



Chino Creek Wetlands

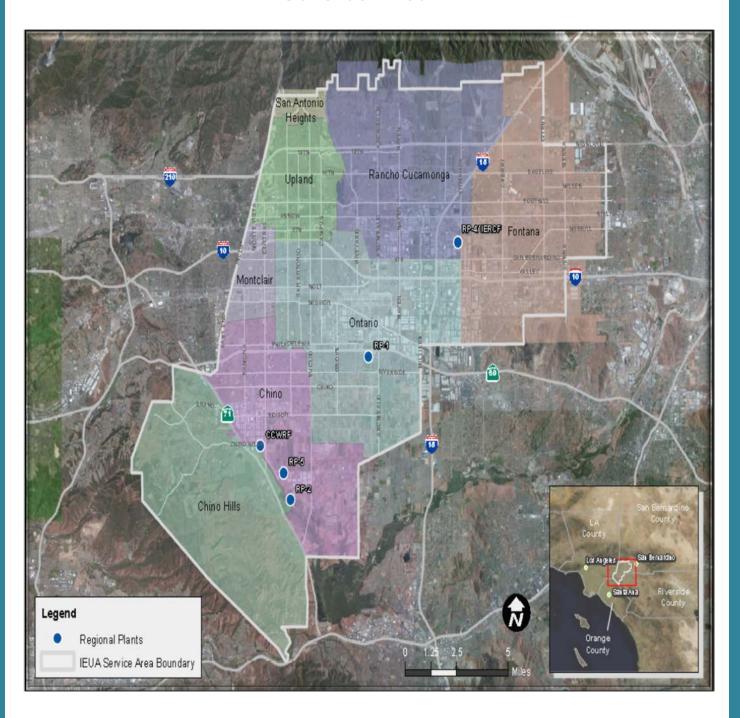


## **Comprehensive** Annual Financial Report



Javier Chagoyen-Lazaro, **Manager of Finance and Accounting** 

## Inland Empire Utilities Agency Service Area



IEUA resides in the State of California, nestled in the southwest corner of San Bernardino County, approximately 35 miles East of Los Angeles.

## Agency Vision

Inland Empire Utilities Agency will strive to become a world class leader in water management and environmental stewardship, including water quality, water-use efficiency, recycled water, and renewable energy, in order to enhance and preserve the quality of life throughout the region.

## **Agency Mission**

Inland Empire Utilities Agency is committed to meeting the needs of the region by providing essential services in a regionally planned and cost effective manner while safeguarding public health, promoting economic development, and protecting the environment.

#### Key areas of service:

- Securing and supplying imported water.
- Collecting and treating wastewater.
- Producing high-quality renewable products such as recycled water, compost, and energy.
- Promoting sustainable use of groundwater and development of local water supplies.



## **Agency Values**

Leading the way. Planning for the future. Protecting the resources of the communities we serve.

#### The Inland Empire Utilities Agency is:

- Committed to applying ethical, fiscally responsible, transparent and environmentally sustainable principles to all aspects of business and organizational conduct.
- Working with integrity as one team, while celebrating the region's diversity.
- Staying in the forefront of the industry through education, innovation, efficiency, and creativity.

## INLAND EMPIRE UTILITIES AGENCY Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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December 17, 2014

To the President of the Board of Directors, Members of the Board, Member Agencies and Citizens of the Inland Empire Utilities Agency:

State law and local ordinances require the Agency to annually publish a comprehensive report of its financial condition and activities, audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, it is with pleasure that we present The Comprehensive Annual Financial Report of the Inland Empire Utilities Agency (referred to as IEUA or the Agency) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the Inland Empire Utilities Agency. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The Agency's financial statements have been audited by White Nelson Diehl Evans LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2014, are free of any material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit concluded, based upon the audit, that there was reasonable basis for rendering an unmodified ("clean") opinion that the Inland Empire Utilities Agency's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

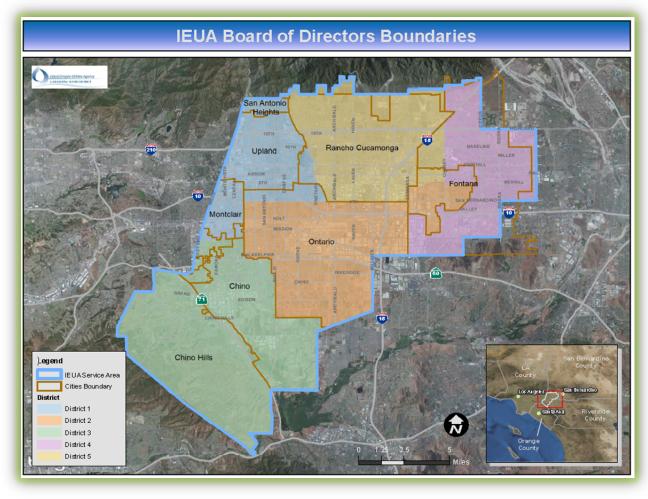
The independent audit of the financial statements of the Agency was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also the audited internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Inland Empire Utilities Agency's separately issued Single Audit Report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

#### INLAND EMPIRE UTILITIES AGENCY PROFILE

#### Up to the Present

The Agency was established by a majority vote in a special election on June 6, 1950 to bring supplemental imported water to a semi-arid region, and to meet domestic and agricultural needs for an original population of approximately 80,000 people. Until July 1, 1998, the Agency was known as Chino Basin Municipal Water District, named after the underlying Chino groundwater basin, and was organized as a California municipal corporation and a political subdivision of the State under the Municipal Water District Act of 1911. Once formed, in 1951 the Agency's electorate voted to annex to the Metropolitan Water District of Southern California. The original service area was 91.8 square miles. Land was added to the Agency through three subsequent annexations, bringing the Agency service area to its current total of 242 square miles. This service area includes the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga and Upland. From the west, the Agency extends from the Los Angeles County line to a point near the eastern boundary of the City of Fontana; and, from the north it extends from the base of the San Gabriel Mountains and extends south to the Riverside County line and then southwest to the Orange County line.



The mission of the Agency was originally to distribute water imported from the Colorado River. Soon thereafter, that role expanded to include the distribution of water imported to Southern California through the State Water Project. In April 1984, due to high concentrations of total dissolved solids (TDS), otherwise known as high salt concentration, the Agency significantly reduced the importation of the Colorado River water. The final delivery from the Colorado River was received in April 1994.

#### **Up to the Present** (continued):

The Agency began domestic wastewater collection during the mid-1960's, and built the Southwest Chino Trunk Sewer for domestic wastewater transport. In 1973, the Agency completed lengthy negotiations on the Chino Basin Regional Sewage Service Contract with the cities of Chino, Fontana, Montclair, Ontario and Upland, and with the Cucamonga Valley Water District and the County Service Area 70Q of the County of San Bernardino (later to become the City of Chino Hills). Pursuant to that contract, the Agency agreed to purchase and operate three local wastewater treatment plants, and to plan and construct all new pipelines, regional interceptor sewers and treatment plants.

The Agency currently operates five water recycling plants.

#### Regional Water Recycling Plant No. 1 (RP-1)

RP-1 is located south of the 60 freeway at Archibald in the City of Ontario. This facility was originally commissioned in 1948 and has undergone several expansions to increase the wastewater treatment, and biosolids treatment, capacity. RP-1 treats an average flow of approximately 27 million gallons per day (mgd) of wastewater.

#### Regional Water Recycling Plant No. 2 (RP-2)



Carbon Canyon Water Recycling Facility (CCWRF)

CCWRF is located near the intersection of Central Avenue and Chino Hills Parkway in the City of Chino, and has been in operation since May 1992. Liquids are treated at CCWRF, while the solids removed from the waste flow are treated at RP-2. CCWRF treats an average flow of approximately 7 mgd.



RP-2 is located in the southern service area in the City of Chino near El Prado and Pine Avenues and has been in operation since 1960. RP-2 wastewater flows have been diverted to Regional Water Recycling Plant No.5 (RP-5), and as a result RP-2 no longer processes wastewater. Instead, it treats the solids flow streams from the Carbon Canyon Water Recycling Facility, and Regional Water Recycling Plant No. 5 (RP-5) facilities.



#### **Up to the Present** (continued):

#### Regional Water Recycling Plant No. 4 (RP-4)

RP-4 is located in the northeastern section of the service area in the City of Rancho Cucamonga, and has been in operation and producing recycled water since 1997. RP-4 is operated in conjunction with RP-1 to provide recycled water to users. In late FY 2008/09 the plant's capacity was expanded to 14 mgd, and it currently treats an average flow of approximately 10 mgd.



#### Regional Water Recycling Plant No. 5 (RP-5)



RP-5 is located in the Southwestern area of the Agency's boundary in the City of Chino. This facility was originally commissioned in 2000. RP-5 treats an average flow of approximately 8 mgd. RP-5 includes several treatment processes that contribute to providing a quality recycle water pursuant to the State of California Title 22 regulations.

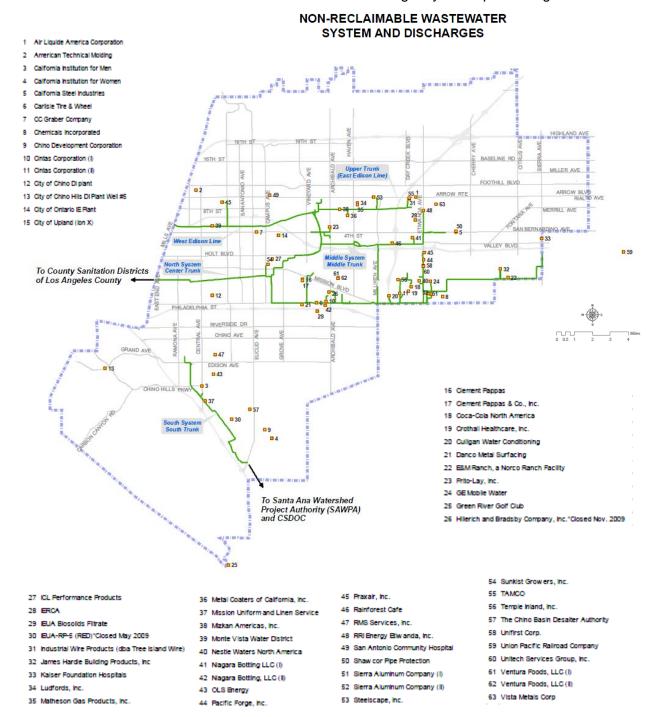
In addition to the treatment plants, the Agency owns and operates a number of trunk lines and interceptor sewers into which the Cities' sewers discharge their wastewater.

The Agency operates the Non-reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts for discharge into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of the Agency's service area, to treatment plants located in Los Angeles and Orange counties, and eventual discharge to the Pacific Ocean.

The NRWS was conceived early in the Agency's history. In 1966, voters approved a \$16 million general obligation bond issue to finance the purchase of treatment capacity and the construction of two major NRWS trunk lines. The NRWS is divided into a Northern and Southern System. The Northern System consists of three trunk lines: north, central and south trunk lines, which discharge the industrial wastewater into the County Sanitation Districts of Los Angeles County (CSDLAC) System. The wastewater generated from the Southern portion of the NRWS is diverted to Orange County Sanitation District (CSDOC).

#### **Up to the Present (continued):**

As of June 30, 2014, approximately 55 industries discharged the brine wastewater generated from their process. Some of the largest industries are California Steel Industries, New-Indy Ontario, Frito Lay Inc., GenOn, Ventura Foods, Mission Uniform and Linen Services, Crothall, GE Mobil Water, Clement Pappas North, Cintas Corporation (I) and Cintas Corporation (II), Nestle (Arrow head) Water, Unifirst, Sierra Aluminum (II), and Niagara Bottling I and II. These industries are directly connected to the Agency's NRWS. The NRWS also serves approximately 17 industrial customers that truck their wastewater to the Agency's dump discharge stations.



