

**CHINO BASIN
WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2025
(With Comparative Amounts as of June 30, 2024)**

NIGRO & NIGRO^{PC}

CHINO BASIN WATER CONSERVATION DISTRICT

For the Fiscal Year Ended June 30, 2025

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Financial Section



4594 San Bernardino St.
Montclair, CA 91763

November 10, 2025

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, 2025. 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,

A handwritten signature in cursive script that reads "Elizabeth Willis".

Elizabeth Willis
General Manager



INDEPENDENT AUDITORS' REPORT

Board of Directors
Chino Basin Water Conservation District
Montclair, California

Opinion

We have audited the accompanying financial statements of the governmental activities and general fund of Chino Basin Water Conservation District (District) as of and for the year ended June 30, 2025, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 1, 4, and 11 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability and schedule of pension contributions 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

The introductory, other information and statistical sections have 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 on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior-Year Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 10, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Murrieta, California
November 10, 2025

CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

Management's Discussion and Analysis (MD&A) offers readers of Chino Basin Water Conservation District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2025. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased 7.71%, or \$2,202,538 from the prior year's net position of \$28,575,301 to \$30,777,839 as a result of this year's operations.
- Total revenues from all sources increased by 6.82%, or \$378,751 from \$5,551,742 to \$5,930,493 from the prior year, primarily due to an increase in property taxes during the fiscal year.
- Total expenses for the District's operations decreased by 3.23% or \$124,449 from \$3,852,404 to \$3,727,955, from the prior year, primarily due to a decrease in salaries and benefits, basin and garden maintenance, and materials and services.

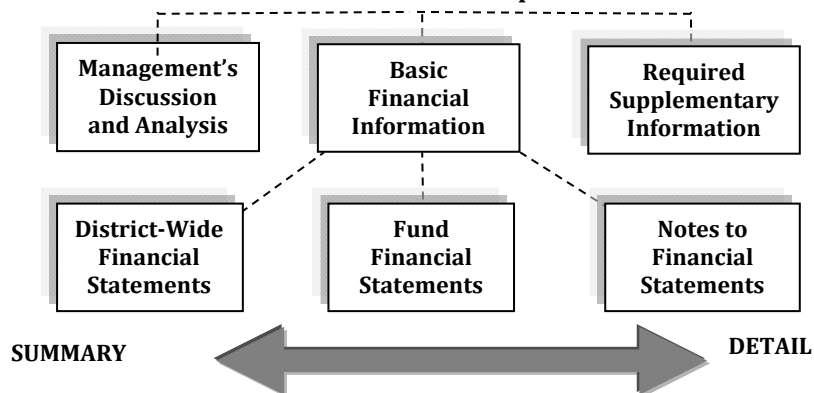
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of Chino Basin Water Conservation District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has one fund, the General Fund.

CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 18,011,468	\$ 15,662,740	\$ 2,348,728
Capital assets, net	<u>14,045,004</u>	<u>14,267,458</u>	<u>(222,454)</u>
Total assets	<u>32,056,472</u>	<u>29,930,198</u>	<u>2,126,274</u>
Deferred outflows of resources	<u>545,835</u>	<u>837,774</u>	<u>(291,939)</u>
Liabilities:			
Current liabilities	619,064	528,237	90,827
Non-current liabilities	<u>847,056</u>	<u>858,114</u>	<u>(11,058)</u>
Total liabilities	<u>1,466,120</u>	<u>1,386,351</u>	<u>79,769</u>
Deferred inflows of resources	<u>358,348</u>	<u>806,320</u>	<u>(447,972)</u>
Net position:			
Net investment in capital assets	14,033,311	14,248,660	(215,349)
Restricted for pension-related expenses	84,702	77,973	6,729
Unrestricted	<u>16,659,826</u>	<u>14,248,668</u>	<u>2,411,158</u>
Total net position	<u>\$ 30,777,839</u>	<u>\$ 28,575,301</u>	<u>\$ 2,202,538</u>

