

Financial Statements for the Agencies

**Chino Basin Water Conservation
District: June 30, 2014**

Attachment 3a



Chino Basin Water Conservation District



Financial Statements

for the Fiscal Year Ended
June 30, 2014

Our Mission Statement

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

Board of Directors as of June 30, 2014

<u>Name</u>	<u>Division</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term</u>
Kati Ooten Parker	Division 2	President	Appointed In-Lieu	12/12 - 12/16
Paul Hofer	Division 4	Vice-President	Appointed In-Lieu	12/12 - 12/16
Geoffrey Vanden Heuvel	Division 7	Treasurer	Appointed In-Lieu	12/10 - 12/14
Dr. Hanif Gulmahamad	Division 6	Director	Appointed In-Lieu	06/14 - 12/14
Al Yoakum	Division 5	Director	Elected	12/12 - 12/16
Margaret Hamilton	Division 3	Director	Appointed In-Lieu	12/12 - 12/14
Terence M. King	Division 1	Director	Appointed In-Lieu	12/10 - 12/14

**Chino Basin Water Conservation District
Eunice Ulloa, General Manager
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Montclair, California 91763-0900
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Chino Basin Water Conservation District

Financial Statements

For the Fiscal Year Ended June 30, 2014

**Chino Basin Water Conservation District
Financial Statements
For the Fiscal Year Ended June 30, 2014**

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Introductory Section



April 3, 2015

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, 2014. 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 five sections: (1) Introduction, (2) District Facilities, (3) District Services, (4) Financial, and (5) Supplemental. The Introduction section offers general information about the District's organization, current District activities, and reports on a summary of significant financial results. The District Facilities section offers a review of the newly re-opened Water Conservation Center Campus as well as general information about the District's owned basins, and their operation and maintenance. The District Services section reports on District Events and Outreach Programs. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's financial statements, as well as the District's audited financial statements with accompanying notes. The Supplemental 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,

Eunice M. Ulloa
General Manager/Board Secretary

Sandi L. Woods
Administrative Assistant

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District Structure and Leadership

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

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

Title	Director Name	CBWCD Division	Dates of Office
Director	Dr. Hanif Gulmahamad	6	06/2014 - 12/2014
Director	Margaret Hamilton	3	12/2012 - 12/2014
Vice President	Paul Hofer	4	12/2012 - 12/2016
Director	Terry King	1	12/2010 - 12/2014
President	Kati Ooten Parker	2	12/2012 - 12/2016
Treasurer	Geoffrey Vanden Heuvel	7	12/2010 - 12/2014
Director	Al Yoakum	5	12/2012 - 12/2016

In order to conduct the business of the District, Board officer positions are selected every two years. In December 2012, the Board elected Director Parker to continue in her respective position of “President of the Board,” Director Hofer to continue in his respective position of “Vice-President of the Board,” and Director De Haan, Jr. to continue to hold the position of “District Treasurer.”

The “terms of service” for Board officers and committee members end in December 2014.

Board committee appointments were made by President Parker at the December 2012, meeting was as follows:

Finance Committee	Personnel Committee	Education Committee	Recycled Water Committee
De Haan, Jr. - Chair	Parker - Chair	Hamilton - Chair	King - Chair
Hamilton	Hamilton	Parker	De Haan, Jr.
Parker	Vanden Heuvel	Yoakum	Parker

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

Board member De Haan, Jr. resigned his position on April 14, 2014, due to moving outside District 6 boundaries. Following legal requirements, the open position was advertised and applications accepted. A special meeting was called on May 22, 2014, for the remaining Board of Directors to interview qualified applicants. Dr. Hanif Gulmahamad was appointed to fill the position of Division 6 Director at the June 9, 2014, Board of Director’s meeting.

Following the acceptance of De Hann, Jr.’s resignation, President Parker appointed Director Vanden Heuvel as Treasurer, effective April 30, 2014. In that capacity, Director Vanden Heuvel also became the chair person of the Finance Committee, with Director Hamilton and President Parker remaining as committee members. The Recycled Water Committee member position vacated by Director De Hann, Jr. remained open until the Board meeting of June 9, 2014, when President Parker appointed Director Vanden Heuvel to fill that open position.

General Manager Ulloa continued in the position of General Manager/District Secretary. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a total of thirteen employees consisting of twelve full-time employees and one part-time employee.

Major Objectives

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

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

The goals of the Board of Directors remain:

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

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

Chino Groundwater Basin Recharge Master Plan

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

The Water Conservation Campus Educational Facility

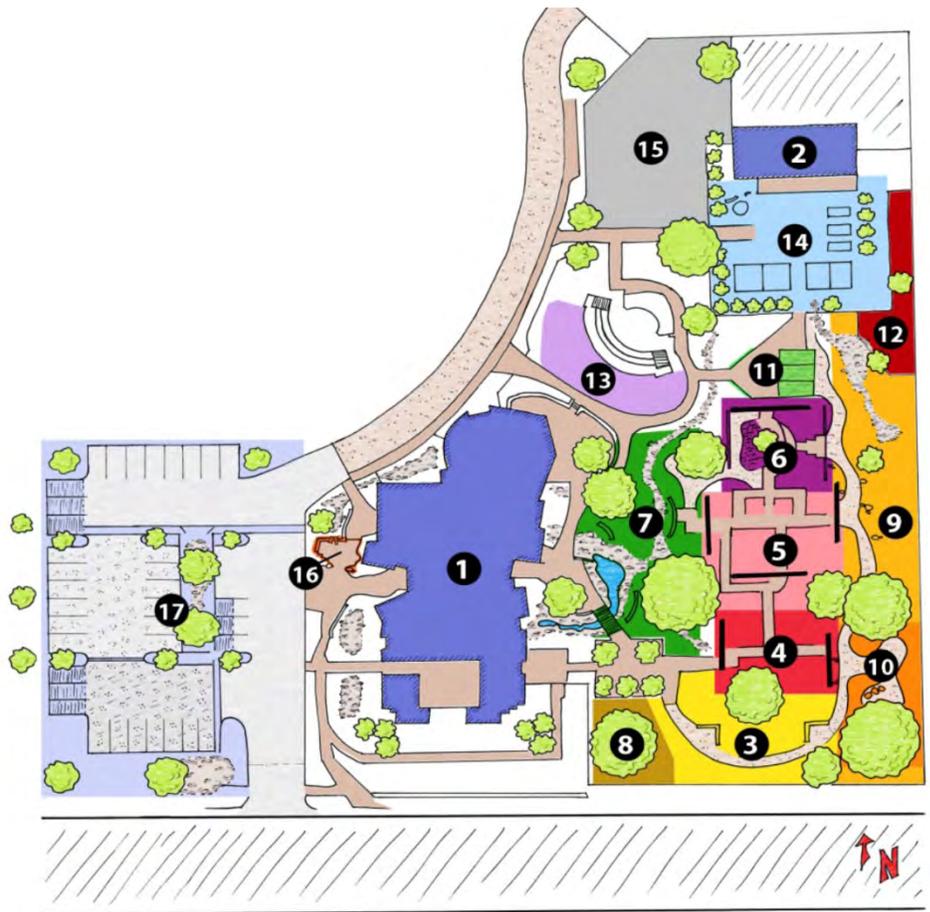


Completed in fall of 2013, the 4.5 acre Water Conservation Campus was re-imagined and re-designed as a comprehensive center for water conservation education and demonstration.

