

Annual Comprehensive Financial Report

**For the fiscal year ended
June 30, 2025**

www.mojavewater.org
13846 Conference Center Drive
Apple Valley, CA 92307

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General Manager
Adnan Anabtawi

Board of Directors



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President
Division 5



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Director
Division 6

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Mojave Water Agency
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Mojave Water Agency
13846 Conference Center Drive
Apple Valley, California, 92307

Prepared by:
Lauren Warrem, Chief Financial Officer
Karry LaClair, Accounting Manager
Beata Naval-Go, Accountant
Martha Cortes, Accountant
Carolyn Snay, Accountant

Mojave Water Agency
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

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Introductory Section

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13846 Conference Center Drive ♦ Apple Valley, California 92307 ♦ P: (760) 946-7000 ♦ F: (760) 240-2642

December 1, 2025

Honorable President and Members of the Board of Directors Mojave Water Agency:

We are pleased to present the basic financial statements of the Mojave Water Agency ("MWA"; "Agency") for the fiscal year ended June 30, 2025. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of MWA. A comprehensive framework on internal controls has been designed and implemented to ensure the assets of MWA are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position including the results of MWA's operations. All disclosures necessary to enable the reader to gain an understanding of MWA's financial activities have been included.

MWA's financial statements have been audited by Rogers, Anderson, Malady & Scott, LLP, a firm of licensed, independent certified public accountants. The independent auditor has issued an unmodified opinion, or clean opinion, for the fiscal year ended June 30, 2025.

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

AGENCY OVERVIEW

Mojave Water Agency is a public agency that is one of 29 State Water Project contractor agencies. The Agency is governed by a seven-member board of directors (the "Board of Directors"), the members of which are elected to four-year terms from geographical divisions by the registered voters residing in each division. Day-to-day management of MWA is delegated to the General Manager who reports directly to the Board of Directors.

MWA is a water management and wholesale water agency that was formed by popular vote in 1960, when residents, concerned about the overdraft of the region's aquifers, agreed to become part of the State Water Project ("SWP") and secure a source of supplemental water for the region.

"... the purpose of the agency shall be to do any and every act necessary to be done so that sufficient water may be available for any present or future beneficial use of the land and inhabitants of the agency..."

MWA's adopted Mission is to:

"Collaboratively manage groundwater basins sustainably, import water responsibly, and address risks proactively using sound science."

California's water suppliers, including MWA, are facing significant challenges. Several factors are influencing the difficulty in maintaining sustainable water supplies including:

- California's population continues to increase, thereby placing additional demands on the state's water supplies and infrastructure.
- Climate change is driving more extreme wet and dry cycles, creating challenges in water delivery operations and an increased need for storage infrastructure and strategy.
- Climate change is dramatically reducing the mountain snowpack, which is a critical source of natural water storage.
- A federal court ruling cut water supplies from the State's two largest water delivery systems by up to one third to protect the endangered Delta Smelt fish-potentially the largest court-ordered water supply reduction in California history.
- The Sacramento-San Joaquin River Delta, the single most important link in California's water supply system, faces an ecological crisis that threatens people as well as the environment.
- Increased regulations and accelerated targets at the State-level for renewable energy is increasing water delivery costs, making it difficult to ensure affordable water supplies in the Agency's disadvantaged and severely disadvantaged communities.

In addition to these challenges, and perhaps in response to some of these emerging pressures, laws and regulations have been evolving that have changed the paradigm relating to land use and water supply. This paradigm shift has put greater pressure on water agencies to better plan, prepare, and demonstrate the availability of water for the residents served not only now, but into the future. This has created a greater reliance on water agency planning documents that land use regulators such as cities and counties are now required to use in their decision-making processes. Water supply documentation used in this manner can now have a significant impact on future projects, jobs, and overall economic stability in some regions. Examples of legislation and regulations affecting economic decisions are:

- The passage of SB610 and SB221 put a greater burden on water agencies and land use authorities to demonstrate the availability of water prior to major construction projects taking place.
- State regulations requiring Urban Water Management Plans aimed at demonstrating future demand and supplies available.
- 2009 SB X7 legislation creating co-equal goals in managing the Delta, the major transportation hub of water in California.
- 2014 Sustainable Groundwater Management Act legislation putting greater emphasis on land use planning and local groundwater pumping/water availability and requiring numerous basins to provide groundwater sustainability plans for high and medium priority basins.

Mojave Water Agency is the Court Appointed Watermaster

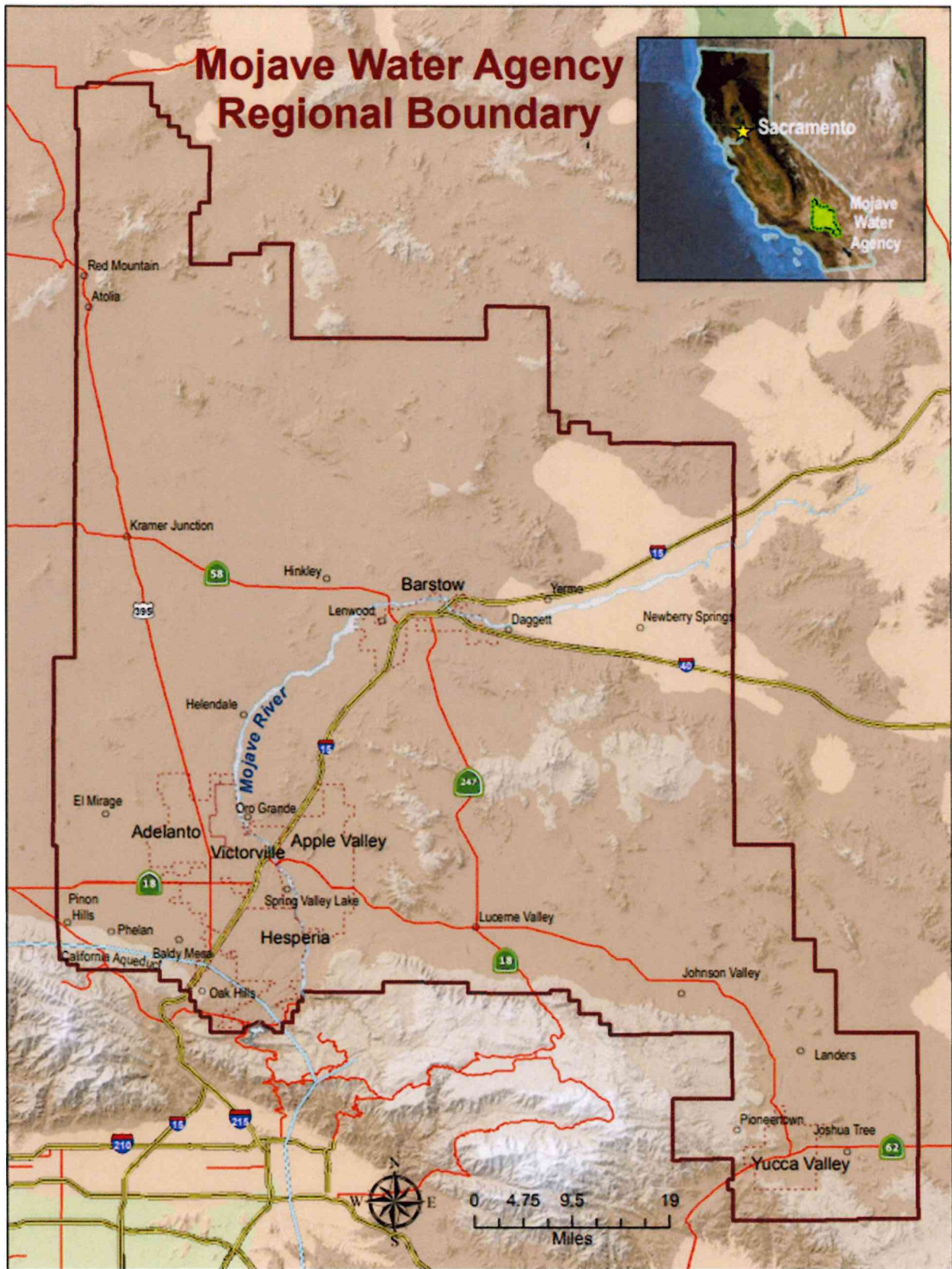
Triggered by the rapid growth within the MWA service area, particularly in the Victor Valley area, the City of Barstow and the Southern California Water Company filed a complaint in 1990 against upstream water users claiming that the increased withdrawals and lowering of groundwater levels reduced the amount of natural water available to downstream users. Through an adjudication process, the resulting judgment appointed the MWA as the court appointed Watermaster for the Mojave Basin.

For purposes of defining and implementing a physical solution, the Mojave Basin Area consists of five distinct but hydrologically interrelated "Subareas". Each Subarea was found to be in overdraft to some extent due to the use of water by all the producers in that Subarea. In addition, some Subareas were found to historically have received at least a part of their natural water supply as water flowing to them from upstream Subareas, either on the surface or as subsurface flow. To maintain that historical relationship, the average annual obligation of any Subarea to another is set equal to the estimated average annual natural flow (excluding storm flow) between the Subareas over the 60-year period 1930-31 through 1989-90. If the Subarea obligation is not met, producers of water in the upstream Subarea must provide Makeup Water to the downstream Subarea.

To maintain proper water balances within each Subarea, the Judgment established a decreasing Free Production Allowance ("FPA") in each Subarea the first five years, and provides for the Court to review and adjust, as appropriate, the FPA for each Subarea annually thereafter. The FPA is allocated among the Producers in the Subarea based on each Producer's percentage share of the FPA. All water produced more than any Producer's share of the FPA must be replaced by the Producer, either by payment to the Watermaster of funds sufficient to purchase Replacement Water, or by transfer of unused FPA from another Producer. MWA imports water from the State Water Project system to satisfy replacement obligation amounts within each Subarea.

Land and Land Use

The MWA's boundaries include approximately 4,900 square miles of land and include small and medium-size communities and large areas of undeveloped land, characteristic of California's high desert, including tracts owned by the Federal government which are not subject to taxation. The Agency is in the south-central Mojave Desert in southern California and encompasses much of eastern San Bernardino County, including the incorporated communities of Barstow in the center, Adelanto, Apple Valley, Hesperia, and Victorville in the southwest, and Yucca Valley in the southeast. Unincorporated communities include Phelan, Baldy Mesa, Mountain View Acres, El Mirage, Oro Grande, Helendale, Lenwood, Hinkley, Harper Lake, Daggett, Yermo, Lucerne Valley, Johnson Valley, Red Mountain, Landers, Joshua Tree, and Newberry Springs.



Budget

Each year the MWA Board adopts its budget prior to the beginning of the next fiscal year. The budget serves as a management tool intended to aid in the planning efforts of MWA and to serve as a control in expenditures to ensure the fiscal health and financial future of the Agency. To aid in the management of the budget, certain “rules” or “controls” have been established that require appropriate levels of approval on the expenditure of MWA funds and establishes reporting requirements for financial information to the Board and stakeholders.

Once the budget is approved, monthly financials are presented to report the results of operations which include the budget amounts to measure performance, efficiency, and planning. This report is provided to both the Personnel, Finance, Security, and Technology Committee monthly, as well as to the full Board on a quarterly basis, which provides monitoring of the expenditure of public funds.

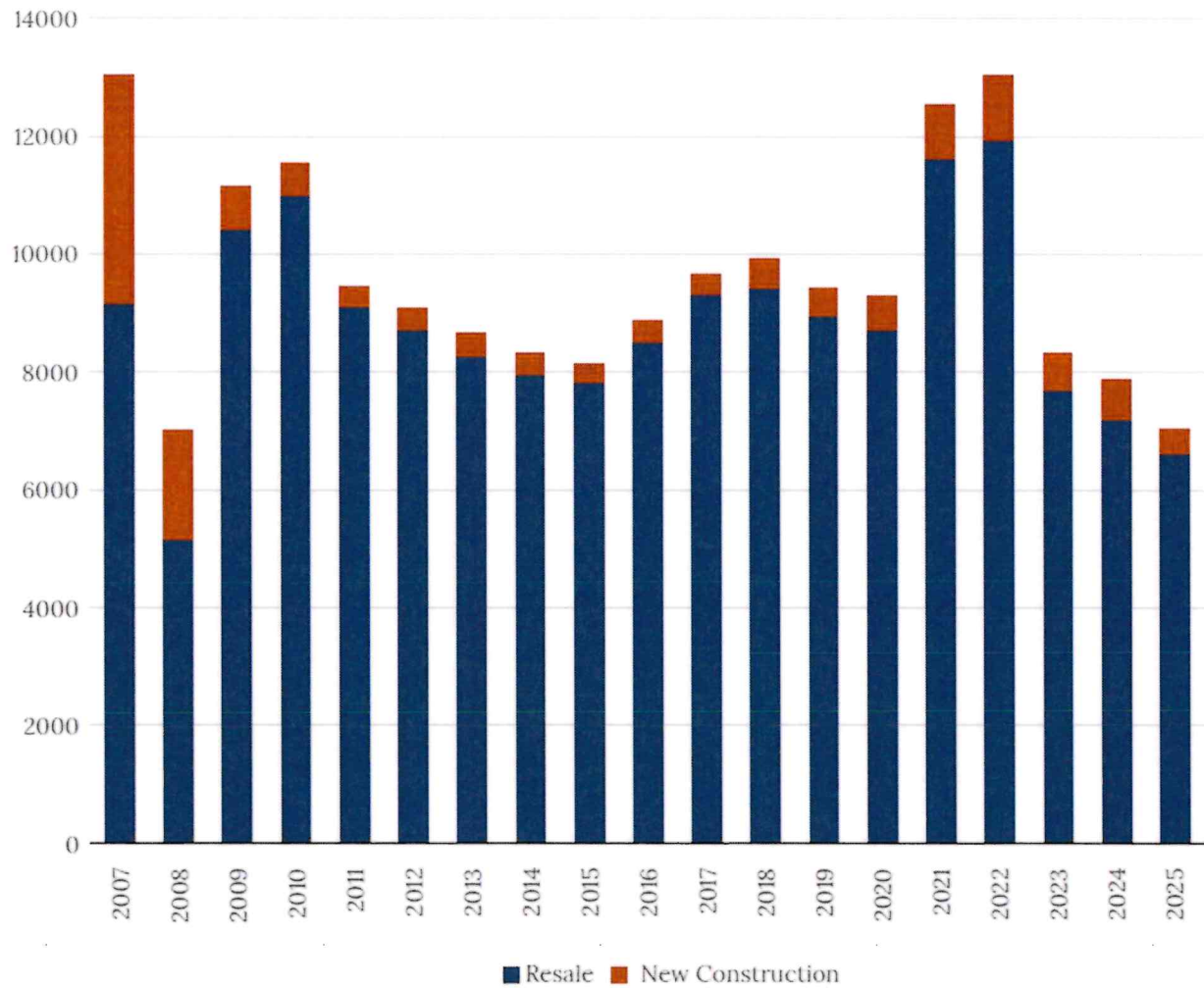
In addition to the monthly reporting, MWA has a transparent budget and transparency center <https://mojavewater.cleargov.com> where transaction information can be displayed and searched historically through MWA's website.

LOCAL ECONOMY

Property tax remains MWA's primary source of income and assessed value growth has recovered since the Great Recession of the late 2000s and has continued to increase since the real estate market surge during the Covid-19 pandemic. MWA's service area assessed value base has continued to grow, substantially exceeding projections from the previous forecast. For the 2024-25 fiscal year, actual collections grew by 2.4% compared to the previous year's collections and over a 30-year period, the long-run collections growth average is 5.1%. Home sale prices are a major driver of growth over the last 20 years. Home prices decreased several years from approximately 2006, until they began increasing again in 2011. For the 2025-26 fiscal year, assessed value rose by 5.4% compared to the previous year, which was the lowest increase in the last seven years and slightly below the long-run average of 6%. This growth followed a relatively strong performance in fiscal year 2024-25, when assessed value grew 8.1% annually due to an uptick in new construction.

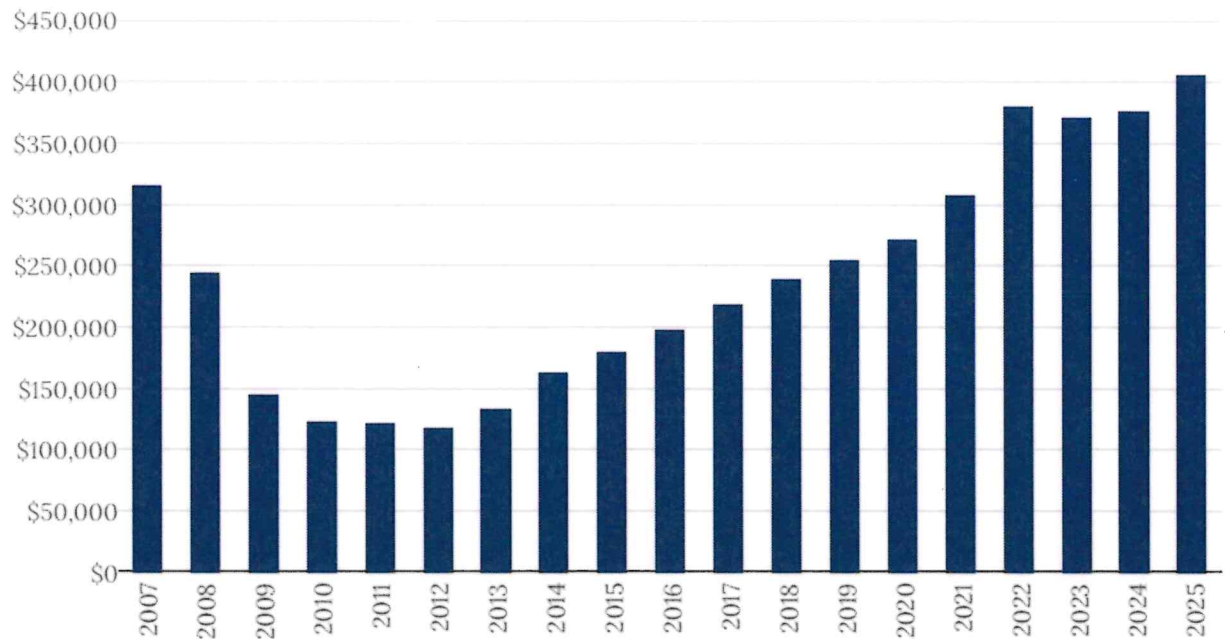
The continued increase in assessed value within the MWA service area has been driven primarily by gains in the non-residential real estate segment of the market. On the residential side, assessed value growth is largely tied to property turnover, which has remained exceptionally weak. Aside from the rate-induced surge in fiscal years 2020-21 and 2021-22, residential sales have consistently trended below 2017-18 levels. However, despite weak sales, residential price appreciation accelerated in fiscal year 2024-25, with the median sale price rising 8.2% year-over-year to nearly \$406,000.

Residential Sales by Fiscal Year Mojave Water Agency Service Area



Source: CoreLogic. Analysis by Beacon Economics.

Median Home Sale Price by Fiscal Year Mojave Water Agency Service Area



Source: CoreLogic. Analysis by Beacon Economics.

Non-residential development within the MWA service area points to sustained momentum in the coming years, due largely to expansions in the industrial sector. As of early October 2025, a record volume of industrial properties is under construction, including several high-profile projects. Among them is the Mesa Linda Logistics Center, a 409,000-square-foot warehouse slated for delivery in the first quarter of 2026. However, not all the new construction is industrial. Retail development is led by two neighborhood strip centers—one anchored by a supermarket in Apple Valley on Bear Valley Road—and two community-center sites in Yucca Valley and Apple Valley also on Bear Valley Road.

The most notable development since Beacon Economics' previous report is Amazon's \$161.9 million purchase of nearly 195 acres in Hesperia. This project marks Amazon's first facility of this kind on the West Coast and only the second currently under development nationwide, with completion expected in late 2026. The new site is projected to generate 1,000 full-time jobs in Hesperia, reinforcing the outlook for a strong year ahead.

MWA's economic forecasts of assessed value show continued growth. Assessed values remain strong, with moderate growth averaging 5.8% throughout the 10-year forecast. Capital projects are still at record high costs; creating sticker shock for already planned projects driving MWA to prioritize projects that are crucial to benefit the service area.

Despite rising costs, the High Desert remains an affordable place to live where housing inventory still exists at a relatively reasonable price. Economic indicators support continued growth in new residential and commercial construction activity.

The Agency continues to diligently assess a multitude of important issues and opportunities to optimize its long-term strategic position in the face of these evolving challenges. Concerning projections of substantial

DWR cost increases in upcoming years require careful analysis, including weighing potential mitigation measures and options available to MWA that will be required to cover these additional costs.

STATE ECONOMY

California's real GDP growth has slowed compared to last year. It grew 1.8% year-over-year in the 1st quarter of 2025, about half the pace of early 2024 and below the state's long-run first-quarter average of roughly 2.7%. The labor market has softened too, with unemployment remaining at 5.5% in August, a three-year high and well above the 4.3% national rate. Excluding the pandemic spike, the last time California's unemployment rate was this high was April 2016. The rate remained unchanged between July and August (the most recent data).

This cooling fits a longer pattern. Over the last three years, job growth has primarily been concentrated in three sectors: private education, government, and healthcare. If you set those aside, the rest of nonfarm employment has been declining, which results in the recent uptick in unemployment.

The pace of inflation has largely returned to normal, but the price level remains elevated. In California, the CPI index is now around 353 compared to a projected 330 if prices had simply continued along their 2015–2020 trend. That means today's prices are roughly 7% higher than where they would have been without the pandemic-era reset. Recent tariffs may be playing a role; although an analysis from Yale's Budget Lab suggests their overall impact on prices has been limited. With the Fed's two recent rate cuts totaling 50 basis points, it can be expected that inflation will pick up pace again.

California's economy enters fall 2025 slower, but not in a downturn. Growth and hiring have cooled, prices remain high, housing is tight, and energy bills are rising. The path forward seems simple, but admittedly, is extremely fraught politically: build more homes, keep the grid reliable and affordable, and avoid piling on policies that make it harder to work, build, and invest. And that does not mean adding a new set of "pro-growth" programs; policy often, albeit unintentionally, distorts markets and raises costs. The Economics 101 exceptions clearly apply: tax negative externalities, subsidize positive externalities, and provide true public goods.

