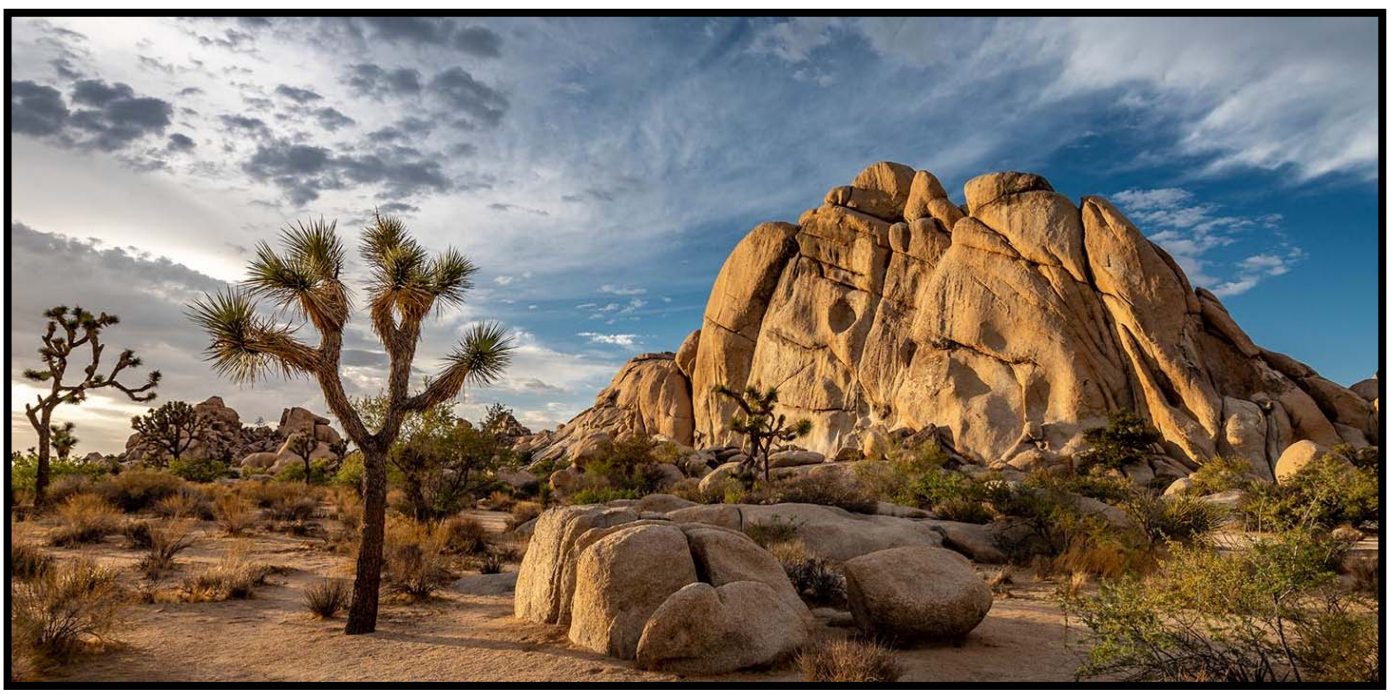
# Joshua Basin Water District

## Annual Financial Report

## Fiscal Years Ended June 30, 2024 and 2023



# Our Mission Statement

*"To provide, protect, and maintain Joshua Tree's water – our vital community resource."*

**Board of Directors as of June 30, 2024**

| Name | Title | Elected/ Appointed | Current Term |
|---|---|---|---|
| Thomas Floen | President | Elected | 12/20-12/24 |
| Stacy Doolittle | Vice President | Elected | 12/20-12/24 |
| Jane Jarlsberg | Director | Elected | 12/20-12/24 |
| Tyler "Thomas" Short | Director | Elected | 12/22-12/26 |
| David Fick | Director | Appointed | 4/23-12/24 |

**Joshua Basin Water District**
**Sarah Johnson, General Manager**
**61750 Chollita Road**
**Joshua Tree, California 92252-0675**
**(760) 366-8438**
**www.jbwd.com**

# Joshua Basin Water District

## Annual Financial Report

## Fiscal Years Ended

## June 30, 2024 and 2023

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

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# Financial Section

C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
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# Independent Auditor's Report

Board of Directors
Joshua Basin Water District
Joshua Tree, California

## Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Joshua Basin Water District as of June 30, 2024 and 2023, and the respective changes in net position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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*

Management is responsible for the preparation and fair presentation of these 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit 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 opinions. 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 generally accepted auditing standards 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 an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 audit.

### *Emphasis-of-Matter*

*Implementation of GASB Statement No. 96*

As discussed in Note 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. 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.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the required supplementary information on pages 40 through 42 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 audit 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 43 through 44.

C.J. Brown & Company, CPAs

**C.J. Brown & Company, CPA's**
Cypress, California
November 20, 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Joshua Basin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

## Financial Highlights

- In 2024, the District's net position increased 8.29% or $3,866,309 to $50,508,960 as a result of ongoing operations. In 2023, the District's net position increased 6.17% or $2,710,540 to $46.642,651 as a result of ongoing operations.
- Total revenues increased 15.06% or $1,485,920 to $11,355,359. In 2023, the District's total revenues decreased 0.56% or $55,428 to $9,869,439.
- Operating revenues increased 8.97% or $743,921 to $9,033,008. In 2023, the District's operating revenues increased 0.20% or $16,658 to $8,289,087.
- Non-operating revenues increased 46.95% or $741,999 to $2,322,351. In 2023, the District's non-operating revenues decreased 4.36% or $72,086 to $1,580,352.
- Total expenses increased 1.72% or $140,189 to $8,269,064. In 2023, the District's total expenses increased 9.76% or $722,520 to $8,128,875.
- Operating expenses increased 10.21% or $577,754 to $6,233,982. In 2023, the District's operating expenses increased 5.64% or $302,114 to $5,656,228.
- Non-operating expenses decreased 58.14% or $518,380 to $373,288. In 2023, the District's non-operating expenses increased 66.87% or $357,308 to $891,668.
- Capital contributions decreased 19.58% or $189,962 to $780,014. In 2023, the District's capital contributions decreased 25.11% or $325,259 to $969,976.

## Using This Financial Report

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, obligations to creditors (liabilities), and deferred inflows of resources. It 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 current year's revenue 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 changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides 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 of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method 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.

These two statements report the District's *net position* and changes in it. You can think of the District's net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are 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 to the basic financial statements 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 15 through 39.

## Statements of Net Position

**Condensed Statements of Net Position**

| | 2024 | 2023 | Change | As restated 2022 | Change |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Current assets | $ 24,042,862 | 20,217,172 | 3,825,690 | 18,054,705 | 2,162,467 |
| Non-current assets | 223,831 | 298,442 | (74,611) | 373,052 | (74,610) |
| Capital assets, net | 32,125,158 | 32,165,886 | (40,728) | 31,536,315 | 629,571 |
| **Total assets** | 56,391,851 | 52,681,500 | 3,710,351 | 49,964,072 | 2,717,428 |
| **Deferred outflows of resources** | 761,244 | 729,726 | 31,518 | 463,928 | 265,798 |
| **Liabilities:** | | | | | |
| Current liabilities | 1,652,142 | 1,553,106 | 99,036 | 1,454,510 | 98,596 |
| Non-current liabilities | 4,991,993 | 5,215,469 | (223,476) | 4,970,220 | 245,249 |
| **Total liabilities** | 6,644,135 | 6,768,575 | (124,440) | 6,424,730 | 343,845 |
| **Deferred inflows of resources** | - | - | - | 71,159 | (71,159) |
| **Net position:** | | | | | |
| Net investment in capital assets | 27,965,806 | 27,587,286 | 378,520 | 26,419,985 | 1,167,301 |
| Restricted | 5,496,441 | 4,541,505 | 954,936 | 4,445,785 | 95,720 |
| Unrestricted | 17,046,713 | 14,513,860 | 2,532,853 | 13,066,341 | 1,447,519 |
| **Total net position** | $ 50,508,960 | 46,642,651 | 3,866,309 | 43,932,111 | 2,710,540 |

## Statements of Net Position, continued

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 plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by $50,508,960 and $46,642,651, as of June 30, 2024 and 2023, respectively.

