46	\$55.07	\$56.73	\$58.44
3	1-inch meter	\$81.36	\$83.81	\$86.33	\$88.92	\$91.59
4	1 1/2-inch meter	\$155.02	\$159.68	\$164.48	\$169.42	\$174.51
5	2-inch meter	\$243.40	\$250.71	\$258.24	\$265.99	\$273.97
6	3-inch meter	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25
7	4-inch meter	\$744.26	\$766.59	\$789.59	\$813.28	\$837.68
8	6-inch meter	\$1,480.81	\$1,525.24	\$1,571.00	\$1,618.13	\$1,666.68
9	8-inch meter	\$2,364.67	\$2,435.62	\$2,508.69	\$2,583.96	\$2,661.48
10	10-inch meter	\$6,194.72	\$6,380.57	\$6,571.99	\$6,769.15	\$6,972.23
11	Construction (3-inch meter)	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25

Table 4-11: Proposed Monthly Fixed Fire Service Charges

Line	Monthly Fixed Fire Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	4-inch connection	\$117.58	\$121.11	\$124.75	\$128.50	\$132.36
2	6-inch connection	\$326.88	\$336.69	\$346.80	\$357.21	\$367.93
3	8-inch connection	\$687.87	\$708.51	\$729.77	\$751.67	\$774.23

Table 4-12: Proposed Commodity Charges (per hcf)

Line	Commodity Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	Single Family Residential					
2	Tier 1 (0-7 hcf)	\$3.53	\$3.64	\$3.75	\$3.87	\$3.99
3	Tier 2 (7+ hcf)	\$8.44	\$8.70	\$8.97	\$9.24	\$9.52
4	Non-Residential	\$5.38	\$5.55	\$5.72	\$5.90	\$6.08

4.7 CUSTOMER IMPACTS

RESIDENTIAL CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family Residential customer class, which represents approximately 94% of the District's meter connections, based on the proposed water rates for FY 2026. **Table 4-13** shows the proposed impacts for a Single Family Residential customer with a 5/8-inch meter (the most common meter size within this class, representing over 95% of customers) at various levels of monthly usage. For the average Single Family Residential customer that uses 8 hcf of water per month, the monthly bill increase will be \$9.37 or 15.4%, which reflects the impact of the cost-of-service analysis and proposed rate structure changes.

Table 4-13: Proposed Residential Customer Impacts

Line	Residential Customer Impacts	Monthly Usage (hcf)	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	10th Percentile	1	\$39.75	\$40.70	\$0.95	2.4%
2	25th Percentile	3	\$44.19	\$47.76	\$3.57	8.1%
3	50th Percentile	6	\$50.85	\$58.35	\$7.50	14.7%
4	Average	8	\$60.95	\$70.32	\$9.37	15.4%
5	75th Percentile	12	\$92.47	\$104.08	\$11.61	12.6%
6	90th Percentile	16	\$137.13	\$137.84	\$0.71	0.5%

5. APPENDICES

5.1 FINANCIAL PLAN APPENDICES

Table 5-1: Revenues (Detail)

Line	Revenues (Detail)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Operating Revenue					
2	Base Rate - Water Bills	\$614,185	\$618,540	\$622,896	\$627,251	\$631,607
3	Commodity Sales	\$933,141	\$937,315	\$941,490	\$945,664	\$949,839
4	Fire Sales - Water Bills	\$3,530	\$3,530	\$3,530	\$3,530	\$3,530
5	Fees & Charges	\$73,000	\$73,000	\$73,000	\$73,000	\$73,000
6	Basic Facilities Fee	\$90,760	\$90,760	\$90,760	\$90,760	\$90,760
7	Stand by Fees - Tax Revenue	\$124,200	\$126,684	\$129,218	\$131,802	\$134,438
8	Subtotal	\$1,838,815	\$1,849,829	\$1,860,893	\$1,872,007	\$1,883,173
9						
10	Non-Operating Revenue					
11	Property Taxes	\$128,800	\$131,376	\$134,004	\$136,684	\$139,417
12	Cell Tower Lease	\$39,800	\$40,596	\$41,408	\$42,236	\$43,081
13	Interest Income - Investment Accounts	\$67,600	\$82,105	\$85,694	\$88,344	\$89,410
14	Interest Income - Water Bills	\$8,300	\$8,300	\$8,300	\$8,300	\$8,300
15	Subtotal	\$244,500	\$262,377	\$269,406	\$275,564	\$280,208
16						
17	Total	\$2,083,315	\$2,112,206	\$2,130,299	\$2,147,571	\$2,163,381

Table 5-2: Operating Expenses (Detail)

Line	Operating Expenses (Detail)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Payroll Expenses					
2	Directors Fees	\$20,000	\$21,000	\$22,050	\$23,153	\$24,310
3	Management & Customer Service	\$263,300	\$276,465	\$290,288	\$304,803	\$320,043
4	Field Workers	\$250,300	\$262,815	\$275,956	\$289,754	\$304,241
5	Workers Comp.	\$17,000	\$18,020	\$19,101	\$20,247	\$21,462
6	Employee Health Care	\$77,300	\$81,938	\$86,854	\$92,066	\$97,589
7	Retiree Health Care	\$3,000	\$3,180	\$3,371	\$3,573	\$3,787
8	Pension	\$108,700	\$115,222	\$122,135	\$129,463	\$137,231
9	FICA and Medicare	\$40,800	\$43,248	\$45,843	\$48,593	\$51,509
10	SUI and ETT	\$4,100	\$4,346	\$4,607	\$4,883	\$5,176
11	Medical Testing	\$1,400	\$1,484	\$1,573	\$1,667	\$1,767
12	EE Health Care In-Lieu Payments	\$3,000	\$3,180	\$3,371	\$3,573	\$3,787
13	Subtotal	\$788,900	\$830,898	\$875,149	\$921,775	\$970,905
14						
15	Facilities, Wells, Transmission & Distribution (T&D)					
16	Lab Fees	\$13,000	\$13,520	\$14,061	\$14,623	\$15,208
17	Meter Testing & Repair	\$1,000	\$1,040	\$1,082	\$1,125	\$1,170
18	Utilities - Wells	\$225,000	\$247,601	\$272,472	\$299,840	\$329,957
19	Line R&M Materials	\$45,000	\$46,800	\$48,672	\$50,619	\$52,644
20	Chemicals	\$14,000	\$14,703	\$15,442	\$16,217	\$17,032
21	Well Maintenance - Other	\$20,000	\$20,800	\$21,632	\$22,497	\$23,397
22	Security	\$18,700	\$19,448	\$20,226	\$21,035	\$21,876
23	Engineering Services	\$15,000	\$15,600	\$16,224	\$16,873	\$17,548
24	Facilities, Wells, T&D - Other	\$25,000	\$26,000	\$27,040	\$28,122	\$29,246
25	Subtotal	\$376,700	\$405,512	\$436,849	\$470,951	\$508,078
26						
27	Office Expenses					
28	Electricity	\$20,700	\$22,770	\$25,047	\$27,552	\$30,307
29	Gas	\$400	\$416	\$433	\$450	\$468
30	Telephone	\$5,400	\$5,616	\$5,841	\$6,074	\$6,317
31	Trash Pickup & Office Cleaning	\$10,000	\$10,400	\$10,816	\$11,249	\$11,699
32	Water Billing System	\$13,400	\$13,936	\$14,493	\$15,073	\$15,676
33	Supplies & Equipment	\$9,400	\$9,776	\$10,167	\$10,574	\$10,997