#### **Up to the Present** (continued):

During 1972, bond proceeds were used to purchase treatment capacity in the CSDOC Fountain Valley treatment facility for the Agency's Southern System. In 1981, the Santa Ana Watershed Project Authority (SAWPA) assigned the Agency a capacity right of 2.5 mgd in the Santa Ana Regional Interceptor (SARI) System. The Southern System is connected to facilities of the CSDOC. The salt-laden industrial strength wastewater is transported to CSDOC treatment plant via the SARI pipeline for treatment, and discharge into the Pacific Ocean. Currently, the NRWS owns a 1.08 mgd capacity right in the SARI system, and 1.08 mgd of treatment capacity in CSDOC treatment plants.

In addition to the pipeline and treatment capacity owned by the NRWS, the Regional Wastewater System also owns 1.98 mgd of SARI capacity, and 0.4 mgd of treatment capacity, used to divert wastewater flows in emergency situations and heavy rain related peak flows at our Regional water recycling plants.

The Agency and CSDLAC entered into agreements dating back to 1966 under which CSDLAC agreed to accept the Agency's industrial wastewater flows from the NRWS Northern System. This agreement was set to expire in May 2018. On December 18, 2013, the Agency's Board of Directors approved the new NRWS Wastewater Disposal Agreement between the Agency and CSDLAC effective July 1, 2014. The new agreement has a term of 30 years allowing for four additional 5 year extensions. Under the new agreement CSDLAC owns and operates the sewerage system, and the Agency has been assigned 15,000 capacity units per year.

The Agency's regional water and wastewater services are essentially wholesale services provided to the Agency's Contracting Agencies. In contrast, the Agency's NRWS provides retail services that are billed directly to the industrial customers of the Agency.

Additionally, in recent years the Agency completed construction and installation of solar fields at several IEUA facilities.

#### Agency wide - 3.5 MW Photovoltaic System

In 2008, IEUA entered into a Power Purchase Agreement with a third party to install, maintain and operate five photovoltaic systems across four Agency facilities for a total of 3.5 MW. This is approximately 35% of the combined Agency's peak load (10 MW), and approximately 9% of the Agency's combined energy usage (6,800 MWh solar generation, compared to 80,000 MWh electric energy usage).



#### **Up to the Present** (continued):



The installation at these sites includes different technologies: roof and ground mounted fixed-tilted panels, horizontal trackers, and tilted trackers. Tilted single-axis tilted tracker, installed at RP-5 just behind IEUA's headquarters, and pictured here, generate 30% more energy than fixed-tilt technology.

#### Joint Powers of Authority

Chino Basin Desalter Authority, (CDA), a joint powers authority (JPA), was formed in September 2001. The purpose of the JPA was to acquire all assets and liabilities of the Chino Basin Desalter and its operations from the Santa Ana Watershed Project Authority (SAWPA).





The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District (JCSD) and the Santa Ana River Water Company, Western Municipal Water District and Inland Empire Utilities Agency as an ex-officio member.

In February 2002, the Agency entered into a Joint Powers Agreement with the County Sanitation District No.2 of Los Angeles County (CSDLA) and formed the *Inland Empire Regional Composting Authority* (IERCA), to divert organic solids from landfill disposal and to recycle organic products generated from within the community.

The Agency replaced the previous facility with the nation's largest indoor biosolids composting facility. Constructed by the IERCA, the facility consists of 445,275 square feet indoors.



The new facility started operation in March of 2007, and produces a wood based, nutrient rich, compost made from recycled green waste, biosolids and horse stable bedding; focusing on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program.

#### **Up to the Present** (continued):

#### Recycled Water Distribution System

The Agency has been serving recycled water to its member agencies since formation of the Regional Sewage Service Contract in 1972. Initially, recycled water was delivered to Whispering Lakes Golf Course and Westwind Park in the city of Ontario, as well as to Prado Regional Park and El Prado Golf Course in San Bernardino County. In the early 1990's, the Agency planned and built the first phase of the Carbon Canyon Recycled Water Project, which now serves several customers in Chino and Chino Hills. The connected demand for the recycled water has more than tripled since FY 2006/07 from 13,000 AFY to over 43,800 AFY. Recycled water and groundwater recharge sales have nearly tripled as well. Major benefits of the recycled water program include:

- New Water Supply 30,000 AFY Increase in Connected Demand since FY 2006/07.
- Recycled Water Revenues an estimated \$10 million/year (wholesale rate revenue plus MWD rebate). The goal of the program was to eventually be self-funded through recycled water sales revenue.
- The recycled water supply is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.

Since 2010, the rate of connections for direct use customers to the regional recycled water system has decreased. The main causes for the decreased rate of connection can be attributed to the recession and limited financial resources. As a result, the Agency has shifted its focus from direct connections to pursuing additional regional groundwater recharge projects. The next phase of projects and priorities will be developed in the Recycled Water Program Strategy, scheduled for completion in spring 2014.

#### **Groundwater Recharge Basins**

In conjunction with the CBWM, the Agency is implementing the groundwater recharge program to increase artificial groundwater recharge within Chino Basin using stormwater, recycled water, and imported water. By enhancing the recharge capacity in the Chino Basin, greater quantities of high quality water can be captured and stored during wet years. Subsequently, the stored water can be drawn from the Basin during droughts and shortages of imported water. Annual recharge varies due to weather patterns, and the availability of imported water and recycled water supplies. Potential monthly recharge capacities for the recharge sites are listed in Table 1.

The Agency, CBWM, the CBWCD, and their respective member agencies recently completed a 2013 Recharge Master Plan Update (Update) to the 2010 Recharge Master Plan. The Update evaluated 27 yield enhancing capital projects for the Chino Basin and the Agency has agreed to finance 3 of these projects, which are included in the TYCIP project lists. The remaining projects required additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program. The Agency will continue to work with CBWM and CBWCD toward this end.

#### **ECONOMIC CONDITION AND OUTLOOK**

Local and regional prognosticators are proclaiming the San Bernardino/Riverside region as positioned well to shortly regain its historical position as the leader of California's new home production. Recent projections by IHS Global Insights suggest the San Bernardino/Riverside region will average 4.2% economic growth thru 2020 the highest in California. In addition the projection for Inland Empire Gross Metropolitan Product will increase from 114 billion in 2013 to 128.2 billion in 2015 for a whopping 12 % growth rate in just 2 years.

Housing Market - The Inland Empire's economy is beginning to gain speed alongside the recovering housing market. According to a recent report by Metrostudy, a national housing data and consulting firm that maintains the most extensive primary database on residential construction in the US housing market; the San Bernardino/Riverside region economy began to recover in 2013.

The San Bernardino/Riverside region has a 42 percent market share in Southern California's housing market. Growing numbers of housing starts and escrow closings indicate that the service area has turned a corner, with total escrow closings in the 3rd quarter of 2013 increasing by 8 percent over the 2nd quarter. More and more people in the Inland Empire can now afford to buy a median priced home. The only problem they face is that the inventory of available houses still remains relatively low, both in the San Bernardino/Riverside region and throughout California. Furthermore, the San Bernardino/Riverside region average home price is beginning to rise slightly, although it is doing so at a pace much lower than that of the rest of Southern California.

- Employment After adding just 16,140 jobs in 2012, the IE gained 46,833 jobs in 2013, which was surprisingly higher than anticipated. Economic recovery is beginning to pick up, with another 40,100 jobs expected to be added in 2014 as the Inland Empire's traditional competitive advantage in blue collar sectors, which was dampened by the downturn of the mortgage crisis, begins to recover. The Professional and Business Services, Leisure and Hospitality, Transportation, and Health Care sectors have seen significant improvement since summer 2012. Meanwhile, like the rest of California, the San Bernardino/Riverside region is being adversely affected by public sector job losses.
- San Bernardino/Riverside Region Economic Base Additional employment in home construction and civil engineering is gaining speed, but still low due to high California taxes and fast-changing state regulations that are expensive for manufacturers to bear. In 2014 it is expected that the San Bernardino/Riverside region's population service sectors such as retail should continue to recover, as money is re-spent locally by people working in sectors like manufacturing, real estate, logistics, and health care. Unfortunately, this economic growth will be moderate because of the lack of progress in construction and the slow revenue growth facing local governments and school systems. The greatest threat for the San Bernardino/Riverside region and California is that the State's budgetary problems may continue, which will adversely impact the inland area's local education, state and government sectors.
- Annual Income Median annual income is estimated to be \$68,617 in the Agency's service area, \$54,750 in San Bernardino County and \$61,400 in the State of California.

#### **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

Upcoming years will prove the Agency's role as a "steward of the region" by ensuring its commitment, in conjunction with its member agencies, for continual development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water supplies to support and promote economic growth throughout the region.

Some of significant contributions and accomplishments in 2014 include: early renegotiation of the NRW contract with County Sanitation District of Los Angeles County (CSDLAC) for the North system scheduled to sunset in May 2018. The new agreement provides the North system users a more simplified and stable rate structure. Management successfully negotiated 5 year contracts with all of the Agency's employee bargaining units in late 2014. In October 2014, the Board of Directors approved the IEUA Business Goals to integrating the Agency's Level of Service and member agencies priorities. Another key milestone was the completion of the Agency's first 2014 Asset Management Plan and FYs 2015 - 2019 Strategic Plan. Agency staff played a key role in the 2013 Update to the 2010 Regional Master Plan (RMP) by Chino Basin Watermaster, as part of the Agency's continued commitment to cost containment, emphasis on the integration of Lean management principles to minimize waste and increase efficiencies to streamline operating and administrative processes.

As we advance into 2015, completion of the Agency's long range financial model will allow integration of the Agency's various long term planning initiatives, some of which include:

- Facilities Master Plan Update,
- Recycled Water Program Strategy,
- Integrated Resources Plan,
- Energy Management Plan,
- · Groundwater Recharge Plan, and
- Urban Water Management Plan

Integrating these critical initiatives into the financial planning process will help ensure the Agency has the appropriate funding, fund reserves, and other essential resources necessary to fulfill its mission, vision and values which was updated in July 2014.

#### Major Initiatives for FY 2013/14

Some of the major projects in 2012/2013 were as follows:

#### ■ Southern area projects to be completed in December 2014

The primary purpose of the Southern Area Recycled Water Projects is to provide storage in the Southern Service Area and increase pump stations capacities. These improvements will enable the Southern Service Area to be more efficient, supply the demands from the Southern Area instead of pumping from the Northern Service Area, and allow more ground water replenishment in the Northern Service Area.

#### Major Initiatives for FY 2013/14 (continued):

#### 930 Zone Recycled Water Reservoir Project;



930 Zone Reservoir Flooring

A 5-MG storage reservoir will be constructed in the City of Chino Hills. Since the recycled water use has continued to increase throughout the Cities of Chino Hills, and Ontario, additional storage is needed to serve these growing demands more reliably.

Increasing storage capacity will enable IEUA to manage the recycled water demands more effectively during the hot summer peak demand periods.

930 Zone Reservoir Installation of Roof Panels



This project is funded in part by the State Water Resources Control Board Southern Area State Revolving Fund Loan and Water Recycling Grant Program

#### Major Initiatives for FY 2013/14 (continued):

#### Recycled Water Projects

Additionally, proposed state agency landscape irrigation legislation would require divisions of the State to use recycled water when it is available, and irrigation systems must meet Title 22 requirements.