NATIONAL ECONOMY

This year started with a negative growth rate, driven by a sharp increase in imports and a large slowdown in consumer spending. Consumer and business confidence took a big hit from the combined force of the U.S. Department of Government Efficiency driven spending cuts, tariff uncertainty, and the brief sag in the equity markets back in May. This summer brought a sharp cooling of the U.S. job growth and a large downward revision to total payroll employment. The initial growth estimate for the nation in the 2nd quarter of the year was initially below 3% despite a lift from the sharp drop in imports.

As it turns out, things were not quite so grim. Even as the U.S. Bureau of Labor Statistics revised their employment estimates down, the Bureau of Economic Analysis revised their economic growth numbers up, to almost 4%, with a stronger rebound in consumer spending than originally estimated adding almost 1.6 percentage points to growth in the 2nd quarter. Moreover, the strength in consumer spending has extended into the 3rd quarter. GDP now suggests overall GDP growth will again hit nearly 4%, with consumers adding a full 2.3 percentage points to the expansion. Whatever is happening in the labor markets does not appear to be dampening the mighty American consumer as we move into the second half of 2025.

To date, the tariffs that have been enacted have not seriously impacted the nation's economy. Current estimates suggest that the United States will collect about \$200 billion more in revenues in 2025 than in 2024, roughly 7% of total imports, and less than 1% of household disposable income. These numbers are relatively small; small enough that the costs have been absorbed largely by businesses in the supply chain

and have not really shown up in consumer prices. However, there is potential for additional trade turmoil with next year's negotiation over the renewal of the USMCA agreement.

The Federal Reserve made an interest rate cut of 25 basis points on October 29, 2025, to a range of 3.75% to 4%. The cut was the second reduction of 2025; with Powell raising doubts about easing at the next meeting in December. The Fed's monetary policy decisions, such as the one in October 2025 that cut the rate by 25 basis points to the current range, are based on economic data such as concerns with inflation and the labor market.

LONG-TERM FINANCIAL PLANNING

MWA regularly faces new challenges and opportunities in serving the community and its legislative purpose. Erratic water supplies due to climate change and environmental protections, increasing costs, aging infrastructure are challenges we must be prepared for in the upcoming years. MWA's financial forecasts have been prepared with the best data available, to help manage these risks in the volatile world that we face in stabilizing our water availability into the future.

MWA periodically updates its financial strategic plan with several key takeaways: remain vigilant in long-term forecasting to readily adapt to risks (both known and unknown) and develop an integrated approach to the imported water strategy of the Agency that recognizes the tradeoffs when MWA imports water in excess of customer demand.

During the budget process, a cash flow risk model is prepared to inform on the affordability of the major initiatives that will be started during the upcoming year and that will have financial impacts or implications over the next ten years. MWA's financial model allows the Agency to be proactive in identifying potential future financial risks and take corrective action in advance. The financial model has multiple sets of risks that can be modeled to distinguish what risks the Agency could be facing as well as the magnitude of those impacts. With this information, MWA makes informed projections on what revenue strategies need to be pursued to meet the expense requirements for the foreseeable future. MWA also works with the Department of Water Resources and other State Water Contractors to closely monitor projected expenses, as well as instituting prudent financial management at all levels for the State Water Project.

With the passage of the Water Transfer Amendment, the State Water Project contractors are now availed of several methods to transfer water to offset the ongoing fixed costs of its water entitlements. State Water Project transfers are expected to be volatile in annual revenue yet provide substantial benefit to offsetting costs. To demonstrate the volatility of the State's annual water allocation, the 2021 and 2022 water years were both exceptionally dry, with drought declarations for much of the state and record setting low levels in storage. While many other contractors struggled to meet their water demands, MWA's forward-thinking approach enabled the Agency to enter into several agreements to alleviate other contractors' water needs, while providing revenue that was realized in the FY 2023 Fiscal Year. The 2023 calendar water year also exemplified the extremes possible and the need for thoughtful strategy. With a 95% swing in allocation from 5% in January to 100% in April 2023, the Agency was prepared to import water preemptively and aggressively without stressing the financial position of the Agency. The 2024 water year saw an increase from 10% in January to 40% in April 2024. The multi-year agreements in place also enable the Agency to sell water in a year when it is a buyer's market. The 2025 water year has seen an increase from 5% in January to 50% in April 2025.

There is also risk to MWA's imported water supply long term reliability. The Delta Conveyance Project is one of many potential projects aimed at addressing not just volatility in available water supplies to address environmental protections at the pumps in the South Delta, but also rising sea levels due to climate change. Additionally, a changing political and policy environment puts continued pressure on the ability of the State

Water Project to deliver water as legal challenges and new and changing policies and opinions delay the progress of important water delivery projects while increasing costs.

RELEVANT FINANCIAL POLICIES

MWA maintains several core policies for prudent management of the Agency's finances which include an investment policy, a debt management policy, reserve policy, and a purchasing policy. The commonalities in each of the policies are to responsibly manage risk, while balancing efficiencies, and to transparently govern the finances of the Agency.

The investment policy's goal is twofold; the most important is to preserve resources, while also maintaining adequate liquidity and maximizing interest earnings; the second is to provide guidelines for authorized investments in accordance with the California Government Code. While the debt management policy ensures that debt is issued and managed prudently to maintain a sound fiscal position and protect its credit quality.

The reserve fund policy's purpose is to give guidance regarding establishing and maintaining restricted reserves, which are noted in the basic financial statements. The policy also establishes targets for which MWA is facing a risk or cash flow concern that can be mitigated through reserves. The use of reserves can significantly improve the MWA's ability to be more resilient in the face of unforeseen challenges.

The purchasing policy assures that purchases are accomplished in a competitive manner providing the greatest value at the minimum cost to the taxpayers of the Agency.

STRATEGIC PLAN 2020-2025

MWA developed a Strategic Plan in 2002 and then updated the plan in 2006. The Strategic Plan was intended to provide the framework and focus for MWA that would facilitate the agency to fulfill its legislative mandate. Since the Strategic Plan development and update, California has entered a new era of water resource management, with new and changing risks affecting MWA's ability to continue fulfilling its legislative mandate, both near and long-term. These new risks affect imported water supply from the SWP, groundwater basin management flexibility, and financial revenues and obligations. As such, MWA updated the Strategic Plan in 2021 specifically aimed at addressing future risks and developing a set of mitigation measures to address those risks. Further, MWA is updating the Strategic Plan in 2026.

Intent of Strategic Plan

The Strategic Plan further refines MWA's focus on recognition of the changing landscape within which the agency operates and the increased uncertainty affecting future planning. The Strategic Plan serves as a current, clear, and broadly supported written description of what MWA is working to accomplish and how they will work together with agency customers and other stakeholders. The Strategic Plan serves as a guiding beacon to help MWA focus on what is most important: achieving the Agency's vision and mission. The Board of Directors and staff work to achieve the goals and objectives by implementing regularly updated priority initiatives.

Elements of the Strategic Plan

The Strategic Plan, along with the vision, mission and core values, provides the foundation for MWA. These elements describe who we are, what we want to achieve, and what will guide our approach to business on a daily basis. Memorializing the agency's vision, mission, and values, the Strategic Plan provides the basis for incorporating these aspirations into actions. The goals set forth in this Strategic Plan are designed to be primary focal areas that assist the MWA in fulfilling its legislative mandate, vision, and mission. The tangible objectives will support MWA to satisfy our goals each year. MWA continues to

explore and identify the most important outcomes that can help the inhabitants of the region have access to sufficient water for their intended beneficial uses.

Goals

- 1) Support our communities to fulfill their water needs associated with their land use plans.
- 2) Cultivate an effective and resilient organization needed to fulfill our mission.

Objectives

- 1) Manage groundwater basins sustainably.
- 2) Identify and maintain access to imported water supplies in sufficient quantities that, when combined with local supplies, meet Urban Water Management Planning Act requirements which support local communities' land use plans.
- 3) Develop, manage, and maintain a water portfolio and infrastructure to provide reliable water supplies.
- 4) Achieve urban water use efficiency consistent with current locally established efficiency targets.
- 5) Cultivate an organizational culture that successfully recruits, retains, trains, and develops effective team members and leaders to fulfill our mission.
- 6) Employ robust technology, science, and data management systems to support effective operations and decision-making to address the highest risks.
- 7) Responsibly steward the availability of financial resources required to fulfill our mission.
- 8) Create and maintain an active risk register and risk mitigation strategies.
- 9) Cultivate effective and collaborative working relationships with partner agencies, other responsible parties, and the residents.

While the strategic initiatives focus MWA efforts into particular areas, MWA is also deeply intertwined with the SWP and its operation. MWA will need to be creative in how to plan and prepare for those costs and develop partnerships and revenue streams necessary to stabilize the future economies of the residents we serve. Plans provide for continued engagement with the Department of Water Resources to help anticipate future cost increases, as well as prepare for the costs associated with the Delta Conveyance Project - a much-needed project to help protect our investment in the SWP and provide for the economic stability of the communities we serve.

These challenges will require strategic planning, maximum utilization of MWA staff and resources, collaboration with stakeholders, continued engagement at the state level, vision, and leadership. MWA's foundation is strong, and I am confident much can be accomplished.

MASTER PLAN

In 2023 and 2024, MWA embarked on the first Master Plan for the organization which will be an innovative and dynamic plan to ensure MWA is focused on implementing the right solutions at the right time to fulfill its purpose. The Plan will be updated in 2026, and with a rigorous process, MWA will have a long-term, all-encompassing framework and plan to make sure that MWA efforts are aligned for long-term successes. The plan will be developed to work collaboratively with MWA partners to make sure that the plan incorporates the needs of all others in the community while balancing needs and resources as basin managers. These efforts will serve as guidance for future financial reports and capital plans to come.

ACKNOWLEDGEMENTS

The Government Finance Officers Association ("GFOA") of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to MWA for its annual comprehensive financial report for the fiscal year ended June 30, 2024. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We express our appreciation to the staff members and Rogers, Anderson, Malody & Scott, LLP, who contributed to the issuance of this report. Credit also must be given to the Board of Directors for their continued support for maintaining the highest standards of professionalism in the management of MWA's finances.

Respectfully submitted,

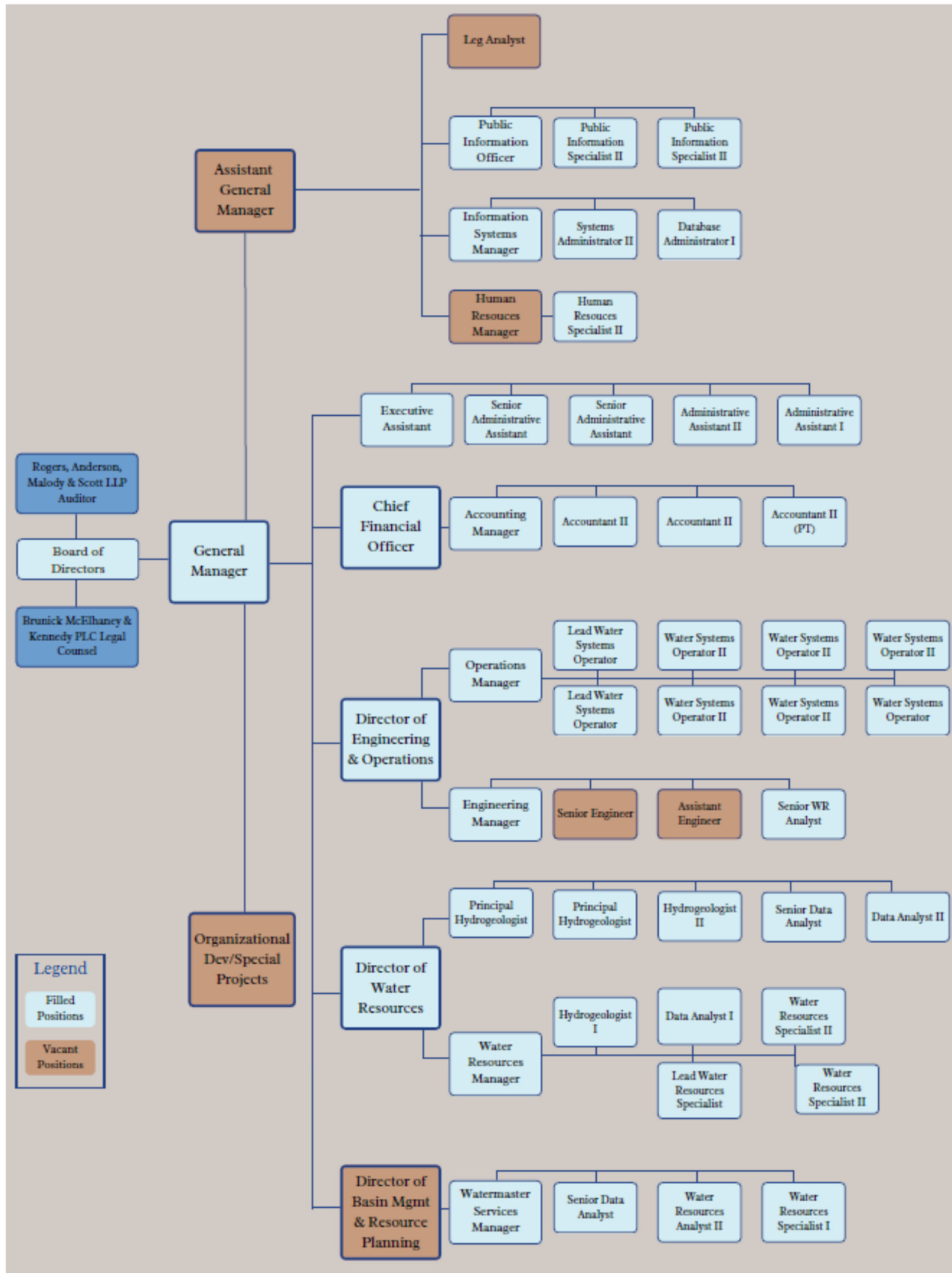
A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Adnan Anabtawi, PE
General Manager

A handwritten signature in blue ink, written in a cursive style that reads "Lauren Warren".

Lauren Warren, CPA, CPFO
Chief Financial Officer

Organizational Chart As of June 30, 2025





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Mojave Water Agency
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Financial Section

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Independent Auditor's Report

To the Board of Directors
Mojave Water Agency
Apple Valley, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of the Mojave Water Agency (the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Agency as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of a 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 GAAS and *Government 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 Agency'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 Agency'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Report on Summarized Comparative Information

We have previously audited the Agency's 2024 financial statements, and we expressed unmodified opinions on the respective financial statements in our report dated December 1, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2024, from which such summarized information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 1, 2025

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Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Mojave Water Agency (the Agency) provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2025 and 2024. The two-year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2025, the Agency's net position increased 7.54% or \$39,323,843 to \$560,535,437 compared to the prior year. This improvement primarily reflects strong operating and nonoperating revenue growth driven by continued economic expansion and increased water sales. Water sales revenue grew by \$9,319,965, reflecting higher consumption levels and Table A water sales to other State Water Project contractors. Additionally, property tax revenues increased by 5.14%, and increased grant funding further supported the positive change in net position. In fiscal year 2024, the Agency's net position increased 5.95% or \$29,261,282 to \$521,211,594 mainly as a result of a \$12,420,347 decreased liability for State Water Project water delivery charges due to lower customer demands. In addition, an increase of \$5,226,484 in investment earnings and a \$7,302,803 increase in water inventory caused by the Agency storing water for future demands.
- Total revenue in fiscal year 2025 amounted to \$100,817,355, representing an increase of \$15,932,172, or 18.7%, compared to the prior year's total of \$84,885,183. The overall growth was driven by increases in both operating and non-operating revenue, reflecting higher water sales due to increased customer demands, additional sales to other State Water Project contractors, and a rise in property tax revenue. In fiscal year 2024, the Agency's total revenue increased 4.12% or \$3,355,399. The increase of \$4,611,042 in property taxes combined with a \$5,226,484 increase in investment earnings as the main driver. This is offset by a \$6,296,484 decrease in water sales and services that was due to a proceeding wet weather year causing less water that was needed to be purchased.
- Total expenses for fiscal year 2025 were \$62,785,616, an increase of \$5,668,286, or 9.9%, from 2024. The rise was primarily due to higher State Water Project costs for importing water to meet customer demands, as well as increased pension and OPEB expenses resulting from updated actuarial valuations and GASB-required accounting adjustments. These increases were partially offset by a \$3,500,000 reduction in the CalPERS Unfunded Liability due to a one-time paydown in the prior year. In fiscal year 2024, the Agency's total expenses increased 4.18% or \$2,289,451 due primarily to a one-time CalPERS Unfunded Liability paydown of \$3,500,000 netted with a current year pension credit of \$2,948,817; combined with an increase of \$1,060,903 in state grant expenses. The increase in expenses was offset with a decrease of \$2,139,457 in State Water Project importation charges driven by lower customer demands for water purchases.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all the Agency's investments in resources (assets), deferred outflows of resources, the 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 Agency and assessing the liquidity and financial flexibility of the Agency. 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

of Cash Flows, which provides information about the Agency'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 questions such 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 Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency 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 Agency 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 current year revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's net position and changes in them. One can think of the Agency's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency'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, and new or changed government legislation, such as changes in Federal and State environmental regulations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by \$560,535,437 and \$521,211,594 as of June 30, 2025, and 2024, respectively.

Condensed Statements of Net Position					
	2025	2024	Change	2023	Change
Assets					
Current assets	\$ 192,400,140	\$ 147,620,588	\$ 44,779,552	\$ 139,864,019	\$ 7,756,569
Non-current assets	102,454,050	98,831,413	3,622,637	86,914,494	11,916,919
Capital assets	304,005,231	312,685,211	(8,679,980)	321,629,825	(8,944,614)
Total assets	598,859,421	559,137,212	39,722,209	548,408,338	10,728,874
Deferred outflows of resources	6,544,756	9,645,140	(3,100,384)	6,345,349	3,299,791
Liabilities					
Current liabilities	10,620,732	8,972,508	1,648,224	23,252,697	(14,280,189)
Non-current liabilities	31,931,352	38,127,132	(6,195,780)	38,793,918	(666,786)
Total liabilities	42,552,084	47,099,640	(4,547,556)	62,046,615	(14,946,975)
Deferred inflows of resources	2,316,656	471,118	1,845,538	756,760	(285,642)
Net position					
Net investment in capital assets	278,655,332	286,004,614	(7,349,282)	293,748,484	(7,743,870)
Restricted	93,694,315	81,498,436	12,195,879	70,669,843	10,828,593
Unrestricted	188,185,790	153,708,544	34,477,246	127,531,985	26,176,559
Total net position	\$ 560,535,437	\$ 521,211,594	\$ 39,323,843	\$ 491,950,312	\$ 29,261,282

By far, the largest portion of the Agency's net position (50% as of June 30, 2025, and 50% as of June 30, 2024) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2025 and 2024, the Agency showed a positive balance in its unrestricted net position of \$188,185,790 and \$153,671,067, respectively, which may be utilized in future years. See the notes to the financial statements for further information.

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position					
	2025	2024	Change	2023	Change
Operating revenues	\$ 30,150,995	\$ 20,831,030	\$ 9,319,965	\$ 27,127,514	\$ (6,296,484)
Nonoperating revenues	70,666,360	64,054,153	6,612,207	54,402,270	9,651,883
Total revenues	100,817,355	84,885,183	15,932,172	81,529,784	3,355,399
Operating expenses	40,970,461	36,024,656	4,945,805	35,306,912	717,744
Depreciation and amortization	19,006,837	18,190,752	816,085	17,582,596	608,156
Nonoperating expenses	2,808,318	2,901,922	(93,604)	1,938,371	963,551
Total expenses	62,785,616	57,117,330	5,668,286	54,827,879	2,289,451
Net income/(loss) before capital contributic	38,031,739	27,767,853	10,263,886	26,701,905	1,065,948
Capital contributions	1,292,104	1,493,429	(201,325)	432,526	1,060,903
Change in net position	39,323,843	29,261,282	10,062,561	27,134,431	2,126,851
Net position, beginning of year	521,211,594	491,950,312	29,261,282	464,815,881	27,134,431
Net position, end of year	\$ 560,535,437	\$ 521,211,594	\$ 39,323,843	\$ 491,950,312	\$ 29,261,282

Operating and Non-Operating Revenues

	2025	2024	Change	2023	Change
Operating revenues:					
Water sales and services	\$ 9,374,663	\$ 6,399,962	\$ 2,974,701	\$ 9,516,118	\$ (3,116,156)
State Water Project Table A water sales	15,917,250	12,127,600	3,789,650	12,042,500	85,100
Watermaster assessments	4,859,082	2,303,468	2,555,614	5,568,896	(3,265,428)
Total operating revenues	30,150,995	20,831,030	9,319,965	27,127,514	(6,296,484)
Nonoperating revenues:					
Property taxes - ad valorem	8,841,339	7,905,521	935,818	8,387,220	(481,699)
Property assessment for State Water Pr	48,172,230	46,388,530	1,783,700	41,500,951	4,887,579
Property assessment for IDM (Note 3)	77,048	53,043	24,005	57,397	(4,354)
Redevelopment agency component of pr	1,312,904	1,199,045	113,859	989,529	209,516
Investment earnings	9,679,795	8,154,237	1,525,558	2,927,753	5,226,484
Gain on disposal of capital assets	-	2,500	(2,500)	6,666	(4,166)
State grant revenue	2,345,247	216,668	2,128,579	202,067	14,601
Other nonoperating revenues	237,797	134,609	103,188	330,687	(196,078)
Total nonoperating revenues	70,666,360	64,054,153	6,612,207	54,402,270	9,651,883
Total revenues	\$ 100,817,355	\$ 84,885,183	\$ 15,932,172	\$ 81,529,784	\$ 3,355,399

Operating and Non-Operating Expenses

	2025	2024	Change	2023	Change
Operating expenses:					
State Water Project importation charges	\$ 22,540,848	\$ 19,499,010	\$ 3,041,838	\$ 21,638,467	\$ (2,139,457)
Operating costs	18,429,613	16,525,646	1,903,967	13,668,445	2,857,201
Depreciation	19,006,837	18,190,752	816,085	17,582,596	608,156
Total operating expenses	59,977,298	54,215,408	5,761,890	52,889,508	1,325,900
Nonoperating expenses:					
Interest expense	1,297,658	1,352,387	(54,729)	1,645,455	(293,068)
Amortization of bonds premium	(252,162)	(252,162)	-	(21,582)	(230,580)
Property tax and assessment collection	140,644	132,060	8,584	107,376	24,684
State grant expense - pass-through	1,292,104	1,493,429	(201,325)	120,233	1,373,196
Other nonoperating expenses	330,074	176,208	153,866	67,091	109,117
Total nonoperating expenses	2,808,318	2,901,922	(93,604)	1,918,573	983,349
Total expenses	\$ 62,785,616	\$ 57,117,330	\$ 5,668,286	\$ 54,808,081	\$ 2,309,249

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Capital Asset Administration

Changes in capital asset amounts for 2025 were as follows:

	Balance 2024	Additions	Transfers/ Deletions	Balance 2025
Capital assets:				
Non-depreciable assets	\$ 17,244,230	\$ 3,540,953	\$ (340,515)	\$ 20,444,668
Depreciable assets	571,301,032	7,126,419	(349,775)	578,077,676
Accumulated depreciation and amortizat	(275,860,051)	(19,006,837)	349,775	(294,517,113)
Total capital assets, net	<u>\$ 312,685,211</u>	<u>\$ (8,339,465)</u>	<u>\$ (340,515)</u>	<u>\$ 304,005,231</u>

Changes in capital asset amounts for 2024 were as follows:

	Balance 2023	Additions	Transfers/ Deletions	Balance 2024
Capital assets:				
Non-depreciable assets	\$ 18,516,204	\$ 3,085,120	\$ (4,357,094)	\$ 17,244,230
Depreciable assets	560,812,297	10,518,113	(29,378)	571,301,032
Accumulated depreciation and amortizat	(257,698,677)	(18,190,752)	29,378	(275,860,051)
Total capital assets, net	<u>\$ 321,629,824</u>	<u>\$ (4,587,519)</u>	<u>\$ (4,357,094)</u>	<u>\$ 312,685,211</u>

At the end of fiscal years 2024 and 2025, the Agency's investment in capital assets amounted to \$304,005,231 and \$312,685,211 (net of accumulated depreciation), respectively. This investment in capital assets includes land, state water project entitlement, transmission system, buildings, structures, equipment, vehicles and construction-in-process. Major capital assets additions during the year include additions to the State Water Project entitlement. Additional information on the Agency's capital assets can be found in Note 5 on pages 42-45.