During the course of the five-year renovation project, the District invested roughly \$6,000,000 for the construction and improvement of spaces used primarily for educational purposes.

Site Map Key

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



Water Conservation Center

Designed to promote connection with the outdoor environment and respect for our natural resources, the main campus building - christened the Water Conservation Center (WCC) - exceeds Title-24 standards by 40 percent. The sustainable design features expansive views to the Garden, excellent daylighting and effective natural ventilation to create a comfortable, striking and effective learning environment. The WCC contains the Campus's technical classroom and workshop space, accommodating professional training classes and clinics of up to fifty adults.

The **Landscape Design Library** within the WCC



contains reference materials, state-of-the-art software, and drafting materials for creating water wise landscape designs –

with water conservation specialist staff available to advise and assist homeowners and landscape professionals.



Rain scupper, bioswale and cooling tower

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

Open to the public, the Water Conservation Campus and Educational Lobby welcomed over 1,200 drop-in visitors since the WCC opened in fall of 2013 through June 2014.



The “Water in California” section includes rain and snow gauges, information on the Delta, and more

Education Building



Designed to engage and teach children in a familiar setting, the Education Building is dedicated to school field trips where students gain a better understanding and appreciation for topics including water issues, the significance of groundwater, the water cycle, soil percolation, and their own role in conservation. The Education Building's classroom accommodates up to 35 students in a session.

Water Wise Demonstration Garden



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

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

Demonstration Parking Lot

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



At the demonstration parking lot you can compare traditional asphalt to permeable pavements and see examples of drainage strategies

Multi-Use Building and Wilderness Park

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

District Owned Recharge Basins

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

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

The District's basins, on an annual basis, capture and recharge an average of 8,325 acre-feet of water¹. The average is calculated by using an updated eight year average which was calculated at the end of each fiscal year (FY 2006-2007 through FY 2013-2014). Of the of 8,325 acre-feet of water captured, the annual average includes 2,225 acre-feet of storm and nuisance water; 1,351 acre-feet of recycled water; and 4,750 acre-feet of imported water. Utilizing the Metropolitan Water District's Tier 2 treated rate (\$1,032.00/ac. ft.), the nominal present value of the average captured and recharged water is \$8,591,400.

During FY 2013-2014, the District's basins captured and recharged approximately 1,200 acre-feet of storm and nuisance water and 2,400 acre-feet of recycled water. There was no availability of imported water during FY 2013-2014. The nominal present value of the combined 3,600 acre feet is approximately \$3,715,200. As evidenced by the averages, on-going drought conditions, temperature fluctuations, and declining snowpack averages have resulted in decreased rainfall and the availability of imported water. The District continues to investigate and implement newest and most economical methods available for maintaining and improving the percolation rates of its recharge facilities.

In addition to recharging the Chino Groundwater Basin, the District also provides other water conservation services to a population of approximately 458,000 within its 112 square mile service area. Water conservation education programs include school field trips and adult landscape workshop classes, landscape water use evaluations, demonstration garden facilities, educational lobby, distribution of weather based controllers with instructional classes, and participation in regional issues are also important services the District provides.

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

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

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

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

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

Basin Operation and Maintenance Programs

Basin and facility maintenance and improvements included:

Brooks Basin

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



College Heights East and West Basins

- The College Heights basins receive storm waters, local run off and imported water.
- Weed abatement on perimeter roads and tops of slopes by District staff.
- Weed abatement by outside contractor of the bottom and perimeter roads.
- The College Heights West Basin is currently undergoing a landscape beautification project along Monte Vista Ave. and Arrow Route. Landscape will be defined with sustainable drought tolerant design and plant selections. Completion is scheduled for early 2015.
- Several thousand yards of soils spoils from the Montclair Basin restoration project of 2013-2014 were staged at College Heights East Basin. Staging these soils at the Basin saved the District tens of thousands of dollars in dumping fees. It is planned to have these soils screened, cleaned and removed by an outside contractor at no cost to the District sometime 2015.



Ely Basin No. 3

- Ely Basin No. 3 receives storm water, local runoff water and recycled water.
- The City of Ontario awarded a 'passing' evaluation in its annual recycled water inspection. Recycled water use is subject to inspection and testing in accordance with State Department of Public Health requirements.
- Weed abatement on perimeter roads and tops of slopes by District staff as well as irrigation maintenance and small tree and shrub trimming.
- Landscape maintenance trimming of larger trees and ground cover trimming by outside contractor.
- Addition of mulch on perimeter slopes and landscapes was provided by an outside green waste recycling contractor at no cost to the District. This mulch application minimizes weed growth and assists in erosion control while improving the landscape soils.



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

- The Montclair Basins receive storm water, local runoff water and imported water.
- Weed abatement by outside contractor of the bottom, steep slopes, and nuisance water ponds.
- Weed abatement on perimeter roads and tops of slopes by District staff as well as irrigation maintenance and small tree and shrub trimming.
- Landscape maintenance by District staff.



Montclair #4

The District completed the Montclair Basins Improvement project that included all four basins. The project, performed by an outside contractor, improved the function of the Montclair system through the improvement of recharge rates. Additionally, water sensor infrastructure was installed for future improvements of monitoring recharge data.

Turner Basin/4th Street Property

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



Turner Basin Landscape

- District staff conducts weed abatement measures on the perimeter road and the top of the slope, as well as landscape maintenance, irrigation maintenance and small tree and shrub trimming.
- District staff will be completing a recycled water connection to irrigate the landscape in early 2015, thereby eliminating potable water use for irrigation purposes.

Grove Basin (San Bernardino County Flood Control District Owned)

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

Education and Outreach Strategy

In January 2014, Governor Jerry Brown officially declared that California is in a drought. This unprecedented drought, stretching from 2011 to the present, has highlighted the need to rapidly increase efforts toward more intensive regional water conservation. In order to meet the current and future challenges, the District has continued to expand its water conservation education programs to inform the public and District area students of the various water conservation methods, tools, and techniques to reduce waste.

The Chino Basin Water Conservation District has identified two key components in its water conservation educational strategy:

1. Engage the elementary school community to create an awareness of water issues in young children and help them establish good water conservation habits early in life, and
2. Train designers, architects, landscapers, contractors and property owners in water wise landscape design, installation and maintenance.