Compared to prior year, net position of the District increased 8.29% or $3,866,309. The District's total net position is made up of three components: (1) net investment of capital assets, (2) restricted net position and (2) unrestricted net position.

By far the largest portion of the District's net position (55.37% and 59.15% as of June 30, 2024 and 2023, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2024 and 2023, the District showed a positive balance in its unrestricted net position of $17,046,713 and $14,513,860, respectively, which may be utilized in future years. See note 12 for further information.

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

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

| | 2024 | 2023 | Change | As restated 2022 | Change |
|---|---|---|---|---|---|
| **Revenue:** | | | | | |
| Operating revenue | $ 9,033,008 | 8,289,087 | 743,921 | 8,272,429 | 16,658 |
| Non-operating revenue | 2,322,351 | 1,580,352 | 741,999 | 1,652,438 | (72,086) |
| **Total revenue** | 11,355,359 | 9,869,439 | 1,485,920 | 9,924,867 | (55,428) |
| **Expense:** | | | | | |
| Operating expense | 6,233,982 | 5,656,228 | 577,754 | 5,354,113 | 302,115 |
| Depreciation and amortization | 1,661,794 | 1,580,979 | 80,815 | 1,517,882 | 63,097 |
| Non-operating expense | 373,288 | 891,668 | (518,380) | 534,360 | 357,308 |
| **Total expense** | 8,269,064 | 8,128,875 | 140,189 | 7,406,355 | 722,520 |
| **Net income before capital contributions** | 3,086,295 | 1,740,564 | 1,345,731 | 2,518,512 | (777,948) |
| **Capital contributions** | 780,014 | 969,976 | (189,962) | 1,295,235 | (325,259) |
| Change in net position | 3,866,309 | 2,710,540 | 1,155,769 | 3,813,747 | (1,103,207) |
| **Net position, beginning of year as previously stated (note 11)** | 46,642,651 | 43,932,111 | 2,710,540 | 40,094,478 | 3,837,633 |
| **Prior period adjustment** | - | - | - | 23,886 | (23,886) |
| **Net position, beginning of year as restated (note 11)** | 46,642,651 | 43,932,111 | 2,710,540 | 40,118,364 | 3,813,747 |
| **Net position, end of year** | $ 50,508,960 | 46,642,651 | 3,866,309 | 43,932,111 | 2,710,540 |

## Statements of Revenues, Expenses, and Changes in Net Position, continued

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year. In the case of the District, net position increased 8.29% or $3,866,309 to $50.508,960, due to the change in net position of $3,086,295 from ongoing operations and $780,014 in capital contributions for the fiscal year ended June 30, 2024. For the fiscal year ended June 30, 2023, the District's net position increased 6.17% or $2,710,540 to $46.642,651, due to the change in net position of $1,740,564 from ongoing operations and $969,976 in capital contributions.

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

The District's total revenues (before capital contributions) increased 15.06% or $1,485,920 to $11,355,359. In 2023, the District's total revenues (before capital contributions) decreased 0.56% or $55,428 to $9,869,439.

In 2024, the District's operating revenues increased 8.97% or $743,921 to $9,033,008, due primarily to increases of $589,348 in water consumption sales, and $183,420 in water service charges; which were offset by a decrease of $34,740 in other charges for services as compared to the prior year. In 2023, the District's operating revenues increased 0.20% or $16,658 to $8,289,087, due primarily to an increase of $228,522 in water service charges; which was offset by decreases of $163,670 in water consumption sales, and $34,878 in standby service charges, and $13,316 in other charges for services as compared to the prior year

In 2024, the District's non-operating revenues increased 46.95% or $741,999 to $2,322,351, due primarily to increases of $611,316 in investment returns, and $144,875 in property taxes as compared to the prior year. In 2023, the District's non-operating revenues decreased 4.36% or $72,086 to $1,580,352, due primarily to a decreases of $22,857 in HDMC operations revenue, and $12,597 in special assessments for debt service as compared to the prior year.

The District's total expenses increased 1.72% or $140,189 to $8,269,064. In 2023, the District's total expenses increased 9.76% or $722,520 to $8,128,875.

In 2024, the District's operating expenses increased 10.21% or $577,754 to $6,233,982 due to increases of $380,049 in transmission and distribution, and $281,523 in customer service; which were offset by a decrease of $99,612 in general and administrative expenses as compared to the prior year. In 2023, the District's operating expenses increased 5.64% or $302,114 to $5,656,228 due to increases of $259,931 in pumping, production, and treatment, and $64,214 in transmission and distribution as compared to the prior year.

In 2024, the District's non-operating expenses decreased 58.14% or $518,380 to $373,288, due primarily to a decrease of $340,412 in non-operating expenses (as a result of the non-cash pension actuarial adjustments based from the CalPERS Miscellaneous Risk Pool Defined Benefit Pension Plan as the June 30, 2022 measurement date), which was offset by a decrease of $133,870 in loss on disposition of assets as compared to the prior year. In 2023, the District's non-operating expenses increased 66.87% or $357,308 to $891,668, due primarily to an increase of $485,172 in non-operating expenses (as a result of the non-cash pension actuarial adjustments based from the CalPERS Miscellaneous Risk Pool Defined Benefit Pension Plan as the June 30, 2022 measurement date), which was offset by a decrease of $138,765 in waste and abuse as compared to the prior year.

In 2024, the District's capital contributions decreased 19.58% or $189,962 to $780,014, due primarily to decreases of $203,781 in water capacity charges, and $76,470 in wastewater capacity charges; which were offset by an increase of $90,289 in state capital grant as compared to the prior year. In 2023, the District's capital contributions decreased 25.11% or $325,259 to $969,976, due primarily to an increase of $314,944 in state capital grant as compared to the prior year.

## Capital Asset Administration

Changes in capital assets for 2024, were as follows:

| | Balance 2023 | Additions | Transfers/ Deletions | Balance 2024 |
|---|---|---|---|---|
| Capital assets: | | | | |
| Non-depreciable assets | $ 1,711,579 | 1,708,577 | (1,816,849) | 1,603,307 |
| Depreciable assets | 62,132,691 | 1,816,470 | (664,958) | 63,284,203 |
| Accumulated depreciation | (31,678,384) | (1,661,794) | 577,826 | (32,762,352) |
| Total capital assets, net | $ 32,165,886 | 1,863,253 | (1,903,981) | 32,125,158 |

Changes in capital assets for 2023, were as follows:

| | As restated Balance 2022 | Additions | Transfers/ Deletions | Balance 2023 |
|---|---|---|---|---|
| Capital assets: | | | | |
| Non-depreciable assets | $ 3,063,095 | 2,468,877 | (3,820,393) | 1,711,579 |
| Depreciable assets | 60,909,089 | 3,877,389 | (2,653,787) | 62,132,691 |
| Accumulated depreciation | (32,435,869) | (1,580,979) | 2,338,464 | (31,678,384) |
| Total capital assets, net | $ 31,536,315 | 4,765,287 | (4,135,716) | 32,165,886 |

At the end of fiscal year 2024 and 2023, the District's capital assets amounted to $32,125,158 and $32,165,886 (net of accumulated depreciation), respectively. These capital assets include land, transmission and distribution systems, buildings, equipment, vehicles, and construction-in-process.

