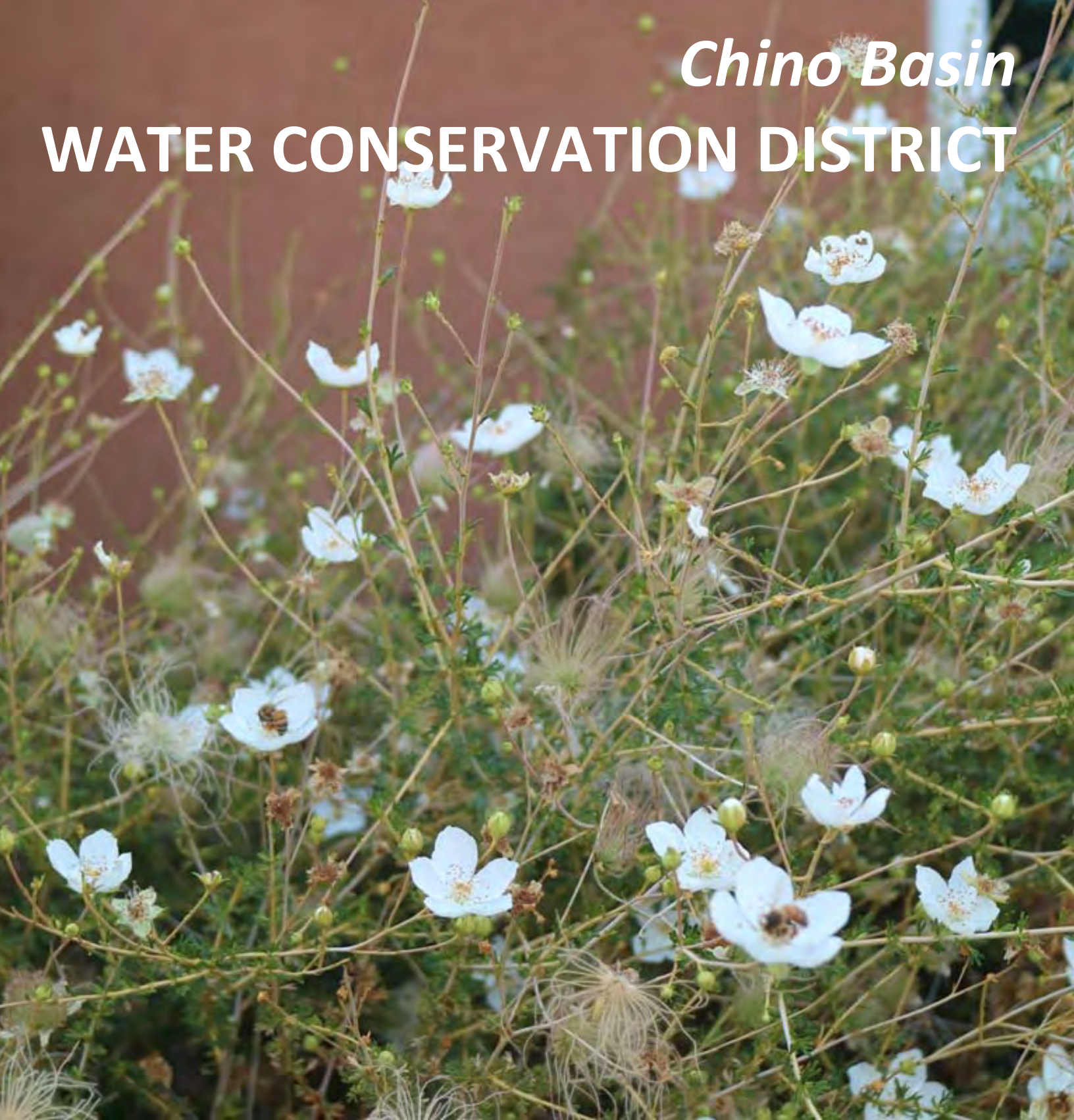


# *Chino Basin* **WATER CONSERVATION DISTRICT**



**FINANCIAL STATEMENTS** *for the*  
*fiscal year ending* **JUNE 30, 2016**

# **Our Mission Statement**

*The Chino Basin Water Conservation District is a public agency whose goal is the protection of the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The Basin is protected by the capture and percolation of water through the District's network of channels, basins and spreading grounds. Water conservation education is provided to the individuals and organizations within the District's service area to further promote the efficient use of our water resources.*

## **Board of Directors as of June 30, 2016**

<b>Name</b>	<b>Division</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Term</b>
Paul Hofer	Division 4	Vice-President	Appointed In-Lieu	12/2012 - 12/2016
Geoffrey Vanden Heuvel	Division 7	Treasurer	Appointed In-Lieu	12/2014 - 12/2018
Marc Gruppiso	Division 2	Director	Appointed In-Lieu	6/2016 - 12/2016
Dr. Hanif Gulmahamad	Division 6	Director	Appointed In-Lieu	12/2012 - 12/2016
Margaret Hamilton	Division 3	Director	Appointed In-Lieu	12/2014 - 12/2018
Terence M. King	Division 1	Director	Appointed In-Lieu	12/2014 - 12/2018
Al Yoakum	Division 5	Director	Elected	12/2012 - 12/2016

**Chino Basin Water Conservation District  
Eunice Ulloa, Executive Director  
4594 San Bernardino Street  
Montclair, California 91763-0900  
(909) 626-2711**

**Chino Basin Water Conservation District**

**Financial Statements**

**for the Fiscal Year Ended June 30, 2016**

**Chino Basin Water Conservation District**  
**Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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# **Introductory Section**







February 13, 2017

The Honorable Board of Directors of the  
Chino Basin Water Conservation District

It is our pleasure to submit the Annual Financial Report for the Chino Basin Water Conservation District (District) for fiscal year ending June 30, 2016. District staff prepared this financial report following guidelines set forth by the Governmental Accounting Standards Board (GASB). The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary to enhance your understanding of the District's financial position and activities.

This report is organized into three sections: (1) Introductory, (2) Financial, and (3) Required Supplementary Information. The Introductory section is divided into four parts: (a) Introduction, (b) District Facilities, (c) District Services, and (d) District Fiscal Matters. The Introduction offers general information about the District's organization, current District activities, and reports on issues and events of importance during the fiscal year. The District Facilities offers a review of the Water Conservation Center Campus as well as general information about the District-owned basins, and their operation and maintenance. The District Services reports on District Events and Outreach Programs. The District Fiscal Matters discusses Internal Control Structure, Financial Planning, Investment Policies and Banking Procedures, Budgetary Control, Economic Condition and Outlook, Audit and Financial Reporting, and Risk Management. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's financial statements, as well as the District's audited financial statements with accompanying notes. The Required Supplementary Information section includes selected financial information generally presented in greater detail than presented in the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A is located immediately following the Independent Auditors' Report.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Chino Basin Water Conservation District's fiscal policies.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Eunice M. Ulloa", written over a horizontal line.

Eunice M. Ulloa  
Executive Director

A handwritten signature in blue ink, appearing to read "Vivian G. Castro", written over a horizontal line.

Vivian G. Castro  
Deputy Executive Director

4594 San Bernardino Street  
Montclair, CA 91763-2228  
(909) 626-2711  
Fax: (909) 626-5974

# Introduction

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## District Structure and Leadership

The Chino Basin Water Conservation District, incorporated on December 6, 1949, is an independent special district that operates under the authority of Division 21 of the California Water Code. Located in the western region of San Bernardino County, in California, the District encompasses the entire cities of Montclair and Chino, and portions of the cities of Chino Hills, Upland, Ontario, Rancho Cucamonga and some of the unincorporated areas of western San Bernardino County.

The District is governed by an elected seven-member Board. Each Director must reside within the geographical area established for their respective Divisions. The District's Board meets on the second Monday of each month. Meetings are publicly noticed and citizens are encouraged to attend. The Board Directors are:

Title	Director Name	CBWCD Division	Dates of Office
President	Kati Parker	2	12/2012 - 12/2016
Vice-President	Paul Hofer	4	12/2012 - 12/2016
Treasurer	Geoffrey Vanden Heuvel	7	12/2014 - 12/2018
Director	Dr. Hanif Gulmahamad	6	12/2014 - 12/2016
Director	Margaret Hamilton	3	12/2014 - 12/2018
Director	Terence M. King	1	12/2014 - 12/2018
Director	Al Yoakum	5	12/2012 - 12/2016

In order to conduct the business of the District, Board officer positions are selected every two years. In January 2015, the Board elected Director Parker to continue to hold the position of "President of the Board," Director Hofer to continue to hold the position of "Vice-President of the Board," and Director Vanden Heuvel to continue to hold the position of "District Treasurer." In June 2015, President Kati Parker resigned from the Board stating that she would no longer be residing in Division 2. At a Special Meeting of the Board of Directors held on June 30, 2016, the Board interviewed and appointed Marc Gruppiso as Director for Division 2 for the remaining term of office for that Division (December 2016).

The term of service for Board officers and committee members ends in December 2016.



## District Structure and Leadership, continued

The Board committee appointments made by President Parker at the January 2015 meeting were as follows:

<b>Finance Committee</b>	<b>Personnel Committee</b>	<b>Education Committee</b>	<b>Recycled Water Committee</b>
Vanden Heuvel - Chair	Parker - Chair	Hamilton - Chair	King - Chair
Hamilton	Hamilton	Parker	Parker
Gulmahamad	Vanden Heuvel	Yoakum	Vanden Heuvel

<b>Facilities Committee</b>	<b>Advertising Committee (Ad-hoc)</b>	<b>Basin Landscape Committee</b>	<b>Potential SW Capture Facilities Committee (Ad-hoc)</b>
Hamilton - Chair	Hofer - Chair	Hofer - Chair	Vanden Heuvel - Chair
Parker	King	Yoakum	Hofer
Gulmahamad	Yoakum	Gulmahamad	Parker

General Manager Ulloa continued in the position of General Manager/District Secretary in FY 2015-2016 (the title of “General Manager” was changed to “Executive Director” in August 2015). The Executive Director administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. In FY 2015-2016, the District employs a total of seventeen staff consisting of fifteen full-time employees, one part-time employee, and one intern.

## Major Objectives

The activities of the Board and staff at the District are driven by its Mission Statement:

*The Chino Basin Water Conservation District is a public agency whose goal is the protection of the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The Basin is protected by the capture and percolation of water through the District’s network of channels, basins, and spreading grounds. Water conservation education is provided to the individuals and organizations within the District’s service area to further promote the efficient use of our water resources.*

The goals of the Board of Directors remain:

- To continue to provide the most efficient physical recharge services and the highest quality educational information at the lowest possible cost;

## Major Objectives, continued

The goals of the Board of Directors remain, continued:

- To cooperate with others in the economical and cost effective development and operation of new and enhanced existing groundwater recharge facilities;
- To actively promote and expand the District's water conservation educational programs while actively supporting the conservation programs and activities of other agencies;
- To assist others in the economical implementation and operation of recycled water recharge projects and projects involving groundwater remediation; and
- To actively participate, as an independent voice, in the oversight and protection of the Chino Groundwater Basin by providing additional engineering expertise to assist in the review of current groundwater management practices and the formulation of future policies.

