Chino Basin Watermaster

Annual Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

Our Mission Statement

"To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment"

Represents	Name	Title
Agricultural	Pete Hall	Member
Agricultural	Jeff Pierson	Vice-Chair
Non-Agricultural	Robert Bowcock	Member
Appropriative	James Curatalo	Chair
Appropriative	Scott Burton	Member
Appropriative	Betty Folson	Member
Municipal	Steve Elie	Member
Municipal	Mike Gardner	Member
Municipal	Bob G. Kuhn	Secretary/Treasurer

The Watermaster Board serves at the direction of the San Bernardino County Superior Court (Case No. RCVRS 51010) and was re-appointed for a five-year term, effective January 2019 through January 25, 2024 (Court Order issued on January 2, 2019).

Chino Basin Watermaster
Peter Kavounas PE, General Manager
9641 San Bernardino Road
Rancho Cucamonga, California 91730
(909) 484-3888 – www.cbwm.org

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Introductory Section

October 27, 2022

Chino Basin Watermaster Board

Introduction

It is our pleasure to submit the Annual Financial Report for the Chino Basin Watermaster (Watermaster) for the fiscal years ended June 30, 2022 and 2021, following guidelines set forth by the Governmental Accounting Standards Board. The Watermaster is ultimately responsible for both the accuracy of the data and the completeness and the fairness of 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 necessary to enhance your understanding of the Watermaster's financial position and activities.

This report is organized into three sections: (1) Introductory, (2) Financial, and (3) Supplemental. The Introductory section offers general information about the Watermaster's organization and current Watermaster activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the Watermaster's basic financial statements, and the Watermaster's audited basic financial statements with accompanying Notes. The Supplemental section includes combining revenue and expense schedules.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the 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 Watermaster's MD&A can be found immediately after the Independent Auditor's Report.

Watermaster Structure and Leadership

The Chino Basin Watermaster ("Watermaster") was established under a judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCVRS 51010 (formerly Case No. SCV 164327) entitled "Chino Basin Municipal Water District v. City of Chino, et al.", signed by the Honorable Judge Howard B. Weiner on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977. Under the Judgment, three Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial purposes; and (3) Appropriative Pool which represents cities, special districts, other public or private entities and utilities. The three Pools act together to form the "Advisory Committee". Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five-member Board of Directors was initially appointed as "Watermaster". Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on February 19, 1998.

The General Manager administers the day-to-day operations of the Watermaster in accordance with policies and procedures established by the Board. The Watermaster staff includes eleven regular, full-time employees. Each of the Watermaster's three Pools, the Advisory Committee, and the Board meet monthly.

Watermaster Mission and Services

Chino Basin Watermaster's mission is "To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment", Case No. RCVRS 51010 (formerly Case No. SCV 164327). The Watermaster provides the Chino Groundwater Basin service area with services which primarily include: accounting for water appropriations and components of acre footage of stored water by agency, purchase of replenishment water, groundwater monitoring and implementation of special projects. The Watermaster is progressively and actively implementing the Basin's Optimum Basin Management Program Implementation Plan (OBMP-IP) which includes extensive monitoring, further developing recharge capabilities, storage and recovery programs, managing salt loads, developing new yield such as reclaimed and storm water recharge and continuing to work with other agencies and entities to enhance this significant natural resource. In 2019, Watermaster started to update the OBMP which was originally adopted in 2000. The updated OBMP will provide a foundation for the next 20 years to enhance Basin water supplies, to protect and enhance water quality, and enhance Basin management. After an intensive stakeholder engagement process, the Watermaster Board adopted the 2020 OBMP on October 22, 2020.

Watermaster expenditures are allocated to the pools based on the prior year's production volume (or the same percentage used to set the annual assessments).

Economic Condition and Outlook

The Watermaster's office is located in the City of Rancho Cucamonga in San Bernardino County which has experienced tempered economic growth within the region. The economic outlook for the Southern California region is one of cautious growth.

Internal Control Structure

Watermaster management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Watermaster are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data that is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Watermaster's internal 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.

Budgetary Control

The Advisory Committee annually approves, and the Board annually adopts an operating 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 Watermaster's enterprise operations. The budget and reporting treatment applied to the Watermaster is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board has adopted an investment policy that conforms to state law, Watermaster's ordinance and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield. Watermaster funds are invested in the State Treasurer's Local Agency Investment Fund and an institutional checking account.

Water Rates and Watermaster Revenues

The Judgment prescribes Watermaster's authority and specifies classes of water production assessments to be used to fund certain activities. Those assessment categories are: Administration, Optimum Basin Management Program, Special Projects, and Replenishment. Each class of assessment has a prescribed purpose and water production base. Assessment revenue is Watermaster's principal source of income.

Audit and Financial Reporting

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

Other References

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

Acknowledgements

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

Respectfully submitted,

P. Kavounas

Peter Kavounas, P.E.
General Manager

Joseph S. Joswiak, MBA
Chief Financial Officer

Financial Section

Fedak & Brown LLP
Certified Public Accountants

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Independent Auditor's Report

Chino Basin Watermaster Board
Rancho Cucamonga, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Chino Basin Watermaster (Watermaster) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Watermaster's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Watermaster, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watermaster's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Emphasis-of-Matter

Adjustments of Net Position

As discussed in Note 10 of the financial statements, as of and for the year ended 2022, adjustments were recognized for the Watermaster's lessee agreements. The Watermaster has recorded right-to-use assets, a lease payable liability, reclassified a portion of its lease expense to interest expense, and has recorded a prior period adjustment to restate net position as of July 1, 2020 and 2021. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, as of and for the year ended June 30, 2020, the Watermaster restated its account balance and related transactions for the compensated absences accrual. Our opinion is not modified with respect to this matter.

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 8 through 12 and the required supplementary information on pages 46 through 48 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 audits 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Watermaster's basic financial statements. The combining schedules of revenue, expenses, and changes in net position on pages 49 and 50, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1 through 3 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Watermaster'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 Watermaster's internal control over financial reporting and compliance. This report can be found on pages 51 and 52.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 27, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Chino Basin Watermaster (Watermaster) provides an introduction to the financial statements of the Watermaster for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here with additional information that we have furnished in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2022, the Watermaster's net position increased by 18.50% or $1,665,936 to $10,669,923 as a result of ongoing operations. In 2022, net position was restated due to the implementation of *GASB Statement No. 87*. Please see Note 10 for further discussion. In 2021, the Watermaster's net position increased by 12.23% or $980,999 to $9,003,987 as a result of ongoing operations. In 2021, net position was restated its account balance and related transactions for compensated absences. Please see Note 10 for further discussion.
- In 2022, the Watermaster's operating revenues increased by 0.62% or $68,127 to $11,039,740. The Watermaster's operating revenues increased by 3.49% or $370,432 to $10,971,613 in 2021.
- In 2022, the Watermaster's non-operating revenues decreased by 100.00% or $7,700 to $0. The Watermaster's non-operating revenues decreased by 96.47% or $210,225 to $7,700 in 2021.
- In 2022, the Watermaster's operating expenses decreased by 9.96% or $958,099 to $8,663,881. The Watermaster's operating expenses decreased by 9.27% or $982,826 to $9,621,980 in 2021.
- In 2022, the Watermaster's non-operating expenses increased 129.75% or $321,099 to $568,566. The Watermaster's non-operating expenses decreased 28.21% or $97,229 to $247,467 in 2021.