Cabazon Water District 2025 Water Rate Study

Line	Operating Expenses (Detail)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
34	Copier & Supplies	\$4,900	\$5,096	\$5,300	\$5,512	\$5,732
35	Dues & Subscriptions	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340
36	Postage	\$11,800	\$12,272	\$12,763	\$13,273	\$13,804
37	Printing & Publications	\$500	\$520	\$541	\$562	\$585
38	Computer Services	\$31,000	\$32,240	\$33,530	\$34,871	\$36,266
39	Air Conditioner Servicing	\$5,500	\$5,720	\$5,949	\$6,187	\$6,434
40	Office Expenses - Other	\$900	\$936	\$973	\$1,012	\$1,053
41	Subtotal	\$115,900	\$121,778	\$128,015	\$134,639	\$141,677
42						
43	Support Services					
44	Financial Audit	\$15,600	\$16,224	\$16,873	\$17,548	\$18,250
45	Accounting	\$55,400	\$57,616	\$59,921	\$62,317	\$64,810
46	Legal Services	\$15,000	\$15,600	\$16,224	\$16,873	\$17,548
47	Payroll/ Bank Service Charge	\$7,500	\$7,800	\$8,112	\$8,436	\$8,774
48	Website Support	\$1,100	\$1,144	\$1,190	\$1,237	\$1,287
49	Insurance	\$54,300	\$59,730	\$65,703	\$72,273	\$79,501
50	Subtotal	\$148,900	\$158,114	\$168,022	\$178,685	\$190,169
51						
52	Other Operating Expenses					
53	Training/ Travel	\$4,000	\$4,160	\$4,326	\$4,499	\$4,679
54	Other Fees/ SWRCB	\$11,300	\$11,752	\$12,222	\$12,711	\$13,219
55	Subtotal	\$15,300	\$15,912	\$16,548	\$17,210	\$17,899
56						
57	Service Tools & Equipment					
58	Shop Suppliers & Small Tools	\$9,000	\$9,360	\$9,734	\$10,124	\$10,529
59	Vehicle Fuel	\$12,500	\$13,750	\$15,125	\$16,638	\$18,301
60	Employee Uniforms	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340
61	Safety	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340
62	Tractor Expenses/ Maintenance	\$4,000	\$4,160	\$4,326	\$4,499	\$4,679
63	Equipment Rental	\$4,000	\$4,160	\$4,326	\$4,499	\$4,679
64	Service Trucks - Repair & Maintenance	\$12,000	\$12,480	\$12,979	\$13,498	\$14,038
65	Water Operations On-Call Phones	\$4,500	\$4,680	\$4,867	\$5,062	\$5,264
66	Subtotal	\$50,000	\$52,750	\$55,685	\$58,820	\$62,171
67						
68	Non-Operating Expenses					

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Line	Operating Expenses (Detail)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
69	DWR Loan Processing Fee	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
70	Bad Debt Expense	\$1,400	\$0	\$0	\$0	\$0
71	Miscellaneous	\$1,500	\$1,560	\$1,622	\$1,687	\$1,755
72	Subtotal	\$4,300	\$2,960	\$3,022	\$3,087	\$3,155
73						
74	Total	\$1,500,000	\$1,587,924	\$1,683,292	\$1,785,168	\$1,894,053

5.2 COST-OF-SERVICE ANALYSIS APPENDICES

Table 5-3: Operating Expenses by System Functions (Detail)

Line	Operating Expenses	FY 2026	Meters	Customer	Fire	Wells	Treatment	Storage	Distribution	Revenue Offset	General	Total
1	Payroll Expenses											
2	Directors Fees	\$20,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
3	Management & Customer Service	\$263,300	0%	17%	0%	0%	0%	0%	0%	0%	83%	100%
4	Field Workers	\$250,300	0%	0%	0%	20%	20%	0%	40%	0%	20%	100%
5	Workers Comp.	\$17,000	0%	8%	0%	10%	10%	0%	19%	0%	53%	100%
6	Employee Health Care	\$77,300	0%	10%	0%	11%	11%	0%	23%	0%	45%	100%
7	Retiree Health Care	\$3,000	0%	50%	0%	0%	0%	0%	0%	0%	50%	100%
8	Pension	\$108,700	0%	9%	0%	11%	11%	0%	22%	0%	46%	100%
9	FICA and Medicare	\$40,800	0%	8%	0%	10%	10%	0%	19%	0%	54%	100%
10	SUI and ETT	\$4,100	0%	15%	0%	8%	8%	0%	17%	0%	52%	100%
11	Medical Testing	\$1,400	0%	8%	0%	10%	10%	0%	19%	0%	53%	100%
12	EE Health Care In-Lieu Payments	\$3,000	0%	8%	0%	10%	10%	0%	19%	0%	53%	100%
13	Subtotal	\$788,900										
14												
15	Facilities, Wells, Transmission & Distribution (T&D)											
16	Lab Fees	\$13,000	0%	0%	0%	0%	100%	0%	0%	0%	0%	100%
17	Meter Testing & Repair	\$1,000	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%
18	Utilities - Wells	\$225,000	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
19	Line R&M Materials	\$45,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
20	Chemicals	\$14,000	0%	0%	0%	0%	100%	0%	0%	0%	0%	100%
21	Well Maintenance - Other	\$20,000	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
22	Security	\$18,700	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
23	Engineering Services	\$15,000	0%	0%	0%	30%	0%	30%	40%	0%	0%	100%
24	Facilities, Wells, T&D - Other	\$25,000	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
25	Subtotal	\$376,700										
26												
27	Office Expenses											
28	Electricity	\$20,700	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
29	Gas	\$400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
30	Telephone	\$5,400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
31	Trash Pickup & Office Cleaning	\$10,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%