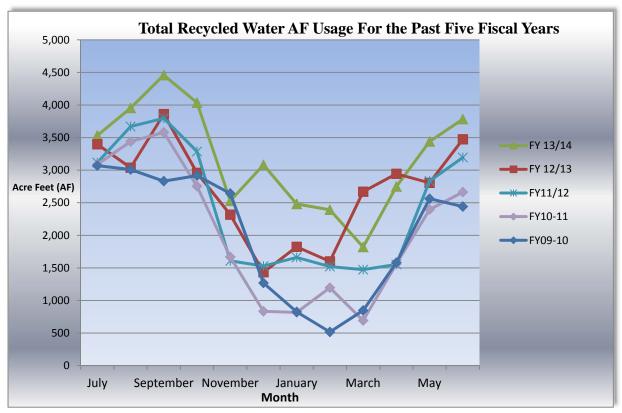
_		Exis	ting	Projected			
Туре	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Direct Use	16,656	20,605	21,840	24,659	20,000	23,700	24,200
GW Recharge	8,028	8,634	10,479	13,593	14,000	11,450	12,900
Total	24,684	29,239	32,319	38,251	34,000	35,150	37,100

IEUA and its member agencies are committed to the recycled water program, and have been working diligently to implement new customer connections as well as increase supplies of recharged storm water and recycled water.

During FY 2013/14, 50 new connections, with a new connected demand of 974 AFY were connected to the recycled water system.

- Total Member Agency Connected Meters to-date 807
- New connections made for FY 2013/14: 974 AFY.

#### Annual Recycled Water Connected Capacity Summary (AFY)



#### Major Initiatives for FY 2013/14 (continued):

#### Turner Basin No. 1 Turnout:



This project is the long term, permanent solution to the recharge limitations at the Turner Basins. The turnout will be approximately 200 linear feet of 16 inch steel pipe and supply 10 cubic feet per second of water to the basins.

An automated control valve and flow metering will also be provided. In order to equally supply all four of the recharge basins at the site a bypass will also be constructed underneath the Deer Creek Channel.

The project is part of the matching share for the Turner Basin Recharge Improvement which is partially funded by the Bureau of Reclamation.

#### Turner Basin Recharge Improvement Project



The project involves the installation of new pipe/gate within the two new recharge basins currently being excavated west of Basin 4. This project will also connect an existing flood control retention facility, Basin 5, as a new recharge basin. Construction will include running new storm water piping upstream of the Deer Creek Channel to Basin 8 which will convey flow into the new recharge basin, Basin 5. This project is partially funded by the Bureau of Reclamation with grant of \$406,712. The remaining cost of the project is shared between IEUA and CBWM.

#### Major Initiatives for FY 2013/14 (continued):

#### Wineville Extension Recycled Water Pipeline

The Wineville project includes 6.0 miles of pipeline, which will primarily build the Regional Recycled Water distribution system in the southern part of the City of Fontana and the eastern part of the City of Ontario and will allow for the connection of commercial, industrial customers, parks, and schools, and also provide RP-3 and Declez Basins recycled water for groundwater recharge. The project will connect approximately 3,000 - 4,000 AFY of recycled water.



#### Major Accomplishments for FY 2013/14

The highlights of major activities and accomplishments are as follows:

#### Funding Developments:

The significant impact of Agency Grants and Loans on the funding of projects:

#### ■ Federal Grants:

#### United States Department of Interior, Bureau of Reclamation (USBR)

USBR grant awarded to IEUA for \$3,950,000 on behalf of the CDA for the 1010 Zone Pump Station and New Product Water Pipelines. In F/Y 13/14, \$1,129,326 was invoiced for costs incurred. IEUA has a grant administration agreement with CDA to manage the grant award.

USBR grant recommended for funding, \$3,000,000, to IEUA on behalf of the Chino Basin Desalter Authority (CDA). The funding is for the Chino Basin Groundwater Supply Wells and Raw Water Pipelines Project. The grant award will be executed by September 30, 2014. IEUA has a grant administration agreement with CDA to manage the grant award.

#### State and Local Grants:

## SAWPA/Department of Water Resources (DWR), Integrated Regional Water Management Program (IRWM)

Four Proposition 84 grants were recommended for funding for the amount of \$3,000,000. The grant award will be executed by September 30, 2014. The grant will support the following projects:

- 1) Wineville Recycled Water Pipeline/GWR System Upgrade \$1,000,000
- 2) San Sevaine GWR Basin \$750,000
- 3) Regional Residential Landscape Retrofit \$500,000
- 4) Lower Day Basin Improvement Project.- \$750,000

#### MWD Foundational Actions Funding (FAF) program

Three grants were awarded for the amount of \$480,000 to support the following regional water management projects:

- 1) The Recycled Water Intertie Study Project \$25,000
- 2) The Pilot Scale Biological Treatment Process Project, BIOTTTA™ \$414,216
- 3) Three-D Fluorescence Excitation-Emission Matrix Project \$50,000

#### Major Accomplishments for FY 2013/14 (continued):

#### Funding Developments (continued):

#### ■ State and Local Grants (continued):

#### State Water Resources Control Board (SWRCB)

One Proposition 50 grant for the amount of \$4,000,000 was awarded for the Central/Wineville Area Recycled Water Projects.

Water Quality Laboratory — An SRF replacement loan for the Water Quality Laboratory — Construction Project was received for \$16,100,000, 2.1% interest, 30-year SRF loan term, and includes a \$1,050,337 grant. This SRF loan is to replace the original 2.6% 20-year SRF loan which expired in 2013. In FY 13/14, \$633,698 was invoiced for planning and design costs incurred. The new SRF loan package has many advantages over the expired SRF loan agreement. The new SRF loan with a 30 year term will lower the annual debt service repayment. The grant will offset the costs associated with the 10 additional years' interest expense.

One Proposition 13 and 50 grant for the amount of \$4,000,000 was awarded for the Southern Area Recycled Water Facilities. In FY 13/14, \$3,090,606 was invoiced for costs incurred.

The SWRCB/Division of Drinking Water grant awarded for \$52,005,716 for the CDA Phase III expansion projects. In F/Y 13/14 \$19,612,621 has been invoiced for costs incurred. IEUA has a grant administration agreement with CDA to manage the grant award.

#### State Revolving Fund (SRF) Loans:

#### State Water Resources Control Board (SWRCB)

Central/Wineville Recycled Water – A SRF Clean Water loan awarded for \$26,500,000 is one of the largest SRF loan packages IEUA has received. This loan will cover the Wineville Extension Recycled Water Pipeline project and the Supervisory Control and Data Acquisition (SCADA) System Improvement projects. The remarkable features of the Wineville Extension Recycled Water SRF loan package are the:

- 1) The 1% drought preparedness incentive interest rate compared to the traditional 2.1% interest rate for a 30 year term.
- The 30-Year SRF loan term results in reduced debt service costs and an overall lower cost of service rate for the Recycled Water program

Southern Area Recycled Water - IEUA was awarded the Southern Area Recycled Water Facilities Clean Water SRF Loan for \$20,608,638. In FY 13/14, \$12,204,395 was invoiced for costs incurred.

#### Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB Southern SRF Loan & Grant



930 Zone W. Reservoir: Easterly View of Reservoir During Roof Installation

Eucalyptus Pipeline (930 Zone Pipeline):

Easterly view of Installation of the Main Pipeline Along the English Channel



Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB Southern SRF Loan & Grant



Carbon Canyon Water Recycling Facility Pump Station Expansion: Commisioned Recycled Water Pump Station



#### Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB New Water Quality Laboratory SRF Loan and Grant





#### New Water Quality Lab:

The new laboratory will have offices for laboratory staff, wet chemistry, metals, extraction, volatile organics, semi-volatile, microbiology, bioassay, storage rooms, electrical room, sample receiving area, visitor center and more.

#### Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

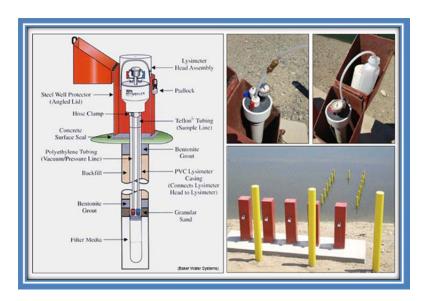
#### Metropolitan Water District (MWD) Foundational Actions Funding Program Grant



#### Biottta™ Project:

BIOTTTA™ Pilot Testing Skid consists of three pressure vessels, a break tank, two backwash tanks, and a chlorine contact tank. Effluent from the biofilter will be pumped into the backwash tank and then the chlorine tank.

3D Fluorescence Excitation-Emission Matrix to enhance Recycled Water Recharge: IEUA samples each Lysimeter and measures the electrical conductivity to determine presence of recharge source water at depth.

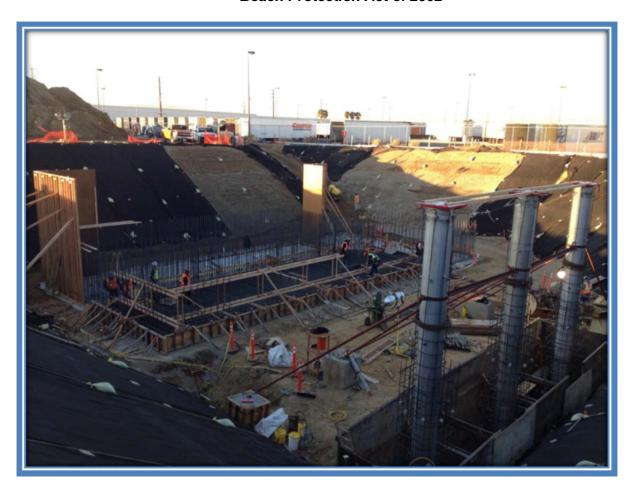


Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

CDA Phase III Expansion Projects

State Water Resources Control Board, Drinking Water Division Grant Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002



Concentrate Reduction Facility
Construction of \$46 Million Treatment Facility

#### **FUTURE YEARS**

With the economy progressively showing signs of recovery following the worst economic recession in history, today's headlines have shifted to water shortages caused by persistent dry weather conditions. Following two years of dry weather, 2014 is anticipated to be the driest year on record for the State of California. In May 2014, for the first time this century, the U.S. Drought Monitor declared the entire State to be in a state of "extreme drought or worse". The severity and uncertainty of the duration of the drought prompted Governor Edmund G. Brown Jr. to convene an Interagency Drought Task Force and declare a state of emergency in February 2014, followed by a second proclamation in April, to protect the state's health and safety from severe water shortages.

In October 2013 the Board of Directors adopted IEUA Business Goals, based on the Agency Strategic Plan. The major initiatives to be accomplished over the next five years are: Water Reliability, Environmental Stewardship, Fiscal Responsibility, Wastewater Managements and Business Practices. The IEUA Business Goals represent the Board's key policy objectives and ensure the Agency continues to fulfill its mission, vision and values.

The IEUA Business Goals are categorized into six main groups:

- Fiscal Responsibility
- Workplace Environment
- Water Reliability

- Wastewater Management
- Environmental Stewardship
- Business Practices

The IEUA Business Goals align with the Agency's Mission, Vision and Values which are defined by the needs of our stakeholders and the public value provided to the community. Within each Business Goal category, several Objectives were established to support the Business Goal. For each Objective, a Commitment was developed to define the level of service that IEUA will provide. These Objectives and Commitments will be evaluated and derived into work plans to ensure that current and future needs of the Agency and region are appropriately met. Based on these Board-approved Business Goals, IEUA staff developed a comprehensive Strategic Plan that defines the Work Plan that will guide the Agency over the next five fiscal years (2015-2019) in fulfilling its Mission, Vision and Values. The Strategic Work Plan serves as the basis for the department goals and objectives included in the Departments section.