Required Financial Statements

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

The Statement of Net Position includes all of the Watermaster's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Watermaster and assessing the liquidity and financial flexibility of the Watermaster. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Watermaster's operations over the past year and can be used to determine if the Watermaster has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Watermaster's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Watermaster

One of the most important questions asked about the Watermaster's finances is, "Is the Watermaster better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Watermaster in a way that helps answer this question.

Financial Analysis of the Watermaster, continued

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All 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 Watermaster's *net position* and changes in it. You can think of the Watermaster's net position – assets and deferred outflow of resources, less liabilities and deferred inflows of resources – as one way to measure the Watermaster's financial health, or *financial position*. Over time, *increases or decreases* in an organization's net position is 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. The Watermaster is funded on a year-by-year basis through a court–mandated process.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 through 45.

Statements of Net Position

Condensed Statements of Net Position

	2022	As Restated 2021	Change	As Restated 2020	Change
Assets:					
Current assets	$ 13,281,715	11,455,581	1,826,134	10,250,006	1,205,575
Capital assets, net	323,330	377,248	(53,918)	447,409	(70,161)
Total assets	13,605,045	11,832,829	1,772,216	10,697,415	1,135,414
Deferred outflows of resources	431,688	471,937	(40,249)	384,196	87,741
Liabilities:					
Current liabilities	1,018,738	931,421	87,317	880,971	50,450
Non-current liabilities	1,669,164	2,333,374	(664,210)	2,153,090	180,284
Total liabilities	2,687,902	3,264,795	(576,893)	3,034,061	230,734
Deferred inflows of resources	678,908	35,984	642,924	9,861	26,123
Net position:					
Net investment in capital assets	323,330	377,248	(53,918)	447,409	(70,161)
Restricted	-	845	(845)	845	-
Unrestricted	10,346,593	8,625,894	1,720,699	7,574,734	1,051,160
Total net position	$ 10,669,923	9,003,987	1,665,936	8,022,988	980,999

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. In the case of the Watermaster, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $10,669,923 and $9,003,987 as of June 30, 2022 and 2021, respectively.

Compared to prior year, net position of the Watermaster increased 18.50% or $1,665,936. The Watermaster's total net position is made up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Statements of Net Position, continued

A portion of the Watermaster's net position, 3.03% or 4.19% as of June 30, 2022 and 2021, respectively, reflects the Watermaster's investment in capital assets (net of accumulated depreciation) less any related debt (where applicable) used to acquire those assets that is still outstanding. The Watermaster uses these capital assets to provide services to customers within the Watermaster's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2022 and 2021, the Watermaster reflected a positive balance in its unrestricted net position of $10,346,593 and $8,625,894, respectively, that may be utilized in future years. See note 11 for further discussion.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2022	As Restated 2021	Change	As Restated 2020	Change
Revenues:					
Operating revenues	$ 11,039,740	10,971,613	68,127	10,601,181	370,432
Non-operating revenues	-	7,700	(7,700)	217,925	(210,225)
Total revenues	11,039,740	10,979,313	60,427	10,819,106	160,207
Expenses:					
Operating expense	8,663,881	9,621,980	(958,099)	10,604,806	(982,826)
Depreciation	141,357	128,867	12,490	122,563	6,304
Non-operating expense	568,566	247,467	321,099	344,696	(97,229)
Total expenses	9,373,804	9,998,314	(624,510)	11,072,065	(1,073,751)
Changes in net position	1,665,936	980,999	684,937	(252,959)	1,233,958
Net position, beginning of period, as restated	9,003,987	8,022,988	980,999	8,275,947	(252,959)
Net position, end of period, as restated	$ 10,669,923	9,003,987	1,665,936	8,022,988	980,999

The statements of revenues, expenses, and changes of net position show how the Watermaster's net position changed during the fiscal years. In the case of the Watermaster, net position increased by 18.50% or $1,665,936 to $10,669,923 as a result of ongoing operations for the year ended June 30, 2022; and net position increased by 12.23% or $980,999 to $9,003,987 as a result of ongoing operations for the year ended June 30, 2021.

A closer examination of the sources of changes in net position reveals that:

In 2022, the Watermaster's total revenues increased 0.55% or $60,427 to $11,039,740. The Watermaster's operating revenues increased 0.62% or $68,127 to $11,039,740, due primarily to an increase of $198,139 in replenishment water revenue, offset by a decrease of $132,842 in administrative assessments. The Watermaster's non-operating revenues decreased by 100.00% or $7,700 to $0, due to a decrease in investment earnings, net of a year-end fair value adjustment for LAIF in the amount $143,940.

Statements of Revenues, Expenses, and Changes in Net Position, continued

In 2021, the Watermaster's total revenues increased 1.48% or $160,207 to $10,979,313. The Watermaster's operating revenues increased 3.49% or $370,432 to $10,971,613, due primarily to an increase of $672,590 in administrative assessments, offset by a decrease of $300,822 in replenishment water revenue. The Watermaster's non-operating revenues decreased 96.47% or $210,225 to $7,700, due to a decrease in investment earnings.

In 2022, the Watermaster's total expenses decreased 6.25% or $624,510 to $9,373,804. The Watermaster's operating expenses decreased by 9.96% or $958,099 to $8,663,881, due primarily to decreases of $1,476,332 in groundwater replenishment and other water purchases, $299,501 in pool, advisory, and board administration and $37,515 in Watermaster administration, which were offset by an increase of $855,249 in optimum basin management plan. The Watermaster's non-operating expenses increased 129.75% or $321,099 to $568,566, primarily due to increases of $222,883 in reserve distribution expense and $108,290 in investment expense, net due to year-end fair value adjustments as compared to the prior year.

In 2021, the Watermaster's total expenses decreased 9.70% or $1,073,751 to $9,998,314. The Watermaster's operating expenses decreased by 9.27% or $982,826 to $9,621,980, due primarily to decreases of $608,580 in groundwater replenishment and other water purchases, $244,537 in Watermaster administration, and $181,232 in optimum basin management plan, which were offset by an increase of $51,523 in pool, advisory, and board administration. The Watermaster's non-operating expenses decreased 28.21% or $97,229 to $247,467, primarily due to decreases of $95,844 in reserve distribution expense as compared to the prior year.

Capital Asset Administration

At the end of fiscal years 2022 and 2021, the Watermaster's investment in capital assets amounted to $323,330 and $377,248 (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes leasehold improvements, office equipment, vehicles, leased building, and leased equipment. The capital assets of the Watermaster are more fully analyzed in note 3 to the basic financial statements.

