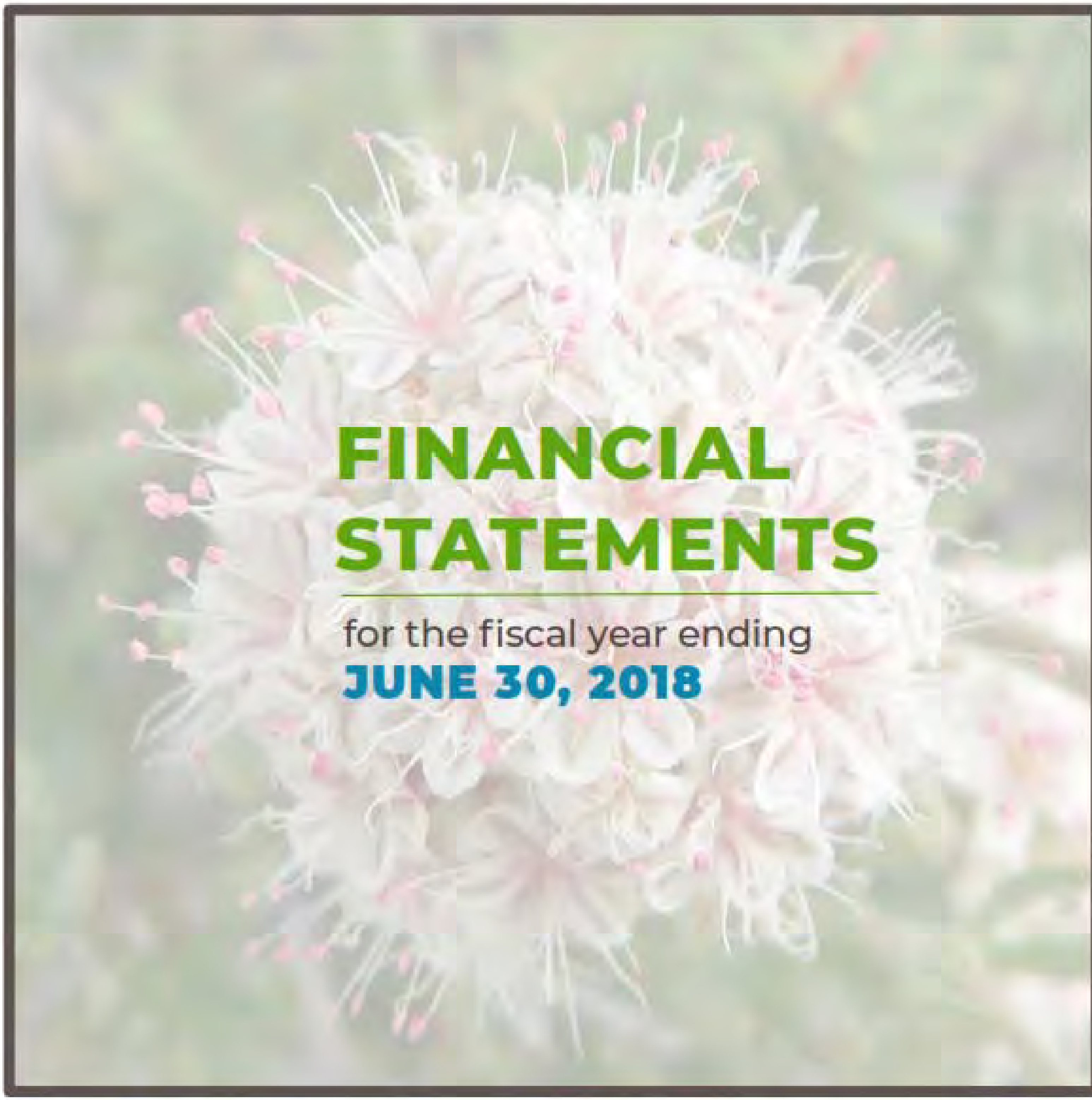

FINANCIAL STATEMENTS

for the fiscal year ending
JUNE 30, 2018

CHINO BASIN
Water Conservation District

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, 2018

Name	Division	Title	Elected/ Appointed	Term
Terence M. King	Division 1	President	Appointed In-Lieu	12/2014 - 12/2018
Margaret Hamilton	Division 3	Vice-President	Appointed In-Lieu	12/2014 - 12/2018
Marc Grupposo	Division 2	Treasurer	Appointed In-Lieu	12/2016 - 12/2020
Mark Lightenberg	Division 4	Director	Appointed In-Lieu	12/2016 - 12/2020
Gil Aldaco	Division 5	Director	Elected	12/2016 - 12/2020
Dr. Hanif Gulmahamad	Division 6	Director	Appointed In-Lieu	12/2016 - 12/2020
Vacant	Division 7	Vacant	Vacant	Vacant

Chino Basin Water Conservation District
Vivian G. Castro, Acting 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, 2018

Chino Basin Water Conservation District
Financial Statements
For the Fiscal Year Ended June 30, 2018

Table of Contents

Introductory Section

December 10, 2018

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, 2018. 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 Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's financial statements, the District's audited financial statements with accompanying notes, as well as the Independent Auditor's Report on Internal Control over Financial Reporting. 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,

Vivian G. Castro
Acting Executive Director

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

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Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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, 2018, 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 an 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, 2018, 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

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2017, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 4 through 8 and the required supplementary information on pages 36 through 38 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2018, 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 39 and 40.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 10, 2018

Chino Basin Water Conservation District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
With Comparative Amounts as of June 30, 2017

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, 2018 (with comparative information for fiscal year ended June 30, 2017). 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 decreased by $189,863 to $23,946,645 as a result of $192,080 in expense related to a land purchase transaction. See note 4.