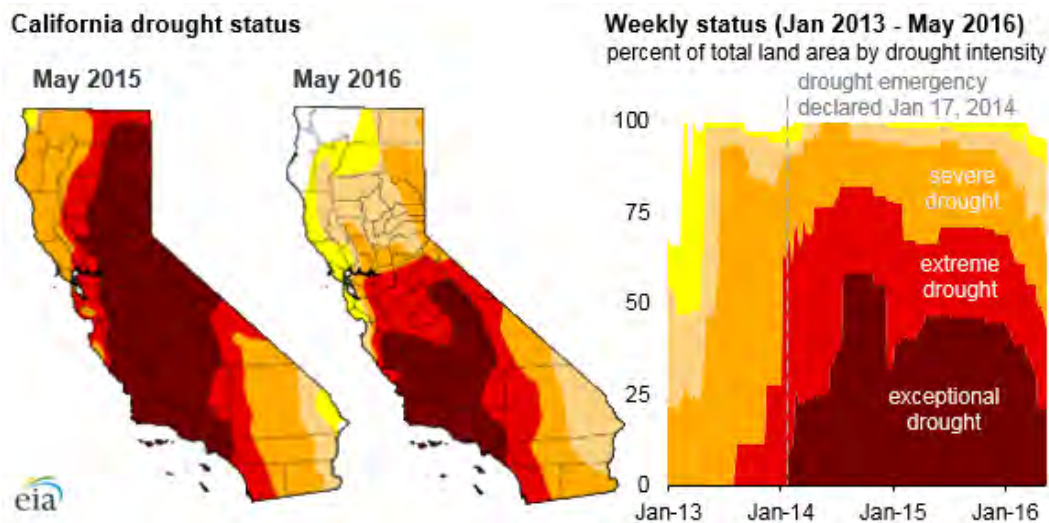
All programs and operations of the District are developed and performed to provide the highest and most economical level of service to those within the District's boundaries who are reliant upon the Chino Groundwater Basin for their water supply and storage needs.

## Major Issues

FY 2015-16 was a busy one for the District, with the Board and staff not only taking on an aggressive proactive agenda to grow the agency's programs and reach, but also dedicating a significant amount of time to react to critical issues initiated by outside entities.

### *Ongoing Drought*

While drought conditions improved slightly in the latter half of FY 2015-2016, the "Godzilla rains" that some had anticipated from the El Niño phenomena did not materialize and California entered its sixth year of drought. Statewide regulations requiring conservation practices and consumption cutbacks continued. Throughout the year, the District provided innovative programs, workshops on timely topics, professional trainings and student and adult education in support of the region's water conservation efforts. In partnership with local water agencies and cities, the District was a key player in the effort to transition the region toward water conservation as a way of life.



## Major Issues, continued

### *LAFCO Service Review Sphere of Influence Expansion*

In May 2015 the Local Agency Formation Commission of San Bernardino County (LAFCO) conducted a Service Review report for Water Conservation in the Valley Region. As part of this review, LAFCO considered an update to the sphere of influence (SOI) for the District. At LAFCO's September 2015 meeting, the District's SOI was expanded to be coterminous with the Inland Empire Utilities Agency (IEUA). While the District's service area remained 113 square miles and serves approximately 445,000 residents, its sphere of influence was expanded to 242 square miles and approximately 841,000 residents. The service area defines the boundaries of the parcels from which the District receives property tax revenues and to which it is authorized to provide services. The sphere of influence is defined in the LAFCO Policy and Procedure Manual as a planning tool to determine "a plan for the probable physical boundaries and service area of a local agency, as determined by the commission."

The District Board supported the expansion as it recognized and validated the value that the District's "Water Conservation Strategy" provides to a broader base of communities and agencies in the Valley Region beyond the District's service area. The demonstration facility, quality informational materials and website, and training of landscape professionals has impacts that have ripple effects throughout the region.

The timing and expansion of the District's SOI coincided with and supported the Board and staff's internal planning and strategic development efforts that focused on scaling and building greater internal and external capacity in the agency to structurally and financially meet the growing need and desire by our partner agencies to create greater behavioral awareness and education among their constituents about water conservation practices that are cost-effective and impactful to statewide water conservation goals and statutory requirements. These efforts built upon the major capital investments the District made during the past seven years to build and use its own facilities as an education center and demonstration site that is broadly used in the region by schools, local organizations, builders, landscapers, and the general public.

### *Strategic Plan Update*

Throughout FY 2015-2016 the Board remained committed to scaling the District's capacity for growth and dedicated resources to develop a new strategic plan to guide the agency into the future and to hire professional staff to implement the vision of the District's role in its service area, sphere of influence and region. A Deputy Executive Director, Community Programs Manager and Conservation Programs Manager positions were created and filled to develop partnerships, formulate and improve programs and provide an increased level of service to the cities, agencies, organizations, businesses and residents the District serves. The new staff started on various dates in December 2015 and immediately engaged in the strategic plan development process with the Board. The level of energy and excitement about the District's role as a leader in water conservation was palpable and embraced by new and existing staff alike. The Board approved the new Strategic Plan on July 11, 2016.

## Major Issues, continued

### *Investing in the Future*

As part of the Board's commitment to the fulfilling the vision for the Water Conservation Campus facility as the regional hub for water conservation, it made a significant investment in support of that goal and the goals embodied in the 2016 Strategic Plan as reflected in the FY 2015-2016 financials. In addition to adding three new management staff to develop and oversee conservation programs, education programs, and district administration, the financials reflect equipment, programmatic, membership, training, and outreach investments. Expenditures reflect investments in capacity to allow the District to develop new professional training programs, revitalize workshops, reinvigorate conservation offerings, expand partnerships, increase community use of the facility, and further align our education programs to Next Generation Science Standards. It also reflects expenditures that were not initially anticipated but subsequently required in response to the Service Review, Sphere of Influence and IEUA consolidation activities initiated by LAFCO and IEUA.

### *IEUA Cost Study to Consolidate CBWCD*

At the February 8, 2016 District Board meeting, IEUA General Manager Joseph Grindstaff informed the District Board of his agency's intent to undertake a cost study of their consolidation of the District. A significant amount of Board and staff time and District resources were spent in the second half of FY 2015-2016 on consolidation-related activities and response. The District remained committed, however, to the development and finalization of its 2016 Strategic Plan, which was adopted by the Board at its July 2016 meeting. Given the need for long-term water conservation in the region, staff's commitment to improving its services, operations and outreach remained despite the impending hostile takeover of the District by IEUA. After completing the cost study, IEUA took formal action on August 17, 2016 to submit to LAFCO a proposal to consolidate the District.

### *Chino Groundwater Basin Recharge Master Plan*

The District continued participation in the Chino Groundwater Basin Recharge Master Plan Update (RMPU) by participating in various Watermaster meetings and collaborating with Inland Empire Utilities Agency on possible cost effective projects. In addition to continued participation on the RMPU, the District continued to explore the feasibility of developing a project near the San Antonio Creek Channel (Channel) that could increase the capture of unappropriated storm water flows from the Channel and possibly receive recycled water.

## District Facilities



### The Water Conservation Center Facility

Completed in fall of 2013, the 4.5 acre Water Conservation Campus was re-imagined and re-designed as a comprehensive center for water conservation education and demonstration. In FY 2015-2016, the facility came alive literally and figuratively, with the plantings, programs, and events blooming and coming into their own!

The District's \$6,000,000 became a hub of activity in the second half of the fiscal year, with a significant increase in new visitors, program offerings, and hosted events that take advantage of the facility's spaces for educational, training, and inspirational purposes.

#### Site Map Key

1. Water Conservation Center
2. Education Building
3. Southwest Garden
4. Front Yard Demonstration Garden
5. Backyard Demonstration Garden
6. Mediterranean Garden
7. Woodland Garden
8. Desert Tortoises Enclosure
9. California Native Garden
10. Native American Area—  
Ethnobotanical Garden
11. Turf Demonstration Area
12. Sam's Enclosure (Sulcata Tortoise)
13. Slope Planting Demonstration
14. Educational Garden
15. Events Area
16. Artistic map of the Chino  
Groundwater Basin
17. Demonstration Parking Lot





## Water Conservation Center

Designed to promote connection with the outdoor environment and respect for our natural resources, the main Campus building – christened the Water Conservation Center (WCC) – exceeded the 2013 Title 24 standards by 40 percent. The sustainable design features expansive views to the Garden, excellent daylighting, and effective natural ventilation to create a comfortable, striking, and effective learning environment.



*Entrance to the WCC*

The WCC contains the Campus's technical classroom and workshop space, accommodating professional training classes and clinics of up to fifty adults. During FY 2015-2016, the WCC hosted dozens of events, government agencies, non-profits and educational institutions. The facility has come into its own and is regarded as a welcoming, community-centered location where ideas and information can be exchanged and that inspires visiting groups to become engaged in spreading the District's mission.

The *Landscape Design Library* within the WCC contains reference materials, state-of-the-art software, and drafting materials for creating water wise landscape designs – with water conservation specialist staff available to advise and assist homeowners and landscape professionals.

*Design room*

The entrance to the Main Building opens into the *Educational Lobby*, which showcases exhibits on California and Regional water issues, water consumption for common food production, and the history and future of water use – all designed to build awareness and interest in taking an active personal role in water conservation. Open to the public, the Water Conservation Campus and Educational



Lobby welcomed over 11,000 visitors during FY 2015-2016 in addition to over 6,500 K-12 students. The lobby is used by our educators to introduce students to the water cycle and the Chino groundwater basin.



*School tour in lobby*



## Education Building

Designed to engage and teach children in a familiar setting, the Education Building provides a dedicated facility for school field trip groups where students discover the role of water resources in their lives, engaging in investigations related to groundwater, the water cycle, soil percolation, and their own role in conservation. The Education Building's classroom accommodates up to 35 students in a session.

## Water Wise Demonstration Garden

The Water Conservation Campus outdoor spaces include the Water Wise Demonstration Garden – a showcase for water conservation principles, techniques, and plant and hardscape materials.

The garden is designed to show residents and professionals how water efficient landscaping looks, feels, and performs in real world applications in the Inland Empire region. Demonstrations and installations include lifecycle plant growth, irrigation with recycled water, bioswales, pocket gardens, native and drought-tolerant plants, and turf comparison areas.





## Demonstration Parking Lot

To take advantage of all opportunities to educate and inform, the Campus parking lot showcases Low Impact Development best practices by using permeable asphalt, permeable concrete and paver surfaces. The entire Campus site, including the parking lot, was designed for 100 percent onsite retention and

percolation using channels, trench drains and bioswales to direct and collect storm water.

*At the demonstration parking lot, you can compare traditional asphalt to permeable pavements and see examples of drainage and on-site water retention strategies.*



## Multi-Use Building and Wilderness Park

The Campus also includes a solar powered multi-use building for fleet and equipment maintenance activities as well as a Wilderness Park with over 40 types of trees, a recreational trail, and a drought and salt tolerant lawn area irrigated with recycled water. The park is a popular gathering place for the local community as well as a medical evacuation site for emergency responders. The lawn area is also used to accommodate large events like the popular Earth Day field trip for area schools and the annual Landscape and Water Conservation Fair.