Changes in capital assets in 2022 were as follows:

		As Restated Balance 2021	Additions	Disposals/ Transfers	Balance 2022
Capital assets:					
Depreciable assets	$	756,362	87,439	-	843,801
Accumulated depreciation		(379,114)	(141,357)	-	(520,471)
Total capital assets	$	377,248	(53,918)	-	323,330

Capital Asset Administration, continued

Changes in capital assets in 2021 were as follows:

		As Restated Balance 2020	Additions	Disposals/ Transfers	As Restated Balance 2021
Capital assets:					
Depreciable assets	$	796,588	58,706	(98,932)	756,362
Accumulated depreciation		(349,179)	(128,867)	98,932	(379,114)
Total capital assets	$	447,409	(70,161)	-	377,248

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the Watermaster's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the Watermaster's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Watermaster's finances and to demonstrate Watermaster's accountability with an overview of Watermaster's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Watermaster's Chief Financial Officer, Joseph S. Joswiak, at Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA 91730 or (909) 484-3888.

Basic Financial Statements

Chino Basin Watermaster
Statements of Net Position
June 30, 2022 and 2021

	2022	As Restated 2021
Current assets:		
Cash and cash equivalents (note 2)	$ 11,742,546	10,842,000
Cash and cash equivalents – restricted (note 2)	-	845
Accounts receivable	1,489,462	563,815
Accrued interest receivable	22,493	8,969
Prepaid expenses and other current assets	27,214	39,952
Total current assets	13,281,715	11,455,581
Non-current assets:		
Capital assets, net (note 3)	323,330	377,248
Total non-current assets	323,330	377,248
Total assets	13,605,045	11,832,829
Deferred outflows of resources:		
Deferred OPEB outflows (note 6)	27,713	69,534
Deferred pension outflows (note 7)	403,975	402,403
Total deferred outflows of resources	431,688	471,937
Current liabilities:		
Accounts payable and accrued expenses	773,061	670,034
Accrued salaries and benefits	24,988	64,443
Long-term liabilities – due within one year:		
Compensated absences (note 4)	109,610	94,114
Leases payable (note 5)	111,079	102,830
Total current liabilities	1,018,738	931,421
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	203,561	174,782
Leases payable (note 5)	51,809	162,888
Net OPEB liability (note 6)	327,097	316,979
Net pension liability (note 7)	776,209	1,431,357
Employee compensation plan (note 8)	310,488	247,368
Total non-current liabilities	1,669,164	2,333,374
Total liabilities	2,687,902	3,264,795
Deferred inflows of resources:		
Deferred OPEB inflows (note 6)	1,316	25,775
Deferred pension inflows (note 7)	677,592	10,209
Total deferred inflows of resources	678,908	35,984
Net position: (note 11)		
Net investment in capital assets	323,330	377,248
Restricted	-	845
Unrestricted	10,346,593	8,625,894
Total net position	$ 10,669,923	9,003,987

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

		2022	As Restated 2021
Operating revenues:			
Administrative assessments	$	9,168,121	9,302,963
Replenishment water revenue		1,693,689	1,495,550
Other revenue		177,930	173,100
Total operating revenue		11,039,740	10,971,613
Operating expenses:			
Groundwater replenishment and other water purchases		35,030	1,511,362
Optimum basin management plan		5,346,729	4,491,480
Watermaster administration		2,436,714	2,474,229
Pool, advisory, and board administration		845,408	1,144,909
Total operating expense		8,663,881	9,621,980
Operating income before depreciation		2,375,859	1,349,633
Depreciation expense		(141,357)	(128,867)
Operating income		2,234,502	1,220,766
Non-operating revenue (expense):			
Reserve distribution		(462,713)	(239,830)
Interest expense		(5,263)	(7,637)
Investment (expense)earnings, net of fair value		(100,590)	7,700
Total non-operating expense, net		(568,566)	(239,767)
Changes in net position		1,665,936	980,999
Net position, beginning of period - as restated (note 10)		9,003,987	8,022,988
Net position, end of period	$	10,669,923	9,003,987

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	As Restated 2021
Cash flows from operating activities:		
Cash received from stakeholders	$ 10,114,093	10,611,936
Cash paid to employees for salaries and wages	(1,398,422)	(1,373,675)
Cash paid to vendors and suppliers for materials and services	(7,043,611)	(7,631,103)
Net cash provided by operating activities	1,672,060	1,607,158
Cash flows from non-capital financing activities:		
Payments for non-operating expenses	(462,713)	(239,830)
Net cash used in non-capital financing activities	(462,713)	(239,830)
Cash flows from capital financing activities:		
Acquisition of capital assets	(87,439)	(58,706)
Principal paid on capital lease payables	(102,830)	(96,322)
Interest paid on capital lease payables	(5,263)	(7,637)
Net cash used in capital financing activities	(195,532)	(162,665)
Cash flows from investing activities:		
Investment earnings received	(114,114)	34,894
Net cash (used in) provided by investing activities	(114,114)	34,894
Net increase in cash and cash equivalents	899,701	1,239,557
Cash and cash equivalents, beginning of year	10,842,845	9,603,288
Cash and cash equivalents, end of year	$ 11,742,546	10,842,845

Reconciliation of cash and cash equivalents to statements of net position:

	2022	As Restated 2021
Cash and cash equivalents	$ 11,742,546	10,842,000
Cash and cash equivalents - restricted	-	845
Total cash and cash equivalents	$ 11,742,546	10,842,845

Continued on next page

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2022 and 2021

		2022	As Restated 2021
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	2,234,502	1,220,766
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		141,357	128,867
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable		(925,647)	(359,677)
Prepaid expenses and other current assets		12,738	366,465
Deferred outflows of resources		40,249	(87,741)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and accrued expense		103,027	27,871
Accrued salaries and benefits		(39,455)	8,804
Compensated absences		44,275	20,763
Total OPEB liability		10,118	62,194
Net pension liability		(655,148)	122,699
Employee compensation plan		63,120	84,725
Deferred inflows of resources		642,924	11,422
Total adjustments		(562,442)	386,392
Net cash provided by operating activities	$	1,672,060	1,607,158

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Chino Basin Watermaster ("Watermaster") was established under a judgment entered in the Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCV 51010 (formerly Case No. SCV 164327) entitled "Chino Basin Municipal Water District v. City of Chino, et al.", signed by the Honorable Judge Howard B. Weiner on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977.

Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five-member Board of Directors was initially appointed as "Watermaster". Their term of appointment as Watermaster was for five years, and the Court, by subsequent orders, provided for successive terms, or for a successor Watermaster. Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on September 28, 2000.

Under the Judgment, three Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial purposes; and (3) Appropriative Pool which represents cities, districts, other public or private entities, and utilities. The three Pool committees act together to form the "Advisory Committee."

The Watermaster provides the Chino Groundwater Basin service area with services which primarily include: Accounting for water appropriations and components of acre-footage of stored water by agency, purchase of replenishment water, groundwater monitoring, and implementation of special projects.

Watermaster expenditures are allocated to the pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2021-2022 expenses are based on the 2020-2021 production volume.

	Fiscal Year 2022		Fiscal Year 2021	
Production volume	**Acre Feet**	**Percentage**	**Acre Feet**	**Percentage**
Appropriative Pool	75,398	75.61%	73,424	74.31%
Agricultural Pool	21,304	21.36%	21,485	21.74%
Non-agricultural Pool	3,014	3.02%	3,897	3.94%
Total production volume	99,716	100.00%	98,806	100.00%

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988, wherein the Appropriative Pool assumes Agricultural Pool administrative expenses and special project cost allocations in exchange for an accelerated transfer of un-pumped agricultural water to the Appropriative Pool. In addition, the Agricultural Pool transferred all pool administrative reserves at June 30, 1988, to the Appropriative Pool effective July 1, 1988.