#### Water Reliability

The drought emergency proclamations by Governor Brown led to the Department of Water Resources' (DWR) historic decision to drop the 2014 State Water Project (SWP) initial allocation to zero for all 29 public agencies that supply SWP water to 25 million Californians. In May, the allocation was finally increased to 5 percent, but still remains the lowest in history. This unprecedented action further heightened uneasiness about the severity of the drought and the concern over the already low, and quickly dropping, reservoir levels. Recognizing the limitation on imported water supplies caused by drought conditions and environmental restrictions, a key IEUA Business Goal is Water Reliability.

As a member of the Metropolitan Water District of Southern California (MWD), all of the potable water distributed by the IEUA is imported via the SWP and represents one fourth of all water delivered by IEUA in the region. Hence, development of local water supplies to reduce reliance on imported water supplies is essential for the region. Ensuring optimum beneficial reuse of the high quality recycled water generated from treated wastewater, maximizing groundwater

#### **FUTURE YEARS** (continued):

#### Water Reliability (continued):

recharge, and promoting water use efficiency and conservation programs will reduce reliance on imported water supplies and, over time, "drought proof" the region.

## Governor's Declaration of Drought Emergency January, 2014

	Imported W	ater (MWD)						
Month	FY 2012/13 (AF)	FY 2013/14 (AF)	Monthly % Increase From Last FY	,	9,000			
Jul	5,917	7,667	30%					
Aug	6,377	7,689	21%		0.000			
Sep	6,494	7,872	21%		8,000			•
Oct	5,820	4,827	-17%			_		
Nov	3,385	4,374	29%			\	Governor's	
UBTOTAL	27,993	32,429	14%		7,000			
Dec	2,420	3,401	41%		,000	\	Call	16
Jan	2,441	4,728	94%			\		<i>V</i>
Feb	1,876	3,749	100%				\	
UBTOTAL	6,737	11,878	76%		6,000			
Mar	3,946	3,251	-18%			- 14	\	<b>4</b> 1
Apr	5,724	4,925	-14%			11	\.	//
May	6,805	7,313	7%			11	V	//
Jun	7,846	7,241	-8%		5,000			/ <del></del>
Total	24,321 93,780	22,730 111,345	-7% 14%	Α̈́				<i>  T</i>
								//
Impo	rted Water (MW			_	4,000		$\backslash\!\!\!\backslash\!\!\!\!\backslash$	#
Impo	FY 2012/13 (AF)	D) + Local Sup FY 2013/14 (AF)	Monthly % Increase From Last FY		4,000 3,000			
Month	FY 2012/13 (AF)	FY 2013/14 (AF)	Monthly % Increase From Last FY					
Month Jul Aug	FY 2012/13 (AF) 21,081 21,827	FY 2013/14 (AF) 20,959 20,960	Monthly % Increase From Last FY -1% -4%		3,000			
Month  Jul Aug Sep	FY 2012/13 (AF) 21,081 21,827 20,058	FY 2013/14 (AF) 20,959 20,960 19,338	Monthly % Increase From Last FY -1% -4%					
Month  Jul Aug Sep Oct	FY 2012/13 (AF) 21,081 21,827 20,058 17,137	FY 2013/14 (AF) 20,959 20,960 19,338 16,428	Monthly % Increase From Last FY -1% -4% -4% -4%		3,000			
Month  Jul Aug Sep Oct Nov	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820	Monthly % Increase From Last FY -1% -4% -4% -4% -3%		3,000			
Month  Jul Aug Sep Oct Nov UBTOTAL	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -3%	:	3,000			
Month  Jul Aug Sep Oct Nov	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820	Monthly % Increase From Last FY -1% -4% -4% -4% -3%	:	3,000			
Month  Jul Aug Sep Oct Nov UBTOTAL	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -3%	:	3,000			
Month  Jul Aug Sep Oct Nov UBTOTAL Dec	FY 2012/13 (AF)  21,081 21,827 20,058 17,137 13,238 93,341 8,847	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -29%	:	3,000			#
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan	FY 2012/13 (AF) 21,881 21,827 20,058 17,137 13,238 93,341 8,847 9,431 9,048	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705	Monthly % Increase From Last FY -1% -4% -4% -3% -3% -29% 56%	:	3,000 2,000 1,000			-
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan Feb	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341 8,847 9,431	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705 11,721	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -3% -29% 56% 50%	:	3,000 2,000 1,000			-
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan Feb UBTOTAL	FY 2012/13 (AF) 21,081 21,082 20,058 17,137 13,238 93,341 8,847 9,431 9,048 27,326	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705 11,721 37,875	Monthly % Increase From Last FY -1% -4% -4% -3% -3% -3% 56% 30% 39%	:	3,000 2,000 1,000	it is not not	*** *** *** ***	-
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan Feb UBTOTAL Mar	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341 8,847 9,431 9,048 27,326 12,763	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705 11,721 37,875	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -3% -3% 29% 56% 30% 39% -8%	:	3,000 2,000 1,000	St dele tene to the ti	are need rused rused	-
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan Feb UBTOTAL Mar Apr	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341 8,847 9,431 9,048 27,326 12,763 14,987	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705 11,721 37,875 11,745 14,516	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -29% 55% 30% 39% -8% -3%	:	3,000 2,000 1,000	ul public per per colored	age and in the state of the sta	-
Month  Jul Aug Sep Oct Nov UBTOTAL Dec Jan Feb UBTOTAL Mar Apr May	FY 2012/13 (AF) 21,081 21,827 20,058 17,137 13,238 93,341 9,431 9,048 27,326 12,763 14,987 17,658	FY 2013/14 (AF) 20,959 20,960 19,338 16,428 12,820 90,505 11,449 14,705 11,721 37,875 11,745 14,516 19,741	Monthly % Increase From Last FY -1% -4% -4% -4% -3% -29% 56% 30% 39% -8% -3% 12%	:	3,000 2,000 1,000	Hitteld on the chotel of the c	ase and the state of the state	

IEUA and its member agencies started ramping up their water use efficiency programs in January in response to the Governor's emergency drought declaration, which has resulted in a downward trend in per capita water use, commencing April 2014. Water use reductions are expected to continue along this favorable trend and exceed IEUA's drought resolution adopted on April 16, 2014 which calls for extraordinary conservation actions to achieve a 20 percent reduction in water use.

The Agency also set a new record in recycled water deliveries with total deliveries of 38,000 AF in FY 2013/14. The extremely dry weather conditions and optimal availability of recharge basins permitted deliveries well over the budgeted 32,000 AF.

The ongoing construction of the Agency's Regional Recycled Water Distribution System is a major component of the Agency's upcoming TYCIP, further advancing beneficial reuse of recycled water. Already under construction is the Southern Area project which will provide essential storage and enhance reliability for the overall system. The Central/Wineville Area project will complete the backbone distribution system quadrant making recycled water accessible throughout the primary sectors of the Agency's service area. These two major capital construction projects are projected to increase recycled water storage by an estimated 5 million gallons, and increase deliveries (direct and groundwater recharge) by approximately 4,500 acre feet per year (AFY), bringing the Agency closer to its goal of 50,000 AFY by the year 2025.

#### **FUTURE YEARS (continued):**

#### Water Reliability (continued):

The Agency also continues to work jointly with the Chino Basin Watermaster, Chino Basin Water Conservation District and respective member agencies in the implementation of the 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan (RMP). The RMP recommends implementation of 11 yield enhancement regional projects over the next six years.

#### Environmental Stewardship

A key goal for the Agency and its member agencies is to promote environmental sustainability. Enhancement of water quality and reliability is essential in meeting this goal. The Agency continues to work collaboratively with member agencies and partners at the regional, state and federal levels to further enhance the Chino Basin's water supplies and water quality, as well as meet the Governor's mandate to reduce water consumption by 20 percent by 2020 (20/2020).

The Agency worked with the Governor's office and state water agencies to address the current drought water crisis and revise legislation and regulatory requirements to promote water use efficiency and maximize groundwater recharge. Additionally, the Agency, in partnership with the Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and Eastern Municipal Water District, formed the Santa Ana River Watershed Action Team (TEAM) to actively identify large-scale water supply and reliability projects that will provide benefits to the entire Santa Ana watershed.

Some of the drought mitigation projects identified by TEAM include turf removal from commercial and residential landscaping, water use efficiency education, and technology based water conservation tools such as aerial imagery of the region to support future conversion to sustainable water budget rates by retail water suppliers in the Chino Basin.

A key goal for the TEAM is to secure grants and necessary funding, including Department of Water Resources Proposition 84 funding through the Santa Ana Watershed Project Authority's "One Water One Watershed" (OWOW) program, to defray the cost to implement necessary projects. Such collaboration has enabled the Agency and partners to secure federal and state grant funding that has significantly advanced the capital investment in the region.

#### Wastewater Management

With new development gaining momentum throughout the Agency's service area, expansion of existing facilities to support anticipated population growth and higher demands for wastewater and water services is anticipated towards the end of the next ten year period. The scope and timeline of future expansion projects will be identified in the Wastewater Facilities Master Plan Update scheduled to be completed in early 2015.

In June 2014, the Agency completed its first Asset Management Plan (AMP). An asset management strategy was initiated in 2004 with the development of the Agency's Level of Service. The 2014 AMP provides a comprehensive condition assessment of the major systems for each of the Agency's facilities. The AMP will be updated each year for the next couple of years to ensure critical projects are identified appropriately. Thereafter, the AMP will be updated periodically, every 2 to 3 years, as needed.

#### Fiscal Responsibility

Another key driver for upcoming fiscal years is leveraging the California's resurgent economy to improve the Agency's fiscal health as it continues on its path of achieving full cost of service rates for all programs; another IEUA Business Goal in the area of Fiscal Responsibility. Fiscal Year 2014/15 is the final year of a 3-year rate increase for two of its primary programs: Regional Wastewater and Recycled Water Program. While the multi-year rates have helped to narrow the gap between program revenues and costs, the FY 2014/15 rates still do not recover the full cost of service. The Agency and its member agencies recognize that future incremental rate increases will be needed to achieve full cost of service for all Agency programs.

To mitigate future rate increases, the Agency remains committed to cost containment and optimizing grant funding to support capital investments in the region. Since 2009, in response to the worst economic recession in history, the Agency has achieved cost savings of over \$245 million. The cost savings have been Agency-wide including: reducing staffing levels, transitioning all facilities from multiple to single shifts, restructuring of high interest rate debt, and deferring non-critical capital projects. Additionally, the Agency continues to leverage in-house resources in lieu of outside consultants to reduce costs.

However, management recognizes that some cost containment strategies are not sustainable. Although deferral of R&R projects has helped to reduce operating and capital projects over the last several years, aging facilities and infrastructure cannot withstand continual deferral of R&R without compromising the quality and reliability of services.

Another significant cost for the Agency is employment. In addition to reducing staffing levels, the Agency has maintained an average vacancy factor of over six percent, only filling positions critical to daily operations. Additionally, the Agency has not awarded cost of living adjustments (COLAs) to its employees since 2009. In October 2013, management was successful in negotiating 5 year agreements with the various employee bargaining units. Under the new agreements, annual COLAs will be given beginning in FY 2014/15. Partially offsetting the cost of these COLAs are additional incremental increases of the employer paid member contribution (EPMC) rate funded by employees. Employees began funding a portion of the EPMC rate in 2011. By the end of the 5 year term, employees will be funding 100 percent of the employee contribution portion.