At the end of fiscal year 2025, the District shows a positive balance in its unrestricted net position of \$16,659,826 that may be utilized in future years.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Program revenues	\$ 10,734	\$ 24,484	\$ (13,750)
Expenses	<u>(3,727,488)</u>	<u>(3,851,728)</u>	<u>124,240</u>
Net program revenue	<u>(3,716,754)</u>	<u>(3,827,244)</u>	<u>110,490</u>
General revenues	<u>5,919,292</u>	<u>5,526,582</u>	<u>392,710</u>
Change in net position	<u>2,202,538</u>	<u>1,699,338</u>	<u>503,200</u>
Net position – beginning of year	<u>28,575,301</u>	<u>26,875,963</u>	<u>1,699,338</u>
Net position – end of year	<u>\$ 30,777,839</u>	<u>\$ 28,575,301</u>	<u>\$ 2,202,538</u>

CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$2,202,538 during the fiscal year ended June 30, 2025.

Table A-3: Total Revenues

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 5,014	\$ 19,344	\$ (14,330)
Grants and contributions	5,720	5,140	580
Total program revenues	<u>10,734</u>	<u>24,484</u>	<u>(13,750)</u>
General revenues:			
Property taxes	5,129,994	4,755,406	374,588
Investment earnings	763,650	753,639	10,011
Other revenue	26,115	18,213	7,902
Total general revenues	<u>5,919,759</u>	<u>5,527,258</u>	<u>392,501</u>
Total revenues	<u>\$ 5,930,493</u>	<u>\$ 5,551,742</u>	<u>\$ 378,751</u>

Total revenues from all sources increased by 6.82%, or \$378,751 from \$5,551,742 to \$5,930,493 from the prior year, primarily due to an increase in property taxes.

Table A-4: Total Expenses

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and benefits	\$ 2,186,285	\$ 2,233,011	\$ (46,726)
Basin and garden maintenance	220,073	249,934	(29,861)
Public education	117,878	126,620	(8,742)
Materials and services	739,807	800,499	(60,692)
Depreciation and amortization	463,445	441,664	21,781
Interest expense - lease	467	676	(209)
Total expenses	<u>\$ 3,727,955</u>	<u>\$ 3,852,404</u>	<u>\$ (124,449)</u>

Total expenses for the District's operations decreased by 3.23% or \$124,449 from \$3,852,404 to \$3,727,955 from the prior year, primarily due to a decrease in salaries and benefits, basin and garden maintenance, and materials and services.

CHINO BASIN WATER CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

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, the *unassigned 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, 2025, the District reported a total fund balance of \$17,468,340. An amount of \$11,111,874 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District at year-end were \$1,172,280 more than actual. The variance is primarily due to budgeting for basin percolation maintenance that was not required, less professional consulting expenses, and less capital outlay for the amphitheater project. Actual revenues were more than budgeted by \$320,893 due to increased property taxes and higher investment earnings.

CAPITAL ASSET ADMINISTRATION

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance June 30, 2025	Balance June 30, 2024
Capital assets:		
Non-depreciable assets	\$ 6,122,445	\$ 6,286,249
Depreciable assets	13,008,502	12,614,417
Accumulated depreciation	<u>(5,085,943)</u>	<u>(4,633,208)</u>
Total capital assets, net	<u><u>\$ 14,045,004</u></u>	<u><u>\$ 14,267,458</u></u>

At the end of fiscal year 2025, the District's investment in capital assets amounted to \$14,045,004 (net of accumulated depreciation). Net capital asset additions amounted to \$240,992 for various projects and equipment. See Note 4 for further information on the District's capital assets.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the District's current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 4594 San Bernardino Street, Montclair, California 91763 or (909) 626-2711.