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

## Debt Administration

Changes in long-term debt for 2024, were as follows:

| | Balance 2023 | Additions | Payments | Balance 2024 |
|---|---|---|---|---|
| Long-term debt: | | | | |
| Bonds payable | $ 1,988,000 | - | (116,000) | 1,872,000 |
| Notes payable | 2,365,953 | - | (176,802) | 2,189,151 |
| Leases payable | 11,675 | - | (4,134) | 7,541 |
| Subscription payable | 212,972 | - | (122,312) | 90,660 |
| Total long-term debt | $ 4,578,600 | - | (419,248) | 4,159,352 |

In 2024, long-term debt primarily decreased due to regular scheduled debt payments of $419,248.

## Debt Administration, continued

Changes in long-term debt for 2023, were as follows:

| | | As restated Balance 2022 | Additions | Payments | Balance 2023 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Bonds payable | $ | 2,495,000 | - | (507,000) | 1,988,000 |
| Notes payable | | 2,536,200 | - | (170,247) | 2,365,953 |
| Leases payable | | 17,544 | - | (5,869) | 11,675 |
| Subscription payable | | 67,586 | 272,060 | (126,674) | 212,972 |
| Total long-term debt | $ | 5,116,330 | 272,060 | (809,790) | 4,578,600 |

In 2023, long-term debt primarily decreased due to regular scheduled debt payments of $809,790, which was offset by additions to subscription payable as a result of the implementation of GASB 96.

See further detailed information in Note 9.

## Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability 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's Director of Finance, Anne Roman at Joshua Basin Water District, 61750 Chollita Road, Joshua Tree, California, 92252 or (760) 366-8438.

# Basic Financial Statements

# Joshua Basin Water District
## Statements of Net Position
## June 30, 2024 and 2023

| | | 2024 | 2023 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents (note 2) | $ | 14,959,214 | 13,228,459 |
| Cash and cash equivalents - restricted (note 2) | | 5,194,248 | 4,169,841 |
| Accrued interest receivable | | 218,151 | 133,981 |
| Accrued interest receivable - restricted (note 5) | | 9,333 | 6,825 |
| Accounts receivable - water sales and services, net (note 3) | | 1,883,112 | 1,756,232 |
| Property taxes receivable | | 13,298 | 10,702 |
| Special assessments receivable – restricted | | 69,029 | 66,397 |
| Grants receivable (note 4) | | 5,874 | 5,874 |
| Accounts receivable - other | | 37,648 | 244,894 |
| Water-in-storage inventory | | 322,500 | - |
| Materials and supplies inventory | | 1,102,280 | 359,626 |
| Prepaid expenses and other deposits | | 228,175 | 234,341 |
| **Total current assets** | | 24,042,862 | 20,217,172 |
| **Non-current assets:** | | | |
| Note receivable - restricted (note 5) | | 223,831 | 298,442 |
| Capital assets - not being depreciated (note 6) | | 1,603,307 | 1,711,579 |
| Capital assets, net - being depreciated (note 6) | | 30,521,851 | 30,454,307 |
| **Total non-current assets** | | 32,348,989 | 32,464,328 |
| **Total assets** | | 56,391,851 | 52,681,500 |
| **Deferred outflows of resources:** | | | |
| Deferred pension outflows (note 10) | | 761,244 | 729,726 |
| **Total deferred outflows of resources** | $ | 761,244 | 729,726 |

***Continued on next page***

See accompanying notes to the basic financial statements

## Joshua Basin Water District
### Statements of Net Position, continued
### June 30, 2024 and 2023

| | | 2024 | 2023 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Accounts payable and accrued expenses | $ | 481,352 | 412,446 |
| Accrued wages and related payables | | 142,025 | 125,943 |
| Customer deposits and unearned revenue | | 479,631 | 443,997 |
| Accrued interest payable | | 97,523 | 100,648 |
| Long-term liabilities - due within one year: | | | |
| Compensated absences (note 7) | | 51,082 | 50,824 |
| Bonds payable (note 9) | | 122,000 | 116,000 |
| Notes payable (note 9) | | 183,609 | 176,802 |
| Leases payable | | 4,260 | 4,134 |
| Subscription payable (note 9) | | 90,660 | 122,312 |
| **Total current liabilities** | | 1,652,142 | 1,553,106 |
| **Non-current liabilities:** | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (note 7) | | 153,246 | 152,471 |
| Bonds payable (note 9) | | 1,750,000 | 1,872,000 |
| Notes payable (note 9) | | 2,005,542 | 2,189,151 |
| Leases payable (note 9) | | 3,281 | 7,541 |
| Subscription payable (note 9) | | - | 90,660 |
| Net pension liability (note 10) | | 1,079,924 | 903,646 |
| **Total non-current liabilities** | | 4,991,993 | 5,215,469 |
| **Total liabilities** | | 6,644,135 | 6,768,575 |
| **Net position:** (note 12) | | | |
| Net investment in capital assets | | 27,965,806 | 27,587,286 |
| Restricted | | 5,496,441 | 4,541,505 |
| Unrestricted | | 17,046,713 | 14,513,860 |
| **Total net position** | $ | 50,508,960 | 46,642,651 |

See accompanying notes to the basic financial statements

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

| | 2024 | 2023 |
|---|---|---|
| **Operating revenues:** | | |
| Water consumption sales | $ 4,285,000 | 3,695,652 |
| Water service charges | 3,206,237 | 3,022,817 |
| Standby service charges | 1,230,921 | 1,225,028 |
| Other charges for services | 310,850 | 345,590 |
| **Total operating revenues** | 9,033,008 | 8,289,087 |
| **Operating expenses:** | | |
| Pumping, production, and treatment | 1,907,133 | 1,891,339 |
| Transmission and distribution | 1,468,079 | 1,088,030 |
| Customer service | 817,280 | 535,757 |
| General and administrative | 2,041,490 | 2,141,102 |
| **Total operating expenses** | 6,233,982 | 5,656,228 |
| Operating income before depreciation and amortization expense | 2,799,026 | 2,632,859 |
| Depreciation and amortization expense | (1,661,794) | (1,580,979) |
| **Operating income** | 1,137,232 | 1,051,880 |
| **Non-operating revenue (expense):** | | |
| Property taxes | 962,829 | 817,954 |
| Special assessments for debt service | 267,501 | 271,183 |
| Investment returns | 932,287 | 320,971 |
| Interest expense | (179,051) | (186,368) |
| Debt administration charges | (25,651) | (38,275) |
| Property tax administration charge | (6,207) | (5,861) |
| HDMC operations revenue (note 5) | 159,734 | 170,244 |
| HDMC project – District expense (note 5) | (130,992) | (137,395) |
| Loss on disposition of assets | (29,955) | (163,825) |
| Other non-operating revenues (expenses), net | (1,432) | (359,944) |
| **Total non-operating revenue, net** | 1,949,063 | 688,684 |
| **Net income before capital contributions** | 3,086,295 | 1,740,564 |
| **Capital contributions:** | | |
| Water capacity charges | 442,339 | 646,120 |
| Wastewater capacity charges | 232,386 | 308,856 |
| State capital grant | 90,289 | - |
| Local capital grant - Mojave Water Agency | 15,000 | 15,000 |
| **Total capital contributions** | 780,014 | 969,976 |
| **Change in net position** | 3,866,309 | 2,710,540 |
| **Net position, beginning of year** | 46,642,651 | 43,932,111 |
| **Net position, end of year** | $ 50,508,960 | 46,642,651 |