Optimization of state and federal grants and low interest financing is another component in the cost containment strategy. Over the years, the Agency has been very successful in securing both grant funding and low interest rate loans to support capital investment and water conservation programs in the region. In May 2014, the U.S. Bureau of Reclamation awarded the Agency \$3 million, out of \$20 million awarded nationally, under the FY 2014 Authorized Title XVI Project Funding. The grant funding will support expansion of the Chino Basin Desalter Authority facilities for increased recovery of brine that is currently discharged to the Pacific Ocean. The Agency was also successful in securing low interest, 30 year term, State Revolving Fund (SRF) loans from the State Water Resource Control Board to finance major recycled water construction projects and replacement of the Water Laboratory facility for its regional wastewater and water programs. Both loans were awarded a grant or principal forgiveness which will significantly reduce future debt service costs and the impact on program rates.

#### **FINANCIAL INFORMATION**

#### **Internal Controls**

The management of the Agency is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, 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 Controls**

The Agency maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Agency's Board of Directors. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the category level (i.e., Capital and Operating) within the Agency. The Agency maintains an encumbrance accounting system as an additional method of maintaining budgetary control. Encumbered amounts lapse at the end of the fiscal year. However, outstanding encumbrances are generally re-appropriated as part of the following fiscal year's budget following Board approval.

#### **OTHER INFORMATION**

#### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The Agency's Board of Directors appointed the firm of White Nelson Diehl Evans and Company, LLP to perform the annual audit. As part of the audit, reviews were made to determine the adequacy of the internal control, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Agency. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements, supplementary and statistical schedules is included in the financial section of this report.

#### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fifteenth consecutive year the Agency has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

#### **OTHER INFORMATION** (continued):

#### Awards (continued):

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Agency's Finance and Accounting Department. We also would like to express our appreciation to the other Agency departments for their cooperation, assistance and support.

We further acknowledge the thorough and professional manner in which our auditors, White Nelson Diehl Evans and Company, LLP conducted the audit.

Additionally, we would like to acknowledge the Board of Directors for their continued support of the Agency's goal of sound accountable financial management, and for maintaining the highest standards of professionalism in the management of the Agency's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

Joseph Grindstaff
 General Manager

Christina Valencia
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# Inland Empire Utilities Agency A Municipal Water District California

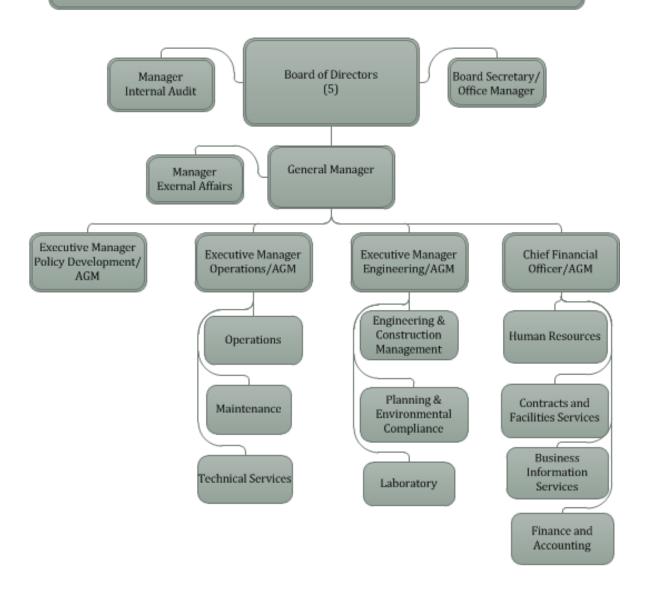
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

#### INLAND EMPIRE UTILITIES AGENCY

#### FY 2013/2014 ORGANIZATIONAL CHART



# INLAND EMPIRE UTILITIES AGENCY Principal Officials June 30, 2014

#### **BOARD OF DIRECTORS**

Terry Catlin President

Michael E. Camacho Vice President

Steven J. Elie Secretary/Treasurer

Gene Koopman Director

Jasmin A. Hall Director

#### **EXECUTIVE STAFF**

P. Joseph Grindstaff General Manager

Christina Valencia Chief Financial Officer/Assistant General Manager

Martha Davis Executive Manager - Policy Development/Assistant General

Manager

Chris Berch Executive Manager - Engineering/Assistant General Manager

Ernest Yeboah Executive Manager - Operations/Assistant General Manager

#### **MANAGEMENT STAFF**

Kathryn Besser Manager - External Affairs

Warren Green Manager - Contracts & Facilities Services

Javier Chagoyen-Lazaro Manager - Finance and Accounting

Tina Y. Cheng Budget Officer

Jason Gu Grants Officer

Sylvie Lee Manager - Planning and Environmental Compliance

Kanes Pantayatiwong Manager - Business Information Services

**Sharmeen Bhojani** Manager - Human Resources

Nelletje Groenveld Manager - Laboratories

Craig J. Parker Manager - Engineering

Teresa Velarde Manager - Internal Audit

April Woodruff Board Secretary/Office Manager



Regional Water Recycling Facility No. 1 – Aeration Basin Compressor

Carbon Canyon
Water
Reclamation
Facility – Recycled
Water Pump
Station



## STRIVE TO ACHIEVE RECOGNITION (STAR) PROGRAM



The Agency Mission statement was specifically written to provide guidelines for the success of the Agency, its officials, and employees. The Board of Directors and employees of the Agency are responsible for fulfilling the mission and values by expecting and demonstrating:

Loyalty, professionalism and ethical behavior.

Open and courteous communication with each other and with the communities served.

Prudent and cost-effective resource planning, management, and utilization.

Safety and integrity of the Agency's employees, services, facilities, and the environment.

Innovation in meeting the present and future needs of the Agency.

The STAR Program was conceived based upon the concept of giving public recognition to employees who consistently perform their job duties diligently and superbly. Since its inception, the STAR Program has been considered an "employee" program. Candidates must be non-management employees. Based on leadership, creativity, performance, teamwork, and other individual outstanding characteristics, candidates are nominated by their peers. Additionally, candidates are voted on by a Selection Committee of their peers, with management exempt from the voting. The STAR program has continued to gain acceptance, and the annual award for the Employee for the Year has become a much-anticipated event.

For the purposes of the STAR Program, the Agency is divided into three areas: 1) Finance/Administration Division, 2) Engineering/Planning Division, and 3) Operations Division. Each of these three areas has three representatives who serve on the Selection Committee (a total of nine committee members). The STAR program was started as a quarterly program. In Fiscal Year 1999/2000 the program was modified to a semi-annual award, to enjoy greater program participation. Accordingly, the prize award was also increased to afford more employee appeal. Following are the semi-annual STAR Award recipients for the FY 2013/2014:

#### First Half FY 2013/2014

#### Finance/Administration

Bill Tomlinson – Compliance Accountant

#### Engineering/Planning

*Yvonne Taylor – Administrative Secretary* 

#### **Operations**

Javier Medrano – Mechanic II

#### **Second Half FY 2013/2014**

#### Finance/Administration

Robert Wallin - Contracts/Programs Admin.

#### Engineering/Planning

Julio Im – Senior Associate Engineer

#### **Operations**

Victor Rodriguez - Operator II



#### Employee of the Year

For the FY 2013/14, Victor Rodriguez, was chosen by the Selection Committee as the Employee of the Year.

#### IEUA STAR AWARD RECIPIENT Employee of the Year 2013/2014





## Victor Rodriguez Operator II

Victor Rodriguez, Operator II, has always been humble about his efforts, but his actions of diligent work, incredible reliability, outstanding resourcefulness, as well as his leadership within IEUA's recycled water distribution system makes him a valuable asset to IEUA.

Currently, Victor's main role is to ensure that IEUA's recycled water distribution system is maintained, monitored, and operating to provide safe, high quality, reliable recycled water to direct and indirect customers. Victor's extensive experience at RP-1 and his work ethic make him the perfect candidate to operate the ever-changing and complicated recycled water distribution system. Victor was the key staff person in developing the Recycled Water Map Book, Asset Management Program, and the design of the recycled water service truck, which had a very beneficial impact on the distribution system.

The nature of Victor's work results in mandatory interaction with stakeholders in various departments, agencies, and recycled water customers. Many people may shy away from tasks like this, but Victor's knowledge of the system, communication, and people skills make him highly effective at those activities. In other words, Victor is a true asset to the recycled water system, the Agency, and to the community.



Regional Recycling Facility No. 1 Dewatering Building



#### INDEPENDENT AUDITORS' REPORT

Board of Directors Inland Empire Utilities Agency Chino, California

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Inland Empire Utilities Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Inland Empire Utilities Agency as of June 30, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

#### **Other Matters**

#### Partial Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statement for the year ended June 30, 2013 from which such partial information was derived.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for the CalPERS pension plan and other post-employment benefit plan, as identified in the accompanying table of contents, 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Matters (Continued)**

Other Information (Continued)

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

#### Other Reporting Required by Government Auditing Standards

White Nelson Diehl Enans UP

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

Irvine, California

December 3, 2014



930 Zone Recycled Water Reservoir





#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the financial activities of the Inland Empire Utilities Agency for the fiscal year ended June 30, 2014. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

#### Agency's Fund Financial Statement

Within the financial reports, funds are classified as part of either a Major fund group, if the fund meets both of the following conditions: 1) Exceeds 10% of fund category and 2) Exceeds 5% of the total of Assets, Liabilities, Revenues, and Expense; or Non-major fund group. Because of the nature of the Agency's business, all funds are classified as "Proprietary" funds, using full accrual method of accounting, which recognizes transactions when they occur, regardless of when cash is exchanged.

#### The Agency's Operations – an Overview

As a municipal water district, Inland Empire Utilities Agency engages in primarily enterprise operations in various separate and distinct activities. These activities are comprised of: 1) wholesaling of potable water, and regional management of water resources; 2) production and sale of recycled water and construction of the recycled water distribution system; 3) collection and treatment of domestic wastewater and the acquisition and construction of conveyance and plant facilities; 4) organics management, digestion and marketing; 5) operation of a brine line non-reclaimable wastewater system, and 6) generation of renewable energy through biogas, solar, wind and fuel cell.

Total revenues, including grants and subsidies, of \$124,841,232 for Fiscal Year (FY) 2013/14 reported a decrease of \$9,445,962 compared to \$134,287,194 recorded for FY 2012/13. The net decrease was primarily due to: 1) \$9,600,216 decrease in property tax revenue due to one-time distribution of unobligated funds from successor agencies received in FY 2012/13; 2) \$4,825,753 decrease in wastewater capital connection fees due to reduction in number of connections reported by member agencies; 3) \$1,173,693 decrease in other non-operating revenues; 4) \$488,625 decrease in capital grants; and 5) \$254,454 decrease in interest income. These decreases were partially offset by an increase of \$6,896,779 in service charges, mainly due to an increase in rates and charges.

Total expenses of \$143,979,956 for FY 2013/14 were \$33,634,948 higher than the \$110,345,008 reported in FY 2012/13. The overall increase includes additional operating expenses of \$13,122,898 and an increase of \$20,512,050 in non-operating expenses. The increase in operating expenses was primarily due to: 1) a cumulative net increase of \$1,657,423 in wastewater collection, treatment and disposal costs; 2) an increase in administration and general expenses of \$10,718,080, which was a result of the cost associated with the renegotiation of the contract with CSDLAC related to the repair, replacement, reallocation, and reconstruction (4Rs); 3) an increase of \$386,366 in operation and maintenance expenses; and 4) \$361,029 in depreciation and amortization.