- The District's program revenues decreased by $11,160 to $21,160.
- The District's general revenues increased by $336,649 to $2,973,059.
- The District's total expenses increased by $515,134 to $3,184,082.

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.

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 15 through 35.

Condensed Statements of Net Position

		2018	2017	Change
Assets:				
Current assets	$	10,502,615	14,934,260	(4,431,645)
Non-current assets		13,904,516	9,657,913	4,246,603
Total assets		24,407,131	24,592,173	(185,042)
Deferred outflows of resources		251,596	194,781	56,815
Liabilities:				
Current liabilities		250,428	261,065	(10,637)
Non-current liability		451,196	362,322	88,874
Total liabilities		701,624	623,387	78,237
Deferred inflows of resources		10,458	27,059	(16,601)
Net position:				
Net Investment in capital assets		13,904,516	9,657,913	4,246,603
Unrestricted		10,042,129	14,478,595	(4,436,466)
Total net position	$	23,946,645	24,136,508	(189,863)

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 $23,946,645 as of June 30, 2018.

Government-wide Financial Analysis, continued

A major portion of the District's net position 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 2018, the District shows a positive balance in its unrestricted net position of $10,042,129. See Note 7 for the amount of spendable net position that may be utilized in future years.

Condensed Statements of Activities

		2018	2017	Change
Expenses:				
Water conservation:				
Salaries and benefits	$	1,629,231	1,377,983	251,248
Basin and garden maintenance		217,221	133,097	84,124
Public education		161,964	179,762	(17,798)
Materials and services		636,436	638,178	(1,742)
Depreciation		347,150	339,928	7,222
Land acquisition expense		192,080	-	192,080
Total expenses		3,184,082	2,668,948	515,134
Program revenues:				
Charges for services:				
Landscape evaluation audits		16,260	28,361	(12,101)
Educational workshops		-	750	(750)
Operating grants and contributions		4,900	3,209	1,691
Total program revenues		21,160	32,320	(11,160)
Net program expenses		3,162,922	2,636,628	526,294
General revenues:				
Property taxes		2,791,937	2,515,727	276,210
Investment earnings		173,420	101,204	72,216
Other		7,702	19,479	(11,777)
Total general revenues		2,973,059	2,636,410	336,649
Change in net position		(189,863)	(218)	(189,645)
Net position – beginning of period,		24,136,508	24,136,726	(218)
Net position – end of period	$	23,946,645	24,136,508	(189,863)

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position decreased by $189,863 to $23,946,645 as a result of $192,080 in expense related to a land purchase transaction.