See accompanying notes to the basic financial statements

# Joshua Basin Water District
## Statements of Cash Flows
## For the Fiscal Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash receipts from customers for water sales and services | $ 9,149,008 | 7,763,386 |
| Cash paid to employees for salaries and wages | (1,879,615) | (1,569,307) |
| Cash paid to vendors and suppliers for materials and services | (5,182,574) | (3,363,967) |
| **Net cash provided by operating activities** | 2,086,819 | 2,830,112 |
| **Cash flows from non-capital financing activities:** | | |
| Property taxes | 928,375 | 771,179 |
| Other non-operating expenses, net | (1,432) | (359,944) |
| **Net cash provided by non-capital financing activities** | 926,943 | 411,235 |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition and construction of capital assets | (1,621,066) | (2,233,931) |
| Loss on disposition of assets | (29,955) | (163,825) |
| HDMC project expense | 28,742 | 32,849 |
| Capital contributions | 689,725 | 969,976 |
| Payments received for note receivable | 74,611 | 74,610 |
| Proceeds from capital grants | 90,289 | - |
| Special assessments for debt service | 264,869 | 275,708 |
| Principal paid on long-term debt | (419,248) | (514,349) |
| Interest paid on long-term debt | (182,176) | (200,446) |
| **Net cash used in capital and related financing activities** | (1,104,209) | (1,759,408) |
| **Cash flows from investing activities:** | | |
| Investment returns | 845,609 | 209,736 |
| **Net cash provided by investing activities** | 845,609 | 209,736 |
| **Net increase in cash and cash equivalents** | 2,755,162 | 1,691,675 |
| **Cash and cash equivalents, beginning of year** | 17,398,300 | 15,706,625 |
| **Cash and cash equivalents, end of year** | $ 20,153,462 | 17,398,300 |
| **Reconciliation of cash and cash equivalents to the statements of net position:** | | |
| Cash and cash equivalents | $ 14,959,214 | 13,228,459 |
| Cash and cash equivalents - restricted | 5,194,248 | 4,169,841 |
| **Total cash and cash equivalents** | $ 20,153,462 | 17,398,300 |

***Continued on next page***

See accompanying notes to the basic financial statements

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

| | | 2024 | 2023 |
|---|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities:** | | | |
| **Operating income** | $ | 1,137,232 | 1,051,880 |
| **Adjustments to reconcile operating income to net cash provided by operating activities:** | | | |
| Depreciation | | 1,661,794 | 1,580,979 |
| **Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:** | | | |
| (Increase) decrease in assets: | | | |
| Accounts receivable – water sales and services, net | | (126,880) | (114,780) |
| Accounts receivable – other | | 207,246 | (192,779) |
| Water-in-storage inventory | | (322,500) | - |
| Materials and supplies inventory | | (742,654) | (35,441) |
| Prepaid expenses and other deposits | | 6,166 | (18,443) |
| (Increase) decrease in deferred outflows of resources: | | | |
| Deferred pension outflows | | (31,518) | (265,798) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | | 68,906 | 205,043 |
| Accrued wages and related payables | | 16,082 | 35,039 |
| Customer deposits and unearned revenue | | 35,634 | (218,142) |
| Compensated absences | | 1,033 | 51,584 |
| Net pension liability | | 176,278 | 822,129 |
| Increase (decrease) in deferred inflows of resources | | | |
| Deferred pension inflows | | - | (71,159) |
| **Total adjustments** | | 949,587 | 1,778,232 |
| **Net cash provided by operating activities** | $ | 2,086,819 | 2,830,112 |
| **Non-cash investing, capital, and financing transactions:** | | | |
| Changes in fair value of funds deposited with LAIF | $ | (73,146) | (265,028) |

See accompanying notes to the basic financial statements

## (1) Reporting Entity and Summary of Significant Accounting Policies

### A. Organization and Operations of the Reporting Entity

The Joshua Basin Water District (District) was organized in January 1963, under provisions of Division 12 of the Water Code of the State of California. The purpose of the District is to finance, construct, operate, and maintain a water and wastewater system to serve properties within the District's boundaries. The District services approximately 96 square miles in the unincorporated area of Joshua Tree, located in the Morongo Basin of San Bernardino County. The District is governed by a five-member Board of Directors who are elected by qualified voters in the District. The District conducts general meetings of the Board of Directors twice per month, held on the first and third Wednesday's of the month, at the District's administration office.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Joshua Basin Water District Copper Mountain Mesa Assessment District (Assessment District) was formed in 1996 to finance the improvements and construction of the potable water system facilities, including pipelines, booster pumping station, water storage reservoir, and the necessary appurtenances. The bonds were sold to the United States Department of Agriculture, who is the sole bondholder. The District's directors serve as directors of the Assessment District; the District's General Manager serves as its executive officer. The assets, deferred outflows, liabilities, and deferred inflows of the Assessment District are blended with those of the District in the financial statements.

### 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 cost 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. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions in which the District receives value without directly giving value in exchange.

### 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 enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

### C. Financial Reporting, continued

The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

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

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

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

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

#### 1. Use of Estimates

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

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

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

#### 2. Cash and Cash Equivalents

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

#### 3. Investments and Investment Policy

The District has adopted an investment policy as written in Article 8 of the District's Administration Code. Any surplus funds or funds held for any length of time for special projects shall only be invested with reputable institutions.

The District's investment policy authorizes investments in as certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

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.

#### 3. 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.

#### 4. Property Taxes and Assessments

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The San Bernardino County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. 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 San Bernardino County 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 |

#### 5. Water-in-Storage Inventory

Water-in-storage inventory consists of purchase water supplies available to the District. Water-in-storage is valued using the first-in-first-out (FIFO) methodology.

#### 6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe, and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the "First-In, First-Out" (FIFO) method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

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

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

#### 7. Prepaid Expenses

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

#### 8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Lease asset are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution system – 3 to 50 years
- Structures and improvements – 10 to 30 years
- Vehicles and large equipment – 5 to 10 years
- Office furniture and equipment – 5 to 10 years
- Water rights – 25 years
- Wastewater system in development – 15 years
- Surveys and plans – 2 to 5 years

Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying Information Technology (IT) asset.

#### 8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

#### 9. Compensated Absences

The District's policy is to permit employees to accumulate up to two times their annual vacation accrual rate with amounts exceeding the limit being forfeited. Upon termination of employment, employees are paid all unused vacation, floating holiday, and management/administrative leave. The accrual for sick leave does not have a cap and upon termination, sick leave may be converted to CalPERS service credit, based on eligibility. Sick leave not converted is forfeited.

#### 10. Lease Payable

Lease liability are measured at the present value of lease payments expected to be made during the lease term.

#### 11. Subscription Payable

Subscription liability are measured at the present value of subscription payments expected to be made during the subscription term.

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

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

#### 12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation dates: June 30, 2022 and 2021
- Measurement dates: June 30, 2023 and 2022
- Measurement periods: July 1, 2021 to June 30, 2022 and July 1, 2022 to June 30, 2023

#### 13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

#### 14. Water Sales and Services

Water sales are billed on a monthly cyclical basis and the respective revenues recognized when they are earned.

#### 15. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

#### 16. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *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* – consists of the net amount of 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.

#### 17. 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.

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

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

#### 18. Reclassification

The District has reclassified certain prior year information to conform to current year presentation.

## (2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30 are classified in the Statements of Net Position as follows:

| | | 2024 | 2023 |
|---|---|---|---|
| Cash and cash equivalents | $ | 14,959,214 | 13,228,459 |
| Cash and cash equivalents – restricted | | 5,194,248 | 4,169,841 |
| Total cash and investments | $ | 20,153,462 | 17,398,300 |

Cash and cash equivalents as of June 30 consist of the following:

| | | 2024 | 2023 |
|---|---|---|---|
| Cash on hand | $ | 2,300 | 2,300 |
| Deposits held with financial institutions | | 369,163 | 192,227 |
| California Local Agency Investment Fund: | | | |
| Unrestricted | | 14,587,751 | 13,033,932 |
| Restricted | | 5,194,248 | 4,169,841 |
| Total cash and investments | $ | 20,153,462 | 17,398,300 |

As of June 30, the District's authorized deposit had the following maturity:

| | 2024 | 2023 |
|---|---|---|
| California Local Agency Investment Fund | 217 days | 260 days |

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

The table on the next page 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.