Debt Administration

Changes in long-term debt amounts for 2025 were as follows:

	Balance 2024	Additions	Transfers/ Deletions	Balance 2025
Long-term liabilities:				
Long-term liabilities	<u>\$ 28,284,385</u>	<u>\$ -</u>	<u>\$ (1,403,250)</u>	<u>\$ 26,881,135</u>

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

	Balance 2023	Additions	Transfers/ Deletions	Balance 2024
Long-term liabilities:				
Long-term liabilities	<u>\$ 29,632,635</u>	<u>\$ -</u>	<u>\$ (1,348,250)</u>	<u>\$ 28,284,385</u>

Additional information on the Agency's long-term debt can be found in Note 8 on pages 47-49.

Conditions Affecting Current Financial Position

There are currently contract negotiations taking place for the payment of costs related to the Delta Conveyance Project in the State Water Project system. The costs of the project are unknown at this time. It is also unknown if the Mojave Water Agency Board will elect to participate in the costs and benefits of this project. Should the Board choose to participate, additional revenues will need to be developed to help offset the costs.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders and other interested parties with an overview of the Agency'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 Agency at 13846 Conference Center Drive, Apple Valley, California, 92307 or by phone (760) 946-7000.

Basic Financial Statements

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Mojave Water Agency
Statements of Net Position
June 30, 2025 (with comparative data for 2024)

	2025			2024
	Mojave Water Agency	Watermaster	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 102,286,369	\$ -	\$ 102,286,369	\$ 82,396,139
Restricted - cash and cash equivalents (Note 2)	43,782,467	4,397,367	48,179,834	30,380,480
Investments (Note 2)	15,641,639	-	15,641,639	18,473,583
Accrued interest receivable	303,676	12,090	315,766	128,094
Accounts receivable - water sales and assessments	20,758,321	1,398,840	22,157,161	12,883,742
Accounts receivable - governmental agencies	1,570,382	-	1,570,382	1,398,101
Accounts receivable - other	550,573	-	550,573	226,374
Due from Watermaster	317,178	-	317,178	267,375
Property taxes and assessments receivable	1,305,138	-	1,305,138	1,354,495
Prepaid expenses and deposits	76,100	-	76,100	112,205
Total current assets	186,591,843	5,808,297	192,400,140	147,620,588
Noncurrent assets:				
Investments (Note 2)	53,874,290	-	53,874,290	47,025,039
Accounts receivable - water sales and assessments	-	305,696	305,696	161,035
Water-in-storage - inventory (Note 4)	47,634,064	-	47,634,064	51,005,339
Other noncurrent asset	640,000	-	640,000	640,000
Capital assets, not being depreciated (Note 5)	20,444,668	-	20,444,668	17,244,230
Depreciable capital assets, net (Note 5)	283,560,563	-	283,560,563	295,440,981
Total noncurrent assets	406,153,585	305,696	406,459,281	411,516,624
Total assets	592,745,428	6,113,993	598,859,421	559,137,212
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt defeasance, net	1,531,236	-	1,531,236	1,641,265
Deferred pension outflows (Note 9)	4,604,630	-	4,604,630	7,375,101
Deferred OPEB outflows (Note 10)	408,890	-	408,890	628,774
Total deferred outflows of resources	6,544,756	-	6,544,756	9,645,140

See accompanying notes to the basic financial statements.

Mojave Water Agency
Statements of Net Position, continued
June 30, 2025 (with comparative data for 2024)

	2025			2024
	Mojave Water Agency	Watermaster	Total	Total
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued expenses	\$ 1,801,326	\$ 4,579,376	\$ 6,380,702	\$ 4,437,812
Accrued wages and related payables	99,406	-	99,406	284,462
Due to Mojave Water Agency	-	317,178	317,178	267,375
Retentions payable	-	-	-	37,477
Deposit Payable	46,539	-	46,539	-
Accrued interest payable - long-term debt	94,596	-	94,596	99,367
Long-term liabilities:				
Unearned revenue (Note 7)	1,875,171	-	1,875,171	2,393,501
Compensated absences (Note 6)	343,890	-	343,890	301,426
Bonds payable (Note 8)	1,457,162	-	1,457,162	1,145,000
Contract payable (Note 8)	6,088	-	6,088	6,088
Total current liabilities	5,724,178	4,896,554	10,620,732	8,972,508
Noncurrent liabilities:				
Long-term liabilities:				
Compensated absences (Note 6)	403,697	-	403,697	412,853
Bonds payable (Note 8)	25,287,090	-	25,287,090	26,996,414
Contract payable (Note 8)	130,795	-	130,795	136,883
Net pension liability (Note 9)	5,544,024	-	5,544,024	9,430,802
Net OPEB liability (Note 10)	565,746	-	565,746	1,150,180
Total noncurrent liabilities	31,931,352	-	31,931,352	38,127,132
Total liabilities	37,655,530	4,896,554	42,552,084	47,099,640
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows (Note 9)	1,892,764	-	1,892,764	315,137
Deferred OPEB inflows (Note 10)	423,892	-	423,892	155,981
Total deferred inflows of resources	2,316,656	-	2,316,656	471,118
NET POSITION				
Net investment in capital assets (Note 11)	278,655,332	-	278,655,332	286,004,614
Restricted for State Water Project (Note 11)	92,476,876	-	92,476,876	80,268,148
Restricted for Watermaster (Note 11)	-	1,217,439	1,217,439	1,230,288
Unrestricted (Note 11)	188,185,790	-	188,185,790	153,708,544
Total net position	\$ 559,317,998	\$ 1,217,439	\$ 560,535,437	\$ 521,211,594

See accompanying notes to the basic financial statements.

Mojave Water Agency
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

	2025			2024
	Mojave Water Agency	Watermaster	Total	Total
OPERATING REVENUES				
Water sales and services	\$ 9,374,663	\$ -	\$ 9,374,663	\$ 6,399,962
State Water Project Table A water sales	15,917,250	-	15,917,250	12,127,600
Watermaster assessments	-	4,859,082	4,859,082	2,303,468
Total operating revenues	25,291,913	4,859,082	30,150,995	20,831,030
OPERATING EXPENSES				
State Water Project importation charges	18,492,476	4,048,372	22,540,848	19,499,010
Operating costs	17,723,990	705,623	18,429,613	16,525,646
Total operating expenses	36,216,466	4,753,995	40,970,461	36,024,656
Operating income (loss) before depreciation	(10,924,553)	105,087	(10,819,466)	(15,193,626)
Depreciation	19,006,837	-	19,006,837	18,190,752
Operating income (loss)	(29,931,390)	105,087	(29,826,303)	(33,384,378)
NONOPERATING REVENUES				
Property taxes - ad valorem	8,841,339	-	8,841,339	7,905,521
Property assessment for State Water Project	48,172,230	-	48,172,230	46,388,530
Property assessment for IDM (Note 3)	77,048	-	77,048	53,043
Redevelopment agency component of property taxes	1,312,904	-	1,312,904	1,199,045
Investment earnings	9,600,219	79,576	9,679,795	8,154,237
Gain on disposal of capital assets	-	-	-	2,500
State grant revenue	2,345,247	-	2,345,247	216,668
Other nonoperating revenues	199,116	38,681	237,797	134,609
Total nonoperating revenues	70,548,103	118,257	70,666,360	64,054,153
NONOPERATING EXPENSES				
Interest expense	1,297,658	-	1,297,658	1,352,387
Amortization of bonds premium	(252,162)	-	(252,162)	(252,162)
Property tax and assessment collection charges	140,644	-	140,644	132,060
State grant expense - pass-through	1,292,104	-	1,292,104	1,493,429
Other nonoperating expenses	93,881	236,193	330,074	176,208
Total nonoperating expenses	2,572,125	236,193	2,808,318	2,901,922
Total nonoperating revenue, net	67,975,978	(117,936)	67,858,042	61,152,231
Income (loss) before capital contributions	38,044,588	(12,849)	38,031,739	27,767,853
CAPITAL CONTRIBUTIONS				
State capital grants - pass-through	1,292,104	-	1,292,104	1,493,429
Total capital contributions	1,292,104	-	1,292,104	1,493,429
Change in net position	39,336,692	(12,849)	39,323,843	29,261,282
Net position, beginning of year	519,981,306	1,230,288	521,211,594	491,950,312
Net position, end of year	\$ 559,317,998	\$ 1,217,439	\$ 560,535,437	\$ 521,211,594

See accompanying notes to the basic financial statements.

Mojave Water Agency
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

	2025			2024
	Mojave Water Agency	Watermaster	Total	Total
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 15,271,366	\$ 4,594,092	\$ 19,865,458	\$ 19,255,343
Cash paid to vendors and suppliers	(24,527,147)	(1,817,599)	(26,344,746)	(49,328,790)
Cash paid to employees for salaries and wages	(8,566,649)	(387,876)	(8,954,525)	(11,156,627)
Net cash provided (used) by operating activities	(17,822,430)	2,388,617	(15,433,813)	(41,230,074)
Cash flows from noncapital financing activities:				
Property tax revenue	10,154,243	-	10,154,243	9,104,566
Net cash provided by non-capital financing activities	10,154,243	-	10,154,243	9,104,566
Cash flows from capital and related financing activities:				
Property tax revenue	48,080,943	-	48,080,943	46,263,403
Acquisition and construction of capital assets	(10,667,372)	-	(10,667,372)	(9,246,138)
State grant contributions	2,345,247	-	2,345,247	216,668
Property assessments received	79,008	-	79,008	42,821
Principal paid on long-term debt	(1,151,088)	-	(1,151,088)	(1,096,088)
Interest paid on long-term debt	(1,192,400)	-	(1,192,400)	(1,246,899)
State pass-through grants received	1,292,104	-	1,292,104	1,493,429
State pass-through grants expended	(1,292,104)	-	(1,292,104)	(1,493,429)
Proceeds from sale of capital assets	-	-	-	2,500
Net cash provided by capital and related financing activities	37,494,338	-	37,494,338	34,936,267
Cash flows from investing activities:				
Sales of investments	9,277,693	-	9,277,693	29,776,702
Purchase of investments	(13,295,000)	-	(13,295,000)	(33,165,000)
Investment earnings (losses)	9,423,373	68,750	9,492,123	8,527,130
Net cash provided by investing activities	5,406,066	68,750	5,474,816	5,138,832
Net increase in cash and cash equivalents	35,232,217	2,457,367	37,689,584	7,949,591
Cash and cash equivalents, beginning of year	110,836,619	1,940,000	112,776,619	104,827,028
Cash and cash equivalents, end of year	\$ 146,068,836	\$ 4,397,367	\$ 150,466,203	\$ 112,776,619
Reconciliation to the Statement of Net Position:				
Cash and cash equivalents	\$ 102,286,369	\$ -	\$ 102,286,369	\$ 82,396,139
Restricted - cash and cash equivalents	43,782,467	4,397,367	48,179,834	30,380,480
Total cash and cash equivalents	\$ 146,068,836	\$ 4,397,367	\$ 150,466,203	\$ 112,776,619

See accompanying notes to the basic financial statements.

Mojave Water Agency
Statements of Cash Flows, continued
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

	2025			2024
	Mojave Water Agency	Watermaster	Total	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (29,931,390)	\$ 105,087	\$ (29,826,303)	\$ (33,384,378)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	19,006,837	-	19,006,837	18,190,752
Abandoned CIP	340,515	-	340,515	-
Other nonoperating revenues	199,116	38,681	237,797	134,609
Other nonoperating expenses	(93,881)	(236,193)	(330,074)	(176,208)
outflows of resources:				
Accounts receivable - water sales and assessments	(9,155,050)	(264,990)	(9,420,040)	(468,221)
Accounts receivable - governmental agencies	(172,281)	-	(172,281)	(817,261)
Accounts receivable - other	(324,199)	-	(324,199)	(59,490)
Due from Watermaster	(49,803)	-	(49,803)	(45,259)
Prepaid expenses and deposits	36,105	-	36,105	(11,754)
Deferred pension outflows	2,770,471	-	2,770,471	(3,500,284)
Deferred OPEB outflows	219,884	-	219,884	90,464
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable and other accrued expenses	(753,339)	2,696,229	1,942,890	(14,166,812)
Due to Mojave Water Agency	-	49,803	49,803	45,259
Accrued wages and related payables	(185,056)	-	(185,056)	30,192
Retentions payable	(37,477)	-	(37,477)	-
Deposit payable	46,539	-	46,539	-
Unearned revenue	(518,330)	-	(518,330)	(290,198)
Compensated absences	33,308	-	33,308	67,552
Net pension liability	(3,886,778)	-	(3,886,778)	782,518
Net OPEB liability	(584,434)	-	(584,434)	(63,110)
Deferred pension inflows	1,577,627	-	1,577,627	(231,051)
Deferred OPEB inflows	267,911	-	267,911	(54,591)
Total adjustments	12,108,960	2,283,530	14,392,490	(7,845,696)
Net cash provided (used) by operating activities	<u>\$ (17,822,430)</u>	<u>\$ 2,388,617</u>	<u>\$ (15,433,813)</u>	<u>\$ (41,230,074)</u>
Schedule of non-cash capital and related financing activities:				
Amortization of IDM Assessment District Receivable (Note 3)	\$ (1,960)	\$ -	\$ (1,960)	\$ 10,222

See accompanying notes to the basic financial statements.

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Note 1: Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Mojave Water Agency (Agency) was organized July 21, 1960, by an act of the legislature of the State of California known as the Mojave Water Agency Act. Within the limits of its power and authority set forth in this act, the purpose of the Agency is to do any and every act necessary so that sufficient water may be available for any present or future beneficial use of lands and inhabitants of the Agency, including, but not limited to, the construction, maintenance, alteration, purchase, and operation of any and all works or improvements within the Agency necessary or proper to carry out any object or purpose of this act; and the gathering of data for, and the development and implementation of, after consultation and coordination with all public and private water entities who are in any way affected, management and master plans to mitigate the cumulative overdraft of groundwater basins, to monitor the condition of the groundwater basins, to pursue all necessary water conservation measures, and to negotiate for additional water supplies from all state, federal, and local sources. The Agency is governed by a seven-member Board of Directors who serve overlapping four-year terms.

The Agency 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 Agency 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.

In 1994, to administer the provisions of the groundwater adjudication judgment, the Superior Court of Riverside appointed the Agency as the Mojave Basin Area Watermaster (Watermaster) and ordered the Watermaster to formulate a plan and program for management of the Basin's resources. Although the Watermaster is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations, as it is governed by the same Board of Directors and the Agency has operational responsibility for the Watermaster. Complete financial statements for the Watermaster are available at the Agency's office or upon request of the Agency's Chief Financial Officer at 13846 Conference Center Drive, Apple Valley, California, 92307.

The Mojave Water Agency Public Facilities Corporation (MWAPFC) was incorporated in 1997. The MWAPFC is a California nonprofit public benefit corporation formed to assist the Mojave Water Agency (Agency) by acquiring, constructing, operating, and maintaining facilities, equipment, or other property needed by the Agency and leasing or selling such property to the Agency and as such has no employees or other operations. Although the MWAPFC is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations. No separate financial statements are prepared for the MWAPFC.

Mojave Water Agency Fund

This major fund accounts for the activities of the Agency and the Mojave Water Agency Act, which authorizes the Agency to assess taxes to pay for the costs of the California State Water Project system plus costs necessary for the administration of the Agency.

Watermaster Fund

This major fund was established as part of the groundwater adjudication judgment to account separately for the annual activities of the Watermaster and accounting for the types of fees the Watermaster may impose, and the expenditures made during the year.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus

The Agency 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 Agency is that the costs of delivering wholesale water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and service charges), capital grants, and similar funding. The enterprise fund is accounted using the “economic resources” measurement focus and the accrual basis of accounting. Under the 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 service charges, as well as Watermaster assessments, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the Agency are water sales to the Watermaster and the principal operating revenues of the Watermaster are water sales (assessments) to member water right holders. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Agency'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. The Agency solely operates as a special-purpose government and is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary funds.

Prior Year Financial Data Presentation

The Agency has determined to present the annual financial statements with certain prior year data for comparative purposes.

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 and liabilities and disclosures of contingent assets and liabilities 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.

Cash and Cash Equivalents

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

Investments and Investment Policy

The Agency has adopted an investment policy directing the Chief Financial Officer to deposit funds in financial institutions. 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.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

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

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets.
- Level 2 – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Restricted Cash and Investments

The Agency has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and other arrangements. The accounts are classified as “restricted” and are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide for payments of debt service on bonds, reserves for principal and interest on outstanding bonds, construction of capital assets, and other obligations related to the State Water Project.

Restricted Assets

Amounts shown as restricted assets are to be used for specified purposes, such as servicing general obligation bond debt and the construction of capital assets. Such assets have been restricted by bond indenture, law, or contractual obligations.

Accounts Receivable and Allowance for Uncollectible Accounts

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

Property Taxes and Special 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 Agency’s share of property taxes and assessments. The San Bernardino County Treasurer’s Office remits current and delinquent property tax collections to the Agency 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.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

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

Property Taxes and Special Assessments, continued

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

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

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.

Capital Assets

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

- State Water Project Entitlement – 75 years
- Transmission system – 50 to 100 years
- Monitoring wells – 25 to 50 years
- Structures and improvements – 25 to 40 years
- Other plant and equipment – 5 to 25 years

Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will not be recognized as an outflow of resources (expense) until that time. The statement of net position also reports a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time.

The Agency reports the following deferred outflows/inflows of resources: (1) the deferred outflow related to loss on debt defeasance is related to debt refinancing of the Agency bond issuances for the difference in the carrying value of the refunded debt and its reacquisition price. The net amount is deferred and amortized over the life of the refunded debt. (2) The deferred outflows/inflows related to pensions consists of employer contributions made after the measurement date of the net pension liability, as well as actuarial deferrals. (3) The deferred outflows/inflows related to other post-employment benefits (OPEB) consists of employer contributions made after the measurement date of the net OPEB liability, as well as actuarial deferrals.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

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

Compensated Absences

The Agency's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed. It is Management's belief that about 40 to 50 percent of the obligation will be utilized within the next fiscal year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

	<u>2025</u>	<u>2024</u>
• Valuation Dates:	June 30, 2023	June 30, 2022
• Measurement Dates:	June 30, 2024	June 30, 2023
• Measurement Periods:	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	<u>2025</u>	<u>2024</u>
• Valuation Dates:	June 30, 2024	June 30, 2022
• Measurement Dates:	June 30, 2024	June 30, 2023
• Measurement Periods:	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

Note 1: Reporting Entity and Summary of Significant Accounting Policies, continued

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

Net Position

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

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of *restricted* net position or *net investment in capital assets*.

Net Position Flow Assumption

Sometimes the Agency will fund expenses for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies or real estate developers desiring services that require capital expenditures or connection to the Agency's system.

Budgetary Policies

The Agency 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.

Implementation of new pronouncement

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement No. 101 – *Compensated Absences*. This Statement provides a unified approach for recognizing and measuring all types of compensated absences, such as vacation and sick leave. The related disclosures required by this standard are included in Note 6.