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Line	Operating Expenses	FY 2026	Meters	Custo- mer	Fire	Wells	Treat- ment	Storage	Distri- bution	Revenue Offset	General	Total
32	Water Billing System	\$13,400	0%	100%	0%	0%	0%	0%	0%	0%	0%	100%
33	Supplies & Equipment	\$9,400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
34	Copier & Supplies	\$4,900	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
35	Dues & Subscriptions	\$2,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
36	Postage	\$11,800	0%	50%	0%	0%	0%	0%	0%	0%	50%	100%
37	Printing & Publications	\$500	0%	50%	0%	0%	0%	0%	0%	0%	50%	100%
38	Computer Services	\$31,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
39	Air Conditioner Servicing	\$5,500	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
40	Office Expenses - Other	\$900	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
41	Subtotal	\$115,900										
42												
43	Support Services											
44	Financial Audit	\$15,600	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
45	Accounting	\$55,400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
46	Legal Services	\$15,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
47	Payroll/ Bank Service Charge	\$7,500	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
48	Website Support	\$1,100	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
49	Insurance	\$54,300	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
50	Subtotal	\$148,900										
51												
52	Other Operating Expenses											
53	Training/ Travel	\$4,000	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
54	Other Fees/ SWRCB	\$11,300	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
55	Subtotal	\$15,300										
56												
57	Service Tools & Equipment											
58	Shop Suppliers & Small Tools	\$9,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
59	Vehicle Fuel	\$12,500	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
60	Employee Uniforms	\$2,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
61	Safety	\$2,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
62	Tractor Expenses/ Maintenance	\$4,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
63	Equipment Rental	\$4,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
64	Service Trucks - Repair & Maintenance	\$12,000	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
65	Water Operations On-Call Phones	\$4,500	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
66	Subtotal	\$50,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
67												

Cabazon Water District 2025 Water Rate Study

Line	Operating Expenses	FY 2026	Meters	Custo- mer	Fire	Wells	Treat- ment	Storage	Distri- bution	Revenue Offset	General	Total
68	Non-Operating Expenses											
69	DWR Loan Processing Fee	\$1,400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
70	Bad Debt Expense	\$1,400	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
71	Miscellaneous	\$1,500	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%
72	Subtotal	\$4,300										
73												
74	Total	\$1.5M	\$1,000	\$87,407	\$0	\$381,828	\$104,328	\$4,500	\$255,656	\$0	\$665,280	\$1.5M

Table 5-4: Capital Assets by System Functions (Detail)

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
1	Land CWC Acquisition	LAND	LA-1	6/30/1984	\$36,581	327%	\$119,742	Excluded
2	Land	LAND	LA-2	12/26/1969	\$8,274	1069%	\$88,486	Excluded
3	Land	LAND	LA-3	12/31/1992	\$20,000	272%	\$54,449	Excluded
4	Land - Water Impr	LAND	LA-4	6/30/1994	\$14,154	251%	\$35,519	Excluded
5	Land - Water Impr	LAND	LA-5	6/30/1994	\$60,600	251%	\$152,075	Excluded
6	Land-TaiFuCost	LAND	LA-6	6/30/1995	\$22,365	248%	\$55,478	Excluded
7	Land - Water Impr	LAND	LA-7	6/30/1995	\$1,200	248%	\$2,977	Excluded
8	Land - Capital Imp	LAND	LA-8	6/30/1995	\$4,000	248%	\$9,922	Excluded
9	Land - Capital Imp	LAND	LA-9	6/30/1995	\$11,000	248%	\$27,286	Excluded
10	Land - BMT Concrete Well	LAND	LA-10	6/30/1996	\$12,500	241%	\$30,185	Excluded
11	Jland Jensen	LAND	LA-11	2/5/1997	\$18,687	233%	\$43,530	Excluded
12	Land - Elm St	LAND	LA-12	10/31/2004	\$200,187	191%	\$381,841	Excluded
13	Land - DHPO	LAND	LA-13	5/15/2017	\$280,000	126%	\$353,913	Excluded
14	Emergency generator pu Well 2	TOOLS & EQUIPMENT		6/7/2002	\$35,665	208%	\$74,032	Wells
15	Ergo Jackhammer	TOOLS & EQUIPMENT		4/8/2002	\$1,815	208%	\$3,767	Distribution
16	John Deere 310 SG Loader	TOOLS & EQUIPMENT		6/20/2005	\$80,536	182%	\$146,787	Distribution
17	Backhoe ECU and Teeth	TOOLS & EQUIPMENT		9/30/2016	\$3,243	131%	\$4,257	Distribution
18	Safety Harness (50' Tripod	TOOLS & EQUIPMENT		9/30/2016	\$2,060	131%	\$2,704	Distribution
19	Well 2 Generator Facility	SOURCE OF SUPPLY	SS-1	5/15/2002	\$38,588	208%	\$80,099	Wells
20	Well 2 Generator Facility	SOURCE OF SUPPLY	SS-2	2/26/2003	\$109,770	203%	\$222,546	Wells
21	Wells- Jensen	SOURCE OF SUPPLY	SS-3	8/25/1997	\$11,528	233%	\$26,854	Wells
22	Water Source Plant	SOURCE OF SUPPLY	SS-4	8/25/1997	\$16,805	233%	\$39,146	Wells
23	Structures - Jensen	SOURCE OF SUPPLY	SS-5	8/25/1997	\$1,962	233%	\$4,570	Wells
24	Water Treatment	SOURCE OF SUPPLY	SS-6	8/25/1997	\$16,534	233%	\$38,515	Treatment
25	Jensen Res Cty Cont Cap	SOURCE OF SUPPLY	SS-7	6/30/2002	\$46,839	208%	\$97,226	Wells
26	SCADA	SOURCE OF SUPPLY	SS-8	2/28/2010	\$127,203	154%	\$196,194	General
27	DHPO Interconnection	SOURCE OF SUPPLY	SS-9	5/31/2012	\$190,442	146%	\$277,669	Distribution
28	DHPO Interconnection - Addl	SOURCE OF SUPPLY	SS-10	7/1/2012	\$108,405	146%	\$158,057	Distribution
29	Almond Vault	SOURCE OF SUPPLY	SS-11	4/30/2013	\$4,530	142%	\$6,440	Storage
30	Well Repairs	SOURCE OF SUPPLY	SS-12	1/31/2013	\$9,337	142%	\$13,273	Wells