## (2) Cash and Cash Equivalents, continued

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| State Obligations – CA and Others | 5 years | None | None |
| CA Local Agency Obligations | 5 years | None | None |
| U.S. Agency Obligations | 5 years | None | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Collateralize Bank Deposits | 5 years | None | None |
| Corporate debt – Short and Long Term | 5 years | None | None |
| Commercial Paper – Pooled Funds<br>Commercial Paper – Non-Pooled Funds | 270 days | 40% of the District's money | 10% |
| Repurchase agreements | 1 year | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

### *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 Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. 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 pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages 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 requirements for cash flow and liquidity needed for operations.

### *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.

## (2) Cash and Cash Equivalents, continued

### *Custodial Credit Risk*

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 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.

### *Concentration of Credit Risk*

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 99% and 97% as of June 30, 2024 and 2023, respectively, of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

## (3) Accounts Receivable – Water Sales and Services, net

The balance at June 30 consists of the following:

| | 2024 | 2023 |
|---|---|---|
| Accounts receivable – water sales | $ 1,073,362 | 1,032,037 |
| Unbilled water sales receivables | 776,076 | 746,954 |
| Standby charges receivables | 278,272 | 253,748 |
| Property liens | 128,621 | 126,361 |
| Allowance for doubtful accounts | (373,219) | (402,868) |
| Total accounts receivable, net | $ 1,883,112 | 1,756,232 |

## (4) Grants Receivable

### *Integrated Regional Water Management Plan*

The balance at June 30 consists of the following:

| | | 2024 | 2023 |
|---|---|---|---|
| Prop 1 DWR grant – retention | $ | 5,874 | 5,874 |
| Total grants receivable | $ | 5,874 | 5,874 |

On June 18, 2018, the Coachella Valley Water District and the State of California, Department of Water Resources (DWR), entered into a grant agreement to assist in financing projects associated with the Integrated Regional Water Management Plan (IRWMP) pursuant to Chapter 7 of Division 26.7 of the California Water Code. The maximum amount payable by the State under this grant agreement is not to exceed $2,636,488. The grant agreement consists of twelve separate IRWMP projects for various local sponsors with different allocation amounts – one of which being Joshua Basin Water District for $130,000. The District has utilized grant revenue for the Saddleback Pipeline Project. As of June 30, 2024, all projects associated with the grant agreement are completed, and the remaining retention balance awaiting release from the State amounted to $5,874.

## (5) Note Receivable – Hi-Desert Medical Center

On July 1, 2012, the District executed a note receivable with the Hi-Desert Medical Center for $1,119,156 for capacity charges due for sanitary sewer service to the Hi-Desert Medical Center Wastewater Treatment Plant. The note is to be repaid over a 15-year period ($74,610 principal payment per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2024 and 2023, the remaining principal balance was $223,831 and $298,442, respectively. At June 30, 2024 and 2023, accrued interest receivable on the note was $9,333 and $6,825, respectively, and is included as part of the accrued interest receivable balance - restricted in the statements of net position.

### *Hi-Desert Medical Center Project*

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct and operate the HDMC's Wastewater Treatment Plant (Plant). Please see note 6 for more details of the District's agreement with HDMC. During the construction phase, HDMC made capital contributions to the District for the construction of the Wastewater Treatment Plant in the amount of $2,901,551. Upon completion, it was agreed that HDMC would continue to own the Plant, while the District would be contracted to operate and maintain the Plant.

For the fiscal years ended June 30, 2024 and 2023, the District received $159,734 and $170,244, respectively, in reimbursement revenue from HDMC. For the fiscal years ended June 30, 2024 and 2023, the District incurred $130,992 and $137,395, respectively, in reimbursable costs towards the project.

## (6) Capital Assets

Changes in capital assets for the year ended June 30, 2024, were as follows:

| | Balance 2023 | Additions/ Transfers | Deletions/ Transfers | Balance 2024 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land and land rights | $ 734,027 | - | - | 734,027 |
| Construction-in-process | 977,552 | 1,708,577 | (1,816,849) | 869,280 |
| Total non-depreciable assets | 1,711,579 | 1,708,577 | (1,816,849) | 1,603,307 |
| Depreciable assets: | | | | |
| Transmission and distribution system | 46,518,614 | 1,377,054 | (299,528) | 47,596,140 |
| Recharge facilities | 9,108,029 | - | - | 9,108,029 |
| Structures and improvements | 1,404,351 | 52,664 | - | 1,457,015 |
| Vehicles and large equipment | 3,982,403 | 366,959 | (323,968) | 4,025,394 |
| Office furniture and equipment | 690,063 | 19,793 | (30,152) | 679,704 |
| Wastewater system | 22,419 | - | - | 22,419 |
| Subscription asset | 374,966 | - | - | 374,966 |
| Leased equipment | 31,846 | - | (11,310) | 20,536 |
| Total depreciable assets | 62,132,691 | 1,816,470 | (664,958) | 63,284,203 |
| Accumulated depreciation: | | | | |
| Transmission and distribution system | (26,807,204) | (1,006,439) | 299,528 | (27,514,115) |
| Recharge facilities | (1,564,243) | (182,169) | - | (1,746,412) |
| Structures and improvements | (658,912) | (32,549) | - | (691,461) |
| Vehicles and large equipment | (1,922,227) | (281,019) | 251,063 | (1,952,183) |
| Office furniture and equipment | (548,102) | (28,825) | 15,924 | (561,003) |
| Wastewater system | (22,419) | - | - | (22,419) |
| Subscription asset | (136,423) | (124,989) | - | (261,412) |
| Leased equipment | (18,855) | (5,804) | 11,311 | (13,348) |
| Total accumulated depreciation | (31,678,384) | (1,661,794) | 577,826 | (32,762,352) |
| Total depreciable assets, net | 30,454,307 | 154,676 | (87,132) | 30,521,851 |
| **Total capital assets, net** | $ 32,165,886 | 1,863,253 | (1,903,981) | 32,125,158 |

Major depreciable capital asset additions during the fiscal year ended 2024, include upgrades and extensions of the District's water transmission and distribution systems of $1,377,054, purchases of vehicles and large equipment of $366,959, structures and improvements of $52,664, and office furniture and equipment of $19,793. During the year, the District's deletions included: vehicles and large equipment of $323,968, transmission and distribution replacements of $299,528, office furniture and equipment disposals of $30,152, and leased equipment of $11,310.