Government-wide Financial Analysis, continued

Total program revenues decreased by $11,160 to $21,160, primarily due to decreases of $12,101 in services from landscape evaluation audits, and $750 in services from educational workshops, which were offset by an increase of $1,691 in operating grants and contributions.

Total general revenues increased by $336,649 to $2,973,059, primarily due to increases of $276,210 in property taxes and $72,216 in investment earnings, which was offset by a decrease of $11,777 in other revenue.

Total expenses increased by $515,134 to $3,184,082, primarily due to increases of $251,248 in salaries and benefits, $84,124 in basin and garden maintenance, and $192,080 in a land acquisition expense for the Confluence project, which were offset by a reduction of $17,798 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, 2018, the District's General Fund reported a fund balance of $10,298,342. An amount of $3,092,582 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 8 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 $574,630 more than actual incurred. Actual revenues were more than the anticipated budget by $303,439. (See Budgetary Comparison Schedule for General Fund under Required Supplementary Information on page 36)

Capital Asset Administration

Changes in capital asset amounts for 2018 were as follows:

		Balance 2017	Additions	Deletions/ Transfers	Balance 2018
Capital assets:					
Non-depreciable assets	$	1,613,045	4,501,140	-	6,114,185
Depreciable assets		10,177,302	92,613	(10,667)	10,259,248
Accumulated depreciation		(2,132,434)	(347,150)	10,667	(2,468,917)
Total capital assets, net	$	9,657,913	4,246,603	-	13,904,516

At the end of fiscal year 2018, the District's investment in capital assets amounted to $13,904,516 (net of accumulated depreciation). This investment in capital assets includes land, percolation facilities, 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.

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 Acting Executive Director, Vivian G. Castro, 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, 2018
(With Comparative Amounts for June 30, 2017)

		2018	2017
Current assets:			
Cash and cash equivalents (note 2)	$	10,381,778	14,836,416
Accrued interest receivable		21,352	23,453
Accounts receivable		9,641	1,595
Property taxes receivable		48,205	42,709
Prepaids (note 3)		41,639	30,087
Total current assets		10,502,615	14,934,260
Non-current assets:			
Capital assets, net (note 4)		13,904,516	9,657,913
Total non-current assets		13,904,516	9,657,913
Total assets		24,407,131	24,592,173
Deferred outflows of resources:			
Deferred pension outflows (note 6)		251,596	194,781
Total deferred outflows of resources		251,596	194,781
Current liabilities:			
Accounts payable and accrued expenses		89,956	99,972
Accrued wages		28,342	21,600
Customer deposit – rental property		1,400	-
Retention payable		84,575	84,575
Compensated absences (note 5)		46,155	54,918
Total current liabilities		250,428	261,065
Non-current liability:			
Long term liability – due in more than one year:			
Net pension liability (note 6)		451,196	362,322
Total non-current liability		451,196	362,322
Total liabilities		701,624	623,387
Deferred inflows of resources:			
Deferred pension inflows (note 6)		10,458	27,059
Total deferred inflows of resources		10,458	27,059
Net position:			
Net Investment in capital assets		13,904,516	9,657,913
Unrestricted (note 7)		10,042,129	14,478,595
Total net position	$	23,946,645	24,136,508

See accompanying notes to the basic financial statements

Chino Basin Water Conservation District
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Amounts for June 30, 2017)