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
31	Infrastructure	SOURCE OF SUPPLY	SS-13	12/31/2012	\$158,234	146%	\$230,709	Wells
32	Well Repairs	SOURCE OF SUPPLY	SS-14	4/15/2012	\$108,936	146%	\$158,831	Wells
33	Well Repairs	SOURCE OF SUPPLY	SS-15	8/1/2011	\$1,502	150%	\$2,247	Wells
34	DHPO 2014	SOURCE OF SUPPLY	SS-16	11/30/2013	\$101,961	142%	\$144,940	Distribution
35	DHPO 2014	SOURCE OF SUPPLY	SS-17	11/30/2013	\$148,010	142%	\$210,400	Distribution
36	Adder for Concrete Block security wall, steel security door	SOURCE OF SUPPLY	SS-18	1/6/2014	\$19,595	138%	\$27,119	Wells
37	Well Repairs 2014	SOURCE OF SUPPLY	SS-19	1/1/2015	\$74,721	135%	\$101,052	Wells
38	Wells 4 5 Pump Rehab 2014	SOURCE OF SUPPLY	SS-20	12/1/2014	\$90,617	138%	\$125,412	Wells
39	Well #5 - built retaining wall for discharged well water at D	SOURCE OF SUPPLY	SS-21	3/15/2015	\$3,600	135%	\$4,869	Wells
40	(2) Grundfos DDA 7 5-16 pump (chlorinators for wells)	SOURCE OF SUPPLY	SS-22	10/31/2014	\$4,038	138%	\$5,589	Wells
41	(1) Octave meter with pulse module, (2) bolt and nut kit w	SOURCE OF SUPPLY	SS-23	11/1/2014	\$11,402	138%	\$15,780	Wells
42	Octave Meter with Pulse Module - Well #5 per Calvin Bra	SOURCE OF SUPPLY	SS-24	12/15/2014	\$5,025	138%	\$6,954	Wells
43	11/11/2014 valve built in shop - 8" full port check valve an	SOURCE OF SUPPLY	SS-25	2/28/2015	\$5,395	135%	\$7,296	Wells
44	11/21/14 valve built in shop. Deep well pump control valv	SOURCE OF SUPPLY	SS-26	2/28/2015	\$4,563	135%	\$6,171	Wells
45	Well #5 - install controls for waste valve and rewire panels	SOURCE OF SUPPLY	SS-27	5/31/2015	\$6,092	135%	\$8,239	Wells
46	Well #5 Telemetry Implementation (install SCADA at Wel	SOURCE OF SUPPLY	SS-28	5/31/2015	\$14,130	135%	\$19,109	Wells
47	DHPO	SOURCE OF SUPPLY	SS-29	7/1/2015	\$8,087	135%	\$10,937	Distribution
48	Almond Vault-Control Vault	SOURCE OF SUPPLY	SS-30	7/1/2015	\$18,257	135%	\$24,691	Storage
49	Almond Vault-PRV	SOURCE OF SUPPLY	SS-31	7/1/2015	\$38,963	135%	\$52,693	Storage

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
50	Almond Vault-Submersible liberty 287 pump	SOURCE OF SUPPLY	SS-32	7/1/2015	\$5,651	135%	\$7,642	Storage
51	Well 2 Motor Repair	SOURCE OF SUPPLY	SS-33	2/28/2017	\$15,370	126%	\$19,427	Wells
52	Well 2 - 500 AMP Breaker	SOURCE OF SUPPLY	SS-34	3/14/2017	\$6,594	126%	\$8,335	Wells
53	Well 5 Upgrades-Discharge, Softstarter, Remote Keypad	SOURCE OF SUPPLY	SS-35	12/5/2017	\$19,538	126%	\$24,696	Wells
54	Well 5 - Backup Motor	SOURCE OF SUPPLY	SS-36	8/31/2019	\$1,425	120%	\$1,714	Wells
55	Well 2 Totalizer	SOURCE OF SUPPLY	SS-37	5/31/2021	\$2,781	112%	\$3,111	Wells
56	Well 1 Rehab	SOURCE OF SUPPLY	SS-38	4/1/2022	\$543,103	104%	\$566,672	Wells
57	Tank 1 Recoating	SOURCE OF SUPPLY	SS-39	9/30/2021	\$276,596	112%	\$309,385	Storage
58	Well 2 - Control Panel Replacement	SOURCE OF SUPPLY	SS-40	8/31/2021	\$17,033	112%	\$19,052	Wells
59	Dosing pump - Chlorinator	SOURCE OF SUPPLY	SS-41	9/30/2021	\$2,590	112%	\$2,897	Treatment
60	Injector Valves for Dosing Pump (15)	SOURCE OF SUPPLY	SS-42	12/31/2021	\$1,209	112%	\$1,352	Treatment
61	Chlorinators (2)	SOURCE OF SUPPLY	SS-43	5/31/2022	\$7,692	104%	\$8,026	Treatment
62	Well 1 Pump Rehab	SOURCE OF SUPPLY	SS-44	8/30/2023	\$143,601	102%	\$145,893	Wells
63	Well 4 Pump Rehab	SOURCE OF SUPPLY	SS-45	10/31/2023	\$152,068	102%	\$154,496	Wells
64	T2, T3, & T4 Recoating	SOURCE OF SUPPLY	SS-46	12/31/2023	\$475,062	102%	\$482,646	Storage
65	Pipeline	TRANS & DISTRIBUTION	TD-1	12/16/1991	\$19,350	281%	\$54,313	Distribution
66	Krieger & Stewart	TRANS & DISTRIBUTION	TD-2	3/18/1992	\$3,824	272%	\$10,411	Distribution
67	Millard Canyon W	TRANS & DISTRIBUTION	TD-3	6/30/1996	\$5,194,307	241%	\$12,543,327	Distribution
68	Gravity System	TRANS & DISTRIBUTION	TD-4	12/8/1997	\$1,546	233%	\$3,601	Distribution
69	Gravity System	TRANS & DISTRIBUTION	TD-5	12/22/1997	\$1,546	233%	\$3,601	Distribution
70	Pumping Equip - JE	TRANS & DISTRIBUTION	TD-6	8/25/1997	\$22,017	233%	\$51,287	Distribution
71	Reservoirs & Tanks	TRANS & DISTRIBUTION	TD-7	8/25/1997	\$148,155	233%	\$345,118	Storage
72	Water Mains - Jens	TRANS & DISTRIBUTION	TD-8	8/25/1997	\$84,917	233%	\$197,809	Distribution
73	Meters Jensen	TRANS & DISTRIBUTION	TD-10	8/25/1997	\$19,608	233%	\$45,676	Meters