This **two-part strategy** addresses current needs for better, more efficient outdoor water practices and helps to ensure that water wise practices become the new normal for the next generation of residents, property owners and practitioners.

Children's Education Programs

The campus's elementary school education programs currently serve eight school districts and eighty-seven individual schools within the District's service area. Over 1,800 school children and their teachers visited the campus during the 2013-2014 school year after the Water Conservation Center's opening in the fall of 2013. During their visits, the students engaged in a fun, structured series of hands-on experiences and experiments to create awareness and the desire to improve their own participation in water conservation.



Children's education programs have been shown to be powerful contributors to the establishment of long-term water conservation attitudes and behaviors. An additional important benefit of early education programs is the extent to which children influence the adults around them. In this way, the District's early water conservation education investments are leveraged across a much broader audience in both homes and schools. School children attend programs at the campus free of charge, and for schools within the District's service area, the District provides priority booking and pays the field trip's transportation/bus costs.



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



Annual Earth Day Field Trip

Supplementing the classroom experiences for students, 2014 marked the 22nd year of the District's popular Earth Day event for 5th grade classes. Since its inception in the early 90s, over 25,000 students have attended the half-day program of activities related to the conservation and stewardship of natural resources. Program topics include watersheds, groundwater, water conservation, plants, and composting.

The District provides the event free of charge and arranges and funds all bus transportation for schools within the District's boundaries. Instructors for the Earth Day children's workshops are drawn from the Region's community of local teachers and environmental education professionals.

Financial Support for Teachers and Students

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

Education Grant Program

The District is a long-time sponsor of students interested in college level study of water resources and related fields. In 2013-14 the District awarded \$10,000 to two grant winners to help toward educational expenses.

Annual K-12 "Promoting Water Conservation" Poster Contest

Over 2,500 students from 125 classrooms in 23 schools participated in the District's 2013-2014 poster contest. Winners in each of the four grade-level categories received a \$250 prize. If the individual winner's class submitted over 10 student entries, the teacher is also eligible for an award of \$1,000 toward educational or art supplies.



*2013-14 Winner of the
10th-12th Grade Category,
Lisa Orona of Chino High School*

Education Partnerships with Other Agencies

Water Education, Water Awareness Committee

The District has expanded its reach through a long-time partnership with local area agencies as a member of the Water Education Water Awareness Committee (WEWAC). Programs available through WEWAC in 2013-14 included:

- **Edu-Grant Program:** The District helps provide grants of up to \$750 to individual or teams of teachers. Kindergarten through 12th grade teachers submit projects incorporating creative methods for teaching their classes about water-related topics. This long-term program helps to further integrate water conservation into the students' every day learning environment.
- **Project WET Workshop:** This popular annual workshop provides curriculum and training for teachers to take water lessons back to their classrooms. The workshop is provided free of charge to the teachers and school district. WEWAC also covers the cost of substitute teachers while the classroom teacher attends the workshop. (Teachers who have attended this workshop have often then applied for the Edu-Grant to implement the new curriculum with their students.)
- **Digital Media Contest:** In this annual competition, middle and high school students create public service announcements to promote the water conservation message.

Garden in Every School Program

The District in partnership with Inland Empire Utilities Agency (IEUA) provides selected qualified schools within the District's and IEUA's boundaries opportunities to build drought tolerant and/or vegetable gardens on the school's campus through the Gardens in Every School program (GIES). District staff performed 22 site inspections of previously constructed gardens within the GIES program and makes recommendations on irrigation and weed maintenance, plant health evaluations and ways to improve the gardens in the future. Additionally, the District and the IEUA are anticipating a prosperous 2014-15 with new schools participating in this highly educational program.



Raised vegetable beds



GIES workshop for teachers



Some GIES participants

Professional, Trade, and Public Education

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

California Friendly Landscape Training Courses

Classes were offered to both professionals and homeowners at the newly constructed CBWCD Water Conservation Center beginning in January 2014. The District provided 14 different Water Wise Landscaping Workshops for over 200 residents focusing on topics such as The Basics, Preparation and Design, Efficient Irrigation, Water Wise Plants, Composting, Maintenance and Pruning, and Vegetable Gardening. The District also provided three four-part Landscape Water Management series for professionals for a total of 150 government and private business landscape professionals. Due to the on-going construction on-site in 2013, staff worked with the City of Upland, Monte Vista Water District, Cucamonga Valley Water District, Fontana Water Company, and other agencies to teach classes at other locations. A total of 7 workshops were held with an average attendance of 25.



<i>No. of Workshops taught in FY 13-14</i>	<i>Workshop Subject</i>
7	Water Wise Landscaping - The Basics
2	Preparation and Design of a water wise landscape
1	Efficient Irrigation Systems
4	Water Wise Plants
3	Maintenance & Pruning
1	Pest Management, Soils and Fertilizers
2	Composting
1	Fruits and Vegetables
12	Professional Water Management Series

Outreach Events



CBWCD booth at the Water Fair

The District partners with local agencies to provide outreach at local events such as conferences, festivals and more. The following events took place in FY 2013-2014:

- **Water Fair (October 2013):** With construction completed in fall 2013, the Water Conservation Fair was reinstated after a year hiatus. The fair featured various water conservation activities and plant vendors as well as a water fair exhibition sponsored by the

District, Chino Basin Watermaster, Cucamonga Valley Water District, Fontana Water Company, Inland Empire Utilities Agency, Monte Vista Water District, San Antonio Water District, Metropolitan Water District, and the cities of Chino, Chino Hills, Ontario, and Upland. This year's event saw approximately 900 local residents attending.

- **Water Conservation Center Dedication and Ribbon Cutting (February 2014):**

Over 150 guests attended the WCC dedication and ribbon cutting. Dignified guests included United States Congresswoman Gloria Negrete McLeod; California State Senator Norma Torres; California State Assemblypersons Curt Hagman, Freddie Rodriguez, and a representative for Chris Holden; San Bernardino County Supervisor Gary Ovitt, and various other



elected officials from the surrounding cities and agencies. The District recognized its partners in the building process such as Claremont Environmental Design Group (architects), Sea West Inc. (contractors), AMC Inc (construction managers), and various others who helped realize the District's vision. Randall Lewis from Lewis Operating Corporation and Celeste Cantu from the Santa Ana Watershed Project Authority gave keynote addresses highlighting how the Water Conservation Center will be a regional example for residents and professionals in many different fields. The morning concluded with a ceremonial ribbon cutting to dedicate the facility.

- **National Public Gardens Day (May 2014):**

This annual event is sponsored by the American Public Gardens Association (APGA) and Rainbird to raise awareness of public gardens. The District participated by hosting tours, providing planting demonstrations which community members could take home, and sponsoring extended hours for the public to visit the District. The Master Gardeners, sponsored by the University of California's Agriculture and Natural Resources Extension Program, volunteered their time as well to help make the event a success. The event included publicity on the APGA's national website and the District's name listed alongside such gardens as Rancho Santa Ana Botanic Garden, California Polytechnic State University Pomona demonstration gardens, and many more.