In July of 2000, the principal parties in the Basin signed an agreement, known as the Peace Agreement, which among other things formalized the commitment of the Basin parties to implement an Optimum Basin Management Program. The Peace Agreement was signed by all the parties, and the Court has approved the agreement and ordered the Watermaster to proceed in accordance with the terms of the agreement. The Court has approved revisions to the Chino Basin Watermaster Rules and Regulations.

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

B. Basis of Accounting and Measurement Focus

The Watermaster reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Watermaster is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as replenishment water revenues and groundwater replenishment, result from exchange transactions associated with the principal activity of the Watermaster. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Watermaster's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Watermaster solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Watermaster's proprietary fund.

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

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

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

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

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 89

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

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments

The Watermaster has adopted an investment policy directing the General Manager to invest and reinvest funds subject to the provisions of the Watermaster's Investment Policy and the ongoing review and control of the Watermaster and the Watermaster Advisory Committee in accordance with California Government Code section 53600.

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

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

3. Investments, continued

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

The Watermaster extends credit to customers in the normal course of operations. Management has determined that all amounts are considered collectable. As a result, the Watermaster has not recorded an allowance for doubtful accounts as of June 30, 2022 and 2021, respectively.

5. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment and software	5 years
Office furniture and fixtures	7 years
Leasehold improvements	10 years
Automotive equipment	7 years

Leased assets are amortized on a straight-line basis over the life of the lease term.

7. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net assets applicable to future periods and, therefore, will not be recognized as an outflow of resources (expenditure) until that time. The Watermaster has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.

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

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

8. Deferred Outflows of Resources, continued

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

9. Compensated Absences

The Watermaster's policy is to permit eligible employees to accumulate earned vacation up to a total of 320 hours. Employees may receive pay in lieu of using vacation for up to one-half of their annual vacation accrual if: (1) within the prior twelve months, the employee has used vacation in an amount equal to at least half of their annual vacation accrual rate; and (2) the employee has a minimum remaining accrued vacation balance of at least 40 hours. Eligible employees accrue and accumulate sick leave based on Watermaster policy. Twice a year, employees may buy-back accrued sick leave at 50% of their current pay provided that at least 480 hours of accrued sick leave remain after the cash-out. Upon termination of employment, employees are paid all unused vacation. Unused sick time is paid out based on Watermaster policy.

10. Pensions

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

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

- Valuation Dates: June 30, 2020 and 2019
- Measurement Dates: June 30, 2021 and 2020
- Measurement Periods: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

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

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

11. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of net assets applicable to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The Watermaster has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

Pensions

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5-year period.

12. Water Production Assessments

Water Production Assessment categories include Administration, Optimum Basin Management Program, Special Projects, and Water Replenishment. Assessments are billed on a yearly basis.

13. Budgetary Policies

The Watermaster adopts an annual operational budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

14. 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 amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted –** This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- **Unrestricted** – This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net *investment in capital assets* or *restricted* components of net position.

(2) Cash and Investments

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

		2022	2021
Cash and investments	$	11,742,546	10,842,000
Cash and investments – restricted		-	845
Total cash and investments	$	11,742,546	10,842,845

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

		2022	2021
Cash on hand	$	500	500
Deposits held in trust with County of San Bernardino		-	845
Deposits with financial institutions		769,406	846,571
Local Agency Investment Fund (LAIF)		10,972,640	9,994,929
Total cash and investments	$	11,742,546	10,842,845

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

	2022	2021
Deposits held with the California Local Agency Investment Fund (LAIF)	311 days	291 days

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

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

Investment in California State Investment Pool

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon the Watermaster's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Watermaster's deposits with the bank in accordance with the Code.

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

(2) Cash and Investments, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 custodial credit risk for *investments* is the risk that, in the event of 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. 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).

The California Government Code and the Watermaster's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 public agencies. California law also allows financial institutions to secure Watermaster deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2022 and 2021, bank balances are federally insured up to $250,000 and the remaining balance is collateralized in accordance with the Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Watermaster manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Credit Risk

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

Concentration of Credit Risk

The Watermaster's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total Watermaster's investment at June 30, 2022 and 2021.

(3) Capital Assets

Changes in capital assets for 2022 were as follows:

		As Restated Balance 2021	Additions	Disposals/ Transfers	Balance 2022
Depreciable and leased assets:					
Computer equipment	$	37,703	-	-	37,703
Furniture and fixtures		119,121	87,439	-	206,560
Leasehold improvements		23,443	-	-	23,443
Vehicles and equipment		114,668	-	-	114,668
Leased building		355,479	-	-	355,479
Leased equipment		105,948	-	-	105,948
Total depreciable and leased assets		756,362	87,439	-	843,801
Accumulated depreciation and amortization:					
Computer equipment		(37,704)	-	-	(37,704)
Furniture and fixtures		(44,172)	(27,425)	-	(71,597)
Leasehold improvements		(23,443)	-	-	(23,443)
Vehicles and equipment		(68,803)	(11,436)	-	(80,239)
Leased building		(170,630)	(85,315)	-	(255,945)
Leased equipment		(34,362)	(17,181)	-	(51,543)
Total accumulated depreciation and amortization		(379,114)	(141,357)	-	(520,471)
Total capital assets, net	$	377,248			323,330

(3) Capital Assets, continued

Changes in capital assets for 2021 were as follows:

	As Restated Balance 2020	Additions	Disposals/ Transfers	As Restated Balance 2021
Depreciable and leased assets:				
Computer equipment	$ 107,551	-	(69,848)	37,703
Furniture and fixtures	89,499	58,706	(29,084)	119,121
Leasehold improvements	23,443	-	-	23,443
Vehicles and equipment	114,668	-	-	114,668
Leased building	355,479	-	-	355,479
Leased equipment	105,948	-	-	105,948
Total depreciable and leased assets	796,588	58,706	(98,932)	756,362
Accumulated depreciation and amortization:				
Computer equipment	(107,552)	-	69,848	(37,704)
Furniture and fixtures	(58,321)	(14,935)	29,084	(44,172)
Leasehold improvements	(23,443)	-	-	(23,443)
Vehicles and equipment	(57,367)	(11,436)	-	(68,803)
Leased building	(85,315)	(85,315)	-	(170,630)
Leased equipment	(17,181)	(17,181)	-	(34,362)
Total accumulated depreciation and amortization	(349,179)	(128,867)	98,932	(379,114)
Total capital assets, net	$ 447,409			377,248

(4) Compensated Absences

Changes to compensated absences for 2022 were as follows:

Balance 2021	Additions	Deletions	Balance 2022	Due Within One Year	Due in more than one year
$ 268,896	239,604	(195,329)	313,171	109,610	203,561

Changes to compensated absences for 2021 were as follows:

Balance 2020	Additions	Deletions	Balance 2021	Due Within One Year	Due in more than one year
$ 248,133	163,909	(143,146)	268,896	94,114	174,782

(5) Leases Payable

The change in leases payable for 2022 was as follows:

	As Restated Balance 2021	Additions	Payments	Balance 2022	Current Portion	Long Term Portion
Leases payable:						
Cucamonga Valley Water District – Office Building	197,603	-	(86,131)	111,472	95,084	16,388
Advanced Office – Ricoh Copiers	68,115	-	(16,699)	51,416	15,995	35,421
Total leases payable	265,718	-	(102,830)	162,888	111,079	51,809

The change in leases payable for 2021 was as follows:

	As Restated Balance 2020	Additions	Payments	As Restated Balance 2021	Current Portion	Long Term Portion
Leases payable:						
Cucamonga Valley Water District – Office Building	278,011	-	(80,408)	197,603	86,131	111,472
Advanced Office – Ricoh Copiers	84,029	-	(15,914)	68,115	16,699	51,416
Total leases payable	362,040	-	(96,322)	265,718	102,830	162,888

Cucamonga Valley Water District – Office Building

In September 2003, the Watermaster entered into an agreement with Cucamonga Valley Water District to rent office building space for the purpose of providing an administrative headquarters location for the Watermaster. Terms of the agreement commenced on September 1, 2003 with an initial 10 year term with automatic extension for 3 periods of 5 years through August 30, 2023. Terms of the agreement include base rent is due monthly at $4,900 per month due on the 1st of each month. Base rent is adjusted annually based on the Consumer Price Index for Riverside and San Bernardino County. As of June 30, 2022 and 2021, rental payments amounted to $89,941 and $86,203, respectively.

Following the guidelines of *GASB Statement No. 87*, the Watermaster recorded a right-to-use asset and a lease payable at present value using an interest rate of 2.40%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year	Principal	Interest	Total
2023	$ 95,084	1,651	96,735
2024	16,388	49	16,437
Total	111,472	1,700	113,172
Current	(95,084)		
Long-term	$ 16,388		

(5) Leases Payable, continued

Advanced Office – Ricoh Copiers

In October 2019, the Watermaster entered into an agreement with Advanced Office for the purpose of acquiring two Ricoh copy machines. Terms of the agreement commenced in July 2019 and matures in August 2025. As of June 30, 2022 and 2021, rental payments amounted to $18,152 and $17,756, respectively.

Following the guidelines of *GASB Statement No. 87*, the Watermaster recorded a right-to-use asset and a lease payable at present value using an interest rate of 2.40%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year		Principal	Interest	Total
2023	$	15,995	1,127	17,122
2024		16,120	674	16,794
2025		16,511	282	16,793
2026		2,790	8	2,798
Total		51,416	2,091	53,507
Current		(15,995)		
Long-term	$	35,421		

(6) Other Post-Employment Benefits Payable

Plan Description

The Watermaster's defined benefit other post-employment benefit (OPEB) plan (Plan) provides OPEB for all permanent and vested full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the Watermaster. The Watermaster's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. Watermaster participates in a CalPERS Health Program, a community-rated program for its medical coverage. Watermaster does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides a contribution equal to 50% for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement from the Watermaster.

Vesting requires at least 5 years of CalPERS total service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon death of the retiree. Board members during or prior to 1994 are also eligible for Watermaster contribution at retirement.

(6) Other Post-Employment Benefits Payable, continued

Employee Covered by Benefit Terms

As of June 30, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Active employees	10	9
Inactive employees or beneficiaries currently receiving benefit payments	2	5
Total plan membership	12	14

Total OPEB Liability

The Watermaster's total OPEB liability of $327,097 and $316,979 was measured as of December 31, 2021 and 2020, respectively, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 and 2021, actuarial valuation, which was measured at December 31, 2021 and 2020, respectively, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation dates	December 31, 2021 and January 1, 2020
Measurement dates	December 31, 2021 and December 31, 2020
Actuarial cost method	Entry Age Normal cost method in accordance with the requirements of GASB Statement No. 75
Inflation	2022: 2.50% per annum 2021: 2.75% per annum
Salary increases	2022: 2.75% per annum, in aggregate 2021: 3.00% per annum, in aggregate
Discount rate	2.06% and 2.66% as of June 30, 2022 and 2021, respectively; the discount rate is based on the resulting rate using the average of 3-20 year municipal bond rate indices: S&P Municipal Bond 20-Year High Grade Rate Index, Bond Buyer Go 20 - Municipal Bond Index, Fidelity 20-year Go Municipal Bond Index
Healthcare cost trend rates	2022: 6.50% decreasing to an ultimate rate of 4.50%. 2021: 6.25% decreasing to an ultimate rate of 4.50%.

(6) Other Post-Employment Benefits Payable, continued

Changes in the Total OPEB Liability

		Total OPEB Liability 2022	Total OPEB Liability 2021
Balance at beginning of year	$	316,979	254,785
Changes during the year:			
Service cost		23,695	23,005
Interest		6,925	9,009
Experience (gains)/losses		24,211	(26,687)
Changes in assumptions		(40,381)	59,799
Benefit payments		(4,332)	(2,932)
Net change		10,118	62,194
Balance at end of year	$	327,097	316,979

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

The following presents the total OPEB liability of the Watermaster as of June 30, 2022, as well as what the Watermaster's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		Discount Rate - 1% 1.06%	Current Discount Rate 2.06%	Discount Rate + 1% 3.06%
Net OPEB liability	$	380,441	327,097	284,272

The following presents the total OPEB liability of the Watermaster as of June 30, 2021, as well as what the Watermaster's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		Discount Rate - 1% 1.12%	Current Discount Rate 2.12%	Discount Rate + 1% 3.12%
Net OPEB liability	$	386,131	316,979	386,131

(6) Other Post-Employment Benefits Payable, continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Watermaster as of June 30, 2022, as well as what the Watermaster's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.50% HMO/ PPO decreasing to 3.50% HMO/PPO	**Current** 6.50% HMO/ PPO decreasing to 4.50% HMO/PPO	**1% Increase** 7.50% HMO/ PPO decreasing to 5.50% HMO/PPO
Net OPEB liability	$ 274,662	327,097	395,569

The following presents the net OPEB liability of the Watermaster as of June 30, 2021, as well as what the Watermaster's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 5.25% HMO/ PPO decreasing to 3.50% HMO/PPO	**Current** 6.25% HMO/ PPO decreasing to 4.50% HMO/PPO	**1% Increase** 7.25% HMO/ PPO decreasing to 5.50% HMO/PPO
Net OPEB liability	$ 248,352	316,979	411,719

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

For the fiscal years ended June 30, 2022 and 2021, the Watermaster recognized OPEB expense of $31,812 and $32,352, respectively. As of June 30, the Watermaster reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		**2021**	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Change in assumptions	$ 23,381	-	66,602	-
Difference between actual and expected experience	-	(1,316)	-	(25,775)
Contributions subsequent to measurement date	4,332	-	2,932	-
Total	$ 27,713	(1,316)	69,534	(25,775)

(6) Other Post-Employment Benefits Payable, continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB, continued

At June 30, 2022, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods. OPEB related amounts will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Deferred Outflows of Resources
2023	2,594
2024	2,591
2025	559
2026	3,069
2027	3,069
Thereafter	10,183

Schedule of Changes in the Watermaster's Total OPEB Liability and Related Ratios

See page 46 for the Required Supplementary Schedule.