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
74	Other Equip Jens	TRANS & DISTRIBUTION	TD-12	8/25/1997	\$5,493	233%	\$12,796	Distribution
75	Adjustments to C	TRANS & DISTRIBUTION	TD-13	8/25/1997	\$55,245	233%	\$128,690	Distribution
76	Seminole Pipeline	TRANS & DISTRIBUTION	TD-14	1/28/1998	\$254,280	229%	\$582,924	Distribution
77	Jensen Engineering	TRANS & DISTRIBUTION	TD-15	8/25/1997	\$19,468	233%	\$45,349	Distribution
78	Seminole Pipeline	TRANS & DISTRIBUTION	TD-16	1/1/1999	\$45,720	224%	\$102,406	Distribution
79	Jensen / Southeast	TRANS & DISTRIBUTION	TD-17	1/1/1999	\$650,416	224%	\$1,456,840	Distribution
80	Irrigation Pipeline	TRANS & DISTRIBUTION	TD-18	6/29/2000	\$11,933	218%	\$26,032	Distribution
81	Pipeline 2"	TRANS & DISTRIBUTION	TD-19	10/15/1999	\$5,200	224%	\$11,647	Distribution
82	Pipes 3"	TRANS & DISTRIBUTION	TD-21	11/20/2000	\$9,776	218%	\$21,327	Distribution
83	CWC	TRANS & DISTRIBUTION	TD-22	6/30/1984	\$134,999	327%	\$441,899	Distribution
84	Apache Vault	TRANS & DISTRIBUTION	TD-23	9/14/2001	\$5,040	214%	\$10,783	Distribution
85	Almond Vault	TRANS & DISTRIBUTION	TD-24	9/21/2001	\$3,585	214%	\$7,670	Distribution
86	Southeast Inter Pipeline	TRANS & DISTRIBUTION	TD-25	10/22/2001	\$23,398	214%	\$50,062	Distribution
87	Jensen 1.0 MG Reservoir	TRANS & DISTRIBUTION	TD-26	3/7/2002	\$18,521	208%	\$38,445	Storage
88	8" Main Line - Helen St	TRANS & DISTRIBUTION	TD-27	10/7/2002	\$23,797	208%	\$49,397	Distribution
89	8" Hot Tap Ext (Bonita)	TRANS & DISTRIBUTION	TD-28	9/12/2002	\$4,197	208%	\$8,712	Distribution
90	Butterfly Valves (2)	TRANS & DISTRIBUTION	TD-29	11/16/1999	\$1,046	224%	\$2,343	Distribution
91	FA Projects	TRANS & DISTRIBUTION	TD-30	12/31/2003	\$41,551	203%	\$84,240	Distribution
92	SE 1713 Pipeline	TRANS & DISTRIBUTION	TD-31	7/31/2005	\$318,420	182%	\$580,362	Distribution
93	Desert Hills Pipeline	TRANS & DISTRIBUTION	TD-32	6/30/2006	\$349,381	175%	\$611,735	Distribution
94	Electrical panel for wells	TRANS & DISTRIBUTION	TD-33	6/18/2007	\$19,272	170%	\$32,833	Wells

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
95	Distribution	TRANS & DISTRIBUTION	TD-34	8/31/2007	\$632	170%	\$1,077	Distribution
96	Apache and Bonita	TRANS & DISTRIBUTION	TD-35	2/1/2010	\$40,265	154%	\$62,103	Distribution
97	Altitude Valve for Jenson Well	TRANS & DISTRIBUTION	TD-36	3/25/2010	\$8,234	154%	\$12,700	Wells
98	Coat Seminole Tank	TRANS & DISTRIBUTION	TD-37	5/31/2013	\$29,800	142%	\$42,361	Storage
99	Hypochloride	TRANS & DISTRIBUTION	TD-38	6/1/2011	\$2,066	150%	\$3,091	Treatment
100	Ida Refurbishment	TRANS & DISTRIBUTION	TD-39	12/15/2011	\$17,340	150%	\$25,946	Distribution
101	SCADA	TRANS & DISTRIBUTION	TD-40	11/15/2013	\$106,354	142%	\$151,185	General
102	Service Order: 814-14: August 21, 2014: Tank 2 control pa	TRANS & DISTRIBUTION	TD-41	8/31/2014	\$3,841	138%	\$5,316	Storage
103	Elm St. Tank #3 (.5 million gallon) interior recoating - only	TRANS & DISTRIBUTION	TD-42	6/1/2015	\$39,600	135%	\$53,555	Storage
104	14944 Broadway Meter Replacement	TRANS & DISTRIBUTION	TD-43	8/10/2015	\$2,400	135%	\$3,246	Meters
105	49980-50030 Main Service	TRANS & DISTRIBUTION	TD-44	11/23/2015	\$43,520	135%	\$58,856	Distribution
106	14966 Broadway Meter Replacement	TRANS & DISTRIBUTION	TD-45	8/19/2015	\$2,400	135%	\$3,246	Meters
107	15140 Plum St Meter Replacement	TRANS & DISTRIBUTION	TD-46	8/20/2015	\$1,800	135%	\$2,434	Meters
108	15136 Plum St Meter Replacement	TRANS & DISTRIBUTION	TD-47	8/20/2015	\$1,800	135%	\$2,434	Meters
109	15268 & 15256 Plum St Meter Replacement	TRANS & DISTRIBUTION	TD-48	8/20/2015	\$2,400	135%	\$3,246	Meters
110	48804 Mojave St Meter Replacement	TRANS & DISTRIBUTION	TD-49	11/5/2015	\$2,400	135%	\$3,246	Meters
111	49894 Fuller Meter Install	TRANS & DISTRIBUTION	TD-50	5/5/2016	\$6,100	131%	\$8,008	Meters
112	51955 Esperanza Meter Install	TRANS & DISTRIBUTION	TD-51	8/20/2015	\$6,000	135%	\$8,114	Meters
113	52200 Esperanza Meter Replacement	TRANS & DISTRIBUTION	TD-52	11/3/2015	\$4,200	135%	\$5,680	Meters
114	52273 Esperanza Meter Replacement	TRANS & DISTRIBUTION	TD-53	11/3/2015	\$4,200	135%	\$5,680	Meters