The Agency also adopted GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to evaluate whether any events related to significant concentrations or constraints have occurred, are occurring or likely to occur within 12 months of issuing the financial statements. As part of this evaluation, the Agency reviewed potential risks and did not identify any events or conditions that meet this criteria for disclosure.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 2: Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

Description	2025	2024
Cash and cash equivalents	\$ 102,286,369	\$ 82,396,139
Restricted - cash and cash equivalents	48,179,834	30,380,480
Investments - current	15,641,639	18,473,583
Investments - noncurrent	53,874,290	47,025,039
Total cash and investments	<u>\$ 219,982,132</u>	<u>\$ 178,275,241</u>

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

Description	2025	2024
Cash on hand	\$ 300	\$ 300
Demand deposits with financial institutions	8,322,447	4,532,919
Investments	211,659,385	173,742,022
Total cash and investments	<u>\$ 219,982,132</u>	<u>\$ 178,275,241</u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and local agency bonds, notes and warrants	5 years	10%	None
U.S. Treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	40%	5%
Prime commercial paper	270 days	10%/25%	"AI/PI"
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	5%
Money market mutual funds	90 days	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$75 million
County Pooled Investment Fund	N/A	None	None
Local Government Investment Pool	N/A	None	None

Note 2: Cash and Investments, continued

Investment in State Investment Pool

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

Investment in Local Government Investment Pool

The Agency is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS). California CLASS is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The following table identifies the investment types that are authorized for investment held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	None	None
Federal agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	180 days	None	10%
Negotiable certificates of deposit	None	None	None
Money market mutual funds	1 year	None	None
Investment contracts	None	None	None
Repurchase agreements	30 days	None	None
Municipal obligations	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the 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 California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. 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 Agency's name.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 2: Cash and Investments, continued

Custodial Credit Risk, continued

The custodial credit risk for *investments* is the risk that, in the event of the 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. The Code and the Agency's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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, external investment pools (such as California CLASS) or government investment pools (such as LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency 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 for cash flow requirements and liquidity needed for operations. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date:

Investments at June 30, 2025:

Investment Type	Total	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Government sponsored entities securities	\$ 21,176,635	\$ 5,792,577	\$ 5,411,186	\$ 9,972,872
California Cooperative Liquid Assets Securities System	100,307,492	100,307,492	-	-
Medium-term notes	19,745,760	2,469,945	5,323,922	11,951,893
Local Agency Investment Fund (LAIF)	33,034,127	33,034,127	-	-
U.S. Treasury notes	37,395,367	16,180,950	4,077,735	17,136,682
Held by bond or escrow trustee:				
Money market funds	4	4	-	-
Total investments	<u>\$ 211,659,385</u>	<u>\$ 157,785,095</u>	<u>\$ 14,812,843</u>	<u>\$ 39,061,447</u>

Investments at June 30, 2024:

Investment Type	Total	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Government sponsored entities securities	\$ 16,608,563	\$ 2,977,015	\$ 5,692,156	\$ 7,939,392
California Cooperative Liquid Assets Securities System	86,117,888	86,117,888	-	-
Medium-term notes	20,109,012	5,351,779	2,424,445	12,332,788
Local Agency Investment Fund (LAIF)	13,999,635	13,999,635	-	-
U.S. Treasury notes	36,906,920	18,270,662	5,229,482	13,406,776
Held by bond or escrow trustee:				
Money market funds	4	4	-	-
Total investments	<u>\$ 173,742,022</u>	<u>\$ 126,716,983</u>	<u>\$ 13,346,083</u>	<u>\$ 33,678,956</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 2: Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of the fiscal year end for each investment type. California CLASS is rated by S&P Global Ratings; the current rating is 'AAAm'.

Investments at June 30, 2025:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating at Year End AAA to AA-
Government sponsored entities securities	\$ 21,176,635	None	\$ 21,176,635	\$ -
California Cooperative Liquid Assets Securities System	100,307,492	None	-	100,307,492
Medium-term notes	19,745,760	A/AA	-	19,745,760
Local Agency Investment Fund (LAIF)	33,034,127	N/A	33,034,127	-
U.S. Treasury notes	37,395,367	N/A	37,395,367	-
Held by bond or escrow trustee:				
Money market funds	4	AAA	4	-
Total investments	<u>\$ 211,659,385</u>		<u>\$ 91,606,133</u>	<u>\$ 120,053,252</u>

Investments at June 30, 2024:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating at Year End AAA to AA-
Government sponsored entities securities	\$ 16,608,563	None	\$ 16,608,563	\$ -
California Cooperative Liquid Assets Securities System	86,117,888	None	-	86,117,888
Medium-term notes	20,109,012	None	-	20,109,012
Local Agency Investment Fund (LAIF)	13,999,635	A/AA	13,999,635	-
U.S. Treasury notes	36,906,920	N/A	36,906,920	-
Held by bond or escrow trustee:				
Money market funds	3	AAA	3	-
Total investments	<u>\$ 173,742,021</u>		<u>\$ 67,515,121</u>	<u>\$ 106,226,900</u>

Concentration of Credit Risk

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

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 2: Cash and Investments, continued

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investments at June 30, 2025:

Investment Type	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Government sponsored entities securities	\$ 21,176,635	\$ 21,176,635
Medium-term notes	19,745,760	19,745,760
U.S. Treasury notes	37,395,367	37,395,367
Held by bond or escrow trustee:		
Money market funds	4	4
Total investments measured at fair value	78,317,766	<u>\$ 78,317,766</u>
Investments not subject to fair value measurement:		
Local Agency Investment Fund (LAIF)	33,034,127	
California Cooperative Liquid Assets Securities System	<u>100,307,492</u>	
Total investments	<u>\$ 211,659,385</u>	

Investments at June 30, 2024:

Investment Type	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Government sponsored entities securities	\$ 16,608,563	\$ 16,608,563
Medium-term notes	20,109,012	20,109,012
Local Agency Investment Fund (LAIF)	13,999,635	13,999,635
U.S. Treasury notes		
Money market funds	3	3
Total investments measured at fair value	50,717,213	<u>\$ 50,717,213</u>
Investments not subject to fair value measurement:		
Local Agency Investment Fund (LAIF)	36,906,920	
California Cooperative Liquid Assets Securities System	<u>86,117,888</u>	
Total investments	<u>\$ 173,742,021</u>	

Note 3: Property Assessment Debt for Improvement District M

In August 2016, the Agency issued Improvement District M of the Mojave Water Agency General Obligation Bonds (Morongo Basin Pipeline Project) in the amount of \$15,025,000. The bonds are payable from *ad valorem* taxes levied upon the taxable property (other than personal property) in the Improvement District. In accordance with Governmental Accounting Standards Board Statement No. 6 *Accounting and Financial Reporting for Special Assessments*, the Agency initially recognized a receivable for the full amount of the debt issuance. Annually, the receivable was adjusted to the Property Assessments for IDM nonoperating revenues presented in the Statement of Revenues, Expenses and Changes of Net Position. As the bonds were nearing maturity, the Agency discontinued property tax assessments at the point where it collected sufficient assessments to redeem the remaining outstanding bonds. Any subsequent assessments received are attributable to prior-year collections.

Note 4: Water-in-Storage Inventory

In 1994, the Agency completed and adopted its current Regional Water Management Plan, which recognizes the Agency's Conjunctive Use Program (Program). The Program calls for the conjunctive use of surface water supplies, both local and imported, with groundwater supplies. The Agency acquires Free Production Allowances (FPA) from local sources and California State Water Project deliveries to recharge groundwater basins in "wet" years to provide relief in dry years. The Agency values its water inventory and computes the cost of water sold using an average cost method for local and state deliveries.

The Agency's policy is to record only variable OMP&R costs for transportation. The Agency's transportation cost of water sold for the past two fiscal years was computed as follows:

	2025		2024	
	Acre-Feet	Cost	Acre-Feet	Cost
State Water Project				
Inventory - beginning of year	251,635	\$ 51,005,338	213,055	\$ 43,702,536
Water purchases*	5,367	(689,755)	48,394	9,315,851
Inventory - available for sale	257,002	50,315,583	261,449	53,018,387
Water sales - variable cost of sales	(13,229)	(2,681,519)	(9,814)	(2,013,048)
Total inventory - end of year	243,773	\$ 47,634,064	251,635	\$ 51,005,339

* In fiscal year 2025, the Agency received adjustments related to the variable cost components of prior-year transportation purchases. These adjustments were applied against current-year water purchase costs, resulting in a net negative balance for current-year purchase expenses.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 5: Capital Assets

Changes in capital assets for the year were as follows:

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025
Non-depreciable assets:				
Land and right of ways	\$ 8,945,328	\$ -	\$ -	\$ 8,945,328
Water rights	5,016,984	-	-	5,016,984
Morongo pipeline entitlement	208,000	-	-	208,000
Construction in progress	3,073,918	3,540,953	(340,515)	6,274,356
Total non-depreciable assets	17,244,230	3,540,953	(340,515)	20,444,668
Depreciable assets:				
State Water Project entitlement	316,614,507	7,045,955	-	323,660,462
Water management plan	4,272,065	-	-	4,272,065
Transmission system	201,306,690	15,165	(269,523)	201,052,332
Monitoring wells	21,277,554	-	-	21,277,554
Structures and improvements	21,735,970	-	(80,252)	21,655,718
Other plant and equipment	6,094,246	65,299	-	6,159,545
Total depreciable assets	571,301,032	7,126,419	(349,775)	578,077,676
Accumulated depreciation:				
State Water Project entitlement	(180,494,550)	(13,015,083)	-	(193,509,633)
Water management plan	(4,272,064)	-	-	(4,272,064)
Transmission system	(68,891,306)	(4,006,136)	269,523	(72,627,919)
Monitoring wells	(11,354,155)	(978,186)	-	(12,332,341)
Structures and improvements	(6,398,588)	(692,945)	80,252	(7,011,281)
Other plant and equipment	(4,449,388)	(314,487)	-	(4,763,875)
Total accumulated depreciation	(275,860,051)	(19,006,837)	349,775	(294,517,113)
Total depreciable assets, net	295,440,981	(11,880,418)	-	283,560,563
Total capital assets, net	\$ 312,685,211	\$ (8,339,465)	\$ (340,515)	\$ 304,005,231

Depreciation expense for the year ended June 30, 2025 was \$19,006,837.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 5: Capital Assets, continued

Construction in Progress 2025

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

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025
Antelope Wash Recharge Ponds	\$ 102,484	\$ -	\$ (102,484)	\$ -
Master Plan	398,910	324,343	-	723,253
Bandicoot Basin Recharge	79,913	-	(79,913)	-
Este-Lucerne Recharge - (Contract Out)	10,336	-	(10,336)	-
MRP White Road Turnout Traveling Screen	879,595	215,606	-	1,095,201
Groundwater Bank West VV	912,457	1,769,805	-	2,682,262
Newberry Springs Corrosion Protection	35,251	94,326	-	129,577
Ames Reche Recharge Facility	171,217	302,494	-	473,711
Lucerne Recharge Pond	38,718	7,584	(46,302)	-
Lucerne Pump Station Recharge Facility	69,592	31,888	(101,480)	-
Oeste Demonstration Recharge Pilot	234,072	211,707	-	445,779
Oeste Permanent Aqueduct-Turn Out	34,124	30,784	-	64,908
WR Data Monitoring Well-Headwater	18,407	12,310	-	30,717
Anode Replacement	53,210	-	-	53,210
Pipeline Condition Assessment	-	10,500	-	10,500
MWA HQ Ofc Space Reconfigure	7,520	-	-	7,520
Physical Access System (Key Card System)	-	140,093	-	140,093
Mesa St Repairs	2,220	-	-	2,220
WR Data Monitoring Well-Helendale Fault	25,892	282,178	-	308,070
R3 Investigation	-	12,106	-	12,106
Easement and Land Acquisition	-	15,617	-	15,617
R3 Chorination Optimization	-	79,612	-	79,612
Total construction in progress	<u>\$ 3,073,918</u>	<u>\$ 3,540,953</u>	<u>\$ (340,515)</u>	<u>\$ 6,274,356</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 5: Capital Assets, continued

Changes in capital assets for the prior year were as follows:

	Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024
Non-depreciable assets:				
Land and right of ways	\$ 8,888,077	\$ 57,251	\$ -	\$ 8,945,328
Water rights	5,016,984	-	-	5,016,984
Morongo pipeline entitlement	208,000	-	-	208,000
Construction in progress	4,403,143	3,027,869	(4,357,094)	3,073,918
Total non-depreciable assets	18,516,204	3,085,120	(4,357,094)	17,244,230
Depreciable assets:				
State Water Project entitlement	309,550,036	7,064,471	-	316,614,507
Water management plan	4,272,065	-	-	4,272,065
Transmission system	199,959,951	1,346,739	-	201,306,690
Monitoring wells	20,190,868	1,086,686	-	21,277,554
Structures and improvements	21,600,391	135,579	-	21,735,970
Other plant and equipment	5,238,986	884,638	(29,378)	6,094,246
Total depreciable assets	560,812,297	10,518,113	(29,378)	571,301,032
Accumulated depreciation:				
State Water Project entitlement	(168,120,008)	(12,374,542)	-	(180,494,550)
Water management plan	(4,272,064)	-	-	(4,272,064)
Transmission system	(64,986,500)	(3,904,806)	-	(68,891,306)
Monitoring wells	(10,430,303)	(923,852)	-	(11,354,155)
Structures and improvements	(5,731,800)	(666,788)	-	(6,398,588)
Other plant and equipment	(4,158,002)	(320,764)	29,378	(4,449,388)
Total accumulated depreciation	(257,698,677)	(18,190,752)	29,378	(275,860,051)
Total depreciable assets, net	303,113,620	(7,672,639)	-	295,440,981
Total capital assets, net	\$ 321,629,824	\$ (4,587,519)	\$ (4,357,094)	\$ 312,685,211

Depreciation expense for the year ended June 30, 2024 was \$18,190,752.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 5: Capital Assets, continued

Construction in Progress 2024

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

	Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024
Antelope Wash Recharge Ponds	\$ 102,484	\$ -	\$ -	\$ 102,484
Bandicoot Basin Recharge	79,913	-	-	79,913
SCADA Upgrade - Morongo Basin	696,445	-	(696,445)	-
Regional Recharge Geotech*	1,600,357	-	(1,600,357)	-
Oeste Recharge Demonstration	445,525	652,562	(1,098,087)	-
MRP White Road Turnout Traveling Screen	695,977	183,618	-	879,595
Database Solutions Software (WR)	206,084	4,275	(210,359)	-
Este-Lucerne Recharge - (Contract Out)	10,336	-	-	10,336
Groundwater Bank West VV	9,817	902,640	-	912,457
SCADA Network and Server Upgrade	384,035	-	(384,035)	-
Master Plan	80,657	318,253	-	398,910
Newberry Springs Corrosion Protection	14,001	21,250	-	35,251
Helendale Bluffs Water Line	69,382	-	(69,382)	-
MWA HQ Ofc Space Reconfigure	6,795	725	-	7,520
Mesa St Repairs	1,335	885	-	2,220
Newberry Springs Pipeline Replacement	-	196,878	(196,878)	-
Camera System Upgrade	-	101,551	(101,551)	-
Ames Reche Recharge Facility	-	171,217	-	171,217
Lucerne Recharge Pond	-	38,718	-	38,718
Lucerne Pump Station Recharge Facility	-	69,592	-	69,592
Oeste Demonstration Recharge Pilot	-	234,072	-	234,072
Oese Permanent Aquaduct-Turn Out	-	34,124	-	34,124
WR Data Monitoring Well-Headwater	-	18,407	-	18,407
Anode Replacement	-	53,210	-	53,210
WR Data Monitoring Well-Helendale Fault	-	25,892	-	25,892
Total construction in progress	<u>\$ 4,403,143</u>	<u>\$ 3,027,869</u>	<u>\$ (4,357,094)</u>	<u>\$ 3,073,918</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 6: Compensated Absences

Changes in compensated absences for 2025 were as follows:

Balance 2024	Earned	Taken	Balance 2025	Current Portion	Long-term Portion
<u>\$ 714,279</u>	<u>\$ 243,245</u>	<u>\$ (209,937)</u>	<u>\$ 747,587</u>	<u>\$ 343,890</u>	<u>\$ 403,697</u>

Changes in compensated absences for 2024 were as follows:

Balance 2023	Earned	Taken	Balance 2024	Current Portion	Long-term Portion
<u>\$ 646,727</u>	<u>\$ 249,003</u>	<u>\$ (181,451)</u>	<u>\$ 714,279</u>	<u>\$ 301,426</u>	<u>\$ 412,853</u>

Note 7: Unearned Revenue

The Agency has allowed for pre-purchase claims of acre-feet of water to its customers. The transaction is recorded as unearned revenue until the transfer is complete in future periods. The following is a listing of Agencies that have pre-purchase claims of water and their respective acre-feet of water to be delivered:

Description	2025	2024
Unearned revenue in dollars (FIFO method)	<u>\$ 1,875,171</u>	<u>\$ 2,393,501</u>
Agency	Acre-Feet	Acre-Feet
Liberty Utilities	4,387	6,797
San Bernardino County Special Districts	2,167	2,167
Silver Lakes Association	113	113
Mariana Ranchos County Water District	90	90
Apple Valley Heights County Water District	70	70
Total acre-feet	<u>6,827</u>	<u>9,237</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 8: Long-Term Debt

Changes in long-term debt for 2025 were as follows:

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025	Current Portion	Long-term Portion
Long-term liabilities:						
Bonds payable:						
2017 Revenue refunding bonds	\$ 24,380,000	\$ -	\$ (1,145,000)	\$ 23,235,000	\$ 1,205,000	\$ 22,030,000
2017 Revenue refunding bonds premium	3,761,414	-	(252,162)	3,509,252	252,162	3,257,090
Total bonds payable	28,141,414	-	(1,397,162)	26,744,252	1,457,162	25,287,090
From direct borrowing:						
Contract payable	142,971	-	(6,088)	136,883	6,088	130,795
Total long-term liabilities	\$ 28,284,385	\$ -	\$ (1,403,250)	\$ 26,881,135	\$ 1,463,250	\$ 25,417,885

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

	Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024	Current Portion	Long-term Portion
Long-term liabilities:						
Bonds payable:						
2017 Revenue refunding bonds	\$ 25,470,000	\$ -	\$ (1,090,000)	\$ 24,380,000	\$ 1,145,000	\$ 23,235,000
2017 Revenue refunding bonds premium	4,013,576	-	(252,162)	3,761,414	-	3,761,414
Total bonds payable	29,483,576	-	(1,342,162)	28,141,414	1,145,000	26,996,414
From direct borrowing:						
Contract payable	149,059	-	(6,088)	142,971	6,088	136,883
Total long-term liabilities	\$ 29,632,635	\$ -	\$ (1,348,250)	\$ 28,284,385	\$ 1,151,088	\$ 27,133,297

2017 Revenue Refunding Bonds

On October 15, 2009, the Agency entered into an agreement to issue \$39,355,000 in certificates of participation. The certificates are to provide the funds to acquire a Table A amount of 14,000-acre feet of State Water Project Table A water from Dudley Ridge Water District. Pursuant to the acquisition agreement, dated April 30, 2009, the Table A will be transferred to the Agency on the following schedule:

Entitlement Transfer Date	Table A Amount (acre feet)
January 1, 2010	7,000
January 1, 2015	3,000
January 1, 2020	4,000

The certificates are payable solely from Installment Payments to be made by the Agency to the Mojave Water Agency Public Facilities Corporation pursuant to the Installment Purchase Agreement dated July 1, 2009.

On June 29, 2017, the Agency issued \$31,245,000 of Refunding Revenue Bonds, Series 2017A to provide funds to prepay the outstanding Series 2009A Revenue Certificates of Participation, an existing long-term debt issuance. As a result, the Agency's Series 2009A Revenue Certificates of Participation issue is considered defeased and the liability for that obligation has been removed from the Agency's financial statements. The Agency completed the advance refunding to reduce the Agency's total debt service payments through 2039 by \$5.641 million, and to obtain an economic gain of approximately \$4.296 million. Also, the refunding issuance resulted in a deferred loss of \$2.405 million, which will be amortized over the remaining life of the debt service. The interest rates on the bonds range from 3.00% to 5.00% per annum.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 8: Long-Term Debt, continued

2017 Revenue Refunding Bonds, continued

The outstanding 2017 bonds contain (a) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if the pledged revenues during each fiscal year are less than 125 percent of debt service coverage due in the following fiscal year and (b) a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become immediately due if (1) the Agency is unable to make a payment; (2) the Agency fails to perform any of the agreements, covenants, or conditions required in the Indenture to be performed by it, and such default shall have continued for a period of thirty (30) days after the Agency has been given notice in writing of such default; (3) if the Agency files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

Interest on the bonds is payable annually on June 1. Principal matures June 1 of each year through 2039 as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 1,205,000	\$ 1,135,150	\$ 2,340,150
2027	1,265,000	1,074,900	2,339,900
2028	1,330,000	1,011,650	2,341,650
2029	1,365,000	971,750	2,336,750
2030	1,435,000	903,500	2,338,500
2031-2035	8,340,000	3,365,500	11,705,500
2036-2039	8,295,000	1,062,250	9,357,250
Total	23,235,000	<u>\$ 9,524,700</u>	<u>\$ 32,759,700</u>
Less current portion	(1,205,000)		
Premium on debt	<u>3,509,252</u>		
Total non-current	<u>\$ 25,539,252</u>		

Contract Payable

On September 13, 2019, the Agency entered into a generator interconnection agreement (GIA) with Southern California Edison Company (SCE) that will remain in effect for a period of 35 years and shall be automatically renewed for each successive one-year period thereafter. The agreement allows the Agency's Deep Creek Hydroelectric generator to be connected with, and operate parallel with, SCE's distribution system. As part of the agreement, the Agency is responsible for the interconnection facilities charge and distribution upgrades charge of \$174,930, of which \$136,883 remains outstanding.

The agreement contains a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due, plus all other damages and remedies to which SCE is entitled at law or in equity.

Note 8: Long-Term Debt, continued

Contract Payable, continued

Principal installments are due monthly with an annual payable of \$6,088, as follows:

Fiscal Year	Principal
2026	\$ 6,088
2027	6,088
2028	6,088
2029	6,088
2030	6,088
2031-2035	30,440
2036-2040	30,440
2041-2045	30,440
2046-2050	15,123
Total	<u>\$ 136,883</u>

Note 9: Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Agency sponsors three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Agency 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 the CalPERS' website, at www.calpers.ca.gov.