## Multi-Use Building and Wilderness Park



### District-Owned Recharge Basins

The District owns, operates and maintains eight water conservation recharge basins which capture storm water, nuisance water, recycled water and imported water. Five of the basins are located in Montclair, two are in Upland and one is in Ontario.

Basin	Acres	Storage Capacity AFY	Water Recharge Source
Brooks	21	503	Local runoff, storm water, recycled water, State Project Water
College Heights-East	18	145	Storm water, State Project water
College Heights-West	12.7	126	Storm water, State Project water
Ely #3	19	136	Local runoff, storm water, recycled water
Montclair #1	15	134	Local runoff, storm water, State Project Water
Montclair #2	20.5	243	Local runoff, storm water, State Project Water
Montclair #3	10.5	49	Local runoff, storm water, State Project Water
Montclair #4	12	97	Local runoff, storm water, State Project Water

## District-Owned Recharge Basins, continued

The District's basins, on an annual basis, capture and recharge an average of 6,882 acre-feet of water<sup>1</sup>. The average is calculated by using an updated ten-year average, which was calculated at the end of each fiscal year (FY 2006-2007 through FY 2015-2016). Of the of 6,882 acre-feet of water captured, the annual average includes 1,750 acre-feet of storm and nuisance water; 1,401 acre-feet of recycled water; and 3,732 acre-feet of imported water. Utilizing the Metropolitan Water District's Tier 2 treated rate (\$1,076.00/ac. ft.), the nominal present value of the average captured and recharged water is \$7,405,032.

During FY 2015-2016, the District's basins captured and recharged approximately 1,121 acre-feet of storm and nuisance water and 1,586 acre-feet of recycled water. There was no availability of imported water during FY 2015-2016. The nominal present value of the combined 2,707 acre- feet is approximately \$2,912,732. As evidenced by the averages, on-going drought conditions, temperature fluctuations, and declining snowpack have resulted in decreased rainfall and the availability of imported water. The District continues to investigate and implement newest and most economical methods available for maintaining and improving the percolation rates of its recharge facilities.

In addition to recharging the Chino Groundwater Basin, the District also provides other water conservation services. Water conservation education programs include school field trips and adult landscape workshop classes, landscape water use evaluations, demonstration garden facilities, educational lobby, distribution of weather based controllers with instructional classes, and participation in regional issues are also important services the District provides.

### *Shared Facilities to Enhance Chino Groundwater Basin Recharge Activities through the Four Party Agreement*

The need for a comprehensive recharge program for the Chino Groundwater Basin is described in the Optimum Basin Management Program (OBMP) Phase I report dated August 1999 and the Peace Agreement dated June 29, 2000. The Agreement for Operation and Maintenance of Facilities to Implement the Chino Basin Recharge Master Plan (commonly referred to as the *Four Party Agreement*) was entered into by San Bernardino County Flood Control District (SBCFCD), the Chino Basin Water Conservation District (CBWCD), the Chino Basin Watermaster (Watermaster), and the Inland Empire Utilities Agency (IEUA) to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

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<sup>1</sup> In order to increase ground water recharge through the capture and percolation of storm and local run-off water, the District participated financially in increasing the depth of the San Bernardino County Flood Control District's (SBCFCD) Grove Basin when constructed in the late 1990s and early 2000s and so includes the recharged water from that basin in the reflected figures.



## District-Owned Recharge Basins, continued

### *Shared Facilities to Enhance Chino Groundwater Basin Recharge Activities through the Four Party Agreement, continued*

The Parties are also signatories to Attachment 1 of the *Four Party Agreement*, titled Recharge Master Plan Implementation Memorandum of Agreement (RMPIMOA), which sets forth some of the operational policies and actions necessary to implement Program Element 2 – Develop and Implement Comprehensive Recharge Program of the Optimum Basin Management Program (OBMP) for the Chino Basin. Attachment No. 2 to the *Four Party Agreement* is to generally describe (1) the budgeting, funding, billing and payment processes to be used by the Parties in the implementation of the Agreement, (2) the Facilities covered by the Agreement, (3) normal and additional maintenance activities referred to in the Agreement, and (4) the guidelines for creation and operation of annual operating plans for each facility.

Also contained within the *Four Party Agreement* is the requirement to create a Groundwater Recharge Coordinating Committee (GRCC). The primary function of the GRCC is to provide coordination of the operation, maintenance, and use of the Facilities for groundwater recharge in the Chino Basin. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

### *Basin Operation and Maintenance Programs*

Basin and facility maintenance and improvements included:

#### *Brooks Basin*

- Brooks Basin receives storm water, local run off from storm drains, imported water and recycled water.
- Weed abatement on perimeter roads and tops of slopes by District staff.
- Weed abatement on steeper slopes and large tree trimming by outside contractor.
- Recycled water from Inland Empire Utilities Agency (IEUA).

*Brooks Basin*



#### *College Heights East and West Basins*

- The College Heights basins receive storm waters, local run off and imported water.
- Weed abatement on perimeter roads and tops of slopes by District staff.
- Weed abatement of the bottom and perimeter roads by outside contractor.
- Several thousand yards of soils spoils from the Montclair Basin restoration project of FY 2013-2014 were staged at College Heights East Basin. Staging these soils at the Basin saved the District tens of thousands of dollars in dumping fees. The soils have been allowed to dry out to enhance processing and removal by an outside contractor, at no cost to the District, sometime during FY 2015-2016 and FY 2016-2017.

*College Heights East*



## District-Owned Recharge Basins, continued

### *Basin Operation and Maintenance Programs, continued*

#### Ely Basin No. 3

- Ely Basin No. 3 receives storm water, local runoff water and recycled water.
- The City of Ontario awarded a “passing” evaluation in its annual recycled water inspection. Recycled water use is subject to inspection and testing in accordance with State Department of Public Health requirements.
- Weed abatement on perimeter roads and tops of slopes, irrigation maintenance, and small tree and shrub trimming by District staff.
- Addition of mulch on perimeter slopes and landscapes by an outside green waste recycling contractor at no cost to the District. This mulch application minimizes weed growth and assists in erosion control while improving landscape soils.
- Landscape was removed by contractor for future design.
- A new educational, low maintenance, drought tolerant landscape will be developed in FY 2016-2017.



*Ely Basin No. 3*

#### Montclair Basins No. 1, 2, 3, and 4

##### *Montclair #4*



- The Montclair Basins receive storm water, local runoff water and imported water.
- Weed abatement by outside contractor of the bottom, steep slopes, and nuisance water ponds.
- Weed abatement on perimeter roads and tops of slopes, irrigation maintenance, and small tree and shrub trimming by District staff.
- Montclair Basins No. 1 and 2 have educational, low maintenance and drought tolerant landscapes on the North and South sides of property.
- Montclair Basin 3 only has a North landscape.
- Landscape maintenance by District staff.

## District-Owned Recharge Basins, continued

### *Basin Operation and Maintenance Programs, continued*

#### Turner Basin/4th Street Property

The District owns approximately four acres of property associated with Turner Basin No. 1. The District owned property parallels Fourth Street on the north side of the basin between Cucamonga Channel and Golden Oak Road on the east and extends south down into the north slope of the basin. The District maintains the landscaping fronting Fourth Street to the south security fence between the Cucamonga Channel and the housing development on the east. The landscaping covers approximately one acre of land. The remaining District property encompasses a maintenance road and a portion of the north slope of Turner Basin No. 1.

- District staff conducts weed abatement measures on the perimeter road and the top of the slope, as well as landscape maintenance, irrigation maintenance, and small tree and shrub trimming.
- District staff will be completing a recycled water connection to irrigate the landscape in the Fall of 2016, thereby eliminating potable water use for irrigation purposes.

#### Grove Basin (San Bernardino County Flood Control District Owned)

The District and San Bernardino Flood Control District entered into an agreement in 2000 whereby the Flood Control District, in exchange for financial participation by the District in the construction of the Basin, allowed the bottom portion of the Basin to be used for water conservation. As part of the agreement, the District is obligated to perform weed abatement on the bottom of Grove basin and a portion of the slopes. Grove Basin receives storm water runoff.

*Turner Basin Landscape*



## District Services

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### Education and Outreach Strategy

Under Governor Brown's executive order, urban water providers were required to meet a mandatory 25% reduction of potable water use compared to 2013 from February 2016 through May 2016. The mandate was modified in May 2016 to allow local water agencies to set reduction targets based on a "stress-test" approach. To prepare for ongoing drought and the impacts of climate change, the State Water Resources Board, Department of Water Resources, and the Association of California Water Associations have all prioritized making water conservation a priority and a Californian way of life, regardless of emergency regulations. To prepare for both the wet and dry years, the District has continued to expand its water conservation education programs to better connect the community to their watershed and groundwater supply, and to inform the public, professionals, and K-12 students about water conservation best practices, methods, tools, and techniques to embed conservation into our community's infrastructure and culture.

The Chino Basin Water Conservation District has prioritized two strategies its water conservation educational strategy:

1. Engage the K-12 school community to instill an awareness of water issues in young children and empower them to establish good water conservation habits early in life. Studies suggest that youth environmental education programs can contribute to the establishment of long-term water conservation attitudes and behaviors. An additional important benefit of early education programs is the extent to which children influence the adults around them. The District's early water conservation education investments are leveraged across a much broader audience in both homes and schools.
2. Train designers, architects, landscapers, contractors and property owners in water wise landscape design, installation and maintenance to address the current knowledge gap regarding best practices in sustainable landscaping. Through informing residents and stakeholders and developing a trained workforce, the District seeks to grow a community of stewards to manage irrigation systems and transform and maintain landscapes that effective at reducing water use, capturing rainwater, and infiltrating stormwater, regardless of temporary drought conditions.

This two-part strategy addresses current needs for better, more efficient outdoor water practices and helps to ensure that water wise practices become the new normal for the next generation of residents, property owners and practitioners. Students of all ages have access to the District's programs that are designed to build awareness, knowledge, skills in order to catalyze the paradigm shift towards a new conservation ethic. By providing multiple entry points into District programming, beginning with the very youngest citizens, the District provides lifelong learning opportunities for students of all ages in order to grow a trained workforce and culture of conservation in our region.

## Youth Education Programs

The Campus's elementary school education programs currently serve eight school districts and 87 individual schools within the District's service area. Tours and events engage and educate students from preschool-aged to college-aged, including scouts, home-schooled students, and graduate school researchers.

The District's education programs are quickly growing in popularity, with the highest-ever number of students visiting for field trips. Nearly 5,300 students and their teachers visited the Campus during the 2015-2016 school year through field trips. Additional community groups such as pre-school classes, scout troops, and after school providers have also participated in tours. During their visits, the students engage in hands-on, inquiry-based investigations and experiments to build environmental literacy, grow



awareness and knowledge about water resource topics, and discover ways to improve their own participation in water conservation. Teachers and students provided feedback detailing the high impact of the field trips. School children attend programs at the Campus free of charge, and for schools within the District's service area, the District provides priority booking and pays the field trip's transportation/bus costs.

By offsetting these transportation fees, the District has eliminated a powerful barrier to participation for resource-limited schools and significantly increased the outreach of the water conservation education programs to this critical audience.