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
115	50910 Seminole Hydrant Replacement	TRANS & DISTRIBUTION	TD-54	2/2/2016	\$8,705	131%	\$11,428	Meters
116	14011 Broadway Meter Replacement	TRANS & DISTRIBUTION	TD-55	6/20/2016	\$11,230	131%	\$14,742	Meters
117	15118 Elm New Service	TRANS & DISTRIBUTION	TD-56	9/11/2015	\$3,600	135%	\$4,869	Meters
118	49295 & 49309 Blanche Meter Replacement	TRANS & DISTRIBUTION	TD-57	6/6/2016	\$4,980	131%	\$6,538	Meters
119	52208 Lois Meter Replacement	TRANS & DISTRIBUTION	TD-58	8/20/2015	\$1,698	135%	\$2,296	Meters
120	52209 Lois Meter Replacement	TRANS & DISTRIBUTION	TD-59	8/20/2015	\$1,698	135%	\$2,296	Meters
121	DHPO System	TRANS & DISTRIBUTION	TD-60	5/15/2017	\$2,320,000	126%	\$2,932,422	Distribution
122	Meter Replacements 2018	TRANS & DISTRIBUTION	TD-61	5/16/2018	\$4,203	123%	\$5,156	Meters
123	Service Line Sleeve (Deluca)	TRANS & DISTRIBUTION	TD-62	1/18/2018	\$9,789	123%	\$12,010	Distribution
124	Dollar General Pipelines & Appurtenances	TRANS & DISTRIBUTION	TD-63	3/1/2018	\$25,142	123%	\$30,845	Distribution
125	Hydrant Upgrades and Hydrant Security	TRANS & DISTRIBUTION	TD-64	6/8/2018	\$3,739	123%	\$4,587	Meters
126	Dollar General Pipelines & Appurtenances	TRANS & DISTRIBUTION	TD-63	6/30/2018	\$97,052	123%	\$119,067	Distribution
127	Meter Replacements 2019	TRANS & DISTRIBUTION	TD-65	5/31/2019	\$3,200	120%	\$3,850	Meters
128	Meter Replacements 2020	TRANS & DISTRIBUTION	TD-66	2/29/2020	\$4,114	118%	\$4,870	Meters
129	Hydrant Replacement	TRANS & DISTRIBUTION	TD-67	5/31/2020	\$2,640	118%	\$3,125	Meters
130	8" Main Line Extention Hattie Lane	TRANS & DISTRIBUTION	TD-68	5/31/2020	\$5,600	118%	\$6,628	Distribution
131	SCADA Software Upgrade	TRANS & DISTRIBUTION	TD-69	6/30/2020	\$10,123	118%	\$11,982	General
132	Mapping Updates 2020	TRANS & DISTRIBUTION	TD-70	6/30/2020	\$36,784	118%	\$43,539	General
133	Hydrant Replacement 2021	TRANS & DISTRIBUTION	TD-71	6/30/2021	\$4,746	112%	\$5,309	Meters

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
134	Meter Replacements 2022	TRANS & DISTRIBUTION	TD-72	6/30/2022	\$5,952	104%	\$6,210	Meters
135	Esperanza Mainline Extension	TRANS & DISTRIBUTION	TD-73	11/30/2021	\$9,318	112%	\$10,423	Distribution
136	10" Bell Joint Replacement	TRANS & DISTRIBUTION	TD-74	8/31/2021	\$7,038	112%	\$7,872	Distribution
137	Meter & Valve Replacements 2023	TRANS & DISTRIBUTION	TD-75	6/30/2023	\$28,027	102%	\$28,474	Meters
138	Isolation Valves	TRANS & DISTRIBUTION	TD-76	6/30/2023	\$1,171,405	102%	\$1,190,105	Distribution
139	Broadway & Main Gate Valve	TRANS & DISTRIBUTION	TD-77	6/30/2023	\$74,282	102%	\$75,468	Distribution
140	Meter Replacements 2024	TRANS & DISTRIBUTION	TD-78	3/31/2024	\$5,806	100%	\$5,806	Meters
141	Storage Unit	BUILDINGS & STRUCTURES	BS-1	2/2/1997	\$3,109	233%	\$7,242	General
142	Mobile Storage Container	BUILDINGS & STRUCTURES	BS-2	10/3/2007	\$2,688	170%	\$4,579	General
143	Gate	BUILDINGS & STRUCTURES	BS-3	2/24/2014	\$2,500	138%	\$3,460	General
144	Conference Room Doorway	BUILDINGS & STRUCTURES	BS-4	1/21/2014	\$2,325	138%	\$3,218	General
145	Flag Pole @ 14618 Bradway	BUILDINGS & STRUCTURES	BD-5	6/23/2016	\$1,659	131%	\$2,178	General
146	Main Street Storage Yard Improvements	BUILDINGS & STRUCTURES	BD-6	4/30/2022	\$170,688	104%	\$178,095	General
147	Chlorine Distribution Tank	WATER TREATMENT	WT-1	4/13/2015	\$8,800	135%	\$11,901	Storage
148	Software upgrade - Water Billing	OFFICE FURN & EQUIPMENT	OF-1	4/30/2005	\$24,710	182%	\$45,037	Customer
149	2 toughbooks	OFFICE FURN & EQUIPMENT	OF-2	5/15/2010	\$9,559	154%	\$14,744	General
150	Fireproof filing cabinet	OFFICE FURN & EQUIPMENT	OF-3	11/3/2009	\$2,082	158%	\$3,297	General
151	four fireproof filing cabinets	OFFICE FURN & EQUIPMENT	OF-4	7/6/2009	\$3,525	158%	\$5,582	General
152	Radios - FCC Changes	OFFICE FURN & EQUIPMENT	OF-5	2/15/2014	\$2,379	138%	\$3,292	General
153	Credenza	OFFICE FURN & EQUIPMENT	OF-6	3/5/2014	\$1,389	138%	\$1,922	General
154	Roof Ladder	OFFICE FURN & EQUIPMENT	OF-7	1/1/2015	\$2,000	135%	\$2,705	General