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Watermaster's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Watermaster's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Watermaster's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the Watermaster's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

(7) Defined Benefit Pension Plan, continued

Benefits provided, continued

The Watermaster participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous risk pool in effect at June 30, 2022 and 2021, are summarized as follows:

	Miscellaneous Plan	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.96%	6.75%
Required employer contribution rates	12.20%	7.59%

Contributions

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

For the years ended June 30, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	2022	**2021**
Contributions – employer	$ 258,881	230,502

Net Pension Liability

As of June 30, the Watermaster reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Pension Liability	
	2022	**2021**
Miscellaneous Plan	$ 776,209	1,431,357

The Watermaster's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021 and 2020 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019 (the valuation dates), rolled forward to June 30, 2021 and 2020, using standard update procedures.

(7) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The Watermaster's proportion of the net pension liability was based on a projection of the Watermaster's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Watermaster's proportionate share of the pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2021 was as follows:

	Miscellaneous
Proportion – June 30, 2021	0.01316%
Increase in proportion	0.00120%
Proportion – June 30, 2022	0.01436%

The Watermaster's proportionate share of the pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30,2020 was as follows:

	Miscellaneous
Proportion – June 30, 2020	0.01277%
Increase in proportion	0.00039%
Proportion – June 30, 2021	0.01316%

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2022 and 2021, the Watermaster recognized pension expense of $269,544 and $76,222, respectively.

As of June 30, 2022 and 2021, the Watermaster reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to the measurement date	$ 258,881	-	230,502	-
Net differences between actual and expected experience	87,044	-	73,762	-
Net changes in assumptions	-	-	-	(10,209)
Net differences between projected and actual earnings on plan investments	-	(677,592)	42,521	-
Net differences between actual contribution and proportionate share of contribution	10,051	-	3,483	-
Net adjustments due to the change in proportion of net pension liability	47,999	-	52,135	-
Total	$ 403,975	(677,592)	402,403	(10,209)

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2022 and 2021, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $258,881 and $230,502, respectively, and will be and were recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2023 and 2022, respectively.

At June 30, 2022, other amounts reported as deferred outflows and inflows of resources related to the pensions, which will be recognized as pension expense as follows:

Fiscal Year Ending June 30,		Deferred Net Outflows/(Inflows) of Resources
2023	$	(92,845)
2024		(113,506)
2025		(141,574)
2026		(184,573)

Actuarial assumptions

The total pension liabilities in the June 30, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2020 and 2019
Measurement dates	June 30, 2021 and 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation rate	2021 and 2020 – 2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period Upon Which Actuarial Experience Survey Assumptions Were Based	2021 and 2020 – 1997-2015
Post Retirement Benefit Increase	2021 and 2020 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

* The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(7) Defined Benefit Pension Plan, continued

Discount Rate

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1–10	Real Return Year 11+
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

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

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

(7) Defined Benefit Pension Plan, continued

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

As of June 30, 2022, the Watermaster's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Watermaster's net pension liability	$ 1,610,485	776,209	86,525

As of June 30, 2021, the Watermaster's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Watermaster's net pension liability	$ 2,218,185	1,431,357	781,226

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 47 and 48 for the Required Supplementary Information.

(8) Nonqualified Employee Compensation Plan

Effective June 1, 2015, the Watermaster established a Nonqualified Deferred Compensation Plan (Plan). The purpose of this Plan is to provide deferred compensation for selected public employees to participate in the Plan. The Plan is intended to be an unfunded deferred compensation plan that complies with the requirements of Section 457(f) and 409A of the Internal Revenue Code of 1986. Each Plan Participant shall be entitled to elect and forego all or any portion, as either a dollar amount or a percentage, of the Participant's salary and/or bonus that may become payable by the Employer for a Plan year after all applicable deductions and withholdings. Such election shall be evidenced by a deferral agreement.

During the fiscal years ended June 30, 2022 and 2021, the Watermaster made an employer contributions of $63,120 and $84,724, respectively, to the Plan for the benefit of its eligible employees.

For each of Watermaster's regular payroll periods beginning on and after July 1, 2015 through the remainder of the employment term (from June 30, 2014 up to the expiration date of June 30, 2017), the Watermaster agreed to make an employer contributions to the Plan for the benefit of the eligible employee equal to 8% of the corresponding salary including any incentive compensation paid during that payroll period; provided that the eligible employee is still employed with Watermaster on the payday of that payroll period.

(8) Nonqualified Employee Compensation Plan, continued

On June 22, 2017, Watermaster agreed to make an employer contribution to the Plan for the benefit of another eligible employee equal to 4% of the corresponding salary effective for payroll period following July 1, 2017; and shall continue to be provided on each paycheck date thereafter until the Board takes further action.

The balance of the Watermaster's Employee Compensation Plan as of June 30, 2022 and 2021 amounted to $310,488 and $247,368, respectively.

(9) Deferred Compensation Savings Plan

For the benefit of its employees, the Watermaster participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Watermaster is in compliance with this legislation. Therefore, these assets are not the legal property of the Watermaster, and are not subject to claims of the Watermaster's general creditors. Market value of all plan assets held in trust as of June 30, 2022 and 2021 was $2,017,380 and $2,162,622, respectively.

The Watermaster has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the Watermaster has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(10) Adjustments to Net Position

In fiscal year 2022, the Watermaster implemented *GASB Statement No. 87* to recognize its lessee arrangements. As a result of the implementation, the Watermaster recognized the lease right-to-use assets and lease payables and recorded prior period adjustments, a decrease to net position, of $6,174 and $3,109 at June 30, 2021 and 2020, respectively.

In fiscal year 2021, the Watermaster determined compensated absences were overstated. As a result, the Watermaster has recorded a prior period adjustment to restate compensated absences. The effect of the above change is summarized as follows:

(10) Adjustments to Net Position, continued

		Net Position
Net position at July 1, 2018, as previously stated	$	9,767,437
Effect of 2019 compensated absence adjustment		120,725
Change in net position at June 30, 2019		(1,612,215)
Net position at June 30, 2019, as restated		8,275,947
Effect of 2020 compensated absence adjustment		12,273
Effect of 2020 *GASB Statement No. 87* lease adjustments		(3,109)
Change in net position at June 30, 2020		(262,123)
Net position at June 30, 2020, as restated	$	8,022,988
Effect of 2021 *GASB Statement No. 87* lease adjustments		(6,174)
Change in net position at June 30, 2021		987,173
Net position at June 30, 2021, as restated	$	9,003,987

(11) Net Position

Calculation of net position as of June 30, is as follows:

		2022	2021
Net investment in capital assets:			
Capital assets, net	$	323,330	377,248
Total net investment in capital assets		323,330	377,248
Restricted:			
Restricted – cash and cash equivalents		-	845
Total restricted		-	845
Unrestricted:			
Non-spendable net position:			
Prepaid expenses and deposits		27,214	39,952
Total non-spendable net position		27,214	39,952
Spendable net position:			
Undesignated net position reserve		10,319,379	8,585,942
Total spendable net position		10,319,379	8,585,942
Total unrestricted net position		10,346,593	8,625,894
Total net position	$	10,669,923	9,003,987

(12) Risk Management

The Watermaster is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Watermaster is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the Watermaster as of June 30, 2022:

- Commercial General Liability: $2,000,000 General Aggregate Limit (Other than Products/Completed Operations); $2,000,000 Products/Completed Operations Aggregate Limit (Any One Person or Organization); $1,000,000 Personal and Advertising Injury Limit; $1,000,000 Each Occurrence Limit; $300,000 Rented To You Limit; $15,000 Medical Expenses Limit (Any One Person).
- Commercial Excess Liability: Limits of Liability are $10,000 Retained Limit, $8,000,000 Each Occurrence, $8,000,000 General Aggregate Limit, $8,000,000 Products/Completed Operations to Aggregate.
- Automobile: $1,000,000 Combined Bodily Injury and Property Damage Single Limit (Each Accident); $1,000,000 Uninsured Motorists Single Limit. $1,000 deductible for Comprehensive and $1,000 deductible for Collision.
- Property: $525,000 with liability limits varying by property type with a $1,000 deductible.
- Crime coverage: $50,000 per claim with a $1,000 deductible.
- Director & Officers Liability: $1,000,000 Liability Coverage; Employment Practices Liability: $1,000,000 Liability Coverage. Director and Officer/Crisis Management: $25,000 to $100,000 with liability limits varying by type of coverage.
- Workers' compensation: Total annual premium is $8,607.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR.

This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Governmental Accounting Standards Board Statement No. 93, continued

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

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

Governmental Accounting Standards Board Statement No. 99, continued

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

Governmental Accounting Standards Board Statement No. 101, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(14) Commitments and Contingencies

Grant Awards

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

Litigation

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

(15) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of October 27, 2022, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Chino Basin Watermaster
Schedules of Changes in the Watermaster's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021
Last Ten Years*

Total OPEB liability	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Service cost	$ 23,695	23,005	17,062	18,418	16,048
Interest	6,925	9,009	8,739	7,571	7,073
Change in assumptions	(40,381)	59,799	17,923	(17,582)	14,256
Experience (gains)/losses	24,211	(26,687)	-	-	-
Benefit payments	(4,332)	(2,932)	(3,722)	(2,423)	(2,308)
Net change in total OPEB liability	10,118	62,194	40,002	5,984	35,069
Total OPEB liability – beginning of year	316,979	254,785	214,783	208,799	173,730
Total OPEB liability – end of year	$ 327,097	316,979	254,785	214,783	208,799
Covered payroll	1,246,404	1,198,184	1,091,719	1,031,755	860,266
Total OPEB liability as a percentage of covered payroll	26.24%	26.45%	23.34%	20.82%	24.27%

Notes to schedule:

Changes in benefit terms: None noted.

Changes in assumptions: The changes in actuarial assumptions include changes in discount rates as follows:
Fiscal year 2018: 3.38%
Fiscal year 2019: 3.80%
Fiscal year 2020: 3.26%
Fiscal year 2021: 2.12%
Fiscal year 2022: 2.06%

* The Watermaster has presented information for those years for which information is available until a full 10-year trend is compiled.

Chino Basin Watermaster
Schedules of the Watermaster’s Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Measurement date		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Watermaster's proportion of the net pension liability		0.01436%	0.01316%	0.01277%	0.01233%	0.12210%	0.01206%	0.01182%	0.00964%
Watermaster's proportionate share of the net pension liability	$	776,209	1,431,357	1,308,658	1,188,162	1,210,470	1,043,862	811,437	599,803
Watermaster's covered-employee payroll	$	1,246,404	1,198,184	1,091,719	1,031,755	860,266	979,741	888,483	726,672
Watermaster's proportionate share of the net pension liability as a percentage of its covered-employee payroll		62.28%	119.46%	119.87%	115.16%	140.71%	106.54%	91.33%	82.54%
Plan's fiduciary net position as a percentage of the plan's total pension liability		87.72%	75.79%	76.24%	75.76%	73.43%	75.36%	78.02%	83.03%

Notes to schedule:
There were no changes in benefits.

Changes in assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.
The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administartive expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%
From fiscal year June 30, 2018 to June 30, 2019:
The inflation rate was reduced from 2.75% to 2.50%
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.
From fiscal year June 30, 2020 to June 30, 2021:
There were no changes in assumptions.

* The Watermaster has presented information for those years for which information is available until a full 10-year trend is compiled.

Chino Basin Watermaster
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Years*

Fiscal Year		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$	245,656	220,388	192,849	155,931	151,169	132,932	110,292	97,178
Contributions in relation to the actuarially determined contribution		(245,656)	(220,388)	(192,849)	(155,931)	(151,169)	(132,932)	(110,292)	(97,178)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-
Covered payroll	$	1,246,404	1,198,184	1,091,719	1,031,755	860,266	979,741	888,483	726,672
Contribution's as a percentage of covered-employee payroll		19.71%	18.39%	17.66%	15.11%	17.57%	13.57%	12.41%	13.37%

Notes to schedule:

Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used tp determine contribution rates:								
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	-1	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The Watermaster has presented information for those years for which information is available until a full 10-year trend is compiled.

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Supplemental Information Section

Chino Basin Watermaster
Combining Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	WM ADMIN.	OPTIMUM BASIN MGMT.	POOL ADMINISTRATION & SPECIAL PROJECTS AP POOL	AG POOL	NON-AG POOL	AP ESCROW ACCOUNT	GROUND WATER REPLENISH	LAIF FAIR MARKET VALUE ADJ.	GASB 75 BEG. NET POSITION	GASB 87 BEG. NET POSITION	OTHER BEG. NET POSITION	GRAND TOTALS	AMENDED BUDGET 2021-2022
Administrative Revenues:													
Administrative Assessments			7,810,703	1,026,574	330,844							9,168,121	8,362,088
Interest Revenue			35,345	2,467	597							38,408	106,125
Mutual Agency Project Revenue	177,430											177,430	177,430
Miscellaneous Income	528											528	-
Total Revenues	177,958	-	7,846,047	1,029,041	331,441	-	-	-	-	-	-	9,384,487	8,645,643
Administrative & Project Expenditures:													
Watermaster Administration	2,454,178											2,454,178	1,846,194
Watermaster Board-Advisory Committee	212,151											212,151	245,485
Ag Pool Legal Services - Ag Fund [1]				284,897								284,897	500,000
Pool Administration			289,891	74,814	63,446							428,151	776,909
Optimum Basin Mgmt Administration		667,873										667,873	1,480,696
OBMP Project Costs		4,371,307										4,371,307	4,604,371
Debt Service		351,650										351,650	529,029
Basin Recharge Improvements		-										-	1,693,292
Total Administrative/OBMP Expenses	2,666,329	5,390,830	289,891	74,814	63,446	-	-	-	-	-	-	8,770,207	11,675,976
Net Administrative/OBMP Expenses	(2,488,371)	(5,390,830)											
Allocate Net Admin Expenses To Pools	2,488,371		1,881,537	531,635	75,199							-	
Allocate Net OBMP Expenses To Pools		5,039,180	3,810,285	1,076,610	152,285							-	
Allocate Debt Service to App Pool		351,650	351,650									-	
Allocate Basin Recharge to App Pool		-	-									-	
Agricultural Expense Transfer*			1,683,059	(1,683,059)								-	
Total Expenses			8,016,421	284,897	290,931	-	-	-	-	-	-	8,770,207	11,675,976
Net Administrative Income			(170,374)	744,144	40,510		-	-	-	-	-	614,280	(3,030,333)
Other Income/(Expense)													
Replenishment Water Assessments							1,693,689					1,693,689	-
Desalter Replenishment Obligation												-	-
Exhibit "G" Non-Ag Pool Water			-									-	-
RTS Charges from IEUA							(35,030)					(35,030)	-
Interest Revenue			-	-	-		4,766					4,766	-
MWD Water Purchases												-	-
Non-Ag Stored Water Purchases												-	-
Exhibit "G" Non-Ag Pool Water			-									-	-
Groundwater Replenishment												-	-
LAIF - Fair Market Value Adjustment								(143,940)				(143,940)	-
Leased Interest Expense			(5,104)		(159)			-				(5,263)	-
AP Escrow Account - Refunds to AP			-		-	(161,070)			-	-	-	(161,070)	-
AP Escrow Account - Interest Earned						148						148	-
Refund-Basin O&M Expenses			(139,913)		(5,471)							(145,384)	-
Refund-Recharge Debt Service			(156,259)									(156,259)	-
Funding To/(From) Reserves												-	(86,504)
Net Other Income/(Expense)			(301,276)	-	(5,630)	(160,922)	1,663,425	(143,940)	-	-	-	1,051,657	(86,504)
Net Transfers To/(From) Reserves		1,665,937	(471,650)	744,144	34,880	(160,922)	1,663,425	(143,940)	-	-	-	1,665,937	(2,943,829)
		-											
Net Assets, July 1, 2021			8,924,389	127,547	128,927	161,296	(19,272)	829	(443,445)	(9,283)	132,997	9,003,986	
Net Assets, End of Period			8,452,739	871,691	163,807	374	1,644,153	(143,111)	(443,445)	(9,283)	132,997	10,669,923	10,669,923
Ag Pool Assessments Outstanding [2]				(586,852)									
Ag Pool Fund Balance				284,839									
21/22 Assessable Production			75,398	21,304	3,013							99,716	
21/22 Production Percentages			75.613%	21.365%	3.022%							100.000%	