## Youth Education Programs, continued



### *Annual Earth Day Field Trip*

Supplementing the classroom experiences for students, 2016 marked the 24<sup>th</sup> year of the District's popular Earth Day event for 5<sup>th</sup> grade classes. 1,111 students attended from 12 schools and three school districts. Since its inception in the early 1990s, over 28,000 students have attended the half-day program of investigations related to the conservation and stewardship of natural resources. Program topics include watershed hydrology, groundwater, water conservation and plant adaptations. The District provides the event free of charge and arranges and funds all bus transportation for schools within the District's boundaries.

Every year, additional community partners participate in the event, building a learning environment that impacts more than just the 5<sup>th</sup> grade participants. Local high school students and California Conservation Corps youth attend as volunteers, assisting the instructors while learning more about environmental

education best practices. Community organizations provide environmentally-themed exhibits, providing opportunities for students to learn more about conservation in their community and careers in STEM and water. Instructors for the Earth Day learning stations are drawn from the region's community of local teachers and environmental education professionals. Instructors assist with a pre-event teacher workshop in which teachers are provided curriculum and opportunities to plan pre-and post field trip activities into their curriculum to extend the impact of Earth Day.

### *Annual K-12 "Promoting Water Conservation" Poster Contest*



*Poster contest winner*

Over 2240 students from 148 classrooms in 34 schools participated in the District's FY 2015-2016 poster contest. Winners in each of the eight grade-level categories received a \$250 prize. If the individual winner's class submitted over 10 student entries, the teacher was also eligible for an award of \$1,000 toward educational or art supplies. Poster contest winners also receive a free field trip for their class to visit the Water Conservation Center to learn more about conservation in action.

## Educator Professional Development

In partnership with local school districts, the District hosts professional development training opportunities for teachers to develop content expertise in water resources and ecology as well as best practices in science education.

*Next Generation Science Standards teacher professional development training*



The Water Conservation Center provides educators opportunities to discover and practices methods to address environmental literacy content and topics. In FY 2015-2016, the District partnered with Ontario-Montclair School District to train over 35 middle school science teachers methods for teaching Science and Engineering Practices of the Next Generation Science Standards in the classroom by using the real-world application of designing rainwater capture and harvesting strategies in schoolyards.

### *Education Staff Expanded*

With the education program's incredible popularity, in fall 2015, the District added a position for a Community Outreach and Education Intern. This additional part-time position allows the education staff to meet the high demand for programs and position the District to expand offerings in the future.

### *Financial Support for Teachers and Students*

To help improve the availability of high quality water education in the school classroom setting, the District has a long-standing commitment to provide financial resources and activities for teachers and students interested in water-related studies.

### *Education Grant Program*

To promote workforce development and assist with access to higher education, the District is a long-time sponsor of students interested in college level study of water resources and related fields. In FY 2015-2016 the District awarded \$12,500 to three grant winners to help toward educational expenses to pursue degrees in environmental engineering, microbiology, and community and regional development.

## Education Partnerships with Other Agencies

### *Water Education, Water Awareness Committee*

The District has expanded its reach through a long-time partnership with local area agencies as a member of the Water Education Water Awareness Committee (WEWAC).

## Education Partnerships with Other Agencies, continued

### *Water Education, Water Awareness Committee, continued*

Programs available through WEWAC in FY 2015-2016 included:

- **Edu-Grant Program:** The District helps provide grants of up to \$750 to individual or teams of teachers. Kindergarten through 12th grade teachers submit projects incorporating creative methods for teaching their classes about water-related topics. This long-term program helps to further integrate water conservation into the students' everyday learning environment.
- **Digital Media Contest:** In this annual competition, middle and high school students create public service announcements to promote the water conservation message.
- **Water Scholar Program:** This new grant program provided \$500 to four high school seniors. The grant award is based on the students' applications, merits, and financial need.

### *Garden in Every School Program*

The District, in partnership with Inland Empire Utilities Agency (IEUA,) provides selected qualified schools within the District's and IEUA's boundaries opportunities to build drought tolerant and/or vegetable gardens on the school's campus through the Gardens in Every School program (GIES). During the past year, the District installed and completed four school gardens: Alicia Cortez Elementary in Chino, Citrus Elementary in Fontana, Eagle Canyon Elementary in Chino Hills, and Truman Middle School in Fontana.



*Garden at Alicia Cortez Elementary*



*CBWCD staff building garden at Citrus Elementary*



## Professional, Trade, and Public Education

In addition to the Early Education Programs for schools, the Campus provides a robust curriculum of courses designed for improving the water conservation capabilities of homeowners and landscape professionals. The District also provides resources online and at events for community members to learn more about conserving water.

### *California Friendly Landscape Training Courses*

Classes were offered to both professionals and homeowners at the Water Conservation Center. The District provided 21 different Water Wise Landscaping Workshops for 322 residents focusing on topics such as Water Wise Landscaping Basics, Preparation and Design, Efficient Irrigation, Water Wise Plants, Composting, Maintenance and Pruning, and Vegetable Gardening. Staff also worked with the City of Chino, Monte Vista Water District, Cucamonga Valley Water District, Master Gardeners, and other agencies to teach eight additional classes at other locations.



*Landscape workshop*

In FY 2015-2016, a total of 22 workshops were held with an average attendance of 29:

<i>No. of Workshops taught in FY 2015-2016</i>	<i>Workshop Subject</i>
2	Water Wise Landscaping - The Basics
1	Preparation and Design of a Water Wise Landscape
2	Irrigation Principles and Construction
3	Water Wise Plants
1	Maintenance and Pruning
1	Pest Management and Summer Pruning
3	Backyard Composting
2	Vegetable Gardening
3	Soils, Fertilizers, and Pest Management
1	Irrigation Controllers
1	Plant Propagation
1	Advanced Irrigation Principles



*Waterwise Workshop*

## Professional, Trade, and Public Education, continued

### *Residential Design Consultations*

The District offers homeowners free residential design consultations in the Landscape Design Room at the Water Conservation Center. In FY 2015-2016, staff provided 131 design consultations in which homeowners received site specific design advice, plant recommendations, and materials sourcing information, including a written report of the recommendations. The District's Landscape Design Room library holds a collection sustainable gardening resources and is available to both participants and the public for further information.

### *Qualified Water Efficient Landscaper Training*

In 2014, the District initiated the process with the Environmental Protection Agency (EPA) to become a professional certifying organization to provide the Qualified Water Efficient Landscaper (QWEL) training. QWEL is an EPA WaterSense labeled certification that provides approximately 20 hours of education focused on water efficient principles including irrigation system and landscape design with proper plant selection for the climate. It is beneficial for landscapers because they learn about water-saving practices, and the program also lists their names in a national database of trained professionals. Homeowners and property managers also benefit, because they can reference that database to find qualified landscapers.

In FY 2015-2016 the District conducted six series of the QWEL training, five in English and one in Spanish. A total of 57 participants underwent the training, averaging 9.5 participants per series. This included three District employees, furthering the District's investment in the professional development of staff.

### *Lunch and Learn Series*

The District serves the professional community by providing a neutral meeting place to discuss timely issues related to water resources. In FY 2015-2016, the District hosted two "Lunch and Learn" panel discussions. Panels of experts discussed the science and potential implications of El Nino and best management practices for water capture and vector control. Regional stakeholders were invited to network and join in conversation. Video recordings and outreach materials are hosted on the website to provide additional reach. The Lunch and Learn series served over 150 stakeholders in FY 2015-2016.



*Lunch & Learn: Water Capture and Retention in the Age of Zika*



## Outreach Events

The District partners with local agencies to provide outreach at local events such as conferences, festivals and more. The following events took place in FY 2015-2016:

### *Water Fair (October 2015)*

The Landscape and Water Conservation Fair is a community event that celebrates sustainable landscaping and residents' conservation efforts. The event featured various water conservation activities and plant vendors as well as a water fair exhibition sponsored by the District, Chino Basin Watermaster, Fontana Water Company, Inland Empire Utilities Agency, Monte Vista Water District, San Antonio Water District, Metropolitan Water District, and the cities of Chino, Chino Hills, Ontario, and Upland. This year's event saw approximately 750 local residents attending.



*Water Fair raffle of water wise plants and toolkits*

### *Family Events*

The District provides free events in the garden to celebrate and educate about water conservation and low water landscaping in an accessible and fun format for non-traditional audiences. In FY 2015-2016, the District invited the public to the "grand opening" of the modified Southwest Garden which drew over 80 members of the public. The District also hosted a "Garden After Hours" evening event, drawing in non-traditional audiences into the garden by showing a water-related family film, hosting conservation focused games, and sustainable landscaping demonstrations.



*Southwest Garden debut activity station*

### *Host Community Organizations*

The District co-sponsors symposiums, conferences, meetings, and training events in Education Building, Demonstration Garden, Board Room, and Large Conference room with regional organizations, agencies, businesses, and collaboratives with aligned missions to promote discussion, networking, and action towards water conservation.

### *San Bernardino County Water Conference*

The Chino Basin Water Conservation District co-sponsored the San Bernardino County Water Conference in August 2015. Staff members interacted with attendees at the District's booth at the event, providing educational materials and information on the numerous CBWCD workshops. Additionally, the General Manager served as moderator for the Emergency Drought Regulations panel, and the Community Outreach and Education Coordinator helped plan and coordinate logistics for the conference. District staff also attended various conferences, farmer's markets, and local events to promote water conservation and the District's activities.

## Landscape Audits, Installations, and Training

### *Landscape Evaluation / Audit Program*

To assist the residents, businesses and governmental agencies in reducing water usage, the District continues to provide irrigation evaluation services with its “Landscape Evaluation / Audit Program” (LEAP).

Prior to FY 2008-2009, the District jointly applied for a Department of Water Resources (DWR) grant to establish a large landscape evaluation program in conjunction with the Inland Empire Utilities Agency (IEUA). In addition to the grant funding, the Board of Directors has committed to continue providing appropriate staffing levels and support to continue the Landscape Evaluation / Audit Program (LEAP) to serve organizations within the District in order to reduce landscape water usage.

During FY 2015-2016, the District performed 69 landscape evaluations covering 20.41 acres for various customer classifications (Commercial, Industrial, Institutional, Multi-Family and Single Family). Final reports were presented to each program participant. Each report consists of water use history, a water budget, recommendations on improving irrigation system performance, information on rebates for equipment, and on-site problems found during the evaluation.

During FY 2015-2016 the LEAP program identified a potential water savings of approximately 54.23 acre feet per year if all participants follow the recommendations given. The potential savings, valued at the Metropolitan Water District’s Tier II treated rate, is \$58,361. The LEAP program continues to be a very important program and a tremendous resource for the entire community, including local water agencies, homeowners, property managers, business owners, and more.



Since the program’s inception, the District has completed 678 evaluations, covering 285.93 acres and resulting in a total potential savings of 761.63 acre feet of water per year. Utilizing Metropolitan Water District’s Tier II treated rate, the total potential water savings has a value of \$804,668 per year.

*Assessment of irrigation system at multifamily residential property*

## Landscape Audits, Installations, and Training, continued

### *Weather Based Irrigation Controller Direct Installation Program*

The District applied and was awarded a grant in September 2012 from the U.S. Bureau of Reclamation in the amount of \$91,888.79 to install 300 weather based irrigation controllers (WBIC) over a four-year period in single family residences within the district's boundaries. The original contract has since been extended through October 2017. CBWCD must turn in Progress Reports to USBR every six months detailing all activities during the reporting period. The grant is a 50/50 cost share and invoices are submitted at least quarterly.