## (6) Capital Assets, continued

Changes in capital assets for the year ended June 30, 2023, were as follows:

| | As restated Balance 2022 | Additions/ | Deletions/ Transfers | Balance 2023 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land and land rights | $ 636,822 | 97,205 | - | 734,027 |
| Construction-in-process | 2,426,273 | 2,371,672 | (3,820,393) | 977,552 |
| Total non-depreciable assets | 3,063,095 | 2,468,877 | (3,820,393) | 1,711,579 |
| Depreciable assets: | | | | |
| Transmission and distribution system | 43,794,862 | 3,003,620 | (279,868) | 46,518,614 |
| Recharge facilities | 9,108,029 | - | - | 9,108,029 |
| Structures and improvements | 1,348,344 | 73,330 | (17,323) | 1,404,351 |
| Vehicles and large equipment | 3,771,727 | 438,509 | (227,833) | 3,982,403 |
| Office furniture and equipment | 1,257,448 | 89,870 | (657,255) | 690,063 |
| Wastewater system | 22,419 | - | - | 22,419 |
| Studies and reports | 1,471,508 | - | (1,471,508) | - |
| Subscription asset | 102,906 | 272,060 | - | 374,966 |
| Leased equipment | 31,846 | - | - | 31,846 |
| Total depreciable assets | 60,909,089 | 3,877,389 | (2,653,787) | 62,132,691 |
| Accumulated depreciation: | | | | |
| Transmission and distribution system | (26,180,321) | (906,751) | 279,868 | (26,807,204) |
| Recharge facilities | (1,382,074) | (182,169) | | (1,564,243) |
| Structures and improvements | (634,138) | (32,168) | 7,395 | (658,912) |
| Vehicles and large equipment | (1,704,895) | (275,556) | 58,224 | (1,922,227) |
| Office furniture and equipment | (1,001,378) | (55,238) | 508,514 | (548,102) |
| Wastewater system | (22,419) | - | - | (22,419) |
| Studies and reports | (1,484,462) | - | 1,484,462 | - |
| Subscription asset | (11,434) | (124,989) | - | (136,423) |
| Leased equipment | (14,748) | (4,107) | - | (18,855) |
| Total accumulated depreciation | (32,435,869) | (1,580,979) | 2,338,464 | (31,678,384) |
| Total depreciable assets, net | 28,473,220 | 2,296,410 | (315,323) | 30,454,307 |
| **Total capital assets, net** | $ 31,536,315 | 4,765,287 | (4,135,716) | 32,165,886 |

Major depreciable capital asset additions during the fiscal year ended 2023, include upgrades and extensions of the District's water transmission and distribution systems of $3,003,620, purchases of vehicles and large equipment of $438,509, subscription asset of $272,060, office furniture and equipment of $89,870, and structures and improvements of $73,330. During the year, the District's deletions included: studies and reports of $1,471,508, office furniture and equipment disposals of $657,255, transmission and distribution replacements of $279,868, vehicles and large equipment of $227,833, and structures and improvements of $17,323.

### *Construction-In-Process*

The District is involved in construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

As of June 30, 2024 and 2023, the balance of construction-in-process was $869,280 and $977,552, respectively.

## (6) Capital Assets, continued

Construction-in-process consisted of the following projects:

| Project Description | | 2024 | 2023 |
|---|---|---|---|
| Well 14 Upgrade | $ | 70,034 | - |
| E2-1 Reservoir Upgrade | | 113,061 | - |
| D-1 Booster Design | | - | 122,769 |
| D1-1 Booster Station Upgrade | | 445,335 | 221,677 |
| Tilford Ph 2 Install | | - | 371,828 |
| Belmont Design/Survey | | 219,047 | 200,066 |
| Various other minor projects < $50,000 | | 21,803 | 61,212 |
| Total construction-in-process | $ | 869,280 | 977,552 |

## (7) Compensated Absences

Changes to compensated absences for 2024 were as follows:

| | Balance 2023 | Earned | Taken | Balance 2024 | Due within one year | Due in more than one year |
|---|---|---|---|---|---|---|
| $ | 203,295 | 384,403 | (383,370) | 204,328 | 51,082 | 153,246 |

Changes to compensated absences for 2023 were as follows:

| | Balance 2022 | Earned | Taken | Balance 2023 | Due within one year | Due in more than one year |
|---|---|---|---|---|---|---|
| $ | 151,711 | 294,193 | (242,609) | 203,295 | 50,824 | 152,471 |

## (8) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of the Program is to provide deferred compensation for public employees that elect to participate. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. At June 30, 2024 and 2023, the market value of all plan assets held in trust by MissionSquare was $1,226,230 and $1,003,516, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

## (9) Long-Term Debt

Changes in long-term debt amounts for 2024 were as follows:

| | | Balance 2023 | Additions | Payments | Balance 2024 | Current Portion | Long Term Portion |
|---|---|---|---|---|---|---|---|
| Bonds payable: | | | | | | | |
| 1996 Bond | $ | 1,988,000 | - | (116,000) | 1,872,000 | 122,000 | 1,750,000 |
| Note payable: | | | | | | | |
| Installment Sale #18-012 | | 2,365,953 | - | (176,802) | 2,189,151 | 183,609 | 2,005,542 |
| Leases payable: | | | | | | | |
| Xerox C8170 | | 11,675 | - | (4,134) | 7,541 | 4,260 | 3,281 |
| Xerox C8035 | | - | - | - | - | - | - |
| Subscription payable | | | | | | | |
| Tyler Incode | | 34,292 | - | (34,292) | - | - | - |
| Nobel Geoviewer | | 178,680 | - | (88,020) | 90,660 | 90,660 | - |
| Total long-term debt | $ | 4,578,600 | - | (419,248) | 4,159,352 | 400,529 | 3,758,823 |

Changes in long-term debt amounts for 2023 were as follows:

| | | As restated Balance 2022 | Additions | Payments | Balance 2023 | Current Portion | Long Term Portion |
|---|---|---|---|---|---|---|---|
| Bonds payable: | | | | | | | |
| 1996 Bond | $ | 2,495,000 | - | (507,000) | 1,988,000 | 116,000 | 1,872,000 |
| Note payable: | | | | | | | |
| Installment Sale #18-012 | | 2,536,200 | - | (170,247) | 2,365,953 | 176,802 | 2,189,151 |
| Leases payable | | | | | | | |
| Xerox C8170 | | 15,687 | - | (4,012) | 11,675 | 4,134 | 7,541 |
| Xerox C8035 | | 1,857 | - | (1,857) | - | - | - |
| Subscription payable | | | | | | | |
| Tyler Incode | | 67,586 | - | (33,294) | 34,292 | 34,292 | - |
| Nobel Geoviewer | | - | 272,060 | (93,380) | 178,680 | 88,020 | 90,660 |
| Total long-term debt | $ | 5,116,330 | 272,060 | (809,790) | 4,578,600 | 419,248 | 4,159,352 |

### *1996 Limited Obligation Improvement Bond*

In March 1996, the District authorized the issuance of $4,551,389 in Copper Mountain Mesa limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913. The bonds are payable and secured solely by special assessments on property parcels and amounts are collected and paid by the District. The District is not obligated to, but may in its sole discretion, advance available surplus funds from the District treasury. The bonds bear an interest of 4.5% per annum. Principal and interest are payable on March 2nd and September 2nd of each year.

## (9) Long-Term Debt, continued

***1996 Limited Obligation Improvement Bond, continued***

Future principal and interest obligations on the bonds as of June 30, are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 122,000 | 84,240 | 206,240 |
| 2026 | 127,000 | 78,750 | 205,750 |
| 2027 | 132,000 | 73,035 | 205,035 |
| 2028 | 138,000 | 67,095 | 205,095 |
| 2029 | 145,000 | 60,885 | 205,885 |
| 2030-2034 | 825,000 | 200,790 | 1,025,790 |
| 2035-2036 | 383,000 | 26,010 | 409,010 |
| Total | 1,872,000 | 590,805 | 2,462,805 |
| Current | (122,000) | | |
| Long-term | $ 1,750,000 | | |

***2018 Installment Sale Agreement #18-012***

On September 1, 2018, the District entered into an agreement with the Municipal Finance Corporation ("Corporation") whereas the District purchases the 2018 Project ("Project") from the Corporation. The Project refers to any additions, betterments, extensions, or improvements to the Water System designated by the Board of the District as the Project, of which is to be paid by the proceeds of any contract.