Planting demonstration

District staff also attended various conferences, farmers markets, and local events to promote water conservation and the District's activities.

Additional Outreach and Recognition for the District

Updated Website: cbwcd.org



In fall of 2013, staff took on a project to completely overhaul the District website to provide more useful and easily accessible information for the public. The new website, served by CivicPlus, launched in January 2014. Web analytics allow for greater oversight of web traffic and will guide decisions about future topics and web pages. The website is colorful and informative, with clearly arranged sections based on the District's main activities, including: "About Us", "Water Conservation Resources", "Education", and "Facilities".



National Recognition for the Water Conservation Center in Storm Water Solutions

In June 2014, the national publication **Storm Water Solutions** published an article featuring the Water Conservation Center as an example of best management practices for education and demonstration facilities. The 1,000 word article and photographs were provided by staff. The article was published in this monthly magazine as well as posted on the publication's website.

PUBLIC OUTREACH

WATER FOR THE PEOPLE



Approachable conservation at a Southern California demonstration facility

By Liane Veenema

California experienced a record dry year in 2013. Many cities received only half the precipitation of their previous driest years. Los Angeles received 3.6 in. of rain—24% of the average yearly rainfall for the city of 13 million, and just 0.18 in. more than the historically driest U.S. city: Yuma, Ariz., population 100,000. The exceptional drought continues for a third year into 2014, with the snowpack in the Sierras approximately 30% of the normal amount and reservoirs statewide approximately 40% full.

With water restrictions already in effect and a hot, dry summer still to come, the drought has sharply raised Californians' awareness of water issues. According to a recent survey by the Public Policy Institute of California, "A record-high share of Californians say the supply of water is a big problem in their part of the state, and nearly all residents say they have reduced their water use in response to the drought."

The Chino Basin Water Conservation District (CBWCD), located in Montclair, Calif., is playing a major role in providing the resources and education that people and businesses need to conserve water. Originally formed by farmers and concerned citizens as a water protection agency in 1931, this governmental special district in Southern California encompasses roughly 112 sq miles and serves 431,000 people in the Inland Empire. The district's mission is to protect the

underlying Chino Groundwater Basin and educate the public about water conservation and groundwater protection. The district accomplishes this by maintaining eight percolation basins in the area and providing learning materials, demonstration facilities, water audits, educational workshops, field trips and more to the public.

District Efforts

Timed perfectly to coincide with the increased public awareness of water issues, CBWCD recently completed a significant upgrade of its 5-acre Water Conservation Center Campus in Montclair, with an emphasis on residential-scale demonstrations and education about storm water capture, small-scale percolation strategies, water-efficient development and water-wise landscaping. The strategies implemented in the project are designed to minimize the water used on site and capture and percolate 100% of the runoff of an average winter storm.

"We partnered with the district to design a campus that educates the public through active and passive means," said Jeffrey Veenema of the Claremont Environmental Design Group, architects for the project. "The high-tech classrooms, educational exhibit in the lobby and the public design room provide for guided learning, while the site and building are designed to educate the public about water conservation from the moment of arrival."

Education begins right away as the

Landscape Audits, Installations, and Training

Landscape Evaluation / Audit Program

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



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

During Fiscal Year 2013-2014, the District performed 85 landscape evaluations covering 16.81 acres for various customer classifications (Commercial, Industrial, Institutional, Multi-Family and Single Family). Final reports were presented to each program participant. Each report consists of water use history, a water budget, recommendations on improving irrigation system performance, information on rebates for equipment, and on-site problems found during the evaluation.

During Fiscal Year 2013-2014 the LEAP program identified a potential water savings of approximately 41.54 acre feet per year if all participants follow the recommendations given. The potential savings, valued at the Metropolitan Water District’s Tier II treated rate, is \$42,869. The LEAP program continues to be a very important program and a tremendous resource for the entire community, including local water agencies, homeowners, property managers, business owners, and more.

Since the program’s inception, the District has complete 370 evaluations, covering 153.19 acres and resulting in a total potential savings of 424.87 acre feet of water per year. Utilizing Metropolitan Water District’s Tier II treated rate, the total potential water savings has a value of \$441,561 per year.



Weather Based Irrigation Controller Direct Installation Program

The District applied and was awarded a grant in September 2012 from the U.S. Bureau of Reclamation in the amount of \$91,888.79 to install 300 weather based irrigation controllers (WBIC) over a four-year period in single family residences within the district's boundaries. The original contract has since been extended through October 2017. CBWCD must turn in Progress Reports to USBR every 6 months detailing all activities during the reporting period. The grant is a 50/50 cost share and invoices are submitted at least quarterly.

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

- Own a home within Chino Basin Water Conservation District's boundaries or have the authority to modify the sprinkler system at a rental home
- Landscape area of 1,500 square feet or more
- Have an existing in-ground sprinkler system with an existing automatic sprinkler timer
- Consent for CBWCD to obtain pre- and post-installation water use data
- Customer agrees to keep controller for a minimum of 2 years.

The potential savings per home is 0.25 AFY which becomes 74 AFY savings after all 300 controllers are installed.

To date (Sept. 2012-June 2014) the District has hosted twelve WBIC Classes to educate homeowners on water conservation methods and to instruct them on how to use irrigation controllers. To date, the District has performed 124 direct installations of controllers at residential homes.

Recycled Water Conversion Incentive Program

California's water supply continues to be a concern due to projected population increases, warming climate trends, and intermittent drought conditions. Heightened awareness has increased interest in water conservation and the use of reclaimed water for groundwater recharge, industrial uses, and irrigation. The District's recycled water conversion program continues to offer financial assistance to convert publicly owned parks and schools within the District boundaries from using potable (drinking) water to recycled water to irrigate their outdoor landscaping.

The District's involvement with the Recycled Water Conversion Incentive Program began in Fiscal Year 2008-2009 with the conversion of its own Demonstration Garden and Wilderness Park to recycled water. During Fiscal Year 2012-2013, the District assisted six schools (Corona Elementary, Del Norte Elementary, Vineyard Elementary, Vina Danks Middle School, Valley View High School and Alternative Education Center) and one park (Veterans Park) in converting to recycled water for landscape irrigation in the amount of \$90,259.

Since the program's inception, the District has expended a total of \$260,230 assisting 27 projects in converting to recycled water for landscape irrigation. The following 27 completed projects consist of thirteen parks and fourteen schools, all within the District's boundaries.