The Program identifies specific customers for participation in this program to retrofit a non-weather based controller with a new WBIC. In order to maximize the effectiveness of the program, only customers meeting predetermined requirements are considered for the program. These requirements include the following:

- Own a home within Chino Basin Water Conservation District's boundaries or have the authority to modify the sprinkler system at a rental home.
- Landscape area of 1,000 square feet or more.
- Have an existing in-ground sprinkler system with an existing automatic sprinkler timer.
- Consent for CBWCD to obtain pre- and post-installation water use data.
- Customer agrees to keep controller for a minimum of two years.

The potential savings per home is 0.25 AFY, for a total of 75 AFY savings after all 300 controllers are installed. To date (September 2012 - June 2016) the District has hosted 33 WBIC Classes to educate homeowners on water conservation methods and to instruct them on how to use irrigation controllers. During that period, the District performed 300 direct installations of controllers at single family residences. As of the latest semi-annual report to the Bureau of Reclamation, data collected shows an average 21.7% reduction in water use per residence post-install (September 2016).

# District Fiscal Matters

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## Internal Control Structure

District management is responsible for the establishment and maintenance of an internal financial control structure to ensure that the assets of the District are protected from loss, theft, or misuse. The internal financial control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal financial control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

## Financial Planning

The District's financial plan includes the GASB issued statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The fund balance is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Non-spendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact

*Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

*Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed amounts that cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

*Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

*Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

The following is a list of the balances held by the District in its *Fund Balance Report* on June 30, 2016:

**Fund type definition:**

Non-spendable Fund Balance	\$	1,531,843
Committed Fund Balance		3,666,770
Assigned Fund Balance		6,397,948
Unassigned Fund Balance		<u>2,909,973</u>
Total designated funds	\$	<u><u>14,506,534</u></u>



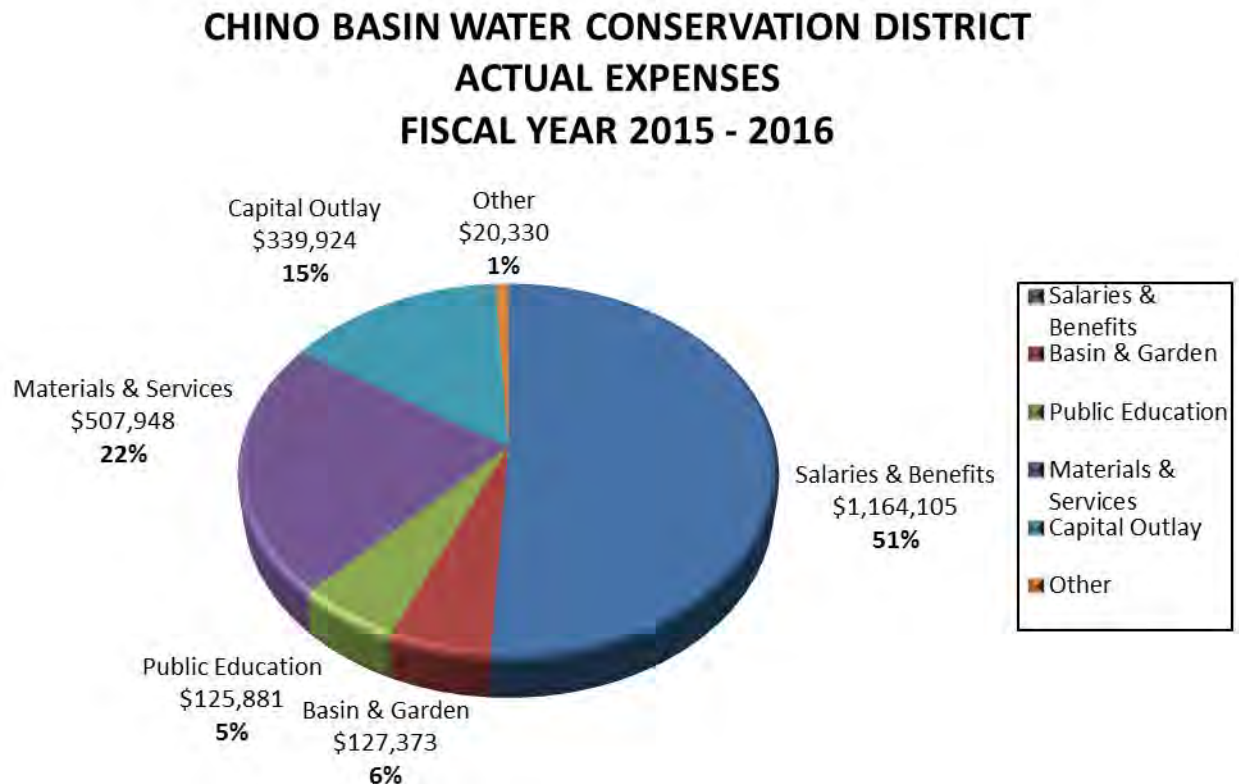
## Investment Policy and Banking Procedures

The Board of Directors annually adopts an investment policy that conforms to state law. Additionally, the District's "Portfolio Management Policy" (Investment Policy) utilizes prudent money management practices in establishing its guiding principles. The objectives of the Investment Policy are safety, liquidity, and yield. The District's funds are primarily invested in the State Treasurer's Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTRUST), a Joint Powers authority pooled investment program. In order to finance its daily activities, the District banks with Wells Fargo where it maintains its "General Checking" and "Petty Cash" accounts.

## Budgetary Control

The District Board of Directors annually adopts a balanced operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's operations and capital projects. The Board of Directors monitors the budget through monthly Finance and Expenditures reports, Quarterly Investment Reports and Midyear and Year end Budget reports.

For Fiscal Year 2015-2016, the District expenditures totaled \$2,285,561 (rounded to the nearest dollar). The following pie-chart reflects the expenses of the District for Fiscal Year 2015-2016.

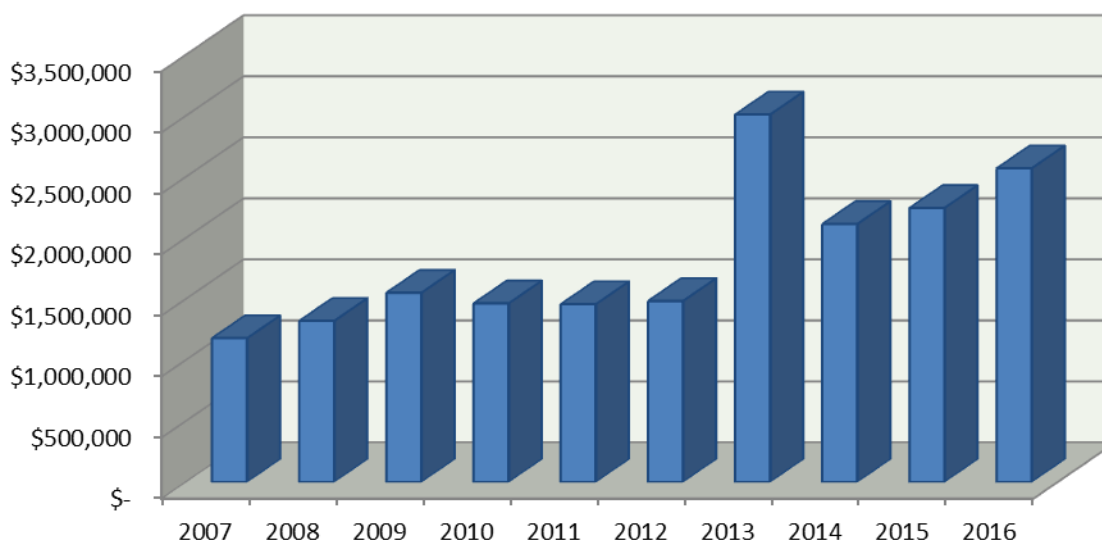


## Economic Condition and Outlook

The District's primary revenue source is derived from Property Taxes with a secondary source of revenue from interest earned from investments. Any increase or decrease in the District's revenue is tied to an increase or decrease in these two resources.

During Fiscal Year 2015-2016, property tax revenue increased by \$324,950 and interest income increased by \$23,744.95. Due to current and projected economic conditions, unemployment, home foreclosures and the loss of Redevelopment Agency (RDA) revenue to cities, it is difficult to project future tax revenue. The following chart reflects the District's property tax revenue for the last ten fiscal years.

### CHINO BASIN WATER CONSERVATION DISTRICT Property Tax Revenue - Ten Year Trend



Property Tax Revenue by Fiscal Year			
Fiscal Year Ending	Property Tax Revenue	Fiscal Year Ending	Property Tax Revenue
2007	\$ 1,177,188	2012	\$ 1,481,375
2008	\$ 1,318,797	2013	\$ 3,009,142*
2009	\$ 1,549,465	2014	\$ 2,112,709
2010	\$ 1,461,934	2015	\$ 2,243,917
2011	\$ 1,455,474	2016	\$ 2,568,867

*\*During the last quarter of FY 2012-2013, an unanticipated large amount of Other Funds Asset Due Diligence Review (OFA DDR) Distribution was received. It is not anticipated that this large amount will be received in the future.*

Throughout the fiscal year the District's two investment accounts included the following activity:

LAIF - Interest rates increased from .25% to .27%

CalTRUST - Interest rates increased from .40% to .42%

## Economic Condition and Outlook, continued

### *Audit and Financial Reporting*

State Law requires the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

### *Risk Management*

The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

### *Other References*

More information is contained in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements found in the Financial Section of the Auditor's report.

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## **Financial Section**





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**Independent Auditor's Report**

Board of Directors  
Chino Basin Water Conservation District  
Montclair, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Chino Basin Water Conservation District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit 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; and the State Controller's Minimum Audit Requirements for California Special District. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application* and early implementation of Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016; and GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

### ***Report on Summarized Comparative Information***

We have previously audited the District's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 33 through 38 and the required supplementary information on pages 65 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.



## **Independent Auditor's Report, continued**

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 68 and 69.

A handwritten signature in dark ink that reads "Fedak & Brown LLP". The signature is written in a cursive, flowing style.

**Fedak & Brown LLP**

Cypress, California

February 13, 2017

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**Chino Basin Water Conservation District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Chino Basin Water Conservation District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2016 (with comparative information for fiscal year ended June 30, 2015). We encourage readers to consider the information presented here in conjunction with the letter of transmittal in the Introductory Section that we have furnished in the accompanying basic financial statements, which follow this section.

**Financial Highlights**

- The District's net position increased by 1.9% or \$457,582 to \$24,136,726, as a result of ongoing operations.
- District program revenues decreased by 43.1% or \$50,848 to \$67,257, primarily due to decreases of \$30,528 in services from landscape evaluation audits, \$19,051 in operating grants and contributions, and \$1,305 in services from educational workshops.
- The District's general revenues increased by 15.2% or \$353,568 to \$2,675,886, primarily due to increases of \$324,950 in property taxes and assessments and \$42,548 in investment earnings, which were offset by a decrease of \$13,930 in other revenues.
- District total expenses increased by 14.1% or \$282,643 to \$2,285,561, primarily due to increases of \$161,451 in materials and services, \$147,765 in salaries and benefits, \$18,908 in basin and garden maintenance, and \$6,949 in other expenses, which were offset by a decrease of \$52,294 in public education expenses.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Chino Basin Water Conservation District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

**Statement of Net Position and Statement of Activities, continued**

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 44 through 64.