CHINO BASIN WATER CONSERVATION DISTRICT

Statement of Net Position

June 30, 2025

(With Comparative Amounts as of June 30, 2024)

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>Restated 2024</u>
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 17,653,474	\$ 15,339,920
Restricted – cash and investments (Note 2 and 3)	84,702	77,973
Accrued interest receivable	105,137	92,158
Accounts receivable	6,211	-
Property taxes receivable	101,479	92,984
Prepaid items	60,465	59,705
Total current assets	18,011,468	15,662,740
Non-current assets:		
Capital assets – not being depreciated (Note 4)	6,122,445	6,286,249
Capital assets – being depreciated, net (Note 4)	7,922,559	7,981,209
Total non-current assets	14,045,004	14,267,458
Total assets	32,056,472	29,930,198
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net pension liability (Note 7)	545,835	837,774
Total deferred outflows of resources	545,835	837,774
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	134,557	358,820
Accrued salaries and benefits	92,236	77,518
Customer deposits and unearned revenue	301,400	1,400
Contracts and retainage payable	14,935	14,935
Long-term liabilities – due in one year:		
Compensated absences (Note 5)	68,616	68,459
Lease payable (Note 6)	7,320	7,105
Total current liabilities	619,064	528,237
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	68,616	68,459
Lease payable (Note 6)	4,373	11,693
Net pension liability (Note 7)	774,067	777,962
Total non-current liabilities	847,056	858,114
Total liabilities	1,466,120	1,386,351
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net pension liability (Note 7)	358,348	806,320
Total deferred inflows of resources	358,348	806,320
NET POSITION		
Net investment in capital assets (Note 8)	14,033,311	14,248,660
Restricted for pension-related expenses (Note 3)	84,702	77,973
Unrestricted	16,659,826	14,248,668
Total net position	\$ 30,777,839	\$ 28,575,301

CHINO BASIN WATER CONSERVATION DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2025**(With Comparative Amounts as of June 30, 2024)*

	Governmental Activities	
	2025	Restated 2024
Expenses:		
Water conservation:		
Salaries and benefits	\$ 2,186,285	\$ 2,233,011
Basin and garden maintenance	220,073	249,934
Public education	117,878	126,620
Materials and services	739,807	800,499
Depreciation and amortization	463,445	441,664
Total expenses	3,727,488	3,851,728
Program revenues:		
Charges for services	5,014	19,344
Grants and contributions	5,720	5,140
Total program revenues	10,734	24,484
Net program expense	(3,716,754)	(3,827,244)
General revenues (expense):		
Property taxes	5,129,994	4,755,406
Investment earnings	763,650	753,639
Interest expense – lease	(467)	(676)
Other revenue	26,115	18,213
Total general revenues	5,919,292	5,526,582
Change in net position	2,202,538	1,699,338
Net position:		
Beginning of year, as restated (Note 10)	28,575,301	26,875,963
End of year	\$ 30,777,839	\$ 28,575,301

CHINO BASIN WATER CONSERVATION DISTRICT
Balance Sheet – Governmental Funds
June 30, 2025

	<u>General Fund</u>	
	<u>2025</u>	<u>2024</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 17,653,474	\$ 15,339,920
Restricted – cash and investments (Note 2 and 3)	84,702	77,973
Accrued interest receivable	105,137	92,158
Accounts receivable	6,211	-
Property tax receivable	101,479	92,984
Prepaid items	60,465	59,705
Total assets	<u>\$ 18,011,468</u>	<u>\$ 15,662,740</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 134,557	\$ 358,820
Accrued salaries and benefits	92,236	77,518
Customer deposits	301,400	1,400
Contracts and retainage payable	14,935	14,935
Total liabilities	<u>543,128</u>	<u>452,673</u>
Fund balance: (Note 9)		
Nonspendable	60,465	59,705
Restricted	84,702	77,973
Assigned	6,211,299	6,158,513
Unassigned	11,111,874	8,913,876
Total fund balance	<u>17,468,340</u>	<u>15,210,067</u>
Total liabilities and fund balance	<u>\$ 18,011,468</u>	<u>\$ 15,662,740</u>

CHINO BASIN WATER CONSERVATION DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025*