		2018	2017
Expenses:			
Water conservation:			
Salaries and benefits	$	1,629,231	1,377,983
Basin and garden maintenance		217,221	133,097
Public education		161,964	179,762
Materials and services		636,436	638,178
Depreciation		347,150	339,928
Land acquisition expense		192,080	-
Total expenses		3,184,082	2,668,948
Program revenues:			
Charges for services:			
Landscape evaluation audits		16,260	28,361
Educational workshops		-	750
Operating grants and contributions		4,900	3,209
Total program revenues		21,160	32,320
Net program expenses		3,162,922	2,636,628
General revenues:			
Property taxes		2,791,937	2,515,727
Investment earnings		173,420	101,204
Other		7,702	19,479
Total general revenues		2,973,059	2,636,410
Change in net position		(189,863)	(218)
Net position, beginning of period		24,136,508	24,136,726
Net position, end of period	$	23,946,645	24,136,508

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, 2018

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Current assets:			
Cash and cash equivalents	$ 10,381,778	-	10,381,778
Accrued interest receivable	21,352	-	21,352
Accounts receivable	9,641	-	9,641
Property taxes receivable	48,205	-	48,205
Prepaids	41,639	-	41,639
Total current assets	10,502,615	-	10,502,615
Non-current assets:			
Capital assets, net	-	13,904,516	13,904,516
Total non-current assets	-	13,904,516	13,904,516
Total assets	10,502,615	13,904,516	24,407,131
Deferred outflows of resources:			
Deferred pension outflows	-	251,596	251,596
Total deferred outflows of resources	-	251,596	251,596
Current liabilities:			
Accounts payable and accrued expenses	89,956	-	89,956
Accrued wages	28,342	-	28,342
Customer deposit – rental property	1,400	-	1,400
Retention payable	84,575	-	84,575
Compensated absences	-	46,155	46,155
Total current liabilities	204,273	46,155	250,428
Non-current liability:			
Long term liability – due in more than one year:			
Net pension liability	-	451,196	451,196
Total non-current liability	-	451,196	451,196
Total liabilities	204,273	497,351	701,624
Deferred inflows of resources:			
Deferred pension inflows	-	10,458	10,458
Total deferred inflows of resources	-	10,458	10,458
Fund balance (note 8)**:**			
Non-spendable	41,639	(41,639)	-
Committed	3,666,770	(3,666,770)	-
Assigned	3,497,351	(3,497,351)	-
Unassigned	3,092,582	(3,092,582)	-
Total fund balance	10,298,342	(10,298,342)	-
Total liabilities and fund balance	$ 10,502,615		
Net position:			
Net Investment in capital assets		13,904,516	13,904,516
Unrestricted		10,042,129	10,042,129
Total net position		23,946,645	23,946,645

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, 2018

Reconciliation:

Fund balance of governmental funds	$	10,298,342
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 includesthose non-current assets among the assets ofthe District as a whole.		
Capital assets		13,904,516
Deferred outflows of resources 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 deferred outflows of resources.		251,596
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		(46,155)
Net pension liability		(451,196)
Deferred inflows of resources 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 deferred inflows of resources.		(10,458)
Net position of governmental activities	$	23,946,645

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, 2018

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
Water conservation:			
Salaries and benefits	$ 1,622,536	6,695	1,629,231
Basin and garden maintenance	217,221	-	217,221
Public education	161,964	-	161,964
Materials and services	636,436	-	636,436
Capital outlay	4,593,753	(4,593,753)	-
Depreciation	-	347,150	347,150
Land acquisition expense	192,080	-	192,080
Total expenditures/expenses	7,423,990	(4,239,908)	3,184,082
Program revenues:			
Charges for services:			
Landscape evaluation audits	16,260	-	16,260
Operating grants and contributions	4,900	-	4,900
Total program revenues	21,160	-	21,160
Net program expense			3,162,922
General revenues:			
Property taxes	2,791,937	-	2,791,937
Investment earnings	173,420	-	173,420
Other	7,702	-	7,702
Total general revenues	2,973,059	-	2,973,059
Total revenues	2,994,219	-	
Deficiency of revenues under expenditures	(4,429,771)	4,429,771	-
Change in net position	-	(189,863)	(189,863)
Fund balance/Net position – beginning of period	14,728,113	6,718,218	24,136,508
Fund balance/Net position – end of period	$ 10,298,342	10,958,126	23,946,645