Cabazon Water District 2025 Water Rate Study

Line	Capital Asset Description	Asset Type	Asset Number	Acq. Date	Balance 06/30/2024	CCI Adjustment	RC	Cost Function
155	New Computers	OFFICE FURN & EQUIPMENT	OF-8	3/1/2015	\$8,932	135%	\$12,080	General
156	Board Room Projector	OFFICE FURN & EQUIPMENT	OF-9	7/1/2015	\$4,804	135%	\$6,497	General
157	Board Room 2 network cameras and cabling (record meet	OFFICE FURN & EQUIPMENT	OF-10	7/1/2015	\$3,808	135%	\$5,150	General
158	Intrusion Security System (14935 1/2 Almond St.)	OFFICE FURN & EQUIPMENT	OF-11	8/31/2016	\$4,408	131%	\$5,787	General
159	Polycom Conference Phone	OFFICE FURN & EQUIPMENT	OF-12	7/31/2016	\$2,866	131%	\$3,762	General
160	Wireless Projector System and Cabling	OFFICE FURN & EQUIPMENT	OF-13	8/31/2016	\$1,346	131%	\$1,767	General
161	Security Light System	OFFICE FURN & EQUIPMENT	OF-14	1/31/2021	\$5,675	112%	\$6,348	General
162	Johnson Controls Supervisory Controller	OFFICE FURN & EQUIPMENT	OF-15	10/31/2020	\$20,399	118%	\$24,145	General
163	Intangible Plant	INTANGIBLES	IN-1	8/25/1997	\$7,277	233%	\$16,951	General
164	Jensen Legal re: water Rights	INTANGIBLES	IN-2	8/25/1997	\$3,755	233%	\$8,747	General
165	Roll covers- two	VEHICLES	VE-4	8/31/2012	\$5,385	146%	\$7,851	General
166	Tundra Service Truck	VEHICLES	VE-5	4/24/2010	\$29,404	154%	\$45,352	Distribution
167	2016 Ford Fiesta Meter Reading Car	VEHICLES	VE-6	9/30/2016	\$15,852	131%	\$20,810	Distribution
168	LED Spotlights on Service Trucks	VEHICLES	VE-7	10/31/2018	\$8,419	123%	\$10,329	Distribution
169	2022 Ford Truck	VEHICLES	VE-8	3/22/2022	\$76,707	104%	\$80,036	Distribution
170	2005 GMC Truck	VEHICLES	VE-9	6/1/2023	\$9,000	102%	\$9,144	Distribution
171	Total						\$28,791,010	

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Cabazon Water District

Proposition 218 Notification
Notice of Public Hearing
Water Rates Adjustments

Hearing Date and Time: December 16, 2025 at 6:00 PM

Hearing Location: Cabazon Water District Office | 14618 Broadway St. | Cabazon, CA 92230

Teleconference details will be available at cabazonwater.org at least 72 hours prior to the hearing

This letter is to advise you that the Cabazon Water District will conduct a public hearing at the time, date and address provided above to consider the adoption of proposed increases to the District's water service charges for all customers. You are receiving this notice in compliance with California Proposition 218 requirements that all impacted property owners and customers of record are mailed notice of proposed rate changes at least 45 days prior to the public hearing.

Please be advised that any judicial action to challenge the water service charges proposed herein must be brought within 120 days of the date the resolution adopting such water service charges is adopted.

REASONS THE WATER RATES MUST BE ADJUSTED

The Cabazon Water District is required by State law to collect revenues sufficient to fund current and future costs of operating, maintaining, and administering the existing water facilities as well as to fund the capital improvements and infrastructure replacement program. These revenues allow the Cabazon Water District to protect public health and safely and reliably deliver clean, safe drinking water to all connections. By State law, the Cabazon Water District may not collect more revenue than is necessary to recover the costs of providing services. The proposed rates were developed through a comprehensive Water Rate Study designed to meet all legal requirements and fairly and equitably recover the required revenue. The Water Rate Study was prepared by Water Resources Economics (WRE) and provides a detailed explanation and support of the projected costs to provide water service and is available for review by the public at the District office located at 14618 Broadway St., Cabazon, CA 92230 and on the District website at http://www.cabazonwater.org/water_rates.html.

Customer water service charges are the primary source of revenue to operate the Cabazon Water District water system. These rates generate the revenue to operate and maintain the system, pay debt service on the District's existing debt, and invest in necessary capital improvement projects. To continue the Cabazon Water District water system's ability to provide reliable water services to our customers, rate increases are necessary to cover increasing operations and maintenance costs, provide funding for vital capital improvement projects, and ensure sufficient revenue is available for debt service payments and meeting required debt service coverage ratios. The Cabazon Water District Board of Directors and management works diligently to contain costs. Financial planning and appropriate rate-setting based on cost of service is Cabazon Water District's responsibility, to ensure we deliver the service you deserve and the water quality and reliability you expect.

The proposed increased water service charges will be used to:

- Continue providing reliable drinking water and water to protect Cabazon residents and properties from fire
- Fund replacing our aging infrastructure
- Construct and modernize capital infrastructure to meet increasing water maintenance sufficient emergency reserves
- Address current and anticipated cost increases
- Ensure sufficient revenue available for debt service payments and maintaining required debt service coverage ratios
- Ensure Cabazon Water District can withstand financial pressures that could result from increased regulation of water supply sources, mitigation of contaminants of emerging concern, and maintain the level of existing and needed investment in water supply, water treatment and distribution infrastructure

BASIS OF PROPOSED RATES

The District's water rate structure includes monthly fixed service charges by meter size, monthly fixed fire service charges by fire line diameter (charged to private fire customers only), and commodity charges by water usage measured in hundred cubic feet (hcf), one hundred cubic feet equals 748 gallons of water. Single family residential customers' commodity charges have two tiers; all non-residential customers have a uniform commodity charge. The monthly fixed service charge is designed to recover the costs of meter reading and maintenance, and customer billing costs. The commodity charges are designed to recover the costs of maintaining ground wells, treatment, storage, and distribution of water to service customers.

PROPOSITION 218 PUBLIC HEARING PROCEDURE

All property owners and other interested parties are invited to attend the hearing and present written and/or oral comments. As a property owner or customer of record of a parcel subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. Only ONE written protest will be counted per identified parcel. If written protests are presented on behalf of a majority of the parcels subject to the proposed rate increases, the Board of Directors is prohibited from imposing the proposed rate increase.

In order for your protest to be counted it must be in writing and must include:

- Your original signature and date
- Your name typed or printed under the signature
- The address of the property
- An affirmation that you are the owner or customer of record of the property; and
- A statement that you are protesting the proposed water rate increases

Written protests will not be accepted by e-mail or fax. Verbal protests will not be counted. Protests must be received (not postmarked) prior to the close of the public hearing. Written protests may be submitted to:

**Cabazon Water District
PO Box 297
14618 Broadway St.
Cabazon, CA 92230**

Written protests may also be hand-delivered to the District's offices located at the address set forth above. Additionally, written protests may be delivered to the Board Secretary during the public hearing, at any time prior to the close of the public comment portion of the public hearing. The Board of Directors, after the close of the public hearing, and confirmation a majority protest does not exist, will adopt the rates. The rates will not exceed the increases set forth herein, and will take effect beginning January 1, 2026 and will increase each January 1 thereafter, through and including January 1, 2030.