	<u>2025</u>	<u>2024</u>
Fund Balance – Governmental Funds	<u>\$ 17,468,340</u>	<u>\$ 15,210,067</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	14,045,004	14,267,458
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.	545,835	837,774
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	(137,232)	(136,918)
Lease payable	(11,693)	(18,798)
Net pension liability	(774,067)	(777,962)
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.	<u>(358,348)</u>	<u>(806,320)</u>
Total adjustments	<u>13,309,499</u>	<u>13,365,234</u>
Net Position – Governmental Activities	<u><u>\$ 30,777,839</u></u>	<u><u>\$ 28,575,301</u></u>

CHINO BASIN WATER CONSERVATION DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2025*

	General Fund	
	2025	2024
Revenues:		
Charges for services:		
Charges for services	\$ 5,014	\$ 19,344
Grants and contributions	5,720	5,140
Property taxes	5,129,994	4,755,406
Investment earnings	763,650	753,639
Other revenue	26,115	18,213
Total revenues	5,930,493	5,551,742
Expenditures:		
Current:		
Salaries and benefits	2,345,898	2,108,463
Basin and garden maintenance	220,073	249,934
Public education	117,878	126,620
Materials and services	739,807	800,499
Capital outlay	240,992	387,724
Debt service:		
Principal on lease	7,105	6,895
Interest on lease	467	676
Total expenditures	3,672,220	3,680,811
Net change in fund balance	2,258,273	1,870,931
Fund balance:		
Beginning of year	15,210,067	13,339,136
End of year	\$ 17,468,340	\$ 15,210,067

CHINO BASIN WATER CONSERVATION DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*

For the Fiscal Year Ended June 30, 2025

	<u>2025</u>	<u>2024</u>
Net Change in Fund Balance – Governmental Funds	\$ 2,258,273	\$ 1,870,931
Amounts reported for governmental activities in the statement of activities is different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:		
Net change in compensated absences	(315)	(69,144)
Net change in net pension liability and related deferred resources	159,928	(55,404)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	240,992	387,724
Depreciation expense	(463,445)	(441,664)
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
	<u>7,105</u>	<u>6,895</u>
Total adjustments	<u>(55,735)</u>	<u>(171,593)</u>
Change in Net Position – Governmental Activities	<u>\$ 2,202,538</u>	<u>\$ 1,699,338</u>

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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 and has five feet of conservation space in the Grove Basin, which is owned by the San Bernardino County Flood Control District. Administration and operation of the District is guided by a duly elected and/or appointed seven-member Board of Directors.

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

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (District) and its component units. These statements include the financial activities of the overall government. Governmental activities generally are financed through property assessments, intergovernmental revenues, and other nonexchange transactions.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges for services or property assessments paid by the recipients of those goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including investment earnings, are presented as general revenues.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days after year-end.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Prepaid Items

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.

4. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings and building improvements	10-75 years
Demonstration garden	12-30 years
Equipment and furniture	3-20 years
Vehicles	5-10 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences is reported in the Statement of Net Position. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payments including the employer portion of medicare and social security taxes.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. 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) plan and addition to/deductions 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2023

Measurement Date June 30, 2024

Measurement Period July 1, 2023 to June 30, 2024

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets and right-to-use lease assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Amounts reported in restricted net position represent funds held in a Section 115 trust with CalPERS, called California Employers' Pension Prefunding Trust (CEPPT), that are restricted for future contributions to the pension plan.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Property Taxes

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Office bills and collects the District's share of property taxes. The San Bernardino County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the San Bernardino County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

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

G. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

H. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District implemented a new pronouncement as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employers and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 5 for the effect of this Statement.

GASB Statement No. 102 – Certain Risk Disclosures

This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source such as a major revenue stream, customer, supplier, or workforce while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity's ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government's financial condition. The District adopted the Statement as of July 1, 2024. See Note 12 for the effect of this Statement.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2025, consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash and cash equivalents	\$ 17,653,474
Restricted – investments held by Section 115 pension trust	84,702
Total	<u>\$ 17,738,176</u>

Cash and investments consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 1,002
Deposits held with financial institutions	622,905
Local Agency Investment Fund (LAIF)	9,962,605
California Cooperative Liquid Asset Securities System (CA CLASS)	7,066,962
Investments held by Section 115 pension trust	84,702
Total	<u>\$ 17,738,176</u>

Demand Deposits

At June 30, 2025, the carrying amount of the District's demand deposits were \$622,905 and the financial institution's balance was \$722,636. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110 percent of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$9,962,605 in LAIF.