**Chino Basin Water Conservation District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

**Condensed Statement of Net Position**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 14,661,785	13,917,072	744,713
Non-current assets	9,943,565	10,231,919	(288,354)
<b>Total assets</b>	<u>24,605,350</u>	<u>24,148,991</u>	<u>456,359</u>
<b>Deferred outflows of resources</b>	<u>67,585</u>	<u>58,586</u>	<u>8,999</u>
<b>Liabilities:</b>			
Current liabilities	201,904	139,316	62,588
Non-current liability	240,899	285,096	(44,197)
<b>Total liabilities</b>	<u>442,803</u>	<u>424,412</u>	<u>18,391</u>
<b>Deferred inflows of resources</b>	<u>93,406</u>	<u>104,021</u>	<u>(10,615)</u>
<b>Net position:</b>			
Net investment in capital assets	9,943,565	10,231,919	(288,354)
Unrestricted	14,193,161	13,447,225	745,936
<b>Total net position</b>	<u>\$ 24,136,726</u>	<u>23,679,144</u>	<u>457,582</u>

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$24,136,726 as of June 30, 2016.

A major portion of the District's net position (41.2%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt (if applicable), used to acquire those assets that are still outstanding. The District uses these capital assets to apply and promote water conservation techniques within its service area; consequently, these assets are *not* available for future spending. At the end of fiscal year 2016, the District shows a positive balance in its unrestricted net position of \$14,193,161. See Note 9 for the amount of spendable net position that may be utilized in future years.



**Chino Basin Water Conservation District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

**Statement of Activities**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Expenses:</b>			
Water conservation:			
Salaries and benefits	\$ 1,164,105	1,016,340	147,765
Basin and garden maintenance	127,373	108,465	18,908
Public education	125,881	178,175	(52,294)
Materials and services	507,948	346,497	161,451
Depreciation	339,924	340,060	(136)
Other	20,330	13,381	6,949
<b>Total expenses</b>	<u>2,285,561</u>	<u>2,002,918</u>	<u>282,643</u>
<b>Program revenues:</b>			
Charges for services –			
landscape evaluation audits	42,761	73,289	(30,528)
Charges for services –			
educational workshops	1,750	3,055	(1,305)
Operating grants and contributions	22,746	41,761	(19,015)
<b>Total program revenues</b>	<u>67,257</u>	<u>118,105</u>	<u>(50,848)</u>
<b>Net program expenses</b>	<u>2,218,304</u>	<u>1,884,813</u>	<u>333,491</u>
<b>General revenues:</b>			
Property taxes and assessments	2,568,867	2,243,917	324,950
Investment earnings	82,326	39,778	42,548
Other	24,693	38,623	(13,930)
<b>Total general revenues</b>	<u>2,675,886</u>	<u>2,322,318</u>	<u>353,568</u>
<b>Change in net position</b>	<u>457,582</u>	<u>437,505</u>	<u>20,077</u>
<b>Net position, beginning of period,</b>			
<b>as previously stated</b>	23,679,144	23,581,743	97,401
<b>Prior period adjustment (note 11)</b>	<u>-</u>	<u>(340,104)</u>	<u>340,104</u>
<b>Net position, beginning of period,</b>			
<b>as restated</b>	<u>23,679,144</u>	<u>23,241,639</u>	<u>437,505</u>
<b>Net position – end of period</b>	<u>\$ 24,136,726</u>	<u>23,679,144</u>	<u>457,582</u>

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position increased by 1.9% or \$457,582 to \$24,136,726, due to an increase from ongoing operations.

**Chino Basin Water Conservation District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

**Government-wide Financial Analysis, continued**

Total program revenues decreased by 43.1% or \$50,848 to \$67,257, primarily due to decreases of \$30,528 in services from landscape evaluation audits, \$19,051 in operating grants and contributions, and \$1,305 in services from educational workshops.

Total general revenues increased by 15.2% or \$353,568 to \$2,675,886, primarily due to increases of \$324,950 in property taxes and assessments and \$42,548 in investment earnings, which were offset by a decrease of \$13,930 in other revenues.

Total expenses increased by 14.1% or \$282,643 to \$2,285,561, primarily due to increases of \$161,451 in materials and services, \$147,765 in salaries and benefits, \$18,908 in basin and garden maintenance, and 6,949 in other expenses, which were offset by a decrease of \$52,294 in public education expenses.

**Governmental Funds Financial Analysis**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2016, the District's General Fund reported a fund balance of \$14,506,534. An amount of \$2,909,973 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion. The remainder of the fund balance is considered non-spendable, committed or assigned to indicate that it is not available for general spending because it has already been committed to a specific purpose. See Note 10 in the Notes to the Basic Financial Statements for further information.

**General Fund Budgetary Highlights**

The final budgeted expenditures for the General Fund at year-end were \$24,561 more than actual incurred. Actual revenues were more than the anticipated budget by \$32,733. (See Budgetary Comparison Schedule for General Fund under Required Supplementary Information on page 65)

**Capital Asset Administration**

Changes in capital asset amounts for 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Capital assets:				
Non-depreciable assets	\$ 1,549,075	59,686	(8,116)	1,600,645
Depreciable assets	10,135,426	-	-	10,135,426
Accumulated depreciation	<u>(1,452,582)</u>	<u>(339,924)</u>	<u>-</u>	<u>(1,792,506)</u>
Total capital assets, net	<u>\$ 10,231,919</u>	<u>(280,238)</u>	<u>(8,116)</u>	<u>9,943,565</u>

At the end of fiscal year 2016, the District's investment in capital assets amounted to \$9,943,565 (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. The capital assets of the District are more fully analyzed in Note 4 to the basic financial statements.

**Chino Basin Water Conservation District**  
***Management's Discussion and Analysis***  
**For the Year Ended June 30, 2016**  
**With Comparative Amounts as of June 30, 2015**

**Conditions Affecting Current Financial Position**

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

**Requests for Information**

The financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the Districts' accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Executive Director, Eunice Ulloa, at Chino Basin Water Conservation District, 4594 San Bernardino Street, Montclair, California, 91763-2228 or (909) 626-2711.

# **Basic Financial Statements**

**Chino Basin Water Conservation District**  
**Statement of Net Position**  
**June 30, 2016**  
**(With Comparative Amounts for June 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 14,571,358	13,814,483
Accrued interest receivable	13,908	7,381
Accounts receivable	2,088	26,269
Property taxes receivable	42,588	37,625
Prepays (note 3)	31,843	31,314
Total current assets	<u>14,661,785</u>	<u>13,917,072</u>
<b>Non-current assets:</b>		
Capital assets, net (note 4)	<u>9,943,565</u>	<u>10,231,919</u>
Total non-current assets	<u>9,943,565</u>	<u>10,231,919</u>
<b>Total assets</b>	<u>24,605,350</u>	<u>24,148,991</u>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 5 and 7)	<u>67,585</u>	<u>58,586</u>
<b>Total deferred outflows of resources</b>	<u>67,585</u>	<u>58,586</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	52,536	33,149
Retention payable	84,575	45,645
Accrued wages	18,140	21,003
Compensated absences (note 6)	46,653	39,519
<b>Total current liabilities</b>	<u>201,904</u>	<u>139,316</u>
<b>Non-current liability:</b>		
Long term liability – due in more than one year:		
Net pension liability (note 7)	<u>240,899</u>	<u>285,096</u>
<b>Total non-current liability</b>	<u>240,899</u>	<u>285,096</u>
<b>Total liabilities</b>	<u>442,803</u>	<u>424,412</u>
<b>Deferred inflows of resources:</b>		
Deferred pension inflows (note 7, 8)	<u>93,406</u>	<u>104,021</u>
<b>Total deferred inflows of resources</b>	<u>93,406</u>	<u>104,021</u>
<b>Net position:</b>		
Net investment in capital assets	9,943,565	10,231,919
Unrestricted (note 9)	14,193,161	13,447,225
<b>Total net position</b>	<u>\$ 24,136,726</u>	<u>23,679,144</u>

See accompanying notes to the basic financial statements



**Chino Basin Water Conservation District**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**  
**(With Comparative Amounts for June 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Expenses:</b>		
Water conservation:		
Salaries and benefits	\$ 1,164,105	1,016,340
Basin and garden maintenance	127,373	108,465
Public education	125,881	178,175
Materials and services	507,948	346,497
Depreciation	339,924	340,060
Other	20,330	13,381
<b>Total expenses</b>	<u>2,285,561</u>	<u>2,002,918</u>
<b>Program revenues:</b>		
Charges for services – landscape evaluation audits	42,761	73,289
Charges for services – educational workshops	1,750	3,055
Operating grants and contributions	22,746	41,761
<b>Total program revenues</b>	<u>67,257</u>	<u>118,105</u>
<b>Net program expenses</b>	<u>2,218,304</u>	<u>1,884,813</u>
<b>General revenues:</b>		
Property taxes	2,568,867	2,243,917
Investment earnings	82,326	39,778
Other	24,693	38,623
<b>Total general revenues</b>	<u>2,675,886</u>	<u>2,322,318</u>
<b>Change in net position</b>	<u>457,582</u>	<u>437,505</u>
<b>Net position, beginning of period – as previously stated</b>	23,679,144	23,581,743
<b>Prior period adjustment (note 11)</b>	<u>-</u>	<u>(340,104)</u>
<b>Net position, beginning of period – as restated</b>	<u>23,679,144</u>	<u>23,241,639</u>
<b>Net position, end of period</b>	<u><u>\$ 24,136,726</u></u>	<u><u>23,679,144</u></u>

See accompanying notes to the basic financial statements

**Chino Basin Water Conservation District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position**  
**June 30, 2016**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Net Position</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 14,571,358	-	14,571,358
Accrued interest receivable	13,908	-	13,908
Accounts receivable	2,088	-	2,088
Property taxes receivable	42,588	-	42,588
Prepays	31,843	-	31,843
<b>Total current assets</b>	<u>14,661,785</u>	<u>-</u>	<u>14,661,785</u>
<b>Non-current assets:</b>			
Capital assets, net	-	9,943,565	9,943,565
<b>Total non-current assets</b>	<u>-</u>	<u>9,943,565</u>	<u>9,943,565</u>
<b>Total assets</b>	<u>14,661,785</u>	<u>9,943,565</u>	<u>24,605,350</u>
<b>Deferred outflows of resources:</b>			
Deferred pension outflows	-	67,585	67,585
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>67,585</u>	<u>67,585</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	52,536	-	52,536
Retention payable	84,575	-	84,575
Accrued wages	18,140	-	18,140
Compensated absences	-	46,653	46,653
<b>Total current liabilities</b>	<u>155,251</u>	<u>46,653</u>	<u>201,904</u>
<b>Non-current liability:</b>			
Long term liability - due in more than one year:			
Net pension liability	-	240,899	240,899
<b>Total non-current liability</b>	<u>-</u>	<u>240,899</u>	<u>240,899</u>
<b>Total liabilities</b>	<u>155,251</u>	<u>287,552</u>	<u>442,803</u>
<b>Deferred inflows of resources:</b>			
Deferred pension inflows	-	93,406	93,406
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>93,406</u>	<u>93,406</u>
<b>Fund balance (note 10):</b>			
Non-spendable	1,531,843	(1,531,843)	-
Committed	3,666,770	(3,666,770)	-
Assigned	6,397,948	(6,397,948)	-
Unassigned	2,909,973	(2,909,973)	-
<b>Total fund balance</b>	<u>14,506,534</u>	<u>(14,506,534)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 14,661,785</u>		
<b>Net position:</b>			
Net investment in capital assets		9,943,565	9,943,565
Unrestricted		14,193,161	14,193,161
<b>Total net position</b>		<u>24,136,726</u>	<u>24,136,726</u>