- **CBWCD (\$6,025)**
 - *Wilderness Park/Demonstration Garden*

- **Ontario-Montclair School District (\$120,059)**
 - *Arroyo Elementary School*
 - *Elderberry Elementary School*
 - *Kingsley Elementary School*
 - *Lehigh Elementary School*
 - *Mariposa Elementary School*
 - *Monte Vista Elementary School*
 - *Vernon Middle School*
 - *Wiltsey Middle School*
 - *Corona Elementary*
 - *Del Norte Elementary*
 - *Vineyard Elementary*
 - *Vina Danks Middle School*

- **City of Montclair (\$26,022)**
 - *Alma Hofman Park*
 - *Golden Girls Park*
 - *Kingsley Park*
 - *Saratoga Park*
 - *Sunrise Park*
 - *Sunset Park*

- **City of Ontario (\$78,874)**
 - *Anthony Munoz Park*
 - *Ontario Motor Speedway Park*
 - *John Galvin Park*
 - *Grove Memorial Park*
 - *Vineyard Park*
 - *Veterans Park*

- **Chaffey Union High School District (\$29,250)**
 - *Valley View High School*
 - *Alternative Education Center*

Internal Control Structure

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

Financial Planning

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

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

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

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

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

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

The following is a list of the balances held by the District in its *Fund Balance Report* on June 30, 2014:

<u>Fund Type Definition</u>	
Non-spendable Fund Balance	\$31,771
Restricted Fund Balance	\$0
Committed Fund Balance	\$3,739,770
Assigned Fund Balance	\$9,063,915
Unassigned Fund Balance	<u>\$239,200</u>
Total Fund Balance	<u>\$13,074,656</u>

Investment Policy and Banking Procedures

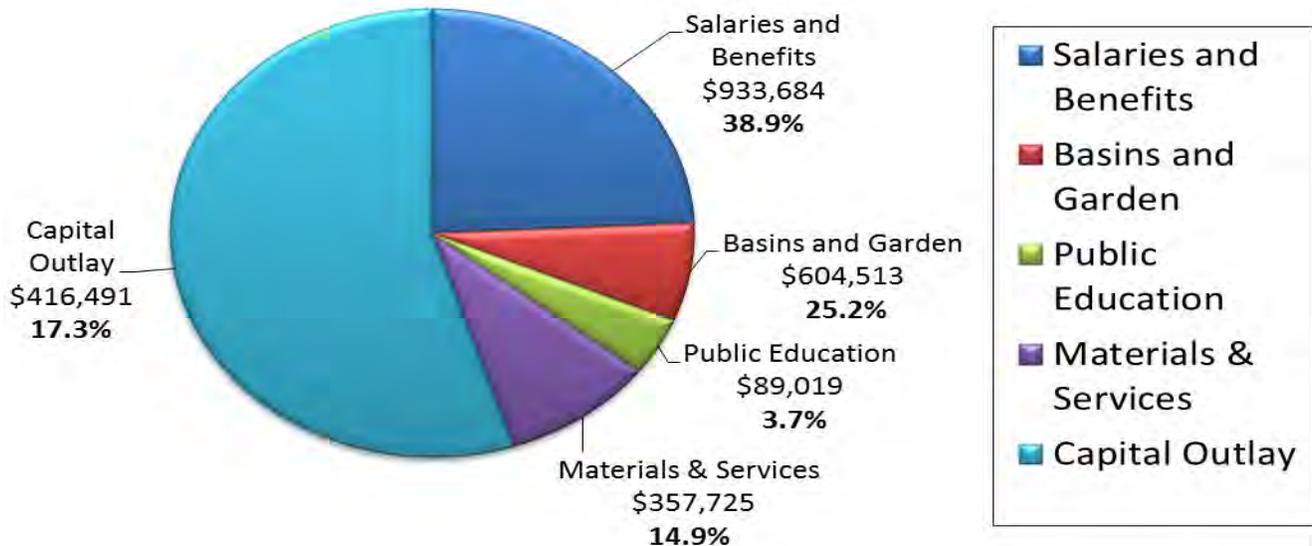
The Board of Directors annually adopts an investment policy that conforms to state law. Additionally, the District's "Portfolio Management Policy" (Investment Policy) utilizes prudent money management practices in establishing its guiding principles. The objectives of the Investment Policy are safety,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

Budgetary Control

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

For Fiscal Year 2013-2014, the District expenditures totaled \$2,401,432 (rounded to the nearest dollar). The following pie-chart reflects the expenses of the District for Fiscal Year 2013-2014.

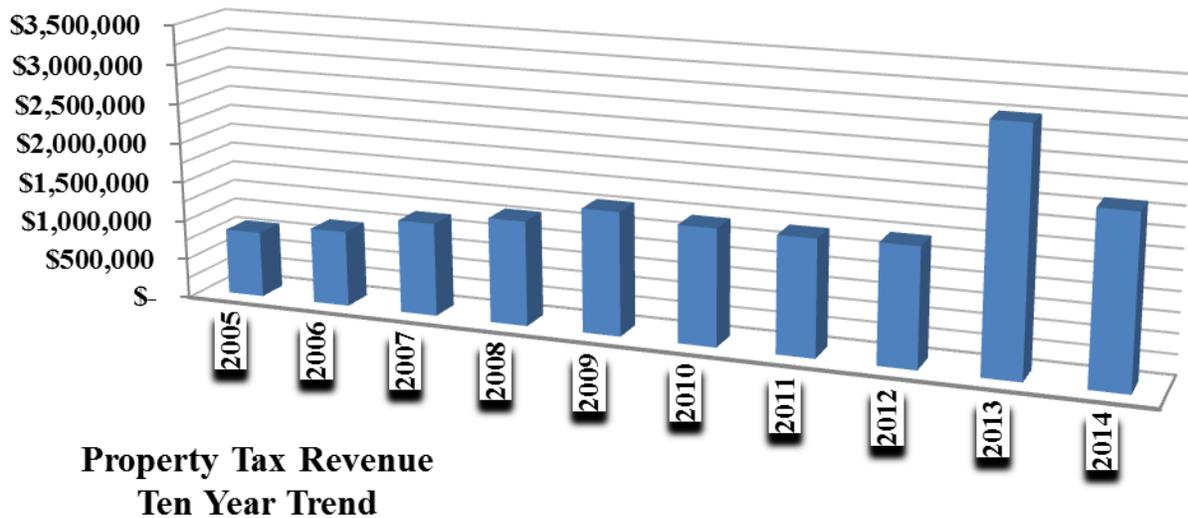
Chino Basin Water Conservation District Actual Expenses Fiscal Year 2013 - 2014 \$2,401,432



Economic Condition and Outlook

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

During Fiscal Year 2013-2014, property tax revenue decreased by \$896,433 while interest income decreased by \$11,393. Due to current and projected economic conditions, unemployment, home foreclosures and the loss of Redevelopment Agency (RDA) revenue to cities, it is difficult to project future tax revenue. The following chart reflects the District's property tax revenue for the last ten fiscal years.