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 5 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. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 9: Defined Benefit Pension Plan, continued

The Plan's provisions and benefits in effect at June 30, 2025 are summarized as follows:

	Classic	New Classic	PEPRA
	Prior to	Prior to	On or after
Hire date	August 25, 2012	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & Up	50 - 67 & Up	52 - 67 & Up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	8.25%
Required employer contribution rates	16.94%	13.31%	8.18%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2025 and 2024 were \$1,128,494 and \$4,673,988, respectively.

A. Net Pension Liability

The Agency's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Note 9: Defined Benefit Pension Plan, continued

A. Net Pension Liability, continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Valuation Dates	June 30, 2023
Measurement Dates	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CALPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.3% until purchasing power protection allowance floor on purchasing power applies, 2.3% thereafter

(1) The mortality table used 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 report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

Note 9: Defined Benefit Pension Plan, continued

A. Net Pension Liability, continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability, continued

The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^{1, 2}
Global Equity - cap-weighted	30.00%	4.54%
Global Equity - non-cap-weighted	12.00%	3.84%
Public 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 Equity	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100%	

¹ An expected inflation of 2.30% used for this period

² Figures are based on the 2021 Assets Liability Management study

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.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 9: Defined Benefit Pension Plan, continued

B. Proportionate Share of Net Pension Liability

The following table shows the Agency's proportionate share of the Plan's net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2023 (Valuation Date)	\$ 37,235,187	\$ 27,804,385	\$ 9,430,802
Balance at: 6/30/2024 (Measurement Date)	40,214,883	34,670,859	5,544,024
Net changes during 2023-24	\$ 2,979,696	\$ 6,866,474	\$ (3,886,778)

The Agency's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The Agency's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2023 and 2024 measurement dates was as follows:

<u>June 30, 2025</u>	
Proportionate Share - June 30, 2024	0.1886%
Proportionate Share - June 30, 2025	0.1146%
Change - Increase (Decrease)	-0.0740%
<u>June 30, 2024</u>	
Proportionate Share - June 30, 2023	0.1848%
Proportionate Share - June 30, 2024	0.1886%
Change - Increase (Decrease)	0.0038%

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

The following presents the Agency's proportionate share of the net pension liability of the Miscellaneous Plan as of the measurement date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

Measurement Date June 30, 2024			
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Net Pension Liability	\$ 10,970,635	\$ 5,544,024	\$ 1,077,123
Measurement Date June 30, 2023			
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Net Pension Liability	\$ 14,466,703	\$ 9,430,802	\$ 5,285,823

Note 9: Defined Benefit Pension Plan, continued

B. Proportionate Share of Net Pension Liability, continued

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSLS) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

C. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2023), the Agency's net pension liability was \$9,430,802. For the measurement period ending June 30, 2024 (the measurement date), the Agency incurred a pension expense of \$1,589,815.

As of June 30, 2025, the Agency has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 479,333	\$ 18,703
Changes of Assumptions	142,494	-
Difference Between Projected and Actual Investment Earnings	319,165	-
Change in Employer's Proportion	66,280	1,793,500
Differences Between Employer's Contributions and Proportionate Share on Contributions	2,468,864	80,561
Pension Contributions Subsequent to the Measurement Date	1,128,494	
Total	<u>\$ 4,604,630</u>	<u>\$ 1,892,764</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 9: Defined Benefit Pension Plan, continued

C. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, continued

As of June 30, 2024, the Agency has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 481,776	\$ 74,735
Changes of Assumptions	569,380	-
Difference Between Projected and Actual Investment Earnings	1,526,930	-
Change in Employer's Proportion	123,027	11,910
Differences Between Employer's Contributions and Proportionate Share on Contributions	-	228,492
Pension Contributions Subsequent to the Measurement Date	4,673,988	-
Total	<u>\$ 7,375,101</u>	<u>\$ 315,137</u>

The amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of \$1,128,494 for 2025 and \$4,673,988 for 2024 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2026	\$ 519,392
2027	971,830
2028	201,522
2029	(109,372)
2030	-
Thereafter	-
	<u>\$ 1,583,372</u>

C. Payable to the Pension Plan

At June 30, 2025, the Agency reported no payables for the outstanding amount of contributions to the pension plan required for the year then ended.

Note 10: Other Post-Employment Benefits (OPEB)

Plan Description

The Agency offers post-employment medical benefits for eligible retirees who satisfy the eligibility rules. Retirees may enroll in any medical plan available through the Agency's CalPERS medical coverage, under a single-employer defined benefit post-employment healthcare plan. The contribution requirements of eligible retired employees and the Agency are established and may be amended by the Board of Directors. The Agency participates in the CalPERS' California Employers' Retiree Benefit Trust (CERBT) trust fund. The healthcare coverage provided meets the definition of other post-employment benefit plan (OPEB Plan).

Benefits Provided

Eligibility for retiree health benefits requires retirement from the Agency on or after age 50 with at least five years of CalPERS service. Eligible employees who retire before June 1, 2006 receive a flat \$200 monthly, subject to the PEMHCA minimum. Eligible employees who retire on or after June 1, 2006 receive a flat \$500 monthly, subject to the PEMHCA minimum. Elected officials retiring prior to 1994 receive an Agency contribution equal to 100% cost of coverage.

Employees Covered

As of the June 30, 2024, actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	46
Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>76</u>

Contributions

The OPEB Plan and its contribution requirements are established by the Board of Directors and may be amended by Board action. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2024, the Agency's cash contributions were \$48,864 in payments to the California Employers' Retiree Benefit Trust (CERBT) Fund, \$170,073 in payments for retiree healthcare outside of the trust and the estimated implied subsidy was \$61,231, resulting in total payments of \$280,168. The Agency's contributions to the OPEB plan are not based on a measure of pay.

Note 10: Other Post-Employment Benefits (OPEB), continued

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2024, and 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuations dated June 30, 2022 and 2024 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Measurement date	June 30, 2024	June 30, 2023
Discount Rate	6.40%	6.00%
Inflation	2.30% ¹	2.50% ¹
Salary Increases	2.80%	2.80%
Investment Rate of Return	6.40%	6.00%
Mortality Rate	Based on CalPERS tables	Based on CalPERS tables
Healthcare Cost Trend Rates		
Pre-Medicare	7.74%	6.00%
Medicare	5.10%	5.30%

¹ The inflation rate was reduced from 2.30% to 2.50%.

Net OPEB Liability, continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target allocation percentage. The Plan Sponsor's expected future real rates of return by asset class is as shown below:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	49%	6.80%
Fixed Income	23%	3.70%
Treasury Inflation-Protected Securities	5%	2.80%
Real Estate Investment Trusts	20%	6.00%
Commodities	3%	3.40%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.40% and 6.00% for 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 10: Other Post-Employment Benefits (OPEB), continued

Change of Assumptions

For fiscal year ended June 30, 2025 (measurement date June 30, 2024), the inflation rate was reduced from 2.50% to 2.30%.

Changes in the OPEB Liability

As of June 30, 2025, the changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2023 (Measurement Date)	\$ 3,086,283	\$ 1,936,103	\$ 1,150,180
Changes recognized for measurement period:			
Service cost	107,452	-	107,452
Interest	184,717	-	184,717
Differences between expected and actual experience	(318,847)	-	(318,847)
Changes of assumptions	(63,378)	-	(63,378)
Net investment income	-	212,462	(212,462)
Contributions - employer	-	212,617	(212,617)
Contributions - employer - implicit subsidy	-	69,930	(69,930)
Benefit payments	(233,627)	(233,627)	-
Administrative expenses	-	(631)	631
Net Changes	(323,683)	260,751	(584,434)
Balance at June 30, 2024 (Measurement Date)	\$ 2,762,600	\$ 2,196,854	\$ 565,746

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Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 10: Other Post-Employment Benefits (OPEB), continued

Changes in the OPEB Liability, continued

As of June 30, 2024, the changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2022 (Measurement Date)	\$ 3,003,832	\$ 1,790,542	\$ 1,213,290
Changes recognized for the measurement period:			
Service cost	92,628	-	92,628
Interest	179,464	-	179,464
Differences between expected and actual experience	24,261	-	24,261
Changes of assumptions	-	-	-
Net investment income	-	115,278	(115,278)
Contributions - employer	-	191,307	(191,307)
Contributions - employer - implicit subsidy	-	53,398	(53,398)
Benefit payments	(160,504)	(160,504)	-
Implicit subsidy credit	(53,398)	(53,398)	-
Administrative expenses	-	(520)	520
Other changes	-	-	-
Net Changes	82,451	145,561	(63,110)
Balance at June 30, 2023 (Measurement Date)	\$ 3,086,283	\$ 1,936,103	\$ 1,150,180

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Agency if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024 and June 30, 2023:

Measurement Date June 30, 2024			
	1% Decrease 5.40%	Current Discount Rate 6.40%	1% Increase 7.40%
Net OPEB Liability	\$ 823,383	\$ 565,746	\$ 344,186
Measurement Date June 30, 2023			
	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net OPEB Liability	\$ 1,449,573	\$ 1,150,180	\$ 894,429

Note 10: Other Post-Employment Benefits (OPEB), continued

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024 and June 30, 2023:

Measurement Date June 30, 2024				
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase	
Net OPEB Liability	\$ 527,767	\$ 565,746	\$ 627,898	
Measurement Date June 30, 2023				
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase	
Net OPEB Liability	\$ 1,108,056	\$ 1,150,180	\$ 1,218,964	

OPEB Plan Fiduciary Net Position

The California Employers' Retirement Benefit Trust (CERBT) is a section 115 trust that issued a publicly available financial report that may be obtained from CalPERS' website, at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Recognition of Deferred Outflows and Deferred Inflows of Resources, continued

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARS�) (6.4 years at June 30, 2025 and 6.0 at June 30, 2024)

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 10: Other Post-Employment Benefits (OPEB), continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025 and 2024, the Agency recognized OPEB expense of \$185,529 and \$255,310, respectively.

As of fiscal year ended June 30, 2025, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 15,373	\$ 142,635
Differences between expected and actual experience in the measurement of the total OPEB liability	94,109	281,257
Net difference between projected and actual earnings on OPEB plan investments	19,240	-
OPEB contributions subsequent to measurement date	280,168	-
Total	<u>\$ 408,890</u>	<u>\$ 423,892</u>

As of fiscal year ended June 30, 2024, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 66,623	\$ 133,740
Differences between expected and actual experience in the measurement of the total OPEB liability	158,106	22,241
Net difference between projected and actual earnings on OPEB plan investments	121,498	-
OPEB contributions subsequent to measurement date	282,547	-
Total	<u>\$ 628,774</u>	<u>\$ 155,981</u>

The \$280,168 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the subsequent year. Other amounts reported as deferred outflows of resources related to OPEB at June 30, 2025 will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2026	\$ (37,095)
2027	(23,767)
2028	(76,043)
2029	(74,655)
2030	(59,723)
Thereafter	(23,887)
	<u>\$ (295,170)</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025 (with comparative data for 2024)

Note 11: Net Position

The components of net position at June 30 consist of the following:

	2025	2024
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 20,444,668	\$ 17,244,230
Depreciable capital assets, net	283,560,563	295,440,981
Deferred loss on defeasance, net	1,531,236	1,641,265
Retention payable	-	(37,477)
Bonds payable - current portion	(1,457,162)	(1,145,000)
Bonds payable - long-term portion	(25,287,090)	(26,996,414)
Contract payable - current portion	(6,088)	(6,088)
Contract payable - long-term portion	(130,795)	(136,883)
Total net investment in capital assets	278,655,332	286,004,614
Restricted net position:		
Restricted for State Water Project	92,476,876	80,268,148
Restricted for Watermaster	1,217,439	1,230,288
Total restricted net position	93,694,315	81,498,436
Unrestricted net position:		
Nonspendable net position:		
Prepaid expenses and deposits	76,100	112,205
Total nonspendable net position	76,100	112,205
Spendable net position:		
Operating reserve	7,800,000	7,800,000
Capital replacement reserve	10,000,000	10,000,000
Contingency reserve	166,309,690	131,796,339
General revenue stabilization reserve	4,000,000	4,000,000
Total spendable net position	188,109,690	153,596,339
Total unrestricted net position	188,185,790	153,708,544
Total net position	\$ 560,535,437	\$ 521,211,594

Note 12: State Water Project Table A Water Sales

During the fiscal year ended June 30, 2024, the Agency entered into exchange agreements with other State Water Project contractors which sold 25,152 acre-feet of its Table "A" water amounting to \$12,127,600. During the fiscal year ended June 30, 2025, the Agency entered into exchange agreements with other State Water Project contractors which sold 20,000 acre-feet of its Table "A" water amounting to \$15,917,250.

Note 13: Risk Management

The Agency 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 Agency 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, 2025, the Agency participates in the ACWA/JPIA pooled programs for liability, and property programs as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition, the Agency also has the following insurance coverage:

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million per loss, subject to a \$10,000 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence, subject to various deductibles depending on the type of equipment, on file.

The Agency has purchased workers' compensation insurance coverage for injuries to employees through the Special District Risk Management Association (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2025, the Agency participated in the workers' compensation programs of the SDRMA as follows:

- Workers' compensation coverage up to California statutory limits for all work-related injuries/illnesses covered by California law and employers liability limit of \$5,000,000 per occurrence.

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 Agency's insurance coverage during the years ending June 30, 2025, 2024 and 2023. 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 were no IBNR claims payable as of June 30, 2025, 2024, and 2023, respectively.

Note 14: Commitments and Contingencies

State Water Contract

Estimates of the Agency's share of the project fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates and inflation.

According to the State's latest estimates, the Agency's long-term obligations under the contract, for capital and minimum operations and maintenance costs, including interest through the year 2035, are as follows:

	State Water Contract Long-Term Obligations
Fixed charges:	
Transportation capital cost	\$ 73,070,869
Transportation minimum OMP&R	107,802,298
Delta water charge	114,073,002
Water system revenue bond surcharge	20,705,800
East Branch enlargement capital cost	5,610,883
East Branch minimum OMP&R	3,848,550
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Total estimated fixed charges	325,111,402
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Variable charges:	
Variable OMP&R	99,854,635
Off-aqueduct OMP&R	270,107
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Total estimated variable charges	100,124,742
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Total estimated future charges	\$ 425,236,144
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OMP&R: Operation, Maintenance, Power and Replacement

The amounts shown do not contain any escalation for inflation and are subject to significant variation over time because the amounts are based on a number of assumptions and are contingent on future events. Accordingly, none of the estimated long-term obligations are recorded as liabilities in the accompanying basic financial statements. The contract with the State extends through 2085, however, based on information provided by the Department of Water Resources, the numbers reflected above only go out to 2035.

There are other pending actions that may adversely impact the Agency's ability to control the sale of water transported through the SWP into its service area. The impact on future revenues of such actions cannot be determined.

Construction Contracts

The Agency has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from debt, grants and the Agency's capital replacement reserve.

Note 14: Commitments and Contingencies, continued

Grant Awards

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

Litigation

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

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Required Supplementary Information

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Mojave Water Agency**Schedule of the Agency's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last Ten Years**

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	Pension Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	0.05916%	\$ 4,060,873	\$ 3,228,366	126%	80%
6/30/2016	0.06072%	5,253,996	3,229,103	163%	76%
6/30/2017	0.06204%	6,152,419	3,475,654	177%	75%
6/30/2018	0.06253%	6,025,270	3,358,283	179%	77%
6/30/2019	0.06456%	6,615,386	3,685,966	179%	77%
6/30/2020	0.06638%	7,222,612	3,817,826	189%	76%
6/30/2021	0.07252%	3,921,914	3,487,600	112%	88%
6/30/2022	0.07487%	8,648,284	3,988,940	217%	75%
6/30/2023	0.07560%	9,430,802	4,814,809	196%	75%
6/30/2024	0.04444%	5,544,024	5,054,520	110%	86%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

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Mojave Water Agency
Schedule of Pension Plan Contributions
Last Ten Years

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015-16	\$ 587,585	\$ (551,929)	\$ 35,656	\$ 3,229,103	17%
2016-17	653,649	(616,051)	37,598	3,475,654	18%
2017-18	624,672	(624,672)	-	3,358,283	19%
2018-19	733,660	(733,660)	-	3,685,966	20%
2019-20	835,199	(835,199)	-	3,817,826	22%
2020-21	874,907	(874,907)	-	3,487,600	25%
2021-22	985,287	(985,287)	-	3,988,940	25%
2022-23	1,135,362	(1,135,362)	-	4,814,809	24%
2023-24	1,173,988	(4,673,988)	(3,500,000)	5,054,520	92%
2024-25	1,128,494	(1,128,494)	-	5,793,203	19%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Mojave Water Agency
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Years*

	Measurement Date 6/30/2017	Measurement Date 6/30/2018	Measurement Date 6/30/2019	Measurement Date 6/30/2020
<u>Total OPEB Liability</u>				
Service cost	\$ 116,059	\$ 119,396	\$ 83,979	\$ 86,288
Interest	180,524	185,604	171,183	177,839
Differences between expected and actual experience	-	(279,188)	-	(24,294)
Changes of assumptions	-	(209,017)	-	271,623
Benefit payments	(117,959)	(130,655)	(135,556)	(133,359)
Implicit subsidy credit	(10,821)	(31,223)	(27,344)	(35,823)
Net change in Total OPEB Liability	167,803	(345,083)	92,262	342,274
Total OPEB Liability - beginning	2,526,163	2,693,966	2,348,883	2,441,145
Total OPEB Liability - ending (a)	2,693,966	2,348,883	2,441,145	2,783,419
<u>Plan Fiduciary Net Position</u>				
Net investment income	100,125	100,125	96,579	51,208
Contributions - employer	195,029	195,029	223,155	214,211
Contributions - employer - implicit subsidy	10,821	10,821	27,344	35,823
Benefit payments	(117,959)	(117,959)	(135,556)	(133,359)
Implicit subsidy credit	(10,821)	(10,821)	(27,344)	(35,823)
Administrative expenses	(489)	(489)	(619)	(720)
Other changes	-	-	-	(15,327)
Net change in Plan Fiduciary Net Position	176,706	176,706	183,559	116,013
Plan Fiduciary Net Position - beginning	952,167	1,128,873	1,304,178	1,487,737
Plan Fiduciary Net Position - ending (b)	1,128,873	1,305,579	1,487,737	1,603,750
<u>Net OPEB Liability</u>				
Net OPEB Liability - ending (a) - (b)	\$ 1,565,093	\$ 1,043,304	\$ 953,408	\$ 1,179,669
Plan fiduciary net position as a percentage of the total OPEB liability	42%	56%	61%	58%
Covered-employee payroll	\$ 3,540,021	\$ 2,949,573	\$ 3,030,686	\$ 3,284,783
Net OPEB liability as a percentage of covered-employee payroll	44%	35%	31%	36%

Notes to schedule:

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Changes in assumptions:

For fiscal year ended June 30, 2025 (measurement date June 30, 2024), the discount rate changed from 6.00% to 6.40%. The inflation rate was reduce from 2.50% to 2.30 % over the same period.

* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

Mojave Water Agency**Schedule of Changes in the Net OPEB Liability and Related Ratios, Continued
Last Ten Years***

Measurement Date	Measurement Date	Measurement Date	Measurement Date
6/30/2021	6/30/2022	6/30/2023	6/30/2024
\$ 70,734	\$ 72,679	\$ 92,628	\$ 107,452
192,900	219,739	179,464	184,717
317,748	(27,137)	24,261	(318,847)
-	(222,900)	-	(63,378)
(151,458)	(156,601)	(160,504)	(233,627)
(45,398)	(49,893)	(53,398)	-
384,526	(164,113)	82,451	(323,683)
2,783,419	3,167,945	3,003,832	3,086,283
3,167,945	3,003,832	3,086,283	2,762,600
440,989	(276,778)	115,278	212,462
175,170	156,601	191,307	212,617
45,398	49,893	53,398	69,930
(151,458)	(156,601)	(160,504)	(233,627)
(45,398)	(49,893)	(53,398)	-
(607)	(524)	(520)	(631)
-	-	-	-
464,094	(277,302)	145,561	260,751
1,603,750	2,067,844	1,790,542	1,936,103
2,067,844	1,790,542	1,936,103	2,196,854
<u>\$ 1,100,101</u>	<u>\$ 1,213,290</u>	<u>\$ 1,150,180</u>	<u>\$ 565,746</u>
65%	60%	63%	80%
\$ 3,457,641	\$ 3,347,373	\$ 4,633,912	\$ 4,812,537
32%	36%	25%	12%

Mojave Water Agency
Schedule of OPEB Plan Contributions
Last Ten Years*

Fiscal Year Ended June 30,	Actuarially Determined Contributions (ADC)	Contributions in relation to the ADC	Contribution Deficiency (Excess)	Covered- employee payroll	Contribution as a percentage of covered- employee payroll
2018	\$ 243,432	\$ (217,990)	\$ 25,442	\$ 2,949,573	7%
2019	247,215	(223,155)	24,060	3,030,686	7%
2020	245,434	(214,211)	31,223	3,284,783	7%
2021	179,196	(220,568)	(41,372)	3,457,641	6%
2022	196,856	(206,494)	(9,638)	3,347,373	6%
2023	191,307	(244,705)	(53,398)	4,633,912	5%
2024	212,617	(282,547)	(69,930)	4,812,537	6%
2025	174,521	(280,168)	(105,647)	5,793,203	5%

Notes to schedule:

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Changes in assumptions:

For fiscal year ended June 30, 2025 (measurement date June 30, 2024), the discount rate changed from 6.00% to 6.40%. The inflation rate was reduce from 2.50% to 2.30 % over the same period.

Methods and assumptions used to determine contributions:

Actuarial Cost Method

Entry age normal, level percent of pay.

Amortization Method

Closed period, level percent of pay.

Amortization Period

5 years

Inflation

2.30%

Assumed Payroll Growth

2.80%

Healthcare Cost Trend Rates

Pre-Medicare: 7.74% trending down to 3.94%.

Medicare: 5.10% trending down to 3.94%.