Continued on next page

See accompanying notes to the basic financial statements

**Chino Basin Water Conservation District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position, continued**  
**June 30, 2016**

**Reconciliation:**

Fund balance of governmental funds		\$ 14,506,534
Amounts reported for governmental activities in the statement of net position are different because:		
Non-current assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the Statement of Net Position includes those non-current assets among the assets of the District as a whole.		
Capital assets		9,943,565
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	64,418	
Recognized portion due to differences between the expected and actual experience are reported as deferred outflows of resources in the government-wide financial statements.	<u>3,167</u>	67,585
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position as follows:		
Compensated absences		(46,653)
Net pension liability		(240,899)
Recognized portion due to differences between the actual employer contribution and the proportionate share of contribution are reported as deferred inflows of resources in the government-wide financial statements.	(6,222)	
Recognized portion due to net differences in proportions are reported as deferred inflows of resources in the government-wide financial statements.	(42,194)	
Recognized changes in assumptions are reported as deferred inflows of resources in the government-wide financial statements.	(29,967)	
Recognized net difference between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide financial statements.	<u>(15,023)</u>	<u>(93,406)</u>
Net position of governmental activities		\$ <u><u>24,136,726</u></u>

See accompanying notes to the basic financial statements

**Chino Basin Water Conservation District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Type Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Reclassifications &amp; Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Water conservation:			
Salaries and benefits	\$ 1,212,665	(48,560)	1,164,105
Basin and garden maintenance	127,373	-	127,373
Public education	125,881	-	125,881
Materials and services	507,948	-	507,948
Capital outlay	59,687	(59,687)	-
Depreciation	-	339,924	339,924
Other	20,330	-	20,330
<b>Total expenditures/expenses</b>	<u>2,053,884</u>	<u>231,677</u>	<u>2,285,561</u>
Program revenues:			
Charges for services – landscape evaluation audits	42,761	-	42,761
Charges for services – educational workshops	1,750	-	1,750
Operating grants and contributions	22,746	-	22,746
<b>Total program revenues</b>	<u>67,257</u>	<u>-</u>	<u>67,257</u>
<b>Net program expense</b>			<u>2,218,304</u>
General revenues:			
Property taxes	2,568,867	-	2,568,867
Investment earnings	82,326	-	82,326
Other	24,693	-	24,693
<b>Total general revenues</b>	<u>2,675,886</u>	<u>-</u>	<u>2,675,886</u>
<b>Total revenues</b>	<u>2,743,143</u>	<u>-</u>	
<b>Deficiency of revenues     under expenditures</b>	689,259	(689,259)	-
<b>Change in net position</b>	-	457,582	457,582
Fund balance/Net position – beginning of period	<u>13,817,275</u>	<u>7,171,692</u>	<u>23,679,144</u>
Fund balance/Net position – end of period	<u>\$ 14,506,534</u>	<u>6,940,015</u>	<u>24,136,726</u>

**Reconciliation:**

Net changes in fund balance of governmental fund \$ 689,259

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense.

Capital outlay	59,687
Depreciation expense	(339,924)

Some expenses reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenses in  
governmental funds as follows:

Net change in compensated absences for the current period	7,134	
Net change in pension obligations for the current period	41,426	48,560
Change in net position of governmental activities	<u>\$ 457,582</u>	

See accompanying notes to the basic financial statements

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

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

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

The Chino Basin Water Conservation District (District) was established in 1949 to protect the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The District's service area includes the cities of Chino, Chino Hills, Montclair, Ontario, Rancho Cucamonga and Upland. The District leads these cities in water conservation education, concentrating on water-efficient landscaping and water conserving behavior at both the residential and institutional levels. The District also owns and manages several percolation basins to assist in recharging the Chino Groundwater Basin. Administration and operation of the District is guided by a duly elected and/or appointed seven member Board of Directors.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Governmental Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property tax, interest earnings, investment revenue and operating and capital grant revenues.



**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

**B. Basis of Accounting and Measurement Focus, continued**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental fund:

**General Fund** – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**C. Financial Reporting**

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

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

***Government Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015.

The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

***Government Accounting Standards Board Statement No. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

**C. Financial Reporting, continued**

***Government Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

***Government Accounting Standards Board Statement No. 79***

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015.

This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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

**1. Use of Estimates**

The preparation of 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 District equity during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Certificates-of-deposit
- CalTRUST
- State of California Local Area Investment Fund (LAIF)

CalTRUST is a joint Powers Agency Authority created by local public agencies and is governed by a Board of Trustees made up of experienced local agency Treasures and investment officers. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

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

**3. Investments and Investment Policy, continued**

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

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

**4. Fair Value Measurements**

The District 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** – This valuation level is based on quoted prices in active markets for identical assets.
- **Level 2** – This valuation level 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.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The District does not currently hold any investments which require the treatment of fair value measurements.

**5. Prepaids**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

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

**6. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, buildings and improvements, equipment and furniture, vehicles and construction-in-process. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and building improvements – 20 to 75 years
- Demonstration garden – 12 years
- Equipment and furniture – 3 to 20 years
- Vehicles – 5 years

**7. Deferred Outflows of Resources**

The statement of net position and the governmental funds balance sheet will sometimes report 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 (expenditure) until that time. Included is a deferred outflow related to pensions equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year. Additionally, a deferred outflow related to pensions for the differences between expected and actual experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan determined as of the measurement date June 30, 2015, which is a 3.8 year period.

**8. Compensated Absences**

It is the District's policy to allow vacation pay of between ten (10) and twenty (20) working days per year of employment. Vacation time may be accumulated from year to year. Employees are allowed to accumulate and carry forward a maximum of two hundred (200) hours. Sick leave is granted at a rate of ten days per calendar year and may be used for sickness, injury or disability. Sick leave is accumulated beyond the year in which it is earned up to a maximum of twenty-two (22) days.

**9. Pensions**

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

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

- Valuation Date: June 30, 2014 and 2013
- Measurement Date: June 30, 2015 and 2014
- Measurement Period: July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

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

**10. Deferred Inflows of Resources**

The statement of net position and the governmental funds balance sheet will sometimes report 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. Included are deferred inflows related to pensions for the changes in assumptions, differences between the actual employer contributions and the proportionate share of contributions and net changes in proportions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement date June 30, 2015, which is 3.8 year period. Additionally, a deferred inflow related to pensions for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position will be amortized over a 5 year period.

**11. 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 outstanding debt (if applicable) against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

**12. Property Taxes**

The County of San Bernardino Assessor's Office assesses all real and personal property within the County each year. The County of San Bernardino Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property tax revenue at year-end is related to property taxes collected by the County of San Bernardino, which have not been transferred to the District as of June 30.

**13. Fund Equity**

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.



**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

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

**13. Fund Equity, continued**

- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**(2) Cash and Cash Equivalents**

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

	<u><b>2016</b></u>
Cash on hand	\$ 1,000
Deposits held with financial institutions	1,173
Deposits held with Cal Trust	7,572,467
Deposits held with California Local Agency Investment Fund (LAIF)	<u>6,996,718</u>
	<u><u>\$ 14,571,358</u></u>

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(2) Cash and Cash Equivalents, continued**

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

	<u>2016</u>
Deposits held with Cal Trust – Short Term Fund	387 days
Deposits held with California Local Agency Investment Fund (LAIF)	167 days

***Authorized Deposits and Investments***

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(C)(3) to the financial statements.

***Investment in the California State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four hour period without loss of accrued interest. Credit and market risk is unknown. LAIF detail may be obtained from the State of California Treasurer's website at [www.treasurer.ca.gov/pmia-laif/index.asp](http://www.treasurer.ca.gov/pmia-laif/index.asp).

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

- Each agency in the fund may invest up to \$40 million and may invest without limitation in special bond proceeds accounts.
- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

***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 District'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 market 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 District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the code.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(2) Cash and Cash Equivalents, 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 District's investment policy contain 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 or government investment pools.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF and Cal Trust are not rated.

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with a government-sponsored agency, LAIF, is 52% of the District's total depository and investment portfolio. The District's deposit portfolio with CalTrust, is 48% of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District's total investments.

**(3) Prepaids**

The District entered into an advance dues deposit agreement with the Association of California Water Agencies to enable the Association to fund the purchase of its administrative facility. Interest of 6% per annum, together with 2% to 5% of the initial advance deposit of \$27,621, will be applied to the annual dues. At June 30, 2016, prepaids amounted to \$31,843. Of the June 30, 2016 balance, \$11,430 is related to prepaid ACWA dues, \$6,905 is related to the unamortized remaining balance for the initial advance deposit and \$13,508 is related to other prepaid items.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(4) Capital Assets**

Major capital asset additions during fiscal year 2016 included \$59,686 to construction-in-process for costs related to the Demonstration Garden project.

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

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land	\$ 1,486,121	-	-	1,486,121
Construction-in-process	62,954	59,686	(8,116)	114,524
Total non-depreciable assets	1,549,075	59,686	(8,116)	1,600,645
Depreciable assets:				
Buildings and improvements	8,412,559	-	-	8,412,559
Demonstration garden	1,538,694	-	-	1,538,694
Equipment and furniture	66,580	-	-	66,580
Vehicles	117,593	-	-	117,593
Total depreciable assets	10,135,426	-	-	10,135,426
Accumulated depreciation:				
Buildings and improvements	(1,094,169)	(206,963)	-	(1,301,132)
Demonstration garden	(213,707)	(128,225)	-	(341,932)
Office equipment and furniture	(27,113)	(4,736)	-	(31,849)
Vehicles and implements	(117,593)	-	-	(117,593)
Total accumulated depreciation	(1,452,582)	(339,924)	-	(1,792,506)
Total depreciable assets, net	8,682,844	(339,924)	-	8,342,920
Total capital assets, net	\$ <u>10,231,919</u>			<u>9,943,565</u>

**(5) Deferred Outflows of Resources**

Changes in deferred outflows for the year ended June 30, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Amortization/ Transfers</u>	<u>Balance 2016</u>
Deferred outflows of resources:				
Pension contributions, 2016	\$ -	64,418	-	64,418
Pension contributions, 2015	48,611	-	(48,611)	-
Differences between actual and expected experience	-	4,298	(1,131)	3,167
Difference between actual contribution and the proportionate share of contribution	9,975	-	(9,975)	-
Total deferred outflows of resources	\$ <u>58,586</u>	<u>68,716</u>	<u>(59,717)</u>	<u>67,585</u>

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(6) Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences for the year ended June 30, were as follows:

<u>Balance</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2016</u>	<u>Due Within</u> <u>One Year</u>
\$ 39,519	46,575	(39,441)	46,653	46,653
<u>Balance</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2015</u>	<u>Due Within</u> <u>One Year</u>
\$ 37,557	41,768	(39,806)	39,519	39,519

**(7) Defined Benefit Pension Plan**

***Plan Description***

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

***Benefits Provided***

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(7) Defined Benefit Pension Plan, continued**

***Benefits Provided, continued***

The Plans' provision and benefits in effect at June 30, 2016 are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	1.5% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.257%
Required employer contribution rates	7.163%	6.237%

***Contributions***

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

As of the fiscal year ended June 30, 2016, the contributions for the Plan were as follows:

	<b>Miscellaneous Plan 2016</b>
Contributions – employer	\$ 64,418
Contributions – employee (paid by employer)	35,229
Total employer paid contributions	\$ 151,015

***Net Pension Liability***

As of the fiscal year ended June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability 2016</b>
Miscellaneous Plan	\$ 240,899



**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(7) Defined Benefit Pension Plan, continued**

***Net Pension Liability, continued***

The District's net pension asset for the Plan is measured as the proportionate share of the net pension liability. The net pension asset of the Plan is measured as of June 30, 2015 (the measurement date), and the total pension liability for the Plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 (the valuation date), rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 (the valuation date), rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2014	0.00458%
Proportion – June 30, 2015	0.00351%
Change – Increase (Decrease)	<u>-0.00107%</u>

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

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$94,430.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to the measurement date	\$ 64,418	-
Differences between actual and expected experience	3,167	-
Changes in assumptions	-	(29,967)
Net differences between projected and actual earnings on plan investments	-	(15,023)
Net differences between actual contribution and proportionate share of contribution	-	(6,222)
Net adjustment due to differences in proportions of net pension liability	-	(42,194)
Total	<u>\$ 67,585</u>	<u>(93,406)</u>

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(7) Defined Benefit Pension Plan, continued**

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

As of June 30, 2016, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$64,418 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017.

At June 30, 2016, the District recognized other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension liability, which will be recognized as pension expense as follows.

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2017	\$ (38,278)
2018	(37,342)
2019	(28,826)
2020	14,207
2021	-
Thereafter	-

***Actuarial Assumptions***

The total pension liability in the June 30, 2015 actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50% Net of Administrative Expenses for 2015
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(7) Defined Benefit Pension Plan, continued**

***Discount Rate***

For the June 30, 2015 valuation report, the discount rate used to measure the total pension liability was 7.50%, net of administrative expenses, for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore the current 7.50% discount rate used is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determine using a building-block method in which best-estimate ranges of 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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculates over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(7) Defined Benefit Pension Plan, continued**

***Discount Rate, continued***

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

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

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

At June 30, 2016, the discount rate comparison was the following:

	<u>Discount Rate – 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
District's Net Pension Liability    \$	<u>376,131</u>	<u>240,899</u>	<u>98,907</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 66 through 67 for the Required Supplementary Schedules.

***Payable to the Pension Plan***

At June 30, 2016, the District reported \$0 in payables for the outstanding amount of contribution to the pension plan.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(8) Deferred Inflows of Resources**

Changes in deferred inflows for the year ended June 30, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Amortization/ Transfers</u>	<u>Balance 2016</u>
Deferred inflows of resources:				
Changes in assumptions	\$ -	40,669	(10,702)	29,967
Net differences between projected and actual earnings on plan investments	95,805	(71,039)	(9,743)	15,023
Net differences between actual contribution and the proportionate share of contribution	-	19,044	(12,822)	6,222
Net adjustment due to differences in proportions of the net pension liability	<u>8,216</u>	<u>50,095</u>	<u>(16,117)</u>	<u>42,194</u>
Total deferred outflows of resources	<u>\$ 104,021</u>	<u>38,769</u>	<u>(49,384)</u>	<u>93,406</u>

**(9) Unrestricted Net Position**

Unrestricted net position are comprised of the following:

	<u>2016</u>
Non-spendable net position:	
Prepays	\$ <u>31,843</u>
Total non-spendable net position	<u>31,843</u>
Spendable net position designated for the following purposes:	
Major structural failures	1,500,000
Water conservation projects	7,894,548
Recycled water conservation contribution program	3,666,770
Operating reserve	<u>1,100,000</u>
Total spendable net position – designated	<u>14,161,318</u>
Total unrestricted net position	<u>\$ 14,193,161</u>

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(10) Fund Balance**

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances and their funding composition at June 30, 2016 is as follows:

Description	Amount
Non-spendable:	
Prepays	\$ 31,843
Major structural failures reserve	1,500,000
Sub-total non-spendable	<u>1,531,843</u>
Committed:	
Recycled water programs	<u>3,666,770</u>
Sub-total committed	<u>3,666,770</u>
Assigned:	
Compensated absences	46,653
Water conservation projects	84,575
Recharge improvements	6,000,000
Net pension liability	240,899
Deferred inflows of resources, net	<u>25,821</u>
Sub-total assigned	<u>6,397,948</u>
Unassigned	<u>2,909,973</u>
<b>Total fund balance</b>	<b>\$ <u><u>14,506,534</u></u></b>

**(11) Prior Year Restatement of Net Position**

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability.

As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment in the amount of \$340,104 to decrease the governmental activities' beginning net position as of July 1, 2014.

The restatement of beginning net position is summarized as follows:

Net position at June 30, 2014, as previously stated	\$ <u>23,581,743</u>
Effect of adjustment to record net pension liability	(389,543)
Effect of adjustment to record deferred pension outflows	<u>49,439</u>
Total adjustment to net position	<u>(340,104)</u>
Net position at July 1, 2014, as restated	<b>\$ <u><u>23,241,639</u></u></b>



**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

**(12) Risk Management**

***Joint Powers Insurance Authority***

The District is a participating member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). ACWA/JPIA is a self-insured association of independent water agencies. Association members have pooled funds to be self-insured for liabilities up to \$1,000,000 per occurrence. The ACWA/JPIA also purchases excess insurance to cover each member for liabilities to \$59 million per occurrence. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm and can be obtained at ACWA/JPIA's main office located at 5620 Birdcage St., #200, Citrus Heights, CA 95610.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 80***

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 81***

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.

This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**Chino Basin Water Conservation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2016**

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

***Governmental Accounting Standards Board Statement No. 81, continued***

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 82***

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**(14) Contingencies**

***Grant Awards***

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

***Litigation***

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

**(15) Subsequent Events**

Events occurring after June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure as of February 13, 2017, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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## **Required Supplementary Information**



**Chino Basin Water Conservation District**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2016**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Water conservation:					
Salaries and benefits	\$ 1,327,300	(97,700)	1,229,600	1,212,665	16,935
Basin and garden maintenance	183,075	(56,650)	126,425	127,373	(948)
Public education	145,700	(14,300)	131,400	125,881	5,519
Materials and services	557,200	(61,530)	495,670	507,948	(12,278)
Capital outlay	122,074	(59,974)	62,100	59,687	2,413
Other	13,850	19,400	33,250	20,330	12,920
<b>Total expenditures/expenses</b>	<u>2,349,199</u>	<u>(270,754)</u>	<u>2,078,445</u>	<u>2,053,884</u>	<u>24,561</u>
Program revenues:					
Charges for services – landscape evaluation audits	55,000	(13,000)	42,000	42,761	761
Charges for services – educational workshops	5,500	(3,500)	2,000	1,750	(250)
Operating grants and contributions	21,500	1,500	23,000	22,746	(254)
<b>Total program revenues</b>	<u>82,000</u>	<u>(15,000)</u>	<u>67,000</u>	<u>67,257</u>	<u>257</u>
General revenues:					
Property taxes	1,993,000	577,000	2,570,000	2,568,867	(1,133)
Investment earnings	30,000	18,000	48,000	82,326	34,326
Other	29,310	(3,900)	25,410	24,693	(717)
<b>Total general revenues</b>	<u>2,052,310</u>	<u>591,100</u>	<u>2,643,410</u>	<u>2,675,886</u>	<u>32,476</u>
<b>Total revenues</b>	<u>2,134,310</u>	<u>576,100</u>	<u>2,710,410</u>	<u>2,743,143</u>	<u>32,733</u>
<b>Deficiency of revenues     (under) over expenditures</b>	<u>(214,889)</u>	<u>846,854</u>	<u>631,965</u>	<u>689,259</u>	<u>8,172</u>
Fund balance – beginning of period	<u>12,864,279</u>		<u>13,934,040</u>	<u>13,817,275</u>	
Fund balance – end of period	<u>\$ 12,649,390</u>		<u>14,566,005</u>	<u>14,506,534</u>	

## Notes to Required Supplementary Information

### (1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the District's Executive Director prepares and submits an operating budget to the Board of Directors for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget adjusted for Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget as originally approved. The Board approved supplemental appropriations of revenues over expenditures in the amount of \$846,854 during the year ended June 30, 2016.



**Chino Basin Water Conservation District**  
**District's Proportionate Share of the Net Pension Liability – Last Ten Years\***  
**As of June 30, 2016**

<b>Description</b>	<b>Measurement Date 6/30/2015</b>	<b>Measurement Date 6/30/2014</b>
District's Proportion of the Net Pension Liability	0.00351%	0.00458%
District's Proportionate Share of the Net Pension Liability \$	240,899	285,096
District's Covered-Employee Payroll \$	686,873	530,082
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	35.07%	53.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	86.37%	83.03%

**Notes:**

***Changes in Benefit Terms*** – The figures above do not include any liability impact that may have resulted from Plan changes which occurred after the June 30, 2014, valuation date.

***Changes of Assumptions*** – For the June 30, 2015, measurement date, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% percent to correct for an adjustment to exclude administrative expense.

\* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

**Chino Basin Water Conservation District**  
**Pension Plan Contributions – Last Ten Years\***  
**As of June 30, 2016**

<b><u>Schedule of Pension Plan Contributions:</u></b>	<b><u>Fiscal Year 2015-2016</u></b>	<b><u>Fiscal Year 2014-2015</u></b>	<b><u>Fiscal Year 2013-2014</u></b>
Actuarially Determined Contribution	\$ 56,149	48,488	49,440
Contributions in Relation to the Actuarially Determined Contribution	<u>(64,418)</u>	<u>(48,611)</u>	<u>(49,440)</u>
Contribution Deficiency (Excess)	\$ <u>(8,269)</u>	<u>(123)</u>	<u>-</u>
Covered Payroll	\$ <u>675,399</u>	<u>686,873</u>	<u>530,082</u>
Contribution's as a percentage of Covered-employee Payroll	<u>9.54%</u>	<u>7.08%</u>	<u>9.33%</u>

**Notes:**

The actuarial methods and assumptions used to set the actuarially determined contributions from June 30, 2014 through June 30, 2015 (the measurement period), were derived from the June 30, 2012, funding valuation report.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012, funding valuation report.

\* Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

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# **Report on Internal Controls and Compliance**





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## **Independent Auditor's 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***

The Honorable Board of Directors of the  
Chino Basin Water Conservation District  
Montclair, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chino Basin Water Conservation District (District), as of and for the years June 30, 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 13, 2017.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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

**Purpose of this Report**

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

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

February 13, 2017