Continued on next page

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, continued
For the Year Ended June 30, 2018

Reconciliation:

Net changes in fund balance of governmental fund			$	(4,429,771)
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				4,593,753
Depreciation expense				(347,150)
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	$	8,763		
Net change in pension obligations for the current period		(15,458)		(6,695)
Change in net position of governmental activities			$	(189,863)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Chino Basin Water Conservation District (District) was established in 1949 to protect the Chino Groundwater Basin to ensure 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 provides services to these cities in water conservation education, workforce development, research, concentrating on water-efficient landscaping and water conserving behavior at both the residential, commercial, and institutional levels. The District also owns and manages eight 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

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:

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. There currently is no impact of the implementation of this Statement to the District's financial statements at this time as the District does not provide other post-employment benefits other than pensions.

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.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

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

B. Basis of Accounting and Measurement Focus, continued

Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources 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 when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

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. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

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. 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.

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into a single major category: governmental. An emphasis is placed on major funds within the governmental catagory. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental is at least 10 percent of the corresponding total for all funds of that category or type; and

b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund is at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Fund

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another Fund.

C. 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 Treasurer's and investment officers. Investments in securities of the U.S. government or its agencies are carried at fair value based quoted market prices.

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

C. 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.

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

C. 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 acquisition 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 will sometimes report a separate section for deferred outflows of resources. This separate 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. The District has the following pension related items that qualify for reporting in this category:

- Deferred outflow which is 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.
- Deferred outflow for the net changes in assumptions 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 Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion 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 Plan.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability 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 Plan.

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 one hundred seventy-six (176) hours.

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

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

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, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

10. Deferred Inflows of Resources

The statement of net position 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. The District has the following pension related item that qualifies for reporting in this category:

- Deferred inflow for the net differences between the actual and expected experience 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 Plan.

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. Fund Balance

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.

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

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

12. Fund Balance, continued

- **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.
- **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.

13. 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 of each year.

(2) Cash and Cash Equivalents

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

		2018
Cash on hand	$	1,675
Deposits held with financial institutions		53,901
Deposits held with Cal Trust		5,732,442
Deposits held with California Local Agency Investment Fund (LAIF)		4,593,760
	$	10,381,778

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

	2018
Deposits held with Cal Trust – Short Term Fund	318 days
Deposits held with California Local Agency Investment Fund (LAIF)	193 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.

LAIF is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

(2) Cash and Cash Equivalents, continued

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.

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 44% of the District's total depository and investment portfolio. The District's deposit portfolio with CalTrust, is 55% 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 $32,177, will be applied to the annual dues. At June 30, 2018, prepaids amounted to $41,639. Of the June 30, 2018 balance, $7,267 is related to prepaid ACWA dues, $4,587 is related to the unamortized remaining balance for the initial advance deposit and $29,785 is related to other prepaid items.

(4) Capital Assets

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

		Balance 2017	Additions	Deletions/ Transfers	Balance 2018
Non-depreciable assets:					
Land	$	1,486,121	4,500,000	-	5,986,121
Construction-in-process		126,924	1,140	-	128,064
Total non-depreciable assets		1,613,045	4,501,140	-	6,114,185
Depreciable assets:					
Buildings and improvements		8,412,560	54,627	(208)	8,466,979
Demonstration garden		1,546,394	-	-	1,546,394
Equipment and furniture		100,755	-	(10,459)	90,296
Vehicles		117,593	37,986	-	155,579
Total depreciable assets		10,177,302	92,613	(10,667)	10,259,248
Accumulated depreciation:					
Buildings and improvements		(1,507,886)	(209,249)	208	(1,716,927)
Demonstration garden		(470,370)	(128,481)	-	(598,851)
Office equipment and furniture		(36,585)	(8,154)	10,459	(34,280)
Vehicles and implements		(117,593)	(1,266)	-	(118,859)
Total accumulated depreciation		(2,132,434)	(347,150)	10,667	(2,468,917)
Total depreciable assets, net		8,044,868	(254,537)	-	7,790,331
Total capital assets, net	$	9,657,913			13,904,516

Major capital asset additions during fiscal year 2018, to land included $4,500,000 for costs related to the acquisition of land for the Confluence Project. Major depreciable asset additions included $54,627 for fitness equipment as well as new fences for College Heights, concrete work at Native Oak Grove, and $37,986 for the purchase of a new vehicle.