California Cooperative Liquid Assets Securities System (California CLASS)

The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of power entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

California Cooperative Liquid Assets Securities System (California CLASS) (continued)

The District is a voluntary participant in California CLASS. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAM (S&P Global Ratings) and AA Af/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$7,066,962 in California CLASS.

Restricted – Investments Held by Section 115 Pension Trust

The District established a Section 115 pension trust account with CalPERS entitled California Employers' Pension Prefunding Trust (CEPPT) to hold assets that are legally restricted for use in administering the District's pension plan. Trust account holders can select one of two strategy options for investments. The District selected the CEPPT asset allocation Strategy 2 portfolio, which seeks to provide capital appreciation and income consistent with its strategic asset allocation. The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds. Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. As of June 30, 2025, the District held \$84,702 in CEPPT.

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

<u>Asset Class</u>	<u>Target</u>	<u>Target</u>	<u>Benchmark</u>
Global Equity	21%	+/- 5%	MSCI All County World Index IMI (Net)
US Fixed Income	61%	+/- 5%	Bloomberg US Aggregate Bond Index
REITs	9%	+/- 5%	FTSE EPRA/NAREIT Developed Index (Net)
TIPS	9%	+/- 3%	Bloomberg US TIPS Index, Series L
Cash/Short-TERM	0%	+/- 2%	
	<u>100%</u>		

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

This table identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees or the investment of funds within the pension trust that are governed by the provisions of debt agreement of the District and the agreements between the District and the trustee, respectively, rather than the general provisions of the California Government Code or the District's investment policy.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the District’s Investment Policy (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government Sponsored Agency Securities	5-years	None	None
Negotiable Certificates of Deposit (Negotiable CD)	5-years	30%	None
State of California Local Agency Investment Fund (LAIF)	5-years	None	None
California CLASS	N/A	None	None

NOTE 3 – RESTRICTED – INVESTMENTS AND NET POSITION

Restricted – investments and net position include \$84,702 held by the District’s Section 115 pension trust with CalPERS entitled (CEPPT).

NOTE 4 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Non-depreciable assets:				
Land	\$ 5,986,121	\$ -	\$ -	\$ 5,986,121
Construction-in-progress	300,128	240,992	(404,796)	136,324
Total non-depreciable assets	<u>6,286,249</u>	<u>240,992</u>	<u>(404,796)</u>	<u>6,122,445</u>
Depreciable assets:				
Buildings and improvements	10,589,386	380,983	-	10,970,369
Demonstration garden	1,546,394	-	-	1,546,394
Equipment and furniture	168,651	23,812	(10,710)	181,753
Vehicles	280,850	-	-	280,850
Leased equipment	29,136	-	-	29,136
Total depreciable assets	<u>12,614,417</u>	<u>404,795</u>	<u>(10,710)</u>	<u>13,008,502</u>
Accumulated depreciation and amortization:				
Buildings and improvements	(3,045,166)	(292,239)	-	(3,337,405)
Demonstration garden	(1,369,739)	(128,481)	-	(1,498,220)
Equipment and furniture	(66,080)	(15,963)	10,710	(71,333)
Vehicles	(141,904)	(19,478)	-	(161,382)
Leased equipment	(10,319)	(7,284)	-	(17,603)
Total accumulated depreciation	<u>(4,633,208)</u>	<u>(463,445)</u>	<u>10,710</u>	<u>(5,085,943)</u>
Total depreciable assets, net	<u>7,981,209</u>	<u>(58,650)</u>	<u>-</u>	<u>7,922,559</u>
Total capital assets, net	<u>\$ 14,267,458</u>	<u>\$ 182,342</u>	<u>\$ (404,796)</u>	<u>\$ 14,045,004</u>

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 5 – COMPENSATED ABSENCES

As of June 30, 2025, the total liability for compensated absences was \$137,232, of which \$68,616 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected a material difference upon implementation of GASB Statement No. 101; therefore, a restatement was required.