The agreement provides for a total funding of $3,010,000 for the Capital Infrastructure Replacement Program ("CIRP") as well as the initial project associated with the CIRP – the replacement of approximately 23,500 feet of existing watermains with poly-vinyl chloride watermains, called the Saddleback Project. A substantial portion of startup costs are for purchase of large pipelaying and asphalt equipment that will be utilized over a 10-year period to complete additional CIRP pipeline replacement projects. Funding may also cover new appurtenances related to the new watermains, as well as other related expenditures.

Future principal and interest obligations on the agreement as of June 30, are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 183,609 | 84,282 | 267,891 |
| 2026 | 190,678 | 77,213 | 267,891 |
| 2027 | 198,019 | 69,872 | 267,891 |
| 2028 | 205,642 | 62,249 | 267,891 |
| 2029 | 213,560 | 54,331 | 267,891 |
| 2029-2034 | 1,197,643 | 141,989 | 1,339,632 |
| Total | 2,189,151 | 489,936 | 2,679,087 |
| Current | (183,609) | | |
| Long-term | $ 2,005,542 | | |

## (9) Long-Term Debt, continued

***Xerox Financial Services, LLC – C8170***

On April 8, 2021, the District entered into an agreement with Xerox Financial Services, LLC for the purpose of acquiring a Xerox copier for its Administrative Office. Terms of the agreement commenced in April 2021 and matures in March 2026. As of June 30, 2024 and 2023, rental payments amounted to $3,894 and $955, respectively.

Following the guidelines of *GASB Statement No. 87*, the District recorded a right-to-use asset and a lease payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 4,260 | 168 | 4,428 |
| 2026 | 3,281 | 41 | 3,322 |
| Total | 7,541 | 209 | 7,750 |
| Current | (4,260) | | |
| Long-term | $ 3,281 | | |

***Xerox Financial Services, LLC – Xerox C8035***

On April 1, 2018, the District entered into an agreement with Xerox Financial Services, LLC for the purpose of acquiring a Xerox copier for its Shop Building Office. Terms of the agreement commenced in April 2018 and matures in March 2023. As of June 30, 2023, rental payment amounted to $1,857 and $2,303, respectively.

The right-to-use asset is amortized on a straight-line basis over the term of the lease. The lease was fully paid in March 2023.

***Tyler Technologies – Tyler Incode Subscription***

On February 7, 2022, the District entered into an agreement with Tyler Technologies (Tyler) for the purpose of providing the District access to Tyler's proprietary software, Tyler Incode. Terms of the agreement commenced in April 2022 and matures in March 2025. As of June 30, 2024 and 2023, rental payments amounted to $33,294 and $34,292, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription. The lease was fully paid in February 2024.

***Nobel Systems, Inc. – GeoViewer Subscription***

On April 22, 2022, the District entered into an agreement with Nobel Systems, Inc. (Nobel) for the purpose of providing the District access to Nobel's GeoViewer system to provide maintenance and management of the District's Geographic Information System (GIS) and update other databases that have been integrated with the GIS Database. Terms of the agreement commenced in July 2022 and matures in June 2025. As of June 30, 2024 and 2023, rental payments amounted to $93,380 and $88,020, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription.

## (9) Long-Term Debt, continued

***Nobel Systems, Inc. – GeoViewer Subscription, continued***

Annual subscription payments are as follows:

| Year | | Principal | Interest | Total |
|---|---|---|---|---|
| 2025 | $ | 88,020 | - | 88,020 |
| Total | | 88,020 | - | 88,020 |
| Current | | (88,020) | | |
| Long-term | $ | - | | |

## (10) Defined Benefit Pension Plan

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Risk Pool, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

## (10) Defined Benefit Pension Plan, continued

***Benefits Provided, continued***

The Plans' provision and benefits in effect as of June 30, 2024 and 2023, are summarized as follows:

| | Miscellaneous Risk Pool | |
|---|---|---|
| | **Classic** | **PEPRA** |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| 2024: | | |
| Required employee contribution rates | 6.92% | 8.25% |
| Required employer contribution rates | 13.26% | 8.00% |
| 2023: | | |
| Required employee contribution rates | 6.92% | 7.25% |
| Required employer contribution rates | 11.61% | 7.76% |

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended June 30, the contributions to the Plan were as follows:

| | **2024** | **2023** |
|---|---|---|
| Contributions – employer | $ 321,984 | 281,757 |

***Net Pension Liability***

As of June 30, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

| | **2024** | **2023** |
|---|---|---|
| Proportionate share of net pension liability | $ 1,079,924 | 903,646 |

## (10) Defined Benefit Pension Plan, continued

***Net Pension Liability, continued***

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2024 and 2023, the net pension liability of the Plan is measured as of June 30, 2023 and 2022 (the measurement dates), respectively, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 (the valuation dates), respectively, rolled forward to June 30, 2023 and 2022, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportionate share of the net pension liability for the Plan as of the fiscal year ended June 30, was as follows:

| | Miscellaneous |
|---|---|
| Proportion – June 30, 2021 | 0.00151% |
| Decrease in proportion | 0.00632% |
| Proportion – June 30, 2022 | 0.00782% |
| Increase in proportion | 0.00083% |
| Proportion – June 30, 2023 | 0.00866% |

For the fiscal years ended June 30, 2024 and 2023, the District recognized pension expense of $144,760 and $485,172, respectively.

***Deferred Pension Outflows (Inflows) of Resources***

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to the measurement date | $ 321,984 | - | 281,757 | - |
| Differences between actual and expected experience | 46,610 | - | 5,993 | - |
| Changes in assumptions | 65,200 | - | 92,597 | - |
| Net difference between projected and actual earnings on plan investments | 174,849 | - | 165,524 | - |
| Differences between actual contribution and proportionate share of contribution | 11,526 | - | 8,717 | - |
| Net adjustment due to differences in proportions of net pension liability | 141,075 | - | 175,138 | - |
| Total | $ 761,244 | - | 729,726 | - |

## (10) Defined Benefit Pension Plan, continued

### *Deferred Pension Outflows (Inflows) of Resources, continued*

As of June 30, 2024 and 2023, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement dates of $321,984 and $281,757, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2025 and 2024, respectively.

As of June 30, 2024, other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30, | Deferred Net Outflows/(Inflows) of Resources |
|---|---|
| 2025 | $ 175,578 |
| 2026 | 106,972 |
| 2027 | 151,692 |
| 2028 | 5,018 |
| 2029 | - |
| Remaining | - |

### *Actuarial Assumptions*

The total pension liabilities in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions and methods:

| | |
|---|---|
| Valuation dates | June 30, 2022 and 2021 |
| Measurement dates | June 30, 2023 and 2022 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Discount rate | 6.90% |
| Inflation | 2.50% |
| Salary increases | Varies by entry age and service |
| Mortality Rate Table* | Derived using CalPERS' Membership Data for all Funds |
| Period upon which actuarial experience survey assumptions were based | 1997 – 2015 |
| Post retirement benefit increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies |

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

## (10) Defined Benefit Pension Plan, continued

### *Discount Rate*

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

As of June 30, 2024, the table below reflects the expected real rates of return by asset class.

| Asset Class | New Strategic Allocation | Real Return 1-10[1,2] |
|---|---|---|
| Global Equity - Cap-weighted | 30.00% | 4.54% |
| Global Equity Non-Cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management Study.

### *Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate*

The following tables present the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

## (10) Defined Benefit Pension Plan, continued

***Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate, continued***

As of June 30, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

| | Discount Rate - 1% 5.90% | Current Discount Rate 6.90% | Discount Rate + 1% 7.90% |
|---|---|---|---|
| District's net pension liability | $ 2,064,208 | 1,079,924 | 269,774 |

As of June 30, 2023, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

| | Discount Rate - 1% 5.90% | Current Discount Rate 6.90% | Discount Rate + 1% 7.90% |
|---|---|---|---|
| District's net pension liability | $ 1,796,346 | 903,646 | 169,176 |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 40 through 42 for the Required Supplementary Information.