Other non-operating expenses increased \$21,752,682, which includes \$24,885,997 for the retirement of intangible assets related to the early negotiation of the new contract with CSDLAC offset by a decrease of \$3,133,315.

#### FINANCIAL HIGHLIGHTS

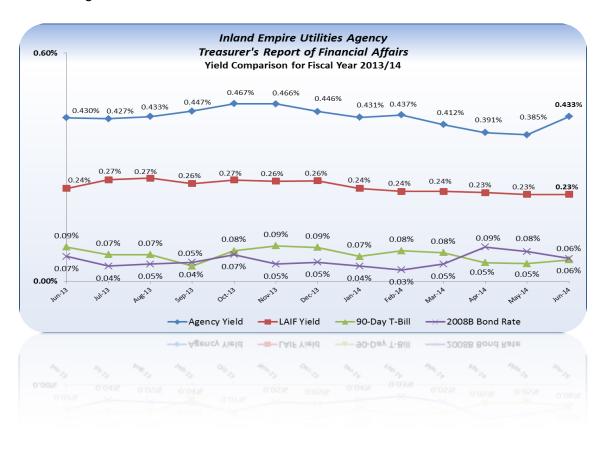
#### Cash and Investment Management

The Agency has a comprehensive cash and investment program subject to California State Code and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution which identify the authorized investment types and any restrictions. Consistent with the State of California Government Code, the Agency annually adopts an investment policy that is intended to remain sufficiently liquid to meet all operating requirements reasonably anticipated, safeguard the principal investment and minimize credit and market risks, while maintaining a competitive yield on the overall portfolio. The Agency's cash management system is also designed to forecast revenues and expenditures in order to identify and invest idle funds to the fullest extent possible. During the fiscal year ended June 30, 2014, idle funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities, state issued municipal bonds, medium term notes and deposits in a pooled investment fund administered by the State of California.

#### **Investment Portfolio Performance**

Despite signs that the U.S. economic recovery is on track, the Agency's interest yield continues to be level with the prior fiscal year performance. The Agency's overall portfolio slightly increased from 0.430% in July 2013 to 0.433% by June 30, 2014.

Total interest income for FY 2013/14 of \$564,330 dropped 31% as compared to \$818,784 in FY 2012/13. The decrease in interest income is primarily due to full payment from Chino Holding Company for the sale of real property of which the Agency was receiving a 5% interest rate on the outstanding balance.



#### <u>Investment Portfolio Performance</u> (continued):

The Agency has followed a conservative approach in conducting its investment activities and in accordance with the established Investment Policy and Master Resolution. Agency staff successfully managed the investment portfolio to attain the Agency's investment objectives, which are in the order of priority: liquidity, safety, and yield.



The Agency's portfolio fund balance for the fiscal years ended June 30, 2014 and June 30, 2013 were \$98,189,138 and \$75,456,799 respectively.

#### Chino Basin Desalter Operations

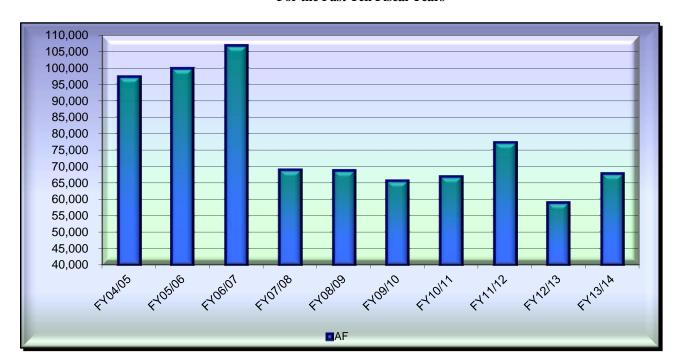
Under the provisions of the Operation and Maintenance Agreement between the Agency and the Chino Basin Desalter Authority (CDA); the Agency deployed the appropriate personnel to manage the production, treatment and distribution of the water produced by the Chino I desalination facility (Chino I Desalter).

All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Service Fund. These expenses are billed to the CDA monthly. In FY 2013/14, the total amount billed and reimbursed was \$1,186,921 and reported as non-operating revenue.

#### **Imported Water Deliveries**

Imported water deliveries for FY 2013/14 were 67,833 acre feet (AF) compared to 59,051 AF reported in FY 2012/13, an increase of 8,782 AF. The increase in FY 2013/14 includes the purchase of 795.50 AF of imported water for recharge to meet a replenishment obligation of 1,097 AF requested by Chino Basin Watermaster. A surcharge of \$13 per AF was levied by the Agency for all imported water deliveries. Below is a comparative of imported water deliveries for the past ten fiscal years; the decline of imported water deliveries beginning in FY 2007/08 is a result of water conservation measures and state legislative and regulatory requirements designed to sustain and meet future water supply needs.

Comparative Acre Feet (AF) Deliveries
(Includes Conjunctive Program Use AF)
For the Past Ten Fiscal Years



The total operating revenue in FY 2013/14 was \$4,923,653 compared to \$4,262,366 the prior fiscal year. The increase was primarily due to an increase in the monthly meter rate (effective July 2013) of 13%, from \$1.555 cents to \$1.755 cents per unit, or from \$3,536,835 to \$4,024,903. This revenue is used to meet the Readiness to Serve (RTS) obligation from MWD, water use efficiency programs, and to help support the Agency's pro-rata share of groundwater recharge program operational costs for recharged recycled water deliveries. Additionally, revenue from the \$13 per AF administrative surcharge increased 29% as a result of higher imported water deliveries.

The total operating expenses increased from \$4,437,473 in FY 2012/13 to \$5,028,069 in FY2013/14. The increase was due to 1) Higher readiness to serve fees to MWD and 2) FY2013/14 project with RMC Water and Environment to develop an Integrated Resources Plan. Total net position balance at June 30, 2014, decreased \$40,394 to \$3,065,128.

#### Recycled Water Sales

Total recycled water sales increased by \$2,878,895 to \$10,830,500 in FY 2013/14, compared to \$7,951,605 in FY 2012/13.

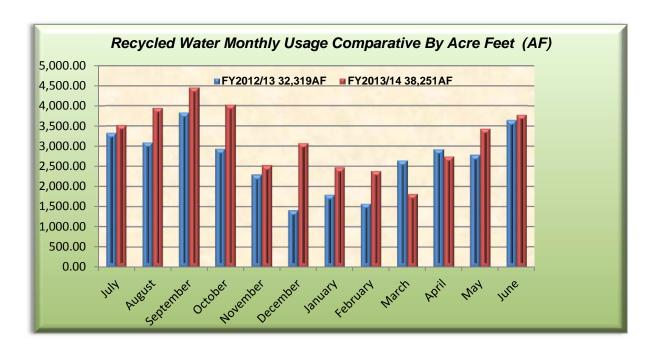


The 36% increase in revenues was primarily driven by an 18% increase in sales and a 39% increase in recycled water rates for direct deliveries from \$155 to \$215 per AF (acre foot). Additionally, there was a 31% increase in the groundwater recharge rate from \$195 to \$255 per AF. Included in total operating revenues was \$2,079,000 for the MWD rebate of \$154 per AF for recycled water sales above 3,500 AF and up to 17,000 AF. The MWD rebate was the same as in FY 2012/13. Grants receipts totaled \$2,279,679 in support of the Regional Recycled Water Expansion capital constructions programs. Total operating expenses increased by \$1,141,212, or 10%, to \$12,472,348 including \$5,922,464 of depreciation expense.

Total net position at June 30, 2014 was \$71,717,820, an increase of \$985,339. The increase was primarily due to the increase in sales, reduction in interest on long term debt, and other non-operating expenses.

#### Recycled Water Sales (continued):

A total of 38,251 AF were registered for direct and recharged recycled water deliveries, compared to 32,319 AF for last fiscal year. The increase in sales is attributed to the new customer connections, additional use by existing customers as a result of dry weather, and the increased basin capacity for infiltration.



#### Regional Wastewater Program Activities

The Regional Wastewater program, comprised of the Regional Wastewater Capital Improvement (RC) and Regional Wastewater Operations and Maintenance (RO) funds, reported combined total revenue of \$90,309,317 in FY 2013/14, a decrease of \$11,171,982 or 11% under the last fiscal year.

## Revenues by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Revenue Category		2013/14		2012/13		Inc	rease/ <decrea 2012/13</decrea 	
nevenue category		AMOUNT	%OF TOTAL	AMOUNT %OF TOTAL			AMOUNT	%OF CHANGE
Service Charges	\$	43,047,559	48.0%	\$ 39,711,858	39.0%	\$	3,335,701	8.0%
Property Tax Receipts		33,393,487	37.0%	41,934,887	41.0%		(8,541,400)	(20.0)%
Wastewater Connection Fees		9,788,634	11.0%	14,614,387	14.0%		(4,825,753)	(33.0)%
Other Non-operating Revenues		3,781,194	4.0%	4,692,094	5.0%		(910,900)	(19.0)%
Interest Income		298,443	0.0%	528,073	1.0%		(229,630)	(43.0)%
Total Revenues		90,309,317	100.0%	\$ 101,481,299	100.0%	\$	(11,171,982)	(11.0)%

#### Regional Wastewater Program Activities (continued):

The Agency's FY 2013/14 service charges were \$43,047,559, 8% higher, compared to FY 2012/13 total of \$39,711,858. The increase is primarily due to Equivalent Dwelling Unit (EDU) rate increase from \$12.39 to \$13.39 per EDU and a slight improvement in the local economy which resulted in an increase in the number of EDU volumetric units of 1%.

Property tax receipts allocated to the Regional Wastewater Program decreased from \$41,934,887 in FY 2012/13 to \$33,393,487 in FY 2013/14, reporting a 20% decrease. The decrease is due to a one-time payment for the Agency's share of the unobligated funds returned by the Successor Agencies for re-distribution to eligible taxing agencies in FY 2012/13.

New EDU Connection fees reported by the contracting agencies in FY 2013/14 were 1,969 units compared to 2,997 units reported in FY 2012/13, a decrease of approximately 1,028 units at \$5,007 per unit. The decrease registered a drop in revenue of \$4,825,753.

Other Non-Operating Revenues were \$3,781,194 in FY 2013/14 compared to \$4,692,094 in FY 2012/13. The decrease is primarily due to a decrease in net audited costs revenue from San Bernardino County Regional Parks, contract under review for amendment and a one-time receipt from Black & Veatch for litigation settlement.

Interest income decreased from \$528,073 in FY 2012/13 to \$298,443 in FY 2013/14 due to historically low interest rates.