PROPOSED MONTHLY RATE SCHEDULE

Line	Monthly Fixed Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	5/8-inch meter	\$37.17	\$38.29	\$39.44	\$40.63	\$41.85
2	3/4-inch meter	\$51.90	\$53.46	\$55.07	\$56.73	\$58.44
3	1-inch meter	\$81.36	\$83.81	\$86.33	\$88.92	\$91.59
4	1 1/2-inch meter	\$155.02	\$159.68	\$164.48	\$169.42	\$174.51
5	2-inch meter	\$243.40	\$250.71	\$258.24	\$265.99	\$273.97
6	3-inch meter	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25
7	4-inch meter	\$744.26	\$766.59	\$789.59	\$813.28	\$837.68
8	6-inch meter	\$1,480.81	\$1,525.24	\$1,571.00	\$1,618.13	\$1,666.68
9	8-inch meter	\$2,364.67	\$2,435.62	\$2,508.69	\$2,583.96	\$2,661.48
10	10-inch meter	\$6,194.72	\$6,380.57	\$6,571.99	\$6,769.15	\$6,972.23
11	Construction (3-inch meter)	\$479.10	\$493.48	\$508.29	\$523.54	\$539.25

Line	Monthly Fixed Fire Service Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	4-inch connection	\$117.58	\$121.11	\$124.75	\$128.50	\$132.36
2	6-inch connection	\$326.88	\$336.69	\$346.80	\$357.21	\$367.93
3	8-inch connection	\$687.87	\$708.51	\$729.77	\$751.67	\$774.23

Line	Commodity Charge	Effective Jan. 2026	Effective Jan. 2027	Effective Jan. 2028	Effective Jan. 2029	Effective Jan. 2030
1	Single Family Residential					
2	Tier 1 (0-7 hcf)	\$3.53	\$3.64	\$3.75	\$3.87	\$3.99
3	Tier 2 (7+ hcf)	\$8.44	\$8.70	\$8.97	\$9.24	\$9.52
4	Non-Residential	\$5.38	\$5.55	\$5.72	\$5.90	\$6.08

EXHAUSTION OF ADMINISTRATIVE REMEDIES PROCEDURE

Notice is hereby further given that any person or entity that wishes to bring a legal challenge to the proposed rates for the water service charges must first file a written legal objection that specifies the grounds for alleging the District's noncompliance with the law as described below, no later than December 16, 2025.

Information related to the written basis for the water service charges can be found on the District's website at

http://www.cabazonwater.org/water_rates.html. You have the right to request that the District mail the written basis for the water service charges directly to you. To request that the written basis be mailed, please call the District Office at (951) 849-4442.

Legal objections will only be considered valid if they meet the following procedural and substantive requirements:

- Legal objections must be in writing;
- Legal objections must be received no later than 5:00 p.m. on December 16, 2025;
- Legal objections must be mailed or hand delivered to 14618 Broadway St., Cabazon, CA 92230;
- Legal objections must include the following information:
 - Your name, parcel number and/or service address, including a return mailing or email address for District responses to your written objection;
 - A statement that your communication constitutes a legal objection;
 - A description of the nature of the legal objection which specifies the grounds for alleging the District's noncompliance with the law, with sufficient specificity to allow the District to respond in writing. ***A statement that the proposed water service charges violate Proposition 218, without an explanation as to the basis of your claim, will be insufficient to constitute a legal objection.***

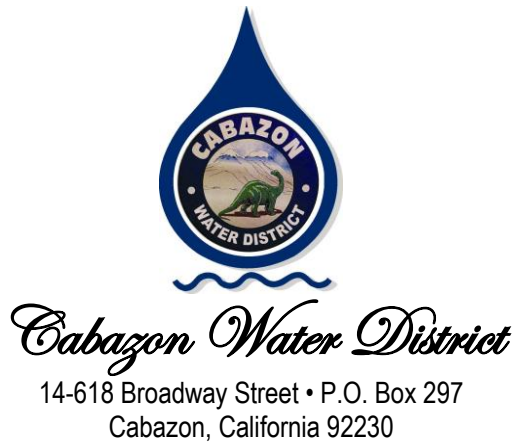
A written protest will not constitute a valid legal objection unless it meets the requirements set forth above. Failure to submit a written legal objection within the written objection period, or to meet the requirements set forth above, will bar any right to challenge the proposed water service charges through a legal proceeding.

Updates

CWD Operations Report: [TAB 3]

Attachments:

1. Monthly Operations Report



October 21, 2025
CWD Board Meeting
Operations Update

- On October 9, 2025, A coordination meeting was attended by representatives of the San Geronio Pass Water Agency, Cal Rural Water Association, including the Deputy Director Kristyn Abhold, regarding the Cabazon Water District Grant Funding Application, for Pipeline Replacement Projects.
- On September 24, 2025 DRC Engineering Inc Travis of Krieger & Stewart, the Morongo Band of Mission Indians, met with Eric Howard, General Manager Desert Hills Premium Outlet expansion project of 43,000 square feet of new retail stores in the vicinity of the escalators and the Starbucks kiosk on Premium Outlet Drive. Plan check and fire flow results will be reviewed by Krieger and Stewart, as stated in the Cabazon Water District Water System Facility Requirements Policy
- Brett Rocine (Director of Acquisitions) of Towerpoint – Open Records Request asking for a copy of the District’s current telecommunication lease contract, and documents or any financial document showing the exact current monthly and annual rent being collected. No update to report
- The Well 1 Heli Hydrant Site is in discussions to remove a lighting pole and SCADA Tower requested by Mark Whaling CEO of Whaling Fire Line Equipment, and inventor of Heli Hydrants. The SCADA Pole is approximately 30 ft tall, 105 ft from the Heli Hydrant, and the Heli Hydrant is 90 ft from the reservoir.



Business (951) 849-4442 • FAX (951) 849-2519





Quantum Concepts Applied to SCADA Logistics

- • **Superposition:** Before selecting a new location for the SCADA tower, you're in a state of superposition—evaluating multiple potential sites simultaneously. The decision remains fluid until it's “measured,” at which point the possibilities collapse into a single, definitive choice.
- • **Entanglement:** The SCADA tower is deeply entangled with its surrounding infrastructure—sensors, communication lines, and control systems. Any change to its position reverberates through the entire network, much like entangled particles that instantly affect one another regardless of distance.
- • **Quantum Tunneling:** Regulatory and logistical barriers may appear impenetrable. Yet with strategic foresight and a bit of persistence, we can tunnel through these obstacles—emerging on the other side with approvals and progress in hand.
- • **Decoherence:** Once implementation begins, we transition from the elegant abstraction of planning into the messy reality of execution—trucks, cranes, permits, and installation. **Decoherence** is a concept in quantum physics that explains how quantum systems lose their "quantumness" when they interact with their environment. transitioning from theoretical perfection to practical,. *entering the classical world — where mud, metal, and manpower replace models and metrics.*