(5) 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:

	Balance 2017	Additions	Deletions	Balance 2018
$	54,918	57,121	(65,884)	46,155

(6) 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.

(6) Defined Benefit Pension Plan, continued

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, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic plan are eligible for the District's CalPERS 2.0% at 60 Retirement Plan.

The Plans' provision and benefits in effect for the fiscal year ended June 30, 2018 (Plan measurement date June 30, 2017), are summarized as follows:

	Miscellaneous Plan	
	Tier 1	**Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	6.900%	6.250%
Required employer contribution rates	7.653%	6.533%

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.

(6) Defined Benefit Pension Plan, continued

Contributions, continued

As of the fiscal year ended June 30, 2018 (Plan measurement date June 30, 2017), the contributions for the Plan were as follows:

		Miscellaneous Plan 2018
Contributions – employer	$	89,774
Contributions – employee (paid by employer)		26,804
Total employer paid contributions	$	116,578

At June 30, 2018, employer required contributions by the District for the Plan of $89,774 are reported in deferred pension outflows as part of current year recognition of GASB 68. At June 30, 2018, employee contributions paid by the District of $26,804 were expensed as these costs provide a benefit to the employee, but do not affect the District's share of net pension liability.

Net Pension Liability

As of the fiscal year ended June 30, 2018 (Plan measurement date June 30, 2017), the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		Proportionate Share of Net Pension Liability 2018
Miscellaneous Plan	$	451,196

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, 2017 (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, 2016 (the valuation date), rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in its proportionate share of the pension liability for the Plan between the measurement dates June 30, 2016 and 2017, was as follows:

Proportion at Measurement Date	Miscellaneous Plan
Proportion – June 30, 2016	0.00419%
Proportion – June 30, 2017	0.00455%
Change – Increase (Decrease)	0.00036%

(6) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal year ended June 30, 2018, the District recognized pension expense of $105,234.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$	89,774	-
Net differences between actual and expected experience		-	(10,458)
Changes in assumptions		89,951	-
Net differences between projected and actual earnings on plan investments		22,023	-
Net differences between actual contribution and proportionate share of contribution		8,290	-
Net adjustment due to differences in proportions of net pension liability		41,558	-
Total	$	251,596	(10,458)

As of June 30, 2018, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $89,774 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

At June 30, 2018, 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.

Fiscal Year Ending June 30:		Deferred Outflows/ (Inflows) of Resources
2018	$	39,132
2019		79,705
2020		50,152
2021		(17,625)
2022		-
Thereafter		-

(6) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
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.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined 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 calculated 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 expected 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.

(6) 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.

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

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, 2018, the discount rate comparison was the following:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability	$ 772,177	451,196	185,354

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 37 through 38 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2018, the District reported $0 in payables for the outstanding amount of contribution to the pension plan.

(7) Unrestricted Net Position

Unrestricted net position is comprised of the following:

		2018
Non-spendable net position:		
Prepaids	$	41,639
Total non-spendable net position		41,639
Spendable net position designated for the following purposes:		
Major structural failures		1,500,000
Recycled water conservation contribution program		3,666,770
Operating reserve		4,833,720
Total spendable net position – designated		10,000,490
Total unrestricted net position	$	10,042,129

(8) 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, 2018, is as follows:

Description		Amount
Non-spendable:		
Prepaids	$	41,639
Sub-total non-spendable		41,639
Committed:		
Recycled water programs		3,666,770
Sub-total committed		3,666,770
Assigned:		
Recharge improvements		1,500,000
Major structural failures reserve		1,500,000
Compensated absences		46,155
Net pension liability		451,196
Sub-total assigned		3,497,351
Unassigned		3,092,582
Total fund balance	$	10,298,342

(9) Risk Management

Joint Powers Insurance Authority

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of $5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: $55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above. In addition, the policy includes excess coverage layers up to $60 million.