Discount rate

6.40%

Mortality and Retirement Rates

CalPERS rates

* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal Year 2017-18 was the first year of implementation.

Supplementary Information

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Mojave Water Agency
Combining Schedules of Net Position
June 30, 2025

	<u>General</u>	<u>State Water Project</u>	<u>Mojave Water Agency</u>
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 102,286,369	\$ -	\$ 102,286,369
Restricted - cash and cash equivalents (Note 2)	-	43,782,467	43,782,467
Investments (Note 2)	15,641,639	-	15,641,639
Accrued interest receivable	303,676	-	303,676
Accounts receivable - water sales and assessments	20,758,321	-	20,758,321
Accounts receivable - governmental agencies	1,570,382	-	1,570,382
Accounts receivable - other	550,573	-	550,573
Due from Watermaster	317,178	-	317,178
Property taxes and assessments receivable	354,080	951,058	1,305,138
Prepaid expenses and deposits	76,100	-	76,100
Total current assets	141,858,318	44,733,525	186,591,843
Noncurrent assets:			
Investments (Note 2)	53,874,290	-	53,874,290
Water-in-storage - inventory (Note 4)	-	47,634,064	47,634,064
Other noncurrent asset	640,000	-	640,000
Capital assets, not being depreciated (Note 5)	20,444,668	-	20,444,668
Depreciable capital assets, net (Note 5)	191,614,734	91,945,829	283,560,563
Total noncurrent assets	266,573,692	139,579,893	406,153,585
Total assets	408,432,010	184,313,418	592,745,428
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt defeasance, net	1,531,236	-	1,531,236
Deferred pension outflows (Note 9)	4,604,630	-	4,604,630
Deferred OPEB outflows (Note 10)	408,890	-	408,890
Total deferred outflows of resources	6,544,756	-	6,544,756

Mojave Water Agency
Combining Schedules of Net Position, Continued
June 30, 2025

	Mojave Water Agency	State Water Project	Mojave Water Agency
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued expenses	\$ 1,910,613	\$ (109,287)	\$ 1,801,326
Accrued wages and related payables	99,406	-	99,406
Retentions payable	-	-	-
Deposit payable	46,539	-	46,539
Accrued interest payable - long-term debt	94,596	-	94,596
Long-term liabilities - due within one year:			
Unearned revenue (Note 7)	1,875,171	-	1,875,171
Compensated absences (Note 6)	343,890	-	343,890
Bonds payable (Note 8)	1,457,162	-	1,457,162
Contract payable (Note 8)	6,088	-	6,088
Total current liabilities	5,833,465	(109,287)	5,724,178
Noncurrent liabilities:			
Long-term liabilities - due in more than one year:			
Compensated absences (Note 6)	403,697	-	403,697
Bonds payable (Note 8)	25,287,090	-	25,287,090
Contract payable (Note 8)	130,795	-	130,795
Net pension liability (Note 9)	5,544,024	-	5,544,024
Net OPEB liability (Note 10)	565,746	-	565,746
Total noncurrent liabilities	31,931,352	-	31,931,352
Total liabilities	37,764,817	(109,287)	37,655,530
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows (Note 9)	1,892,764	-	1,892,764
Deferred OPEB inflows (Note 10)	423,892	-	423,892
Total deferred inflows of resources	2,316,656	-	2,316,656
NET POSITION			
Net investment in capital assets (Note 11)	186,709,503	91,945,829	278,655,332
Restricted for State Water Project (Notes 11)	-	92,476,876	92,476,876
Unrestricted (Note 11)	188,185,790	-	188,185,790
Total net position	\$ 374,895,293	\$ 184,422,705	\$ 559,317,998

Mojave Water Agency
Combining Schedules of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	General	State Water Project	Mojave Water Agency
OPERATING REVENUES			
Water sales and services	\$ 9,374,663	\$ -	\$ 9,374,663
State Water Project Table A water sales	15,917,250	-	15,917,250
Total operating revenues	25,291,913	-	25,291,913
OPERATING EXPENSES			
State Water Project importation charges	2,681,518	15,810,958	18,492,476
Operating costs	17,723,390	600	17,723,990
Total operating expenses	20,404,908	15,811,558	36,216,466
Operating income (loss) before depreciation	4,887,005	(15,811,558)	(10,924,553)
Depreciation	5,991,754	13,015,083	19,006,837
Operating income (loss)	(1,104,749)	(28,826,641)	(29,931,390)
NONOPERATING REVENUES			
Property taxes - ad valorem	8,841,339	-	8,841,339
Property assessment for State Water Project	14,218,142	33,954,088	48,172,230
Property assessment for IDM (Note 3)	77,048	-	77,048
Redevelopment agency component of property taxes	1,312,904	-	1,312,904
Investment earnings (loss)	8,393,183	1,207,036	9,600,219
State grant revenue	2,345,247	-	2,345,247
Other nonoperating revenues	199,116	-	199,116
Total nonoperating revenues	35,386,979	35,161,124	70,548,103
NONOPERATING EXPENSES			
Interest expense	1,297,658	-	1,297,658
Amortization of bonds premium	(252,162)	-	(252,162)
Property tax and assessment collection charges	45,761	94,883	140,644
State grant expense - pass-through	1,292,104	-	1,292,104
Other nonoperating expenses	93,881	-	93,881
Total nonoperating expenses	2,477,242	94,883	2,572,125
Total nonoperating revenue, net	32,909,737	35,066,241	67,975,978
Income before capital contributions	31,804,988	6,239,600	38,044,588
CAPITAL CONTRIBUTIONS			
State capital grants - pass-through	1,292,104	-	1,292,104
Total capital contributions	1,292,104	-	1,292,104
Change in net position	33,097,092	6,239,600	39,336,692
Net position, beginning of year	341,798,201	178,183,105	519,981,306
Net position, end of year	\$ 374,895,293	\$ 184,422,705	\$ 559,317,998

Mojave Water Agency
Combining Schedules of Cash Flows
For the Fiscal Year Ended June 30, 2025

	General	State Water Project	Mojave Water Agency
Cash flows from operating activities:			
Cash receipts from customers and others	\$ 15,271,366	\$ -	\$ 15,271,366
Cash paid to vendors and suppliers	(11,833,245)	(12,693,902)	(24,527,147)
Cash paid to employees for salaries and wages	(8,566,649)	-	(8,566,649)
Net cash used by operating activities	(5,128,528)	(12,693,902)	(17,822,430)
Cash flows from noncapital financing activities:			
Property tax revenue	10,154,243	-	10,154,243
Net cash provided by non-capital financing activities	10,154,243	-	10,154,243
Cash flows from capital and related financing activities:			
Property tax revenue	14,206,135	33,874,808	48,080,943
Acquisition and construction of capital assets	(3,621,417)	(7,045,955)	(10,667,372)
State grant contributions	2,345,247	-	2,345,247
Property assessments received	79,008	-	79,008
Principal paid on long-term debt	(1,151,088)	-	(1,151,088)
Interest paid on long-term debt	(1,192,400)	-	(1,192,400)
State pass-through grants received	1,292,104	-	1,292,104
State pass-through grants expended	(1,292,104)	-	(1,292,104)
Net cash provided by capital and related financing activities	10,665,485	26,828,853	37,494,338
Cash flows from investing activities:			
Sales of investments	9,277,693	-	9,277,693
Investment earnings (losses)	8,216,337	1,207,036	9,423,373
Net cash provided by investing activities	4,199,030	1,207,036	5,406,066
Net increase in cash and cash equivalents	19,890,230	15,341,987	35,232,217
Cash and cash equivalents, beginning of year	82,396,139	28,440,480	110,836,619
Cash and cash equivalents, end of year	\$ 102,286,369	\$ 43,782,467	\$ 146,068,836
Reconciliation to the Statement of Net Position:			
Cash and cash equivalents	\$ 102,286,369	\$ -	\$ 102,286,369
Restricted - cash and cash equivalents	-	43,782,467	43,782,467
Total cash and cash equivalents	\$ 102,286,369	\$ 43,782,467	\$ 146,068,836

Mojave Water Agency
Combining Schedules of Cash Flows, Continued
For the Fiscal Year Ended June 30, 2025

	<u>General</u>	<u>State Water Project</u>	<u>Mojave Water Agency</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,104,749)	\$ (28,826,641)	\$ (29,931,390)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,991,754	13,015,083	19,006,837
Abandoned CIP	340,515	-	340,515
Other nonoperating revenues	199,116	-	199,116
Other nonoperating expenses	(93,881)	-	(93,881)
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable - water sales and assessments	(9,155,050)	-	(9,155,050)
Accounts receivable - governmental agencies	(172,281)	-	(172,281)
Accounts receivable - other	(324,199)	-	(324,199)
Due from Watermaster	(49,803)	-	(49,803)
Prepaid expenses and deposits	36,105	-	36,105
Water-in-storage - inventory	-	3,371,275	3,371,275
Deferred pension outflows	2,770,471	-	2,770,471
Deferred OPEB outflows	219,884	-	219,884
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and other accrued expenses	(499,720)	(253,619)	(753,339)
Accrued wages and related payables	(185,056)	-	(185,056)
Retentions payable	(37,477)	-	(37,477)
Deposit payable	46,539	-	46,539
Unearned revenue	(518,330)	-	(518,330)
Compensated absences	33,308	-	33,308
Net pension liability	(3,886,778)	-	(3,886,778)
Net OPEB liability	(584,434)	-	(584,434)
Deferred pension inflows	1,577,627	-	1,577,627
Deferred OPEB inflows	267,911	-	267,911
Total adjustments	(4,023,779)	16,132,739	12,108,960
Net cash used by operating activities	<u>\$ (5,128,528)</u>	<u>\$ (12,693,902)</u>	<u>\$ (17,822,430)</u>
Schedule of non-cash capital and related financing activities:			
Amortization of IDM Assessment District Receivable (Note 3)	\$ (1,960)	\$ -	\$ (1,960)

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Statistical Section

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Mojave Water Agency Statistical Section

This part of the Agency's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

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Financial Trends

These schedules contain information to help the reader understand how the Agency's financial performance and well-being have changed over time. 76-79

Revenue Capacity

These schedules contain information to help the reader assess the Agency's most significant own-source revenue, property tax. 80-85

Debt Capacity

These schedules present information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future. 86-91

Demographic Information

This schedule offers demographic indicators to help the reader understand the environment within which the Agency's financial activities take place. 92-94

Operating Information

This schedule contains service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the service the Agency provides. 95-98

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Mojave Water Agency
Net Position by Component
Last Ten Fiscal Years

		Fiscal Year Ended June 30,																		
		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016									
Business-type Activities:																				
Investment in Capital Assets	\$	278,655,332	\$	286,004,614	\$	293,748,484	\$	299,137,056	\$	303,713,142	\$	303,985,741	\$	302,917,311	\$	304,647,716	\$	309,368,089	\$	314,156,584
Restricted		93,694,315		81,498,436		70,581,341		63,975,224		62,081,839		60,650,196		56,285,875		50,480,122		45,943,442		42,707,288
Unrestricted		188,185,790		153,708,544		127,620,545		101,703,600		67,817,852		62,951,452		54,596,938		49,488,833		43,654,223		36,573,091
Total Net Position	\$	560,535,437	\$	521,211,594	\$	491,950,370	\$	464,815,880	\$	433,612,833	\$	427,587,389	\$	413,800,124	\$	404,616,671	\$	398,965,754	\$	393,436,963

Source: Mojave Water Agency

Mojave Water Agency
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year Ended									
	6/30/25	6/30/24	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16
OPERATING REVENUE:										
Watermaster Assessment	\$ 4,859,082	\$ 2,303,468	\$ 5,568,896	\$ 6,169,061	\$ 2,287,699	\$ 618,648	\$ 1,392,018	\$ 628,328	\$ 556,395	\$ 551,855
Water Sales	9,254,383	6,339,932	9,470,566	8,783,285	6,528,060	2,041,965	4,960,927	4,502,405	8,049,485	3,371,100
State Water Project Table A Water Sale	15,917,250	12,127,600	12,042,500	23,239,300	-	7,618,934	-	1,802,560	2,428,000	-
Ordinance 14 Fee	120,280	60,030	45,551	-	-	-	-	-	-	-
Total Operating Revenues	30,150,995	20,831,030	27,127,513	38,191,646	8,815,759	10,279,547	6,352,945	6,933,293	11,033,880	3,922,955
OPERATING EXPENSE:										
State Water Project Costs	24,244,834	20,859,077	21,638,468	20,929,353	14,772,873	11,062,523	11,245,303	10,985,708	12,749,527	11,566,691
Employment Costs	9,876,431	8,922,284	7,019,456	6,598,158	6,217,727	6,752,645	5,960,903	5,607,666	5,096,092	4,517,308
Administration Costs	5,661,253	5,284,186	4,297,829	4,977,907	3,812,458	3,611,760	3,136,934	3,236,944	4,448,787	4,688,210
Utilities	355,412	202,988	1,850,546	1,039,418	956,807	1,046,883	1,035,438	1,056,644	1,070,360	907,075
Supplies and Materials	213,204	308,121	216,673	147,283	147,156	162,401	478,375	291,017	364,638	344,300
Repairs and Maintenance	619,327	448,001	283,941	179,502	181,792	199,031	187,245	221,840	550,957	603,340
Depreciation	19,006,837	18,190,751	17,582,596	16,851,508	16,580,460	15,848,029	15,362,412	15,121,434	14,765,622	14,371,985
Total Operating Expense	59,977,298	54,215,408	52,889,509	50,723,128	42,669,273	38,683,272	37,406,610	36,521,253	39,045,983	36,998,909
OPERATING INCOME / (LOSS)	(29,826,303)	(33,384,378)	(25,761,996)	(12,531,482)	(33,853,514)	(28,403,725)	(31,053,665)	(29,587,960)	(28,012,103)	(33,075,954)
NON-OPERATING REVENUES										
Property Taxes	58,403,521	55,546,140	50,935,097	43,699,138	40,519,916	41,279,297	39,454,505	37,004,166	35,101,094	33,165,757
D/S Support Fr.IDM: 849	-	-	-	286,524	-	-	814,375	813,313	814,438	812,688
Interest Income	9,679,795	8,154,236	2,927,750	(1,915,752)	251,788	2,917,695	2,178,573	762,898	266,529	354,186
Gain (Loss) on Disposal of Capital Assets	-	2,500	6,666	-	8,325	-	9,202	(78,787)	6,150	-
Mitigation Fees	-	-	-	-	-	-	-	-	-	-
State grant revenue	2,345,247	216,668	202,067	3,482,762	1,054,000	95,662	403,894	1,145,851	574,329	766,899
Other Income	237,797	134,609	330,689	21,560	43,879	115,533	4,480	8,135	60,589	140,228
Total Non-Operating Revenue	70,666,360	64,054,153	54,402,269	45,574,231	41,877,908	44,408,187	42,865,029	39,655,576	36,823,129	35,239,758

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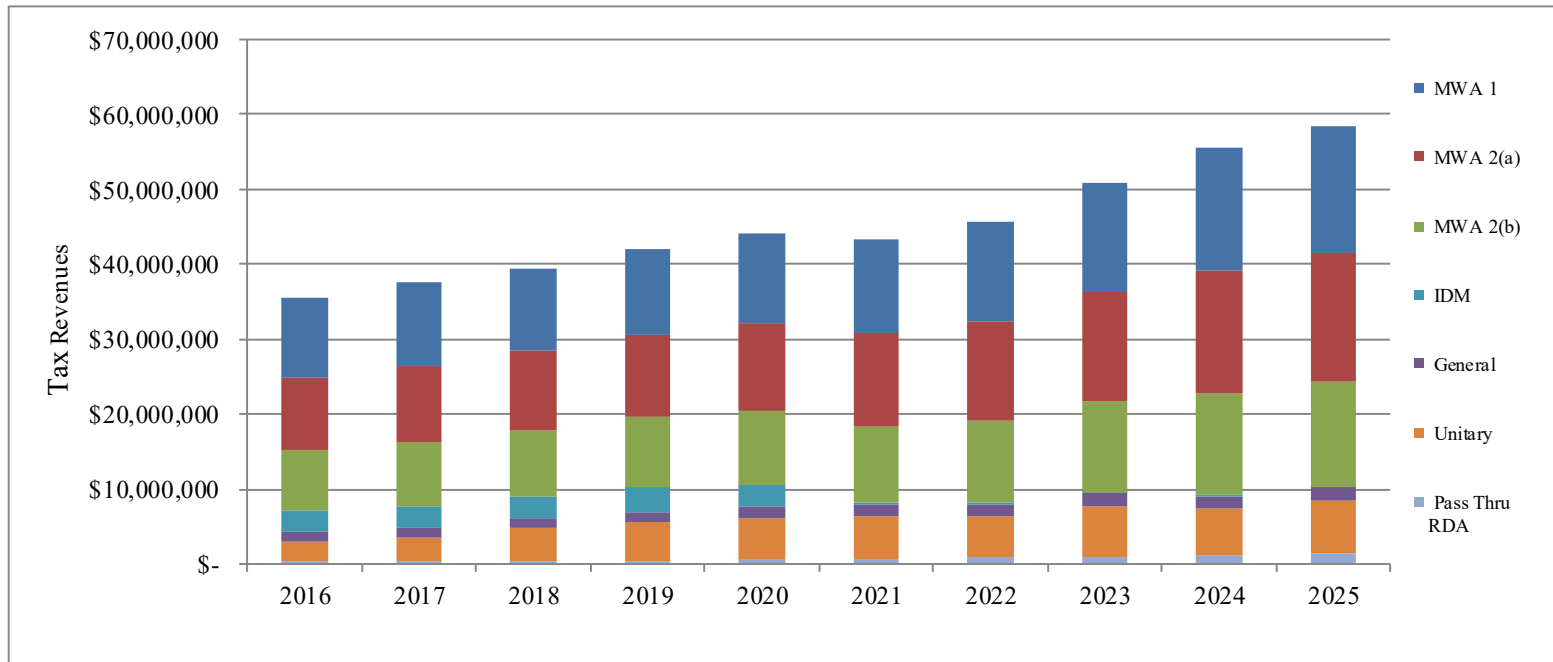
Mojave Water Agency
Changes in Net Position, continued
Last Ten Fiscal Years

	Fiscal Year Ended									
	6/30/25	6/30/24	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16
NON-OPERATING EXPENSES:										
Collection Charges	\$ 140,643	\$ 132,060	\$ 120,231	\$ 107,376	\$ 101,752	\$ 103,991	\$ 99,179	\$ 96,264	\$ 91,499	\$ 86,561
Other Expenses	330,075	176,208	67,090	136,029	123,475	127,095	350,726	103,252	91,483	490,751
State grant expense - pass-through	1,292,104	1,493,429	432,526	856,321	16,335	-	-	-	-	-
Bond Debt Issuance Expense	-	-	-	-	-	-	-	284,311	211,256	-
Amortization of bonds premium	(252,162)	(252,162)	(326,934)	(616,123)	(616,123)	(616,123)	(616,123)	(601,414)	(326,540)	(292,996)
Interest Expense	1,297,658	1,352,387	1,645,455	2,212,417	2,389,846	2,602,234	2,794,129	2,743,108	3,214,537	3,785,596
Total Non-Operating Expenses:	2,808,318	2,901,922	1,938,368	2,696,020	2,015,285	2,217,197	2,627,911	2,625,521	3,282,235	4,069,912
NON-OPERATING INCOME /(LOSS)	67,858,042	61,152,231	52,463,901	42,878,211	39,862,623	42,190,990	40,237,118	37,030,055	33,540,894	31,169,846
INCOME BEFORE CONTRIBUTIONS	38,031,739	27,767,853	26,701,905	30,346,729	6,009,109	13,787,265	9,183,453	7,442,095	5,528,791	(1,906,108)
Capital Contributions / State Grants	1,292,104	1,493,429	432,526	856,321	16,335	-	-	-	-	-
Change in Net Position:	39,323,843	29,261,282	27,134,431	31,203,050	6,025,444	13,787,265	9,183,453	7,442,095	5,528,791	(1,906,108)
Net position Beginning of Year	521,211,594	491,950,312	464,815,881	433,612,833	427,587,389	413,800,124	390,363,549	384,712,622	379,183,831	381,089,939
Prior Yr Adjustment	-	-	-	-	-	-	-	(1,791,168)	-	-
Net Position End of Year	\$ 560,535,437	\$ 521,211,594	\$ 491,950,312	\$ 464,815,883	\$ 433,612,833	\$ 427,587,389	\$ 399,547,002	\$ 390,363,549	\$ 384,712,622	\$ 379,183,831

Source: Mojave Water Agency

Mojave Water Agency
Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30,	MWA 1	MWA 2(a)	MWA 2(b)	General	Unitary	Pass Thru RDA	IDM	Total
2016	\$ 10,683,723	\$ 9,674,554	\$ 8,044,409	\$ 1,145,703	\$ 2,744,546	\$ 369,941	\$ 2,847,881	\$ 35,510,757
2017	11,119,947	10,224,396	8,538,533	1,195,320	3,156,791	388,837	2,947,269	37,571,094
2018	11,175,672	10,496,164	8,787,196	1,242,601	4,296,680	463,728	3,087,124	39,549,165
2019	11,538,431	11,009,046	9,246,229	1,369,353	5,097,369	489,765	3,319,312	42,069,504
2020	11,939,640	11,701,747	9,767,317	1,414,528	5,600,343	541,502	3,024,220	43,989,297
2021	12,436,301	12,409,894	10,330,953	1,490,231	5,557,033	770,030	305,475	43,299,917
2022	13,271,808	13,238,630	11,007,945	1,559,389	5,609,329	796,042	120,995	45,604,138
2023	14,639,724	14,664,677	12,196,550	1,674,974	6,712,246	989,529	57,397	50,935,097
2024	16,433,157	16,303,263	13,652,110	1,791,920	6,113,601	1,199,045	53,043	55,546,139
2025	16,854,736	17,099,352	14,218,143	1,745,411	7,095,928	1,312,904	77,048	58,403,521