<u>Balance</u> <u>July 1, 2024</u>	<u>Net change</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 136,918	\$ 314	\$ 137,232	\$ 68,616	\$ 68,616

NOTE 6 – LEASE PAYABLE

Changes in the right-to-use lease payable for the year ended June 30, 2025 was as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 18,798	\$ -	\$ (7,105)	\$ 11,693	7,320	4,373

Annual debt service requirements for the right-to-use lease payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 7,320	\$ 251	\$ 7,571
2027	4,373	44	4,417
Totals	11,693	\$ 295	\$ 11,988
Less: current	(7,320)		
Long-term	\$ 4,373		

The District recorded a right-to-use lease asset of \$11,533, net of accumulated amortization, and a lease payable of \$11,693 for the year ended June 30, 2025. The District also reported amortization expense of \$7,284, principal payments of \$7,105, and interest expense of \$467 related to the lease. The lease held by the District has an implicit rate of 3.00% which was used to discount the lease payments to the net present value.

The District's lease is summarized as follows:

On January 26, 2023, the District entered into an agreement with Advanced Office Solutions (Advanced) to lease copier equipment for use in the District's administrative office. Terms of the agreement commenced on February 15, 2023, for a period of 48 months, with rent due at \$630.94 per month for the entire lease term. The District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.0%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN

Summary

The following total balances on the statement of net position will be addressed in this footnote as follows:

Description	2025	2024
Pension related deferred outflows	\$ 545,835	\$ 837,774
Net pension liability	774,067	777,962
Pension related deferred inflows	358,348	806,320

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

The Plan is a multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2023 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

The Plans

The District participates in the following pension plans for its employees:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 60 & up	52 - 62 & up
Monthly benefits, as a % of eligible compensation	1.5% to 2.4%	1.0% to 2.5%
Required member contribution rates	7.000%	7.750%
Required employer contribution rates	10.710%	7.870%

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

At June 30, 2024, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	2	15	17
Transferred and terminated members	11	23	34
Retired members and beneficiaries	8	1	9
Total plan members	21	39	60

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For classic members only, the member portion is paid by the District.

Contributions for the for the year ended June 30, 2025, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 74,253	\$ 106,504	\$ 180,757
Contributions – members	13,267	101,452	114,719
Total contributions	\$ 87,520	\$ 207,956	\$ 295,476

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2024 (Measurement Date):

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2023 (Measurement Date)	\$ 4,622,628	\$ 3,844,666	\$ 777,962
Balance as of June 30, 2024 (Measurement Date)	\$ 4,926,335	\$ 4,152,268	\$ 774,067
Change in Plan Net Pension Liability	\$ 303,707	\$ 307,602	\$ (3,895)

The District’s proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2024, measurement date was as follows:

CalPERS – Miscellaneous Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Percentage of Risk Pool Net Pension Liability	0.016004%	0.015558%	0.000446%
Percentage of Plan (PERF C) Net Pension Liability	0.016004%	0.015558%	0.000446%

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

For the year ended June 30, 2025, the District recognized pension expense/(credit) of \$20,833. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 180,757	\$ -
Difference between actual and proportionate share of employer contributions	203,458	(15,214)
Adjustment due to differences in proportions	30,238	(340,523)
Differences between expected and actual experience	66,925	(2,611)
Differences between projected and actual earnings on pension plan investments	44,562	-
Changes in assumptions	19,895	-
Total Deferred Outflows/(Inflows) of Resources	\$ 545,835	\$ (358,348)

The District will recognize \$180,757 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.8 years.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2026	\$ (75,169)
2027	88,198
2028	8,971
2029	(15,270)
Total	<u>\$ 6,730</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability, respectively. The June 30, 2024, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method

Entry Age Actuarial Cost Method

Actuarial Assumptions:

Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return

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

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

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1,2}</u>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

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

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

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

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	\$ 1,438,829	\$ 774,067	\$ 226,871

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2025, the net investment in capital assets was calculated as follows:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 6,122,445
Capital assets – being depreciated, net	7,922,559
Lease payable – current portion	(7,320)
Lease payable – non-current portion	(4,373)
Total net investment in capital assets	\$ 14,033,311

CHINO BASIN WATER CONSERVATION DISTRICT
Notes to Financial Statements
 June 30, 2025

NOTE 9 – FUND BALANCES

At June 30, 2025, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>June 30, 2025</u>
Nonspendable	
Prepaid items	\$ 60,465
Restricted	
Pension-related expenses	84,702
Assigned:	
Recharge improvements	2,650,000
Major structural failure reserve	2,350,000
Facilities	300,000
Compensated absences	137,232
Net pension liability	<u>774,067</u>
Total assigned	<u>6,211,299</u>
Unassigned:	
Unassigned	<u>11,111,874</u>
Total fund balance	<u><u>\$ 17,468,340</u></u>

NOTE 10 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2024 was restated by (\$56,367), for the District’s retroactive restatement for the adoption of *GASB No. 101 – Compensated Absences* as noted below:

<u>Description</u>	<u>Balance</u>
Net position:	
Beginning of year, as previously stated – July 1, 2024	\$ 28,631,668
Compensated absences	<u>(56,367)</u>
Total adjustments	<u>(56,367)</u>
Beginning of year, as restated – July 1, 2024	<u><u>\$ 28,575,301</u></u>

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 11 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of September 30, 2024 – 401 member districts
D. Governing board	Eight representatives employed by members
E. Condensed financial information	September 30, 2024
Audit signed	March 27, 2025

Statement of financial position:		September 30, 2024
Total assets		\$ 308,144,466
Deferred outflows		3,099,110
Total liabilities		177,706,110
Deferred inflows		4,357,741
Net position		\$ 129,179,725
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 261,895,930
Total expenses		(253,429,117)
Change in net position		8,466,813
Beginning – net position		120,712,912
Ending – net position		\$ 129,179,725
F. Member agencies share of year-end financial position		Not Calculated

The District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss – The Insurance Authority has pooled self-insurance up to \$10,000,000 per occurrence and has purchased excess insurance coverage up to \$150,000,000 (total insurable value of \$6,636,980). The District has a \$1,000 deductible for buildings, personal property and fixed equipment, a \$25,000 deductible for boiler & machinery, except \$50,000 if turbine or power generation equipment, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

General Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$55,000,000. This program does not have a deductible.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 11 – RISK MANAGEMENT (continued)

Auto Liability – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$55,000,000. This program does not have a deductible.

Public Officials’ Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$55,000,000.

Cyber Liability – The Insurance Authority has purchased insurance coverage of \$3,000,000 per member/\$5,000,000 aggregate. This program does not have a deductible.

Crime – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Workers’ Compensation – The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers’ compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$4,000,000 for employer’s liability coverage.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District’s coverage. 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, 2025, 2024, and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025, 2024, and 2023.

NOTE 12 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT No. 102)

For the fiscal year ended June 30, 2025, approximately 87% of the District’s total revenue was derived from property taxes collected within San Bernardino County. This represents a concentration in a single revenue source from a single geographic region. This reliance exposes the District to a concentration risk as defined under GASB Statement No. 102, *Risk Disclosures*. A significant decline in assessed property values, changes in county tax collection policies, or broader economic conditions affecting San Bernardino County could materially impact the District’s primary funding source.

The District monitors tax collection trends and maintains reserves in accordance with its financial policies to mitigate the potential impact of delayed or reduced revenues.

In accordance with GASB Statement No. 102, Risk Disclosures, this note serves to disclose the concentration of revenue and associated risks that could significantly impact the District’s financial position and results of operations.