### Expenses by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Expense Category		2013/14		2012/13			Increase/ <decrease> from 2012/13</decrease>		
	AMOUNT		%OF TOTAL		AMOUNT	%OF TOTAL			% OF CHANGE
Wastewater Collection	\$	1,248,892	2.0%	\$	781,264	2.0%	\$	467,628	60.0%
Wastewater Treatment		20,505,666	26.0%		18,907,779	24.0%		1,597,887	8.0%
Wastewater Disposal		7,705,551	10.0%		8,612,642	11.0%		(907,091)	(11.0)%
Administration & General		16,399,276	21.0%		14,290,612	18.0%		2,108,664	15.0%
Depreciation & Amortization		22,644,933	29.0%		22,130,511	28.0%		514,422	2.0%
Interest on long-term debt		6,723,540	9.0%		7,220,372	9.0%		(496,832)	(7.0)%
Other nonoperating Exp		3,232,292	3.0%		5,998,780	8.0%		(2,766,488)	(46.0)%
Total Expenses	\$	78,460,150	100.0%	\$	77,941,960	100.0%	\$	518,190	1.0%

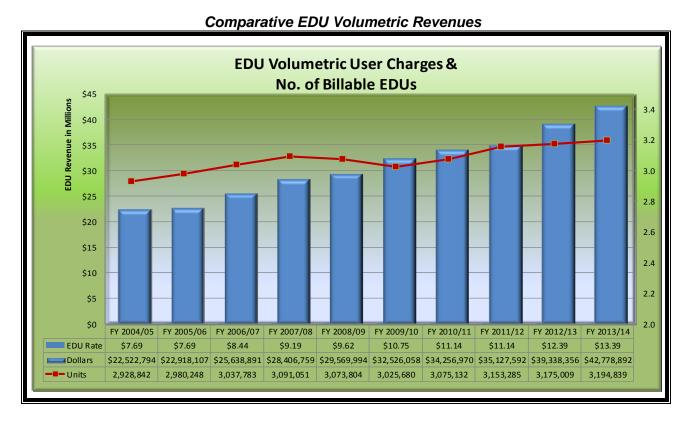
Total expenses for FY 2013/14 were \$78,460,150 or a 1% increase compared to FY 2012/13 actual of \$77,941,960. Total wastewater collection, treatment and disposal costs increased by \$1,158,424 from \$28,301,685 in FY 2012/13 to \$29,460,109 in FY 2013/14. The increase was primarily the result of higher utilities, chemicals and operating expenses.

Total non-operating expenses of \$3,232,292 represent a 46% decrease compared to FY 2012/13 actual of \$5,998,780. The decrease in this category is primarily due to: 1) a decrease from RCA Investment loss; 2) decrease from CDA/RCA labor, burden, and overhead; and 3) the reclassification of FY 2013/14 project costs from capital to operation and maintenance (O&M) expenses in the amount of approximately \$1.6 million in Regional Wastewater Program.

#### Regional Wastewater Program Activities (continued):

The reclassification was identified as part of the fiscal year-end process of closing completed projects.

A final evaluation was performed by Finance and Accounting to determine whether the actual project costs were capital or O&M in nature. This is particularly important for replacement and refurbishment related projects in excess of the \$5,000 established capitalization threshold, and determined to either enhance the functionality or extend the original useful life of the assets, which are capitalized. Costs not meeting these criteria are classified as O&M expenses.



#### Non-reclaimable Wastewater Treatment

The NRW System provides pipelines and pump stations to export the high-salinity industrial wastewater generated within the Agency's service area for treatment and eventual discharge to the Pacific Ocean. The NRW collection system is physically separated from the Regional Wastewater System to ensure further compliance with the Regional Board and State regulation related to environmental criteria. By diverting high nitrogen brine to the NRW system and away from Regional Wastewater, the quality of the recycled water is improved for local use and also helps ensure that the Agency complies with final effluent permit requirements. The NRW system is operated by the Agency and is comprised of two sectors: the North and South systems. The North system conveys wastewater to sewer lines owned and operated by the County Sanitation Districts of Los Angeles County (CSDLAC). Flows in the South system are conveyed through pipelines owned by the Santa Ana Watershed Project Authority (SAWPA) to the County Sanitation Districts of Orange County (CSDOC) facility. Both systems discharge to the Pacific Ocean.

#### Non-reclaimable Wastewater Treatment (continued):

Pass through rates are adopted annually for volumetric, capacity, and excessive strength charges to allow the Agency to recover rates billed by CSDLAC (North) and SAWPA (South). As a result, North and South Systems have different rate structures. Additionally, the Agency imposes a 50% operating surcharge to recover administrative costs. A monthly capital improvement program (CIP) charge is also levied to recover debt service and capital costs associated with the NRWS program.

Total service charges in FY 2013/14, for the North and South systems, increased \$20,896 to \$8,199,986 compared to \$8,179,090 reported in FY 2012/13. The increase in revenues is primarily driven by an increase in monthly capacity fees for the South system customers from \$277 to \$318 per capacity unit. Total operating expenses in FY 2013/14 increased \$4,587,246 to \$11,964,493 compared to \$7,377,247 in FY 2012/13. The increase of 62% in operating expenses was due to: 1) higher pass-through fees and the expiration of CSDLAC contract; 2) one-time expense for NRW System Solids Formation Study; and 3) other non-operating expenses increased \$25,243,578, which was primarily due to the retirement of the intangible capacity rights and capital replacement costs for the North System. This resulted in a decrease of \$28,797,534 in total net position.

NRW Pass through Rates
For the Fiscal Year Ended June 30, 2014

Rate Description	2012/13	2013/14						
Monthly Capital Improvement Fee	\$90.00	\$90.00						
Monthly Capacity Unit Fee - North	\$319.00	\$319.00						
Monthly Capacity Unit Fee - South	\$318.49	\$318.49						
Monthly Volumetric Fee - North	\$1,437.49	\$1,437.49						
Monthly Volumetric Fee - South	\$736.00	\$736.00						
Strength Charges	- North							
Total Suspended Solids (TSS)	\$294.21	\$294.21						
Chemical Oxygen Demand (COD)	\$110.81	\$110.81						
Strength Charges - South								
Total Suspended Solids (TSS)	\$376.00	\$395.00						
Biochemical Oxygen Demand (BOD)	\$253.00	\$266.00						

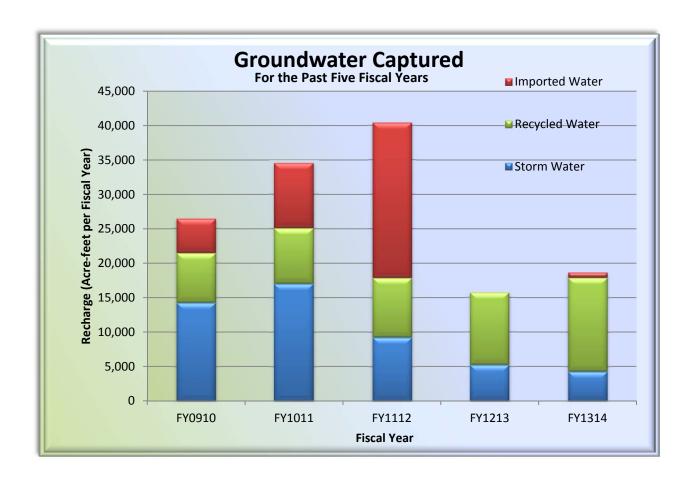
A total of 57 users were connected to the NRW System (North and South) during FY 2013/14, with a total flow of 1,734 million gallons.

#### Recharge Water Fund

The Recharge Water Fund records the activities related to the operation and maintenance of the nineteen groundwater recharge basins and pertinent facilities. Through the joint efforts of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD), the Agency performs all of the operation and financial functions related to the program. Costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation and contracted services that are fully funded by CBWM, with the Agency funding its pro-rata share of costs based on recharged deliveries of recycled water.

#### Recharge Water Fund (continued):

Total operating expenses recorded in FY 2013/14 were \$2,362,352 compared to \$2,339,554 in FY 2012/13, resulting in an increase of \$22,798. The increase was due to: 1) operation expenses related to repairs; and 2) higher depreciation expenses resulting from the completion and capitalization of various capital projects. At June 30, 2014, total net position was \$33,201,574, a decrease of \$66,951 over the prior fiscal year.



#### Revenues

Combined revenues and other funding sources for the fiscal year totaled \$124,841,233, a decrease of \$9,445,961, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2013/14 and 2012/13.

### Combined Revenues and Other Funding Sources by Category - All Funds For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Revenue &	2013/14			2012/13		Increase/ <decrease> from 2012/13</decrease>		
Other Funding Sources	AMOUNT	% OF TOTAL		AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE	
Service Charges	\$ 56,171,198	45.0%	\$	52,153,314	39.0%	\$ 4,017,884	8.0%	
Recycled Water Sales	10,830,500	9.0%		7,951,605	6.0%	2,878,895	36.0%	
Interest Income	564,330	1.0%		818,784	1.0%	(254,454)	(31.0)%	
Property Tax Receipts	38,486,730	30.0%		48,086,946	36.0%	(9,600,216)	(20.0)%	
Wastewater Connection Fees	9,788,634	8.0%		14,614,387	11.0%	(4,825,753)	(33.0)%	
Other Non-operating Revenues	6,336,549	5.0%		7,510,242	6.0%	(1,173,693)	(16.0)%	
Capital Grants	2,663,291	2.0%		3,151,916		(488,625)	(16.0)%	
Total Revenues & Contributions	\$ 124,841,232	100.0%	\$	134,287,194	100.0%	\$ (9,445,962)	(7.0)%	

#### Service Charges

Increase is primarily due to 1% increase in the number of EDU's sold and higher rate of \$13.39 per EDU from \$12.39 along with increase in NRW capacity fees from \$277 to \$318 per unit.

#### Recycled Water Sales

Increase is primarily due to a \$60/AF increase in direct rates, from \$155 to \$215. Also, volume increased to 38,000 AF in FY13/14 vs 33,000 AF in FY 2012/13.

#### **Property Tax Receipts**

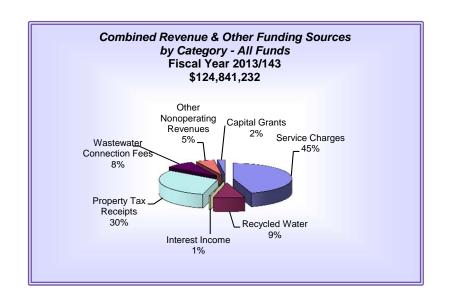
Decrease is primarily due to one-time distribution of unobligated funds from successor agencies received in FY 2012/13.

### Wastewater Connection Fees

Decrease is primarily due to reduction in number of connections reported by Member Agencies in FY 2013/14.

#### **Capital Grants**

Decrease is due to lower construction costs, resulting from project delays.



#### **Expenses**

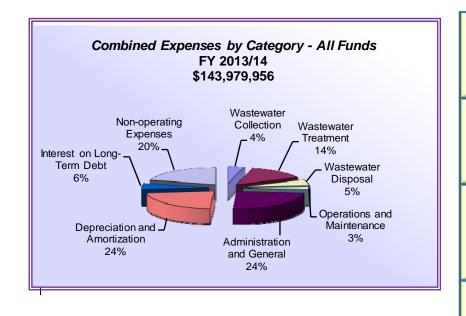
Combined expenses for the fiscal year totaled \$143,979,956 an increase of \$33,634,948 over the prior fiscal year. The following table presents a comparison of expenses by category for FY 2013/14 and FY 2012/13.

#### Combined Expenses by Category - All Funds

For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Evnence Cetegory	2013/14		2012/13			Increase/ <decrease> from 2012/13</decrease>		
Expense Category	AMOUNT	% OF TOTAL	AMOUNT		% OF TOTAL	AMOUNT		% OF CHANGE
Wastewater Collection	\$ 5,622,638	4.0%	\$	4,656,011	4.0%	\$	966,627	21.0%
Wastewater Treatment	20,505,666	14.0%		18,907,779	17.0%		1,597,887	8.0%
Wastewater Disposal	7,705,551	5.0%		8,612,642	8.0%		(907,091)	(11.0)%
Operations and Maintenance	4,254,814	3.0%		3,868,448	4.0%		386,366	10.0%
Administration and General	35,191,272	24.0%		24,473,192	22.0%		10,718,080	44.0%
Depreciation and Amortization	32,294,581	23.0%		31,933,552	29.0%		361,029	1.0%
Interest on Long-Term Debt	8,564,660	6.0%		9,805,292	9.0%		(1,240,632)	(13.0)%
Non-operating Expenses	29,840,774	21.0%		8,088,092	7.0%		21,752,682	269.0%
Total Expenses	\$ 143,979,956	100.0%	\$	110,345,008	100.0%	\$	33,634,948	30.0%



#### Wastewater Collection

Increase is primarily due to increased volumetric and strength charges along with RP4 digester mobilization and cleaning.