Property Tax Revenue by Fiscal Year			
Fiscal Year Ending	Property Tax Revenue	Fiscal Year Ending	Property Tax Revenue
2005	\$ 832,245	2010	\$ 1,461,934
2006	\$ 957,249	2011	\$ 1,455,474
2007	\$ 1,177,188	2012	\$ 1,481,375
2008	\$ 1,318,797	2013	\$ 3,009,142*
2009	\$ 1,549,465	2014	\$ 2,112,709

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

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

LAIF

- Interest rates declined from .27% to .25%

CalTRUST

- Interest rates declined from .40% to .38%

Audit and Financial Reporting

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

Risk Management

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

Other References

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

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Financial Section



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

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Independent Auditor's Report

Board of Directors
Chino Basin Water Conservation District
Montclair, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Chino Basin Water Conservation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 22 and the required supplementary information on pages 38 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 40 and 41.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
April 3, 2015

Chino Basin Water Conservation District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

As management of the Chino Basin Water Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2014. Please read it in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position decreased 0.1% or \$15,153 to \$23,581,473 in 2014 and as the result of the years' operations and increased 7.1% or \$1,422,509 to \$23,596,896 in 2013.
- The District's property tax revenues decreased by 30.0% or \$905,285 in 2014 due to a decrease in RDA pass-thru from cities and increased by 103.7% or \$1,536,619 in 2013.
- Total expenses for the District's programs were more than the 2014 revised budget by 9.3% or \$204,163, primarily due to increased capital outlay and decrease in materials and services expenditures.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Governmental Funds Financial Statements

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

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

Chino Basin Water Conservation District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Governmental Funds Financial Statements (Continued)

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets:			
Current assets	\$ 13,181,554	13,580,556	(399,002)
Capital assets, net	10,544,644	10,383,193	161,451
Total assets	<u>23,726,198</u>	<u>23,963,749</u>	<u>(237,551)</u>
Liabilities:			
Current liabilities	144,455	366,853	(222,398)
Total liabilities	<u>144,455</u>	<u>366,853</u>	<u>(222,398)</u>
Net position:			
Net investment in capital assets	10,544,644	10,383,193	161,451
Unrestricted	13,037,099	13,213,703	(176,604)
Total net position	<u>\$ 23,581,743</u>	<u>23,596,896</u>	<u>(15,153)</u>

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$23,581,743 as of June 30, 2014.

A major portion of the District's net position (44.7%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to apply and promote water conservation techniques within its service area; consequently, these assets are *not* available for future spending. At the end of fiscal year 2014, the District shows a positive balance in its unrestricted net position of \$13,037,099. See note 6 for the amount of spendable net position that may be utilized in future years.

Chino Basin Water Conservation District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Condensed Statement of Activities

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses:			
Water conservation:			
Salaries and benefits	\$ 941,151	882,305	58,846
Basin and garden maintenance	604,513	112,070	492,443
Public education	89,019	153,963	(64,944)
Materials and services	357,725	452,159	(94,434)
Depreciation	255,040	84,668	170,372
Total expenses	<u>2,247,448</u>	<u>1,685,165</u>	<u>562,283</u>
Program revenues:			
Charges for services – landscape evaluation audits	27,728	20,888	6,840
Charges for services – educational workshops	1,000	8,340	(7,340)
Operating grants and contributions	19,188	16,042	3,146
Total program revenues	<u>47,916</u>	<u>45,270</u>	<u>2,646</u>
Net program expense	<u>2,199,532</u>	<u>1,639,895</u>	<u>559,637</u>
General revenues:			
Property taxes and assessments	2,112,709	3,017,994	(905,285)
Investment earnings	56,330	33,011	23,319
Other	15,340	11,399	3,941
Total general revenues	<u>2,184,379</u>	<u>3,062,404</u>	<u>(878,025)</u>
Change in net position	<u>(15,153)</u>	<u>1,422,509</u>	<u>(1,437,662)</u>
Net position – beginning of period	<u>23,596,896</u>	<u>22,174,387</u>	<u>1,422,509</u>
Net position – end of period	<u>\$ 23,581,743</u>	<u>23,596,896</u>	<u>(15,153)</u>

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position decreased by \$15,153 during the fiscal year ended June 30, 2014.

Contributing to the decrease in net position in 2014 from 2013 levels is an 30.0% or \$905,285 decrease in property taxes and assessments related to higher RDA pass-thru from cities in 2013.

Governmental Funds Financial Analysis

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

As of June 30, 2014, the District's General Fund reported a fund balance of \$13,074,656. An amount of \$9,905,970 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion. The remainder of the fund balance is considered non-spendable or assigned to indicate that it is not available for general spending because it has already been committed to prepaid expenses. See note 9 in the notes to the basic financial statements for further information.

Chino Basin Water Conservation District
Management's Discussion and Analysis
For the Year Ended June 30, 2014

General Fund Budgetary Highlights

The final budgeted expenditures for the General Fund at year-end were \$204,163 more than actual incurred. This variance is principally due to amounts budgeted for capital outlay that were incurred 2014. Actual revenues were in-line with final budget amounts.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 1,486,121	-	-	1,486,121
Construction-in-process	<u>6,472,761</u>	<u>578,457</u>	<u>(7,015,599)</u>	<u>35,619</u>
Total non-depreciable assets	<u>7,958,882</u>	<u>578,457</u>	<u>(7,015,599)</u>	<u>1,521,740</u>
Depreciable assets:				
Buildings and improvements	3,144,980	5,267,579	-	8,412,559
Demonstration garden	-	1,538,694	-	1,538,694
Equipment and furniture	19,220	47,360	-	66,580
Vehicles	<u>117,593</u>	<u>-</u>	<u>-</u>	<u>117,593</u>
Total depreciable assets	<u>3,281,793</u>	<u>6,853,633</u>	<u>-</u>	<u>10,135,426</u>
Accumulated depreciation	<u>(857,482)</u>	<u>(255,040)</u>	<u>-</u>	<u>(1,112,522)</u>
Total depreciable assets, net	<u>2,424,311</u>	<u>6,598,593</u>	<u>-</u>	<u>9,022,904</u>
Total capital assets, net	<u>\$ 10,383,193</u>			<u>10,544,644</u>

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$10,544,644 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction-in-process. Major capital assets additions during the year include additions to: buildings and improvements \$5,267,579, demonstration garden \$1,538,694, equipment and furniture \$47,360, and construction-in-process in the amount of \$578,457. There were no capital disposals during the year.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the Districts' accountability. If you have any questions about the report or need additional information, please contact the Eunice Ulloa, General Manager, Chino Basin Water Conservation District, 4594 San Bernardino Street, Montclair, California, 91763-2228.