Source: Mojave Water Agency

Mojave Water Agency
Property Tax Rates
Last Ten Fiscal Years

	MWA 1		MWA 2		ID M	
Fiscal Year Ended June 30	Secured Assessed Value	Unsecured Assessed Value	Secured Assessed Value	Unsecured Assessed Value	Secured Assessed Value	Unsecured Assessed Value
2016	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2017	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2018	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2019	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2020	0.1125	0.1125	0.0550	0.0550	0.0900	0.0900
2021	0.1125	0.1125	0.0550	0.0550	0.0000	0.0000
2022	0.1125	0.1125	0.0550	0.0550	0.0000	0.0000
2023	0.1125	0.1125	0.0550	0.0550	0.0000	0.0000
2024	0.1125	0.1125	0.0550	0.0550	0.0000	0.0000
2025	0.1125	0.1125	0.0550	0.0550	0.0000	0.0000

Source: Mojave Water Agency

Mojave Water Agency
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

Rank	Taxpayer	Land Use	2025	
			Secured Assessed Value	% of Total Secured Assessed Value
1	HIGH DESERT POWER TRUST	Utility	\$ 482,299,998	0.91%
2	CALPORTLAND COMPANY	Miscellaneous	474,456,891	0.90%
3	CEMEX PACIFIC HOLDINGS	Miscellaneous	467,915,537	0.88%
4	WALMART/SAMS	Commercial	241,570,144	0.46%
5	HIGCOV SCLC	Industrial	280,908,000	0.53%
6	MITSUBISHI CEMENT CORPORATION	Miscellaneous	259,074,231	0.49%
7	GENERAL ATOMICS AERNAUTICAL SYS INC	Unsecured	4,452,000	0.01%
8	WESTCORE BRAVO HESPERIA LLC	Industrial	192,424,000	0.36%
9	INTERMOUNTAIN POWER AGENCY	Miscellaneous	174,724,446	0.33%
10	BIG AVCA OWNER LLC	Industrial	159,136,279	0.30%
Total			\$ 2,736,961,526	5.16%
Local Secured Assessed Valuation			\$ 52,994,504,416	

Rank	Taxpayer	Land Use	2016	
			Secured Assessed Value	% of Total Secured Assessed Value
1	CEMEX INC	Industrial	\$ 306,034,051	1.04%
2	RIVERSIDE CEMENT COMPANY	Industrial	178,219,912	0.61%
3	HIGH DESERT POWER TRUST 2000	Utility	176,851,000	0.60%
4	MITSUBISHI CEMENT CORPORATIO	Industrial	169,237,556	0.58%
5	WALMART STORES INC	Commercial	163,334,038	0.56%
6	INTERMOUNTAIN POWER AGENCY	Utility	144,882,140	0.49%
7	MACERICH VICTOR VALLEY LLC	Commercial	117,462,746	0.40%
8	GEO GROUP INC	Correctional Facility	86,403,401	0.29%
9	PRIME A INVESTMENTS LLC	Commercial	83,691,055	0.28%
10	STIRLING CAPITAL INVESTMENTS	Commercial	80,997,503	0.28%
Total			\$ 1,507,113,402	5.13%
Local Secured Assessed Valuation			\$ 29,392,731,737	

Source: HdL Coren & Cone

Mojave Water Agency
Property Tax Assessed Valuations, Tax Levies and Collections
Last Ten Fiscal Years

MWA #1

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount ⁽¹⁾	Percent of Levy ⁽²⁾		Amount	Percent of Levy ⁽³⁾
2016	\$ 10,038,865	\$ 9,393,735	93.57%	\$ 1,289,987	\$ 10,683,723	106.42%
2017	10,222,055	9,758,910	95.47%	1,361,037	11,119,947	108.78%
2018	10,577,060	10,252,004	96.93%	923,668	11,175,672	105.66%
2019	11,016,505	10,750,984	97.59%	787,447	11,538,431	104.74%
2020	11,608,609	11,222,847	96.68%	716,793	11,939,640	102.85%
2021	12,037,428	11,740,025	97.53%	696,275	12,436,301	103.31%
2022	12,590,221	12,440,765	98.81%	831,043	13,271,808	105.41%
2023	13,794,451	13,147,246	95.31%	1,492,477	14,639,723	106.13%
2024	15,279,069	15,723,497	102.91%	709,660	16,433,157	107.55%
2025	16,279,423	15,951,791	97.99%	902,945	16,854,736	103.53%

MWA #2

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount ⁽¹⁾	Percent of Levy ⁽²⁾		Amount	Percent of Levy ⁽³⁾
2016	\$ 16,994,204	\$ 16,669,729	98.09%	\$ 1,049,233	\$ 17,718,963	104.26%
2017	17,675,273	17,728,741	100.30%	1,034,188	18,762,929	106.15%
2018	18,639,032	18,500,832	99.26%	782,528	19,283,360	103.46%
2019	19,615,718	19,534,082	99.58%	721,193	20,255,275	103.26%
2020	20,839,647	20,796,106	99.79%	672,958	21,469,064	103.02%
2021	21,989,311	22,003,759	100.07%	737,087	22,740,847	103.42%
2022	23,258,960	23,414,295	100.67%	832,279	24,246,575	104.25%
2023	25,484,365	26,194,736	102.79%	666,491	26,861,227	105.40%
2024	28,076,412	29,141,470	103.79%	813,903	29,955,373	106.69%
2025	30,339,519	30,372,479	100.11%	945,016	31,317,495	103.22%

(1) Amounts collected include current secured, current unsecured, and supplemental taxes. Assessed value amounts are based on the assessed value as of January 1 preceeding the applicable fiscal year.

(2) "% of Levy" for "Collections within the Fiscal Year of Levy" is greater than 100% in some years due to supplemental assessments which occur based on valuations in connection with a change of ownership during the applicable fiscal year.

(3) Percentages may be greater than 100% due to inclusion of amounts collected from prior years.

Source: Mojave Water Agency

Mojave Water Agency
Property Tax Assessed Valuations, Tax Levies and Collections, continued
Last Ten Fiscal Years

General Tax						
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount ⁽¹⁾	Percent of Levy ⁽²⁾		Amount	Percent of Levy ⁽³⁾
2016	\$ 3,306,588	\$ 4,222,419	127.70%	\$ 33,589	\$ 4,256,008	128.71%
2017	3,922,062	4,706,689	120.01%	34,259	4,740,948	120.88%
2018	4,359,970	5,971,613	136.96%	31,396	6,003,009	137.68%
2019	6,726,632	6,927,238	102.98%	29,249	6,956,487	103.42%
2020	6,494,973	7,532,108	115.97%	24,264	7,556,372	116.34%
2021	7,049,571	7,786,879	110.46%	30,415	7,817,293	110.89%
2022	6,988,885	7,935,046	113.54%	29,714	7,964,760	113.96%
2023	7,158,804	9,351,371	130.63%	25,379	9,376,749	130.98%
2024	7,287,323	9,076,907	124.56%	27,660	9,104,566	124.94%
2025	7,946,328	10,124,795	127.41%	29,448	10,154,243	127.79%

IDM

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount ⁽¹⁾	Percent of Levy ⁽²⁾		Amount	Percent of Levy ⁽³⁾
2016	\$ 2,712,534	\$ 2,615,260	96.41%	\$ 232,621	\$ 2,847,881	104.99%
2017	2,784,803	2,715,916	97.53%	231,353	2,947,269	105.83%
2018	2,906,998	2,902,516	99.85%	184,608	3,087,124	106.20%
2019	3,096,315	3,090,826	99.82%	228,485	3,319,312	107.20%
2020	2,880,858	2,837,783	98.50%	186,437	3,024,220	104.98%
2021	20,480	99,589	486.28%	205,886	305,475	1491.61%
2022 ⁽⁴⁾	-	21,988	N/A	99,006	120,995	N/A
2023 ⁽⁵⁾	-	-	N/A	57,397	57,397	N/A
2024 ⁽⁵⁾	-	-	N/A	53,043	53,043	N/A
2025 ⁽⁵⁾	-	-	N/A	77,048	77,048	N/A

(1) Amounts collected include current secured, current unsecured, and supplemental taxes. Assessed value amounts are based on the assessed value as of January 1 preceeding the applicable fiscal year.

(2) "% of Levy" for "Collections within the Fiscal Year of Levy" is greater than 100% in some years due to supplemental assessments which occur based on valuations in connection with a change of ownership during the applicable fiscal year.

(3) Percentages may be greater than 100% due to inclusion of amounts collected from prior years.

(4) Tax levy was discontinued beginning FY 2021/2022 going forward.

(5) Amount received was for prior year tax bills received in current year.

Source: Mojave Water Agency

Mojave Water Agency
Property Tax Allocation of Supplemental Table A Amount Revenues
Last Ten Fiscal Years

Ad Valorem Taxes				
Fiscal Year Ended June 30	Ad Valorem Taxes Received ⁽¹⁾	Amount Allocated to Payment Under Water Supply	Amount Allocated to Supplement Table A ⁽²⁾	
2016	\$ 20,358,277	\$ 16,061,710	4,296,566	
2017	21,344,343	16,759,691	4,584,652	
2018	21,671,836	16,204,477	5,467,359	
2019	22,547,477	15,795,457	6,752,020	
2020	23,641,387	17,500,858	6,140,529	
2021	24,846,195	18,772,440	6,073,755	
2022	26,510,438	20,165,596	6,344,843	
2023	29,304,401	18,534,580	10,769,821	
2024	32,736,420	20,081,602	12,654,818	
2025	33,954,088	21,254,203	12,699,885	

- (1) Includes revenues from the levy of the MWA#1 Assessment and the allocation of the MWA#2 Assessment revenues of \$0.03 per \$100 of assessed valuation.
- (2) Amounts include (i) the revenues received from the levy of the MWA#1 Assessment, plus (ii) the allocation of the revenues received from the levy of the MWA#2 Assessment of \$0.03 per \$100 of assessed valuation, less (iii) amounts due under the Water Supply Contract. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS - Limited Obligations Payable from Supplemental Table A Amount Revenues" found on page 6 of the Refunding Revenue Bonds, Series 2014A Official Statement, and "AD VALOREM PROPERTY TAXES - General" found on page 19 of the same Series 2014A Official Statement for further discussion.

Mojave Water Agency
Annual Change in Assessed Value
Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured Assessed Valuation Within Service Area	Unsecured Assessed Valuation Within Service Area	Percentage Increase/(Decrease)
2016	\$ 29,957,740,316	\$ 940,812,620	6.05%
2017	31,227,014,802	909,845,129	4.01%
2018	33,024,412,270	864,736,899	5.45%
2019	34,885,525,320	779,417,266	5.24%
2020	37,099,871,119	790,395,870	6.24%
2021	39,178,115,017	802,449,770	5.52%
2022	41,497,291,161	791,727,311	5.77%
2023	45,506,155,816	829,052,503	9.57%
2024	50,105,073,785	942,948,367	10.17%
2025	53,947,508,704	1,215,253,008	8.06%

Fiscal Year Ended June 30	Assessed Valuation Within Service Area (Land Only)	Assessed Valuation Within Service Area (Improvements)	Percentage Increase/(Decrease)
2016	\$ 8,923,435,342	\$ 21,975,117,594	6.05%
2017	9,086,271,066	23,050,588,865	4.01%
2018	9,401,831,735	24,487,317,434	5.45%
2019	9,792,449,045	25,872,493,541	5.24%
2020	10,318,763,767	27,571,503,222	6.24%
2021	10,699,936,013	29,280,628,774	5.52%
2022	11,191,307,176	31,097,711,296	5.77%
2023	12,261,734,857	34,073,473,462	9.57%
2024	13,581,394,472	37,466,627,680	10.17%
2025	14,470,598,413	40,692,163,299	8.06%

Source: Mojave Water Agency

Mojave Water Agency
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30.	General Obligation Bond 2006	General Obligation Bond 2016	Certificate of Participation 2014	Certificate of Participation 2009	Refunding Revenue Bond 2017	Contract Payable
2016	\$ 18,160,000	\$ -	\$ 10,405,000	\$ 34,800,000	\$ -	\$ -
2017	-	15,025,000	9,085,000	33,950,000	-	-
2018	-	12,555,000	7,720,000	-	30,200,000	-
2019	-	10,010,000	6,310,000	-	29,345,000	-
2020	-	7,395,000	4,835,000	-	28,445,000	168,633
2021	-	4,685,000	3,290,000	-	27,500,000	161,496
2022	-	1,905,000	1,685,000	-	26,510,000	154,359
2023	-	-	-	-	25,470,000	149,059
2024	-	-	-	-	24,380,000	142,971
2025	-	-	-	-	23,235,000	136,883

Mojave Water Agency
Ratios of Outstanding Debt by Type, continued
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Sub Total	Premium/ (Discount)	TOTAL	Per Capita ⁽¹⁾	% of Per Capital
2016	\$ 63,365,000	\$ 1,911,474	\$ 65,276,474	\$ 36,618	0.056%
2017	58,060,000	2,002,318	60,062,318	37,537	0.062%
2018	50,475,000	6,805,003	57,280,003	38,849	0.068%
2019	45,665,000	6,188,880	51,853,880	41,079	0.079%
2020	40,843,633	5,572,756	46,416,389	45,968	0.099%
2021	35,636,496	4,956,633	40,593,129	49,570	0.122%
2022	30,254,359	4,340,510	34,594,869	49,270	0.142%
2023	25,619,059	4,055,913	29,674,971	51,194	0.173%
2024	24,522,971	3,761,414	28,284,385	N/A	-
2025	23,371,883	3,509,252	26,881,136	N/A	-

(1) https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*zolo33* ga*NTU4MzU0NzEwLjE3MjYxNjc0MDY.* ga_J4698JNNFT*MTCyNjE2NzQwNi4XlJEUmTCyNjE2NzU2My4yNy4wLjA.#eyJhcHBpZC6bNzAsInNoZXBzIjpbMSwyOSwyNSwzMSwyNiwYNywyMF0slmRhdGEiOlRlRmYmxlSWQlClYlMCJldFsiTWFqY3JfQkXlYlSisjQlQiXSBxblIN0YXRlIjpbI2MDAwll1dLFSiQXJlYSIsWywNjA3MSJdXSxbllN0YXRpc3RyYsWywNjE2dLFSiVW5pdF9vZl9tZWZdXJlliwiXGV2ZWxzll0sWyJZZWFyIjpbIjwv0sWyJZZWFyQmVnaW4iLCltMSJdLFSiVWVhcl9FbmQlCltMSJdX0=

San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2023.

N/A - Statistical information was not available for the specified time periods.

Note: Outstanding Debt by Type includes both short-term and long-term portions of debt, for a total outstanding debt at the end of each year.

Mojave Water Agency
Ratios of General Obligated Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Obligation Bonds	Premium/ (Discount)	TOTAL	Total Assessed Taxable Value of Property ⁽¹⁾	% of Est. Actual Taxable Value of Property	Per Capita ⁽²⁾
2016	\$ 18,160,000	\$ 598,702	18,758,702	\$ 2,583,365,954	0.70%	\$ 36,618
2017	15,025,000	889,075	15,914,075	2,652,193,078	0.57%	37,537
2018	12,555,000	719,727	13,274,727	2,768,569,401	0.45%	38,849
2019	10,010,000	550,380	10,560,380	2,948,871,088	0.34%	41,079
2020	7,395,000	381,032	7,776,032	3,193,166,254	0.23%	45,968
2021	4,685,000	211,685	4,896,685	3,381,790,795	0.14%	49,570
2022	1,905,000	42,337	1,947,337	3,695,095,900	0.05%	49,270
2023	-	-	-	4,299,432,378	0.00%	51,194
2024	-	-	-	4,919,441,347	0.00%	N/A
2025	-	-	-	5,327,079,048	0.00%	N/A

(1) Source: https://www.sbcounty.gov/atc/DBMFiles/PIP163-PI163%20AGCY%20VAL%20RPT%2010-31-2022_41334961522.pdf

(2) Source: Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2023.

N/A - Information was not available for the specified time periods.

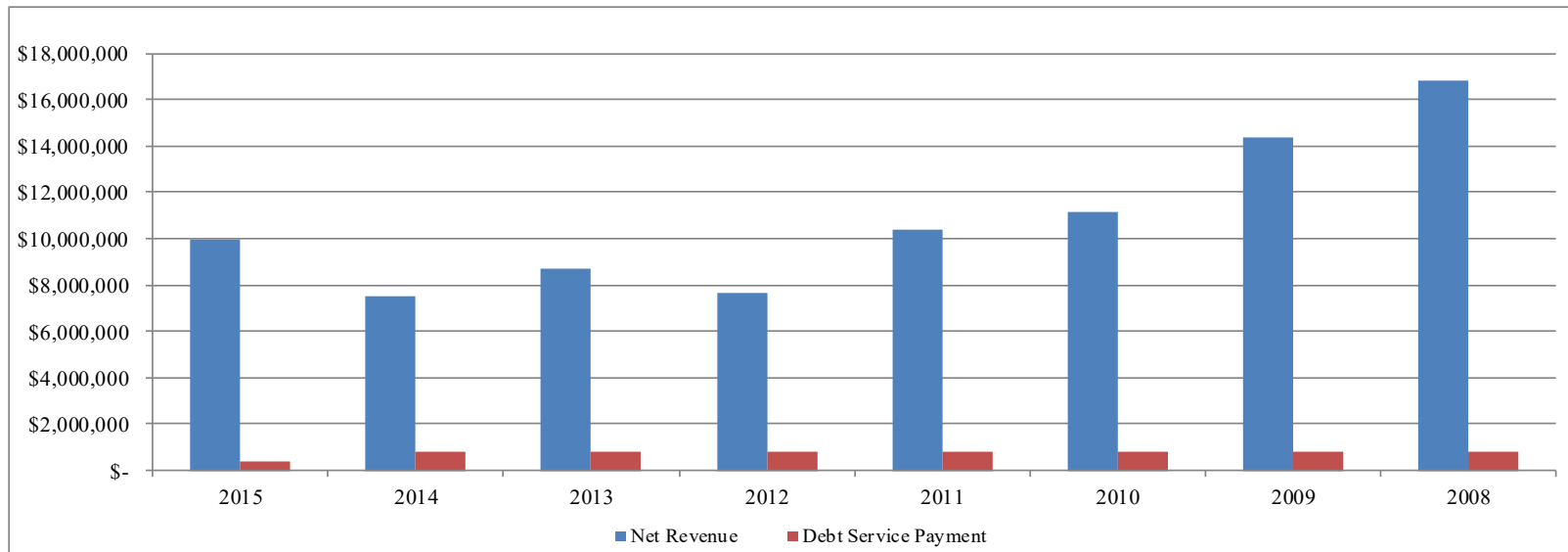
Mojave Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Assessed Value of Taxable Property	\$ 5,327,079,048	\$ 4,919,441,347	\$ 4,299,432,378	\$ 3,695,095,900	\$ 3,381,790,795	\$ 3,193,166,254	\$ 2,948,871,088	\$ 2,768,569,401	\$ 2,652,193,078	\$ 2,583,365,954
Debt Limit (10% of total assessed value)	532,707,905	491,944,135	429,943,238	369,509,590	338,179,080	319,316,625	294,887,109	276,856,940	265,219,308	258,336,595
Total Net Debt Applicable to Limit: General Obligation Bonds	-	-	-	-	1,802,900	4,514,475	7,122,075	9,695,667	12,192,638	14,998,375
Legal Debt Margin	<u>\$ 532,707,905</u>	<u>\$ 491,944,135</u>	<u>\$ 429,943,238</u>	<u>\$ 369,509,590</u>	<u>\$ 339,981,980</u>	<u>\$ 323,831,100</u>	<u>\$ 302,009,184</u>	<u>\$ 286,552,607</u>	<u>\$ 277,411,945</u>	<u>\$ 273,334,970</u>
Total Net Debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.53%	1.41%	2.42%	3.50%	4.60%	5.81%

Source: Mojave Water Agency

Mojave Water Agency
Pledged Revenue Coverage
Last Eight Fiscal Years*

DWR Debt Service - Loans (Paid off FY14/15)									
Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:									
Water Sales	\$ 6,214,830	\$ 4,347,448	\$ 5,594,269	\$ 4,550,037	\$ 7,593,587	\$ 7,485,689	\$ 8,643,681	\$ 10,882,901	\$ 6,746,363
General Tax Assessments	1,434,585	1,462,281	1,396,438	1,446,160	1,390,223	1,481,566	1,723,935	1,642,613	1,400,910
Unitary Tax Assessments	2,165,047	1,644,367	1,644,762	1,555,426	1,314,348	1,678,049	2,633,850	2,266,846	2,207,605
Interest	176,010	46,530	81,638	78,276	104,156	486,956	1,395,642	2,013,411	1,098,790
Total Revenue	\$ 9,990,472	\$ 7,500,625	\$ 8,717,108	\$ 7,629,899	\$ 10,402,314	\$ 11,132,260	\$ 14,397,107	\$ 16,805,771	\$ 11,453,668
Debt Service	\$ 403,537	\$ 807,365	\$ 807,365	\$ 807,365	\$ 807,365	\$ 807,365	\$ 807,365	\$ 808,224	\$ 807,365
Coverage Ratio	24.76	9.29	10.80	9.45	12.88	13.79	17.83	20.79	14.19
Revenues Remaining After Debt Service Payment	\$ 9,586,935	\$ 6,693,261	\$ 7,909,743	\$ 6,822,534	\$ 9,594,949	\$ 10,324,895	\$ 13,589,743	\$ 15,997,548	\$ 10,646,303

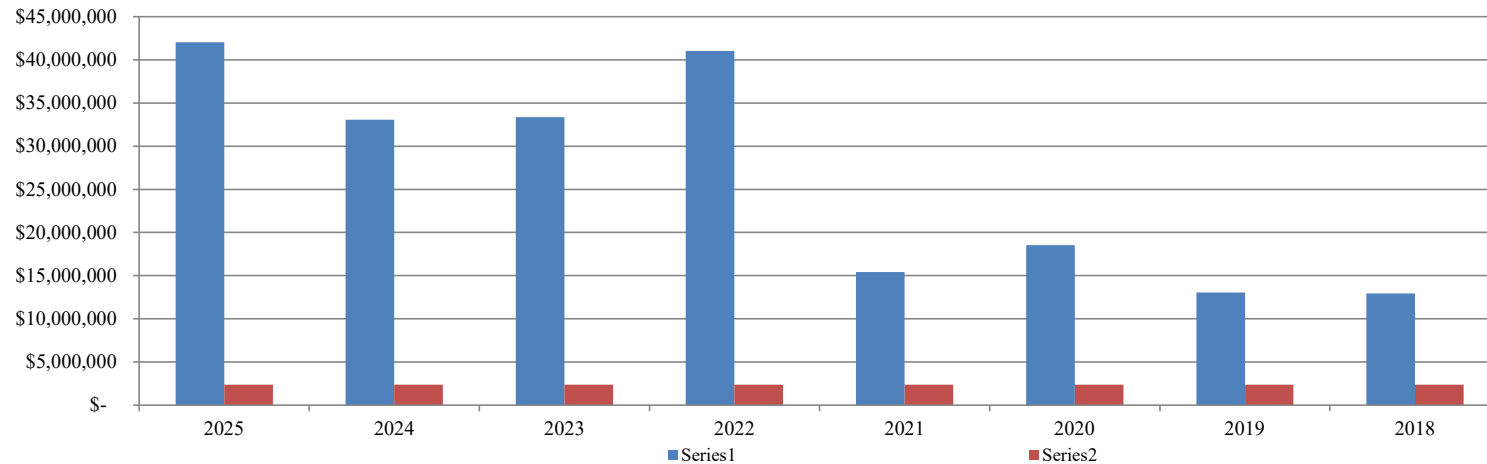


* The debt service is paid-in-full. The last nine years are shown for historical purposes only.