## (11) Prior Period Adjustment

In 2024, the District adopted the provisions of GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recognized the subscription assets, subscription amortization and subscription payable and recorded prior period adjustments of $23,886, to establish beginning balances as of July 1, 2021.

The adjustment to net position is as follows:

| | |
|---|---|
| Net position at July 1, 2021, as previously stated | $ 40,094,478 |
| Effect of adjustment to record subscription assets | 102,906 |
| Effect of adjustment to record subscription amortization | (11,434) |
| Effect of adjustment to record subscription payable | (67,586) |
| Total adjustments | 23,886 |
| Net position at July 1, 2021, as restated | $ 40,118,364 |

## (12) Net Position

Calculation of net position as of June 30, were as follows:

| | 2024 | 2023 |
|---|---|---|
| **Net investment in capital assets:** | | |
| Capital assets, not being depreciated | $ 1,603,307 | 1,711,579 |
| Depreciable capital assets, net | 30,521,851 | 30,454,307 |
| Current: | | |
| Bonds payable | (122,000) | (116,000) |
| Notes payable | (183,609) | (176,802) |
| Leases payable | (4,260) | (4,134) |
| Subscription payable | (90,660) | (122,312) |
| Non-current: | | |
| Bonds payable | (1,750,000) | (1,872,000) |
| Notes payable | (2,005,542) | (2,189,151) |
| Leases payable | (3,281) | (7,541) |
| Subscription payable | - | (90,660) |
| **Total net investment in capital assets** | 27,965,806 | 27,587,286 |
| **Restricted net position:** | | |
| Cash and cash equivalents – restricted | 5,194,248 | 4,169,841 |
| Accrued interest receivable – restricted | 9,333 | 6,825 |
| Special assessments receivable – restricted | 69,029 | 66,397 |
| Note receivable – Hi-Desert Medical Center, restricted | 223,831 | 298,442 |
| **Total restricted net position** | 5,496,441 | 4,541,505 |
| **Unrestricted net position** | | |
| **Non-spendable net position:** | | |
| Water-in-storage inventory | 322,500 | - |
| Materials and supplies inventory | 1,102,280 | 359,626 |
| Prepaid expenses and other deposits | 228,175 | 234,341 |
| **Total non-spendable net position** | 1,652,955 | 593,967 |
| **Spendable net assets are designated as follows:** | | |
| Unrestricted | 15,393,758 | 13,919,893 |
| **Total spendable net position** | 15,393,758 | 13,919,893 |
| **Total unrestricted net position** | 17,046,713 | 14,513,860 |
| **Total net position** | $ 50,508,960 | 46,642,651 |

## (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 a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2024, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000, combined single limit at $5,000,000 per occurrence. The JPIA purchases additional excess coverage up to $55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above.
- Cyber liability coverage protects the District from risks relating to information technology infrastructure and activities by first and third parties. The limit is $3,000,000 per loss/$5,000,000 program annual aggregate. The retention is based on total insurable value – the District's retention is $100,000 per loss.
- Employee dishonesty coverage up to $1,000,000 per loss includes public employee theft, depositors forgery or alteration, and computer and funds transfer fraud, subject to a $1,000 deductible per loss. JPIA pools for the first $100,000; excess coverage is purchased through National Union Fire Insurance Company of Pittsburgh.
- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, personal property, fixed equipment, and unscheduled vehicles on premise of $27,573,396 subject to a $5,000 deductible per occurrence. Repairs or replacement must be completed within two years, otherwise loss is valued on an actual cash value basis. Boiler and Machinery Accidental Breakdown based on actual cash value at the time of loss, subject to a $25,000 deductible per occurrence. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a $5,000 deductible per occurrence. Flood loss subject to a deductible of $100,000. Earthquake loss up to 5% per unit of insurance and subject to $75,000 minimum. ACWA JPIA has purchased excess coverage up to $500 million.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law, and employer's liability limit of $4 million. The ACWA JPIA is self-insured up to $2 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2024, 2023, and 2022 Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2024, 2023, and 2022.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2024 that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

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

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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

***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.

## (15) Commitments and Contingencies

***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such 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.

***Construction Contracts***

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

***Litigation***

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

## (16) Subsequent Events

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of November 20, 2024, which is the date the financial statements were available to be issued.

# Required Supplementary Information

# Joshua Basin Water District
# Schedules of the District's Proportionate Share of Net Pension Liability
# As of June 30, 2024
# Last Ten Years

| | Measurement Dates | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Description** | **06/30/23** | **06/30/22** | **06/30/21** | **06/30/20** | **06/30/19** | **06/30/18** | **06/30/17** | **06/30/16** | **06/30/15** | **06/30/14** |
| District's proportion of the net pension liability | 0.00866% | 0.00782% | 0.00151% | 0.00618% | 0.00550% | 0.00490% | 0.00495% | 0.00439% | 0.00394% | 0.00475% |
| District's proportionate share of the net pension liability | $ 1,079,924 | 903,646 | 81,517 | 672,436 | 563,855 | 472,046 | 490,750 | 379,802 | 270,679 | 288,403 |
| District's covered payroll | $ 1,662,790 | 1,824,500 | 1,963,492 | 1,950,376 | 1,743,402 | 1,467,121 | 1,462,157 | 1,344,686 | 1,384,706 | 1,385,361 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 64.95% | 49.53% | 4.15% | 34.48% | 32.34% | 32.17% | 33.56% | 28.24% | 19.55% | 20.82% |
| Plan's proportionate share of fiduciary net position as a percentage of total pension liability | 76.21% | 76.68% | 88.29% | 75.10% | 75.26% | 75.26% | 73.31% | 74.06% | 78.40% | 80.43% |

## Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

### *Changes in Benefit Terms*

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

In fiscal year 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

### *Change of Assumptions and Methods*

In fiscal year 2021, there were no changes to actuarial assumptions or methods. The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

## Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

### *Change of Assumptions and Methods, continued*

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting. In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

# Joshua Basin Water District
# Schedules of Pension Plan Contributions
# As of June 30, 2024
# Last Ten Years

| Description | | Fiscal years ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 06/30/24 | 06/30/23 | 06/30/22 | 06/30/21 | 06/30/20 | 06/30/19 | 06/30/18 | 06/30/17 | 06/30/16 | 06/30/15 |
| Actuarially determined contribution | $ | 274,238 | 285,375 | 270,609 | 243,362 | 189,373 | 170,464 | 144,890 | 145,219 | 143,957 | 148,451 |
| Contributions in relation to the actuarially determined contribution | | (321,984) | (281,757) | (262,145) | (238,632) | (226,625) | (188,604) | (159,828) | (137,342) | (121,564) | (146,314) |
| Contribution deficiency (excess) | $ | (47,746) | 3,618 | 8,464 | 4,730 | (37,252) | (18,140) | (14,938) | 7,877 | 22,393 | 2,137 |
| District's covered payroll | $ | 2,131,986 | 1,662,790 | 1,824,500 | 1,963,492 | 1,950,376 | 1,743,402 | 1,467,121 | 1,462,157 | 1,344,686 | 1,384,706 |
| Contributions as a percentage of covered payroll | | 12.86% | 17.16% | 14.83% | 12.39% | 9.71% | 9.78% | 9.88% | 9.93% | 10.71% | 10.72% |

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# Report on Internal Controls and Compliance

C.J. Brown & Company CPAs
An Accountancy Corporation

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# Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Joshua Basin Water District
Joshua Tree, 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 business-type activities of Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 20, 2024

## Internal Control Over Financial Reporting

In planning and performing our audit 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 opinions 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 audit 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 audit 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 an Audit 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

**C.J. Brown & Company, CPAs**
Cypress, California
November 20, 2024