Basic Financial Statements

Chino Basin Water Conservation District
Statement of Net Position
June 30, 2014
(With Comparative Amounts for June 30, 2013)

	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 13,100,943	13,508,040
Accrued interest receivable	5,453	5,714
Accounts Receivable	156	15,288
Property taxes receivable	43,231	38,330
Prepaid expenses (note 3)	31,771	13,184
Total current assets	13,181,554	13,580,556
Non-current assets:		
Capital assets, net (note 4)	10,544,644	10,383,193
Total non-current assets	10,544,644	10,383,193
Total assets	23,726,198	23,963,749
Current liabilities:		
Accounts payable and accrued expenses	25,976	53,575
Retentions payable	45,645	249,474
Accrued wages	35,277	33,714
Compensated absences (note 5)	37,557	30,090
Total liabilities	144,455	366,853
Net position:		
Net investment in capital assets	10,544,644	10,383,193
Unrestricted (note 6)	13,037,099	13,213,703
Total net position	\$ 23,581,743	23,596,896

See accompanying notes to the basic financial statements

Chino Basin Water Conservation District
Statement of Activities
For the Year Ended June 30, 2014
(With Comparative Amounts For the Year Ended June 30, 2013)

	2014	2013
Expenses:		
Water conservation:		
Salaries and benefits	\$ 941,151	882,305
Basin and garden maintenance	604,513	112,070
Public education	89,019	153,963
Materials and services	357,725	452,159
Depreciation	255,040	84,668
Total expenses	2,247,448	1,685,165
Program revenues:		
Charges for services – landscape evaluation audits	27,728	20,888
Charges for services – educational workshops	1,000	8,340
Operating grants and contributions	19,188	16,042
Total program revenues	47,916	45,270
Net program expense	2,199,532	1,639,895
General revenues:		
Property taxes	2,112,709	3,017,994
Investment earnings	56,330	33,011
Other	15,340	11,399
Total general revenues	2,184,379	3,062,404
Change in net position	(15,153)	1,422,509
Net position – beginning of period	23,596,896	22,174,387
Net position – end of period	\$ 23,581,743	23,596,896

See accompanying notes to the basic financial statements

Chino Basin Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Year Ended June 30, 2014

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Current assets:			
Cash and cash equivalents	\$ 13,100,943	-	13,100,943
Accrued interest receivable	5,453	-	5,453
Accounts receivable	156	-	156
Property taxes receivable	43,231	-	43,231
Prepaid expenditures	31,771	-	31,771
Total current assets	13,181,554	-	13,181,554
Non-current assets:			
Capital assets, net	-	10,544,644	10,544,644
Total non-current assets	-	10,544,644	10,544,644
Total assets	13,181,554	10,544,644	23,726,198
Current liabilities:			
Accounts payable and accrued expenses	25,976	-	25,976
Retention payable	45,645	-	45,645
Accrued wages	35,277	-	35,277
Compensated absences	-	37,557	37,557
Total liabilities	106,898	37,557	144,455
Fund balance (note 8):			
Non-spendable	31,771	(31,771)	-
Committed	3,739,770	(3,739,770)	-
Assigned	9,063,915	(9,063,915)	-
Unassigned	239,200	(239,200)	-
Total fund balance	13,074,656	(13,074,656)	-
Total liabilities and fund balance	\$ 13,181,554		
Net position:			
Net investment in capital assets		10,544,644	10,544,644
Unrestricted		13,037,099	13,037,099
Total net position		23,581,743	23,581,743
Reconciliation:			
Fund balance of governmental funds			\$ 13,074,656
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 assets includes those capital assets among the assets of the District as a whole.			10,544,644
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 assets as follows:			
Compensated absences			(37,557)
Net position of governmental activities			\$ 23,581,743

See accompanying notes to the basic financial statements

Chino Basin Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Year Ended June 30, 2014

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
Water conservation:			
Salaries and benefits	\$ 933,684	7,467	941,151
Basin and garden maintenance	604,513	-	604,513
Public education	89,019	-	89,019
Materials and services	357,725	-	357,725
Capital outlay	416,491	(416,491)	-
Depreciation	-	255,040	255,040
Total expenditures/expenses	2,401,432	(153,984)	2,247,448
Program revenues:			
Charges for services – landscape evaluation audits	27,728	-	27,728
Charges for services – educational workshops	1,000	-	1,000
Operating grants and contributions	19,188	-	19,188
Total program revenues	47,916	-	47,916
Net program expense			2,199,532
General revenues:			
Property taxes	2,112,709	-	2,112,709
Investment earnings	56,330	-	56,330
Other	15,340	-	15,340
Total general revenues	2,184,379	-	2,184,379
Total revenues	2,232,295	-	
Deficiency of revenues under expenditures	(169,137)	169,137	-
Change in net position	-	(15,153)	(15,153)
Fund balance/Net position – beginning of period	13,243,793	7,332,395	23,596,896
Fund balance/Net position – end of period	\$ 13,074,656	7,486,379	23,581,743

Reconciliation:

Net changes in fund balance of governmental fund \$ (169,137)

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

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

 Net change in compensated absences for the current period (7,467)

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

 Capital outlay 416,491
 Depreciation expense (255,040)

Change in net position of governmental activities \$ (15,153)

See accompanying notes to the basic financial statements

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

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

B. Basis of Accounting and Measurement Focus, continued

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

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

The District reports the following major governmental fund:

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

C. Assets, Liabilities and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

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

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

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

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

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

C. Assets, Liabilities and Net Position, continued

4. Prepaid Expenses

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.

5. Capital Assets

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

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

6. Compensated Absences

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

7. Net Position

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

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

8. Property Taxes

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

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

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

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

C. Assets, Liabilities and Net Position, continued

9. Fund Equity

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

- **Non-spendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

Fund Balance Policy

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

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

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(2) Cash and Investments

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

	2014
Cash on hand	\$ 1,000
Deposits held with financial institutions	89,781
Deposits held with Cal Trust	7,497,872
Deposits held with California Local Agency Investment Fund (LAIF)	5,512,290
	\$ 13,100,943

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

	2014
Deposits held with California Local Agency Investment Fund (LAIF)	232 days
Deposits held with Cal Trust - Short Term Fund	518 days

Authorized Deposits and Investments

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the District's bank balances, up to \$250,000 is federally insured per institution and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

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

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(2) Cash and Investments, continued

Credit Risk

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

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with a government-sponsored agency, LAIF, is 56% of the District's total depository and investment portfolio. The District's deposit portfolio with Cal Trust, is 44% of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District's total investments.

(3) Prepaid Expenses

The District entered into an advance dues deposit agreement with the Association of California Water Agencies to enable the Association to fund the purchase of its administrative facility. Interest of 6% per annum, together with 2% to 5% of the initial advance deposit of \$20,000, will be applied to the annual dues. The balance of the deposit at June 30, 2014 is \$11,652. Other prepaid items in the amount of \$20,119 comprise the total of \$31,771.

(4) Capital Assets

Major capital assets additions during the year include \$7,432,090 in construction costs of the District's new building and exhibition gardens.