Source: Mojave Water Agency

Mojave Water Agency
Pledged Revenue Coverage, continued
Last Eight Fiscal Years*

2017A Refunding Revenue Bonds - Table A Water								
Fiscal Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018
Revenues:								
Water Sales	\$ 25,171,633	\$ 18,467,532	\$ 21,513,066	\$ 32,022,585	\$ 6,528,060	\$ 9,660,899	\$ 4,960,927	\$ 6,304,965
General Tax Assessments	3,058,315	2,990,965	2,664,503	2,355,430	2,260,261	1,956,030	1,859,118	1,706,329
Unitary Tax Assessments	7,095,928	6,113,601	6,712,246	5,609,329	5,557,033	5,600,343	5,097,369	4,296,680
Interest	6,714,341	5,498,773	2,482,568	1,064,546	1,049,536	1,292,433	1,139,142	639,258
Total Revenue	\$ 42,040,217	\$ 33,070,872	\$ 33,372,383	\$ 41,051,891	\$ 15,394,889	\$ 18,509,705	\$ 13,056,556	\$ 12,947,232
Debt Service	2,337,400	2,336,900	2,338,900	2,338,400	2,340,650	2,340,650	2,338,400	2,371,631
Coverage Ratio	17.99	14.15	14.27	17.56	6.58	7.91	5.58	5.46
Revenues Remaining After Debt Service Payment	\$ 39,702,817	\$ 30,733,972	\$ 31,033,483	\$ 38,713,491	\$ 13,054,239	\$ 16,169,055	\$ 10,718,156	\$ 10,575,601



* 2018 is the first year of issuance for the 2017A Refunding Revenue Bonds
Source: Mojave Water Agency

Mojave Water Agency
Demographic and Economic Statistics
Last Ten Fiscal Years

County of San Bernardino						
Year	Population ⁽¹⁾	Personal Income ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Median Age ⁽²⁾	School Enrollment (K-12) ⁽³⁾	Unemployment Rate ⁽⁴⁾
2016	2,140,096	\$78,830,801	\$36,618	32.7	408,991	5.8
2017	2,157,404	83,741,561	37,537	32.9	403,035	4.9
2018	2,171,603	87,550,004	38,849	33.1	405,931	4.1
2019	2,177,279	88,261,041	41,253	33.8	406,144	3.8
2020	2,189,183	98,143,792	45,499	33.6	409,508	13.8
2021	2,194,710	108,623,799	49,493	34.3	399,356	8.1
2022	2,193,656	108,081,645	49,270	34.4	398,648	4.0
2023	2,195,624	112,402,797	51,194	34.4	400,521	4.9
2024	N/A	N/A	N/A	N/A	396,348	5.2
2025	N/A	N/A	N/A	N/A	396,495	5.9

(1) Source: <https://apps.bea.gov/regional/bearfacts/countybf.cfm>

Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2023.

(2) Source: <http://data.census.gov>

U.S. Census Bureau, ACS Demographic and Housing Estimates
2011-2023 American Community Survey 5-Year Estimates for San Bernardino County, CA

(3) Source: Public K-12 Graded Enrollment | Department of Finance (ca.gov)

California Department of Finance Demographic Research Unit - 2024 Series. 2025 is projected number.

(4) Source: <https://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSMOREResult.asp?menuChoice=localAreaPro&criteria=unemployment+rate&categoryType=employment&geogArea=0604000071&area=San+Bernardino+County&timeSeries=unemployment+rateTimeSeries>

Employment Development Department, Labor Market Information Division.
2025 is the rate as of June 2025.

(5) Source: <http://www.dof.ca.gov/Forecasting/Demographics/>

California Department of Finance Demographic Research Unit, Released on January 1, 2024 and 2025

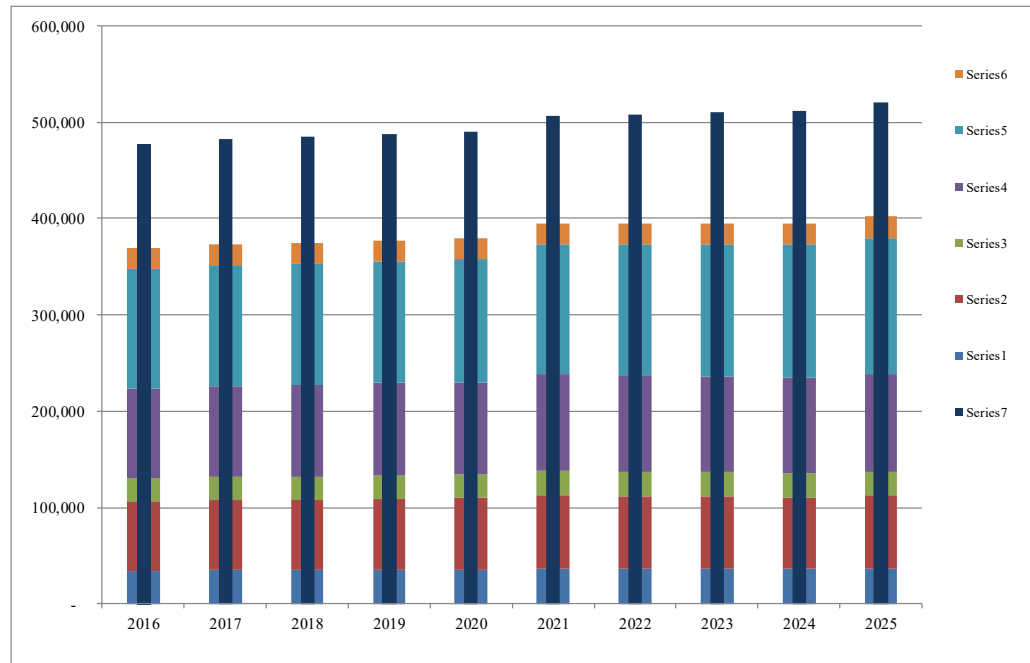
N/A Information not available for specific date range.

* 2025 School enrollment data is projected.

Mojave Water Agency
Demographic and Economic Statistics, continued
Last Ten Fiscal Years

Population by City ⁽⁵⁾

Year	Adelanto	Apple Valley	Barstow	Hesperia	Victorville	Yucca Valley	Unincorporated	TOTAL
2016	34,367	72,234	23,875	93,173	124,600	21,672	108,019	477,940
2017	35,192	72,412	24,037	94,233	125,338	21,859	108,861	481,932
2018	35,162	72,891	24,075	95,127	125,782	21,905	109,651	484,593
2019	35,136	73,464	24,150	96,362	126,543	22,050	110,218	487,923
2020	35,652	74,331	24,315	95,834	127,518	22,306	110,338	490,294
2021	36,569	76,160	25,405	100,225	134,700	21,846	112,169	507,074
2022	36,420	75,277	25,115	99,855	136,153	21,712	114,030	508,562
2023	36,656	74,996	24,918	100,041	137,193	21,635	115,272	510,711
2024	36,131	74,322	24,669	100,087	138,202	21,594	117,184	512,189
2025	37,150	75,262	24,811	101,792	141,013	22,027	119,129	521,184



Mojave Water Agency
Demographic and Economic Statistics – Principal Employers
Fiscal Year 2025

Town of Apple Valley - 2021 ⁽¹⁾				City of Victorville - 2016 ⁽³⁾			
Employer	Employees	Rank	Percentage of Total Employment	Employer	Employees	Rank	Percentage of Total Employment
St. Mary Regional Medical Center	1,600	1	5.37%	Southern California Logistics Airport	N/A	1	6.55%
Wal-Mart Distribution Center	1,264	2	4.24%	Victor Elementary School District	N/A	2	4.21%
Apple Valley Unified School District	1,038	3	3.48%	Victor Valley Community College District	N/A	3	2.86%
Big Lots Distribution Center	821	4	2.76%	Victor Valley Global Medical Center	N/A	4	2.20%
Target Stores T-0939	222	5	0.74%	Desert Valley Medical Group, Inc.	N/A	5	2.18%

City of Hesperia - 2023 ⁽²⁾			
Employer	Employees	Rank	Percentage of Total
Hesperia Unified School District	3,231	1	8.59%
County of San Bernardino	549	2	1.46%
Wal-Mart Supercenter	421	3	1.12%
Stater Brothers Markets (3 locations)	311	4	0.83%
Super Target	287	5	0.76%

Note: Above sites have not been updated for the fiscal year 2025. The most recent data is displayed.

* Source

(1) Town of Apple Valley, 2020-2021 ACFR, pg. 148. Towne of Apple Valley 2022 ACFR did not provide principal employer data.

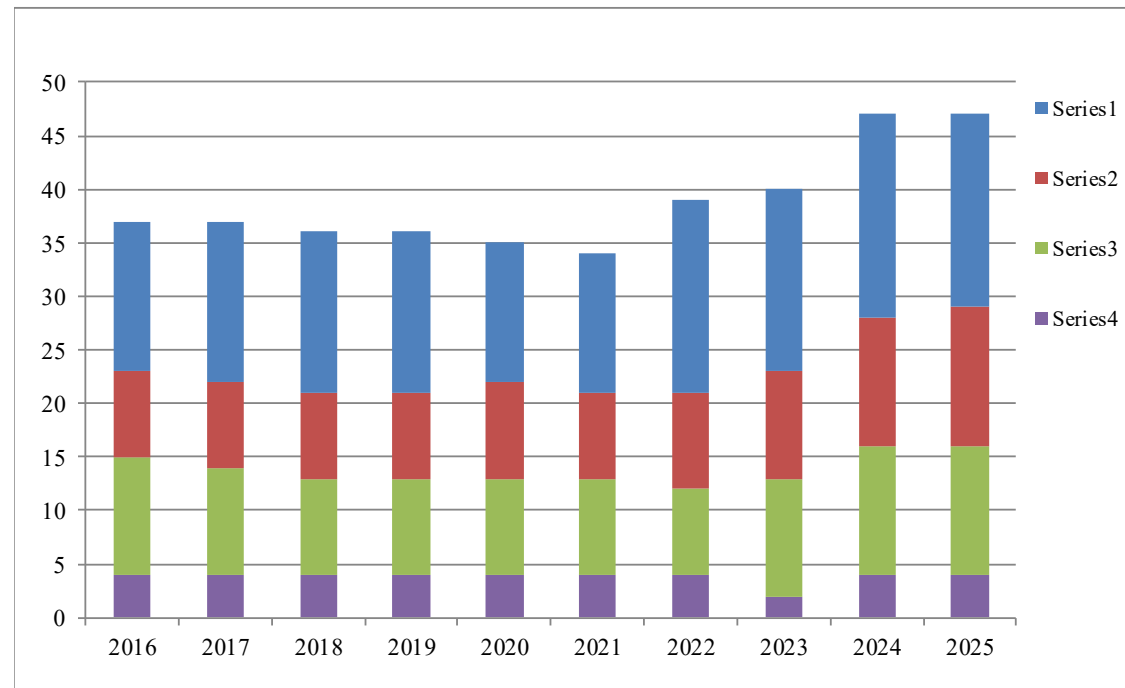
(2) City of Hesperia, 2023-2024 ACFR, pg. 195

(3) City of Victorville, 2015-2016 ACFR, pg. 166

N/A = Not Available. The City of Victorville did not provide the number of employees per employer, only a percentage of total employment. Fiscal Year 2015-2016 was the last year that the City of Victorville tracked this information.

Mojave Water Agency
Operating and Capacity Indicators – Full-Time Employees
Last Ten Fiscal Years

Fiscal Year Ending	Administration	Operations and Maintenance	Water Resources	Watermaster	Total⁽¹⁾
2016	14	8	11	4	37
2017	15	8	10	4	37
2018	15	8	9	4	36
2019	15	8	9	4	36
2020	13	9	9	4	35
2021	13	8	9	4	34
2022	18	9	8	4	39
2023	17	10	11	2	40
2024	19	12	12	4	47
2025	18	13	12	4	47

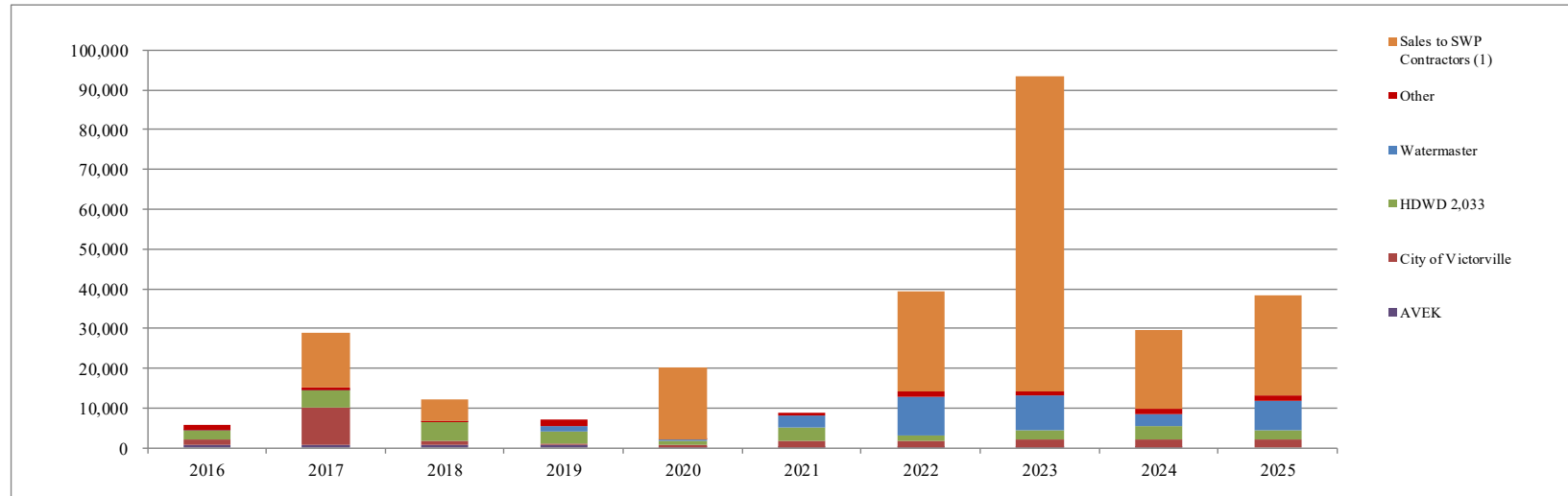


(1) Represents actual filled positions, not budgeted or approved.

Source: Mojave Water Agency

Mojave Water Agency
Operating and Capacity Indicators – Acre Feet of Water Sold
Last Ten Fiscal Years

Mojave Water Agency Acre-Feet of Water Sold								State Water Project Allocations			
Fiscal Year Ending	AVEK	City of Victorville	HDWD	Watermaster	Other	Sales to SWP Contractors ⁽¹⁾	Total ⁽²⁾	Table A Amount ⁽³⁾	%	Acre Feet Allocated	SWP Deliveries
2016	984	1,319	2,243	41	1,303		5,890	85,800	60%	51,480	9,477
2017	973	9,127	4,365	24	653	14,000	29,142	85,800	85%	72,930	24,955
2018	933	739	4,837	134	84	5,633	12,360	85,800	35%	30,030	32,457
2019	670	500	2,942	1,529	1,509		7,150	85,800	75%	64,350	8,017
2020	281	500	1,141	118	131	17,960	20,131	89,800	20%	17,960	18,441
2021	2	1,835	3,251	2,943	770		8,801	89,800	5%	4,490	1,790
2022	75	1,641	1,332	9,997	1,048	25,152	39,245	89,800	5%	4,490	2,315
2023	48	2,151	2,343	8,659	976	79,075	93,252	89,800	100%	89,800	51,537
2024	5	2,018	3,588	3,041	1,162	20,000	29,814	89,800	40%	35,920	48,394
2025	0	2,015	2,580	7,421	1,213	25,000	38,229	89,800	50%	44,900	5,367



(1) Indicates water sales revenue due to sales to other State Water Project Contractors under the Multi-Year Water Pool Demonstration Program; 6,000 AF was sold during FY 2016-2017 under the MYP Sales program. A separate exchange agreement between the Santa Clara Water District and MWA for 8,000 AF was approved by DWR in December 2016. A separate exchange agreement between the Central Coast Water Authority and MWA for 5,633 AF was approved by DWR in June 2018. The following agreements were approved by DWR during FY 2019-2020: Belridge WSD, 3,593 AF; Berrenda Mesa Water District, 3,155 AF; Dudley Ridge Water District, 2,518 AF; Lost Hills Water District, 3,558 AF; Wheeler Ridge-Maricopa Water Storage District, 4,736; Central Coast Water Authority, 400 AF. The following agreements were approved by DWR during FY 2021-2022: Central Coast Water Authority, 1,310; County of Kings, 5,235; Lost Hills Water District, 7,184; Palmdate Water District, 3,333, and Zone 7 Water Agency, 8,090 AF. The following agreements were approved by DWR during FY 2022-2023: West Side Water Authority, 76,000 AF, County of Kings 75 AF, Central Coast Water Authority 1,500 AF and Zone 7 Water Agency, 1,500 AF.

(2) The amounts differ from the 2014 Official Statement due to the Watermaster sales being recorded on a cash basis rather than accrual within the Official Statement.

(3) Includes Table A entitlement under Berrenda Mesa Agreement and the Dudley Ridge Agreement.

(4) The difference between the Agency's Table A Amount and the SWP allocation reflects reduced deliveries from the SWP.

(5) The difference between deliveries and sales are a result of groundwater recharge and storage by the Agency and sales from the groundwater basin.

Source: Mojave Water Agency

Mojave Water Agency
Operating and Capacity Indicators – Historical Water Sales Revenue
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Sales to Watermaster	Sales to Customers	Sales to SWP Contractors ⁽¹⁾	Total	% Increase (% Decrease)
2016	\$ 179,730	\$ 3,191,370	\$ -	\$ 3,371,100	-47.4%
2017	12,360	8,037,125	2,428,000	10,477,485	210.8%
2018	74,504	4,427,901	1,802,560	6,304,965	-39.8%
2019	883,762	4,077,165	-	4,960,927	-21.3%
2020	69,773	1,972,192	7,618,934	9,660,899	94.7%
2021	1,777,572	4,750,488	-	6,528,060	-32.4%
2022	5,628,615	3,154,670	23,239,300	32,022,585	390.5%
2023	5,056,856	4,413,710	12,042,500	21,513,066	-32.8%
2024	1,718,165	4,621,767	12,127,600	18,467,532	-14.2%
2025	4,192,865	5,061,518	15,917,250	25,171,633	36.3%

(1) Indicates water sales revenue due to sales to other State Water Project Contractors under the Multi-Year Water Pool Demonstration Program.

Mojave Water Agency
Operating and Capacity Indicators – Capital Asset Statistics
Last Ten Fiscal Years

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Trans/ Distr Facility	\$ 201,052,332	\$ 201,306,690	\$ 199,959,951	\$ 199,933,680	\$ 193,849,611	\$ 193,270,055	\$ 193,270,055	\$ 193,264,011	\$ 193,128,281	\$ 193,128,281
Monitoring Wells	21,277,554	21,277,554	20,190,868	20,190,868	20,190,868	20,190,868	20,190,868	20,190,868	20,190,868	20,190,868
Trucks & Autos	2,174,644	2,109,346	1,464,445	978,102	862,067	916,590	854,741	863,301	629,712	664,503
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-
Equipment	659,705	659,705	659,705	1,036,031	1,036,031	1,036,031	914,473	893,219	504,708	367,418
Computer Hardware	3,325,195	3,325,195	3,114,836	3,113,990	3,113,990	3,023,842	2,820,768	2,670,454	2,469,301	2,454,233
Building	21,655,718	21,735,970	21,600,391	21,589,001	21,589,001	21,546,382	16,682,345	16,682,346	16,682,345	16,409,074
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Sate Water Project Entitlement	323,660,462	316,614,507	309,550,036	302,027,826	293,735,263	286,261,579	279,141,085	272,326,365	265,791,373	259,257,368
Water Management Plan	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065	4,272,065
Long-term storage plan	-	-	-	-	-	-	-	-	-	-
Total	\$ 578,077,675	\$ 571,301,032	\$ 560,812,297	\$ 553,141,563	\$ 538,648,896	\$ 530,517,412	\$ 518,146,400	\$ 511,162,629	\$ 503,668,653	\$ 496,743,810

Source: Mojave Water Agency

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Report on Internal Controls and Compliance

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Board of Directors
Mojave Water Agency
Apple Valley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Mojave Water Agency (the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 1, 2025.

Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statements. 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*.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 1, 2025