*Fund balance transfer as agreed to in the Peace Agreement.

Note [1] - Agricultural Pool Legal Services for July 2021 through June 2022

Note [2] - Outstanding balance of Agricultural Pool Special Assessments for $200,000 is $121,504.22 and $635,000 invoicing is $465,347.97

Chino Basin Watermaster
Combining Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	Watermaster Administration	Optimum Basin Management	Pool Administration and Special Projects: Appropriative Pool	Pool Administration and Special Projects: Agricultural Pool	Pool Administration and Special Projects: Non-Ag Pool	AP Escrow Account	Groundwater Replenishment	LAIF Value Adj.	GASB 75 Beg. Net Position	Grand Totals	Amended Budget 2020-2021
Administrative Revenues:											
Administrative Assessments			8,933,741		369,221					9,302,963	9,302,939
Interest Revenue			46,952	1,934	869					49,755	130,813
Mutual Agency Project Revenue	173,102									173,102	176,203
Miscellaneous Income	35									35	-
Total Revenues	173,138	-	8,980,693	1,934	370,091	-	-	-	-	9,525,856	9,609,955
Administrative & Project Expenditures:											
Watermaster Administration	2,084,595									2,084,595	1,637,557
Watermaster Board-Advisory Committee	231,794									231,794	237,438
Ag Pool Misc. Expense - Ag Fund [1]				8,450						8,450	400
Ag Pool Legal Services - Ag Fund [2]				220,365						220,365	-
Pool Administration			333,407	324,286	106,878					764,571	1,143,674
Optimum Basin Mgmt Administration		1,434,526								1,434,526	2,121,839
OBMP Project Costs		3,118,389								3,118,389	4,787,906
Debt Service		378,237								378,237	534,496
Basin Recharge Improvements		-								-	1,693,292
Total Administrative/OBMP Expenses	2,316,389	4,931,152	333,407	324,286	106,878	-	-	-	-	8,240,927	12,156,603
Net Administrative/OBMP Expenses	(2,143,251)	(4,931,152)									
Allocate Net Admin Expenses To Pools	2,143,251		1,592,673	466,037	84,540					-	
Allocate Net OBMP Expenses To Pools		4,552,915	3,398,322	990,005	164,589					-	
Allocate Debt Service to App Pool		378,237	378,237							-	
Allocate Basin Recharge to App Pool		-	-							-	
Agricultural Expense Transfer*			1,780,328	(1,780,328)						-	
Total Expenses			7,482,967	228,815	356,007	-	-	-	-	8,240,927	12,156,603
Net Administrative Income			1,497,726	(226,881)	14,084		-	-	-	1,284,929	(2,546,648)
Other Income/(Expense)											
Replenishment Water Assessments							1,495,550			1,495,550	-
Desalter Replenishment Obligation							-			-	-
Exhibit "G" Non-Ag Pool Water			-							-	-
RTS Charges from IEUA							(44,475)			(44,475)	-
Interest Revenue			-	-	-		-			-	-
MWD Water Purchases										-	-
Non-Ag Stored Water Purchases										-	-
Exhibit "G" Non-Ag Pool Water			-							-	-
Groundwater Replenishment							(1,466,888)			(1,466,888)	-
LAIF - Fair Market Value Adjustment								(42,340)		(42,340)	-
Gain on Sale of Assets			-		-			-		-	-
Other Post-Employment Benefits (OPEB)			-		-				-	-	-
Prior Year Adjustment - Ag Pool Expense			165,695	(165,695)						-	-
AP Special Assessment - Ag Pool Exp.			(165,695)	4,625		161,070				-	-
AP Escrow Account - Interest Earned						226				226	-
Refund-Basin O&M Expenses			(127,582)		(5,084)					(132,666)	-
Refund-Recharge Debt Service			(107,164)							(107,164)	-
Funding To/(From) Reserves			-							-	-
Net Other Income/(Expense)			(234,746)	(161,070)	(5,084)	161,296	(15,812)	(42,340)	-	(297,756)	-
Net Transfers To/(From) Reserves		987,173	1,262,980	(387,951)	9,000	161,296	(15,812)	(42,340)	-	987,173	(2,546,648)
Net Assets, July 1, 2020			7,806,091	515,498	108,243	-	(3,460)	43,169	(443,445)	8,026,097	
Net Assets, End of Period			9,069,071	127,547	117,243	161,296	(19,272)	829	(443,445)	9,013,270	9,013,270
20/21 Assessable Production			73,423.920	21,484.815	3,897.385					98,806.120	
20/21 Production Percentages			74.311%	21.744%	3.944%					100.000%	

*Fund balance transfer as agreed to in the Peace Agreement.

Note [1] - Agricultural Pool 50% Mediation Services

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 Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Chino Basin Watermaster Board
Rancho Cucamonga, 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 Watermaster (Watermaster) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprises the Watermaster's basic financial statements, and have issued our report thereon dated October 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Watermaster'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 Watermaster's internal control. Accordingly, we do not express an opinion on the effectiveness of the Watermaster'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 audits 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 Watermaster'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 Audits 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 Watermaster's internal control or on compliance. This report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering the Watermaster's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 27, 2022