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

- Crime coverage up to $100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to $1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $500 million per loss, subject to a $1,000 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to a $1,000 deductible per loss for mobile equipment and a $500 deductible per loss for vehicles.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Workers' compensation coverage up to California statutory limits for all work related injuries/illnesses covered by California law; a pooled self-insured limit of $2,000,000.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2018, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017, and 2016, respectively.

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.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. 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. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. 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. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. 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. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. 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. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

Governmental Accounting Standards Board Statement No. 89, continued

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. 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. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(11) 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.

(12) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of December 10, 2018, 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, 2018

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:					
Water conservation:					
Salaries and benefits	$ 1,621,100	68,780	1,689,880	1,622,536	67,344
Basin and garden maintenance	272,900	41,000	313,900	217,221	96,679
Public education	208,300	(22,300)	186,000	161,964	24,036
Materials and services	464,873	(18,033)	446,840	636,436	(189,596)
Capital outlay	4,000	5,358,000	5,362,000	4,593,753	768,247
Land acquisition expense	-	-	-	192,080	(192,080)
Total expenditures/expenses	2,571,173	5,427,447	7,998,620	7,423,990	574,630
Program revenues:					
Charges for services:					
Landscape evaluation audits	6,000	6,000	12,000	16,260	4,260
Educational workshops	1,000	(1,000)	-	-	-
Operating grants and contributions	5,000	(5,000)	-	4,900	4,900
Total program revenues	12,000	-	12,000	21,160	9,160
General revenues:					
Property taxes	2,598,580	14,700	2,613,280	2,791,937	178,657
Investment earnings	60,000	-	60,000	173,420	113,420
Other	20,200	(14,700)	5,500	7,702	2,202
Total general revenues	2,678,780	-	2,678,780	2,973,059	294,279
Total revenues	2,690,780	-	2,690,780	2,994,219	303,439
Deficiency of revenues (under) over expenditures	119,607	(5,427,447)	(5,307,840)	(4,429,771)	(271,191)
Fund balance – beginning of period	12,302,490		14,682,055	14,728,113	
Fund balance – end of period	$ 12,422,097		9,374,215	10,298,342	

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 $5,427,447 during the year ended June 30, 2018.

Chino Basin Water Conservation District
District's Proportionate Share of the Net Pension Liability – Last Ten Years*
As of June 30, 2018

Description		Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
District's Proportion of the Net Pension Liability		0.00455%	0.00419%	0.00351%	0.00458%
District's Proportionate Share of the Net Pension Liability	$	451,196	362,322	240,899	285,096
District's Covered-Employee Payroll	$	909,855	675,399	686,873	530,082
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll		49.59%	53.65%	35.07%	53.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		80.67%	81.33%	86.37%	83.03%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2017, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2017, the discount rate was reduced from 7.65% percent to 7.15% percent.

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only four years are shown.

Chino Basin Water Conservation District
Pension Plan Contributions – Last Ten Years*
As of June 30, 2018

Schedule of Pension Plan Contributions:		Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015
Actuarially Determined Contribution	$	67,099	64,240	47,983	49,440
Contributions in Relation to the Actuarially Determined Contribution		(89,774)	(80,152)	(64,418)	(49,440)
Contribution Deficiency (Excess)	$	(22,675)	(15,912)	(16,435)	-
Covered Payroll	$	909,855	675,399	686,873	530,082
Contribution's as a percentage of Covered-employee Payroll		9.87%	11.87%	9.38%	9.33%

Notes:

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore, only four years are shown.

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Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 10, 2018.

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
December 10, 2018