CHINO BASIN WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District enters into various agreements with private parties for design, construction, and modification of District-owned facilities. These projects are financed through a combination of General Fund revenues, grant funding, and allocations from the District's facilities reserve. As of June 30, 2025, the District has committed approximately \$117,939 to complete projects currently in construction-in-progress.

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

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

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2025, the date on which the financial statements were available to be issued.

Required Supplementary Information

CHINO BASIN WATER CONSERVATION DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 5,000	\$ 5,014	\$ 14
Grants and contributions	5,200	5,720	520
Property taxes	4,915,000	5,129,994	214,994
Investment earnings	659,100	763,650	104,550
Other revenue	25,300	26,115	815
Total revenues	<u>5,609,600</u>	<u>5,930,493</u>	<u>320,893</u>
EXPENDITURES:			
Current:			
Salaries and benefits	2,433,100	2,345,898	87,202
Basin and garden maintenance	722,600	220,073	502,527
Public education	233,100	117,878	115,222
Materials and services	1,021,200	739,807	281,393
Capital outlay	434,500	240,992	193,508
Debt service:			
Principal on lease	-	7,105	(7,105)
Interest on lease	-	467	(467)
Total expenditures	<u>4,844,500</u>	<u>3,672,220</u>	<u>1,172,280</u>
NET CHANGE IN FUND BALANCES	<u>\$ 765,100</u>	<u>2,258,273</u>	<u>\$ 1,493,173</u>
FUND BALANCES:			
Beginning of year		<u>15,210,067</u>	
End of year		<u>\$ 17,468,340</u>	

NOTES TO SCHEDULE

Budgetary Comparison Schedule

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. The District's General Manager 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. There were no Board approved supplemental appropriations of revenues over expenditures during the year ended June 30, 2025.

CHINO BASIN WATER CONSERVATION DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2015	0.003510%	240,899	641,091	37.58%	86.37%
June 30, 2016	0.004190%	362,322	815,873	44.41%	81.33%
June 30, 2017	0.004550%	451,196	969,279	46.55%	80.67%
June 30, 2018	0.004540%	437,892	1,081,231	40.50%	83.07%
June 30, 2019	0.004950%	507,258	1,037,967	48.87%	81.76%
June 30, 2020	0.013530%	1,472,056	1,067,916	137.84%	60.60%
June 30, 2021	0.022440%	1,213,543	1,073,764	113.02%	69.68%
June 30, 2022	0.017521%	819,855	1,012,107	81.00%	80.92%
June 30, 2023	0.015558%	777,962	1,103,994	70.47%	83.17%
June 30, 2024	0.016004%	774,067	1,444,991	53.57%	84.29%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal years June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

From fiscal year June 30, 2024 to June 30, 2025:

There were no significant changes in assumptions.

CHINO BASIN WATER CONSERVATION DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	64,419	(64,419)	-	815,873	7.90%
June 30, 2017	80,150	(80,150)	-	969,279	8.27%
June 30, 2018	89,774	(89,774)	-	1,081,231	8.30%
June 30, 2019	96,087	(96,087)	-	1,037,967	9.26%
June 30, 2020	111,113	(111,113)	-	1,067,916	10.40%
June 30, 2021	119,595	(119,595)	-	1,073,764	11.14%
June 30, 2022	212,307	(1,255,746)	(1,043,439)	1,012,107	20.98%
June 30, 2023	132,647	(132,647)	-	1,103,994	12.02%
June 30, 2024	155,319	(155,319)	-	1,444,991	10.75%
June 30, 2025	180,757	(180,757)	-	1,545,335	11.70%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%

Amortization Method Level percentage of payroll, closed
Salary Increases Depending on age, service, and type of employment
Investment Rate of Return Net of pension plan investment exper
Retirement Age Miscellaneous 2.0%@60 and 2.0%@62
Mortality Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Other Independent Auditors' Report



**INDEPENDENT AUDITORS' 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**

Board of Directors
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 Chino Basin Water Conservation District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Chino Basin Water Conservation District's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chino Basin Water Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chino Basin Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chino Basin Water Conservation 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 District'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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.



Murrieta, California
November 10, 2025