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 1,486,121	-	-	1,486,121
Construction-in-process	6,472,761	578,457	(7,015,599)	35,619
Total non-depreciable assets	<u>7,958,882</u>	<u>578,457</u>	<u>(7,015,599)</u>	<u>1,521,740</u>
Depreciable assets:				
Buildings and improvements	3,144,980	5,267,579	-	8,412,559
Demonstration garden	-	1,538,694	-	1,538,694
Equipment and furniture	19,220	47,360	-	66,580
Vehicles	117,593	-	-	117,593
Total depreciable assets	<u>3,281,793</u>	<u>6,853,633</u>	<u>-</u>	<u>10,135,426</u>
Accumulated depreciation:				
Buildings and improvements	(722,314)	(164,892)	-	(887,206)
Demonstration garden	-	(85,483)	-	(85,483)
Office equipment and furniture	(19,220)	(3,157)	-	(22,377)
Vehicles and implements	(115,948)	(1,508)	-	(117,456)
Total accumulated depreciation	<u>(857,482)</u>	<u>(255,040)</u>	<u>-</u>	<u>(1,112,522)</u>
Total depreciable assets, net	<u>2,424,311</u>	<u>6,598,593</u>	<u>-</u>	<u>9,022,904</u>
Total capital assets, net	<u>\$ 10,383,193</u>			<u>10,544,644</u>

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(5) Compensated Absences

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

The changes to compensated absences balances at June 30, were as follows:

<u>Balance</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2014</u>
\$ 30,090	30,762	(23,295)	37,557
<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2013</u>
\$ 29,883	22,844	(22,637)	30,090

(6) Unrestricted Net Position

Unrestricted net assets are comprised of the following:

	<u>2014</u>
Non-spendable net assets:	
Prepaid expenses	\$ 31,771
Total non-spendable net assets	<u>31,771</u>
Spendable net assets designated for the following purposes:	
Major structural failures	1,500,000
Water conservation projects	6,665,558
Recycled water conservation contribution program	3,739,770
Operating reserve	<u>1,100,000</u>
Total spendable net position - designated	<u>13,005,328</u>
Total unrestricted net position	<u>\$ 13,037,099</u>

(7) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.0 % at 60 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(7) Defined Benefit Pension Plan, continued

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier – Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. District employees contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer and member contribution rate is 6.25% for a combined rate of 12.50%, which will be in effect until June 30, 2015.

The required employer contribution rate are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three years CalPERS funding information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	APC Percentage of Payroll
2012	\$ 92,985	100%	8.197%
2013	78,305	100%	8.311%
2014	82,065	100%	8.486%

See page 38 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(7) Defined Benefit Pension Plan, continued

Actuarial Methods and Assumptions, continued

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining amortization period	7 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(8) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances and their funding composition at June 30, 2014 is as follows:

<u>Description</u>	<u>Amount</u>
Non-spendable:	
Prepaid expenses	\$ 31,771
Committed:	
Recycled water programs	3,739,770
Sub-total committed	<u>3,739,770</u>
Assigned:	
Compensated absences	37,557
Operating reserve - one year	1,100,000
LEAP - two year reserve	300,000
Structural failures	1,500,000
Recharge improvements	6,000,000
Carry forward	<u>126,358</u>
Sub-total assigned	<u>9,063,915</u>
Unassigned	<u>239,200</u>
Total fund balance	\$ <u><u>13,074,656</u></u>

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

(9) Risk Management

Joint Powers Insurance Authority

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

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Chino Basin Water Conservation District
Notes to the Basic Financial Statements, continued
June 30, 2014

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

Governmental Accounting Standards Board Statement No. 71, continued

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

(11) Contingencies

Grant Awards

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

Litigation

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

(12) Subsequent Events

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of April 1, 2015, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

**Chino Basin Water Conservation District
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2014**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Water conservation:					
Salaries and benefits	\$ 1,032,648	(64,605)	968,043	933,684	34,359
Basin and garden maintenance	724,099	(141,970)	582,129	604,513	(22,384)
Public education	241,000	(125,933)	115,067	89,019	26,048
Materials and services	542,554	(46,444)	496,110	357,725	138,385
Capital outlay	1,479,194	(1,443,274)	35,920	416,491	(380,571)
Total expenditures/expenses	<u>4,019,495</u>	<u>(1,822,226)</u>	<u>2,197,269</u>	<u>2,401,432</u>	<u>(204,163)</u>
Program revenues:					
Charges for services – landscape evaluation audits	63,500	(35,772)	27,728	27,728	-
Charges for services – educational workshops	5,000	(4,000)	1,000	1,000	-
Operating grants and contributions	42,450	(23,262)	19,188	19,188	-
Total program revenues	<u>110,950</u>	<u>(63,034)</u>	<u>47,916</u>	<u>47,916</u>	<u>-</u>
General revenues:					
Property taxes	2,997,500	(884,791)	2,112,709	2,112,709	-
Investment earnings	40,000	16,330	56,330	56,330	-
Other	13,600	1,740	15,340	15,340	-
Total general revenues	<u>3,051,100</u>	<u>(866,721)</u>	<u>2,184,379</u>	<u>2,184,379</u>	<u>-</u>
Total revenues	<u>3,162,050</u>	<u>(929,755)</u>	<u>2,232,295</u>	<u>2,232,295</u>	<u>-</u>
Deficiency of revenues under expenditures	(857,445)	<u>892,471</u>	35,026	(169,137)	<u>204,163</u>
Fund balance – beginning of period	<u>13,058,102</u>		<u>13,475,121</u>	<u>13,243,793</u>	
Fund balance – end of period	\$ <u>12,200,657</u>		<u>13,510,147</u>	<u>13,074,656</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the District's 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. The Board approved supplemental appropriations of revenues under expenditures in the amount of \$892,471 during the year ended June 30, 2014.

Chino Basin Water Conservation District
Schedule of Funding Status
For the Year Ended June 30, 2014

(2) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2% at 60 yrs. Risk Pool	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
1. Plan's accrued liability	\$ 1,406,927	-	-
2. Plan's side fund	-	-	-
3. Pool's accrued liability	736,231,913	-	-
4. Pool's side fund	2,948,645	-	-
5. Pool's actuarial value of assets (AVA) including receivables	701,224,211	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	1,334,682	-	-
7. Pool's market value of assets (MVA) including receivables	589,970,009	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	1,122,926	-	-

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (a)</u>	<u>Actuarial Value of Assets (AVA) (b)</u>	<u>Market Value of Assets (MVA) (c)</u>	<u>Funded Ratio AVA (b/a)</u>	<u>MVA (c/a)</u>	<u>Annual Covered Payroll</u>
June 30, 2011	\$ 1,406,927	1,334,682	1,122,926	94.9%	79.8%	\$ 526,058
June 30, 2012	*	-	-	0.0%	0.00%	-
June 30, 2013	*	-	-	0.0%	0.00%	-

* CalPERS information for these periods are not available as of the date of the financial statements.

Report on Internal Controls and Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chino Basin Water Conservation District (District), as of and for the years June 30, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated April 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
April 3, 2015