#### Wastewater Disposal

Decrease is primarily due to capitalization of Biosolids transportation and treatment cost, related to the delayed startup of RP-1 Dewatering Project.

#### **Non-operating Expenses**

The primary increase in non-operating expenses was the retirement of intangible assets related to ending of the original 50 year agreement with the County Sanitation District of Los Angeles County.

#### Interest on Long-Term Debt

The capitalized interest applied to projects financed by debt resulted in a decrease in interest expense.

#### Changes in Financial Conditions of the Agency

## Combined Net Position-All Funds For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

		2042/44		2042/42	Increase/ <decrease></decrease>		ase>	
		2013/14		2012/13		from 2012/13	3	
Assets								
Current assets	\$	144,690,966	\$	150,868,913	\$	(6,177,947)	(4.1)%	
Restricted assets		43,554,049		33,568,624		9,985,425	29.7%	
Capital assets		642,131,331		664,043,963		(21,912,632)	(3.3)%	
Other assets		71,589,244		72,068,120		(478,876)	(0.7)%	
Total Assets		901,965,590		920,549,620		(18,584,030)	(2.0)%	
Deferred Outflows of Resources								
Deferred loss on refunding		2,094,485		2,350,350		(255,865)	(10.9)%	
		2,094,485		2,350,350		(255,865)	(10.9)%	
Liabilities								
Current liabilities		45,579,890		47,491,185		(1,911,295)	(4.0)%	
Non-current liabilities		341,058,275		338,848,151		2,210,124	0.7%	
Total liabilities		386,638,165		386,339,336		298,829	0.1%	
Net Position								
Net investment in								
capital assets		327,511,886		353,479,414		(25,967,528)	(7.3)%	
Restricted		63,073,206		50,036,296		13,036,910	26.1%	
Unrestricted		126,836,818		133,044,924		(6,208,106)	(4.7)%	
TOTAL NET POSITION	\$	517,421,910	\$	536,560,634	\$	(19,138,724)	(3.6)%	

The following denotes explanations on some of the changes between fiscal years, as compared in the above table.

- The increase in Restricted Assets of \$9.9 million is primarily due to increase in wastewater connection fees deposited by the Contracting Agencies into the Capital Call Reimbursement Account (CCRA).
- The decrease in Capital Assets of \$21.9 million is primarily due to the negotiation of a new contract with the CSDLAC and the retirement of intangible assets related to the old contract which was due to expire in 2018.

#### Changes in Financial Conditions of the Agency (continued):

#### Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Item Category	2013/14	4 2012/13			Increase/ <decrease> from 2012/13</decrease>		
item category	Amount	% of Total	Amount	% of Total		Amount	% of Change
Total Revenue	\$ 122,177,941	23.6%	\$ 131,135,278	24.5%	\$	(8,957,337)	(6.8)%
Total Expenses	143,979,956	27.8%	110,345,008	20.6%		33,634,948	30.5%
Excess (deficiency) before contrib.	(21,802,015)	(4.2)%	20,790,270	3.9%		(42,592,285)	204.9%
Capital Grants	2,663,291	0.4%	3,151,916	0.5%		(488,625)	(15.5)%
Change in Net Position	(19,138,724)	(3.7)%	23,942,186	4.5%		(43,080,910)	179.9%
Prior Period Adjustment			790,003	0.1%		(790,003)	100.0%
Beginning Net Position	536,560,634	103.7%	511,828,445	95.4%		24,732,189	4.8%
Ending Net Position	\$ 517,421,910	100.0%	\$ 536,560,634	100.0%			(3.6)%

#### **Capital Assets**

The Agency had total net capital assets of \$642,131,331 in FY 2013/14, compared to \$664,043,963 in FY 2012/13. The \$21,912,632 decrease is primarily due to an increase in the accumulated depreciation of \$17,041,161, and the retirement of intangible capacity rights and capital replacement costs in the NRW North System of \$39,264,218 which was partially offset by an increase in capitalization of completed capital projects of \$ 34,392,747.

#### Capital Asset Summary - All Funds

For the Fis cal Year Ended June 30, 2014 (With Comparative Totals for the Fis cal Year Ended June 30, 2013)

Asset Category	2013/14	2012/13	Increase/ <decrease> from 2012/13</decrease>	% of Change
Land	\$ 14,067,874	\$ 14,067,874	\$ -	0.0%
Land Improvements	25,977,548	20,397,734	5,579,814	27.4%
Structures and Improvements	663,203,509	651,132,318	12,071,191	1.9%
Equipment	160,774,493	154,927,923	5,846,570	3.8%
Capacity Rights	14,826,589	54,090,807	(39,264,218)	(72.6)%
Computer Software	10,735,955	10,021,801	714,154	7.1%
Jobs in Progress	84,947,342	74,766,324	10,181,018	13.6%
Sub-total	974,533,310	979,404,781	(4,871,471)	(0.5)%
LESS: Accumulated		131	NE. 72	
Depreciation & Amortization	(332,401,979)	(315,360,818)	(17,041,161)	5.4%
Net Capital Assets	\$ 642,131,331	\$ 664,043,963	\$ (21,912,632)	(3.3)%

(Refer to Note 7 of the Notes to the Basic Financial Statements for additional information)

#### **Debt Management**

At June 30, 2014, the Agency had outstanding principal bond debt of \$221,810,000.

Bond Issue	Princip	oal	Premium (Discount)		standing on 6/30/2014
2005A Revenue Bonds	\$ 16,2	00,000	\$	368,013	\$ 16,568,013
2008A Revenue Bonds	125,0	00,000		4,046,914	129,046,914
2008B Variable Rate	45,8	50,000		0	45,850,000
2010A	34,7	60,000		2,379,391	37,139,391
TOTAL	\$ 221,8	10,000	\$	6,794,318	\$ 228,604,318

(Refer to Note 12 of the Notes to the Basic Financial Statements for detailed information)

Included in Notes and Loans Payable at June 30, 2014, are:

- 1) A note from the Santa Ana Watershed Project Authority (SAWPA) pertaining to the purchases of pipeline capacity, with an outstanding balance of \$925,834.
- 2) Various State Revolving Financing loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of \$88,017,521.
- A loan from the City of Fontana for the Agency's cost share of the San Bernardino Regional Lift Station and Force Main capital project with an outstanding balance of \$6,969,268.
- 4) A reimbursement agreement with CSDLAC for the Agency's proportionate share of 4R's (Repair, Replace, Refurbish, and Rehabilitation) capital charges, funded by SRF loans with an outstanding balance of \$4,089,976.

In June 2014, the Agency's credit rating for long-term debt was reaffirmed by two major credit rating agencies:

Moody's: Aa2

Standard and Poor's: AA-

Contacting the Agency's Financial Management

This financial report is designed to provide Inland Empire Utilities Agency's elected officials, citizens, customers, investors, creditors and regulatory agencies with a general overview of the Agency's finances and to demonstrate the Agency's accountability of the revenues it receives. If you have any question about this report or need additional financial information, please contact the Agency's Finance and Accounting Department at jchagoyen@ieua.org.







#### INLAND EMPIRE UTILITIES AGENCY BASIC FINANCIAL STATEMENTS OVERVIEW

#### Financial Statements

The following Basic Financial Statements, along with the supplementary Notes to the Basic Financial Statements, convey a summary of the Agency's financial position as of June 30, 2014, and the results of operations and the cash flows of its proprietary fund types for the fiscal year then ended.

All individual Enterprise Funds are classified as either Major fund groups or Non-major fund groups. An Administrative Service Fund is used to monitor the General and Administrative expenses of the Agency. Comparative prior year data is provided for a broader picture of the Agency's financial condition.

The Basic Financial Statements consist of:

- 1) Statement of Net Position the statement denotes the increase/(decrease) of net assets of the Agency.
- 2) Statement of Revenues, Expenses and Changes in Net Position the statement shows all revenue and expense sources recorded for the period, and their effects on the net assets of the Agency.
- Statement of Cash Flows the statement reflects the Agency's financial activities and their effect on cash. It also denotes the cash position of the Agency at the end of the fiscal period.
- Notes to the Basic Financial Statements.



Magnolia Channel Project

### INLAND EMPIRE UTILITIES AGENCY Statement of Net Position

June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds				
	Regional	Recycled			
ASSETS	Wastewater	Water			
Current assets					
Cash and investments (note 3)	\$ 57,756,088	\$ 9,889,398			
Accounts receivable	9,615,126	7,271,717			
Interest receivable	204,434	13,265			
Taxes receivable	414,543	24,046			
Other receivables	19,152	185,372			
Inventory	0	0			
Prepaid items	1,200	3,500			
	-,				
Total current assets	68,010,543	17,387,298			
Noncurrent assets					
Restricted assets (note 3)					
Deposits held by governmental agencies	38,035,613	0			
Assets held with trustee/fiscal agent	4,007,044	590,736			
Total restricted assets	42,042,657	590,736			
Capital assets (note 7)					
Land	14,047,045	0			
Jobs in progress	49,448,472	31,585,123			
Capital assets, net of					
accumulated depreciation	326,841,349	133,329,962			
Intangible assets, net of	, ,	, ,			
accumulated amortization	5,620,419	760,556			
Total capital assets	395,957,285	165,675,641			
·	<u> </u>				
Other assets	40 444 070	0			
Long-term investments (note 11)	46,441,872	0			
Long-term receivables (note 10)	2,775,563	1,290,265			
Advances to other funds (note 14)	3,000,000	0			
Prepaid bond insurance	441,524	145,991			
Prepaid Interest -SRF loans	1,123,256	1,335,194			
Total other assets	53,782,215	2,771,450			
Total noncurrent assets	491,782,157	169,037,827			
	•	· · · · · · · · · · · · · · · · · · ·			
Total assets	559,792,700	186,425,125			
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	2,094,485	0			
Total deferred outflows of resources	2,094,485	0			

Nor	n-reclaimable			To	otals
W	/astewater	Non-Major	_	2014	2013
\$	4,329,251	\$ 32,681,036		\$ 104,655,773	\$ 111,647,534
	1,578,182	18,337,051		36,802,076	35,917,173
	476,521	34,665		728,885	699,821
	0	38,778		477,367	351,356
	28,505	60,703		293,732	513,843
	0	1,616,288		1,616,288	1,533,035
	0	112,145	_	116,845	206,15
	6,412,459	52,880,666	_	144,690,966	150,868,913
	0	0		38,035,613	28,246,979
	23,176	897,480	_	5,518,436	5,321,645
	23,176	897,480	_	43,554,049	33,568,624
	0	20,829		14,067,874	14,067,874
	1,084,323	2,829,424		84,947,342	74,766,324
	12,799,281	56,755,054		529,725,646	536,421,33
	2,352,832	4,656,662	_	13,390,469	38,788,434
	16,236,436	64,261,969		642,131,331	664,043,963
		· · · · ·	_	<u> </u>	<u> </u>
	0	0		46,441,872	46,492,458
	0	0		4,065,828	4,298,855
	15,000,000	0		18,000,000	18,000,000
	35,579	0		623,094	648,017
	0	0	_	2,458,450	2,628,790
	15,035,579	0	_	71,589,244	72,068,120
	31,295,191	65,159,449		757,274,624	769,680,707
	<u> </u>		_		
	37,707,650	118,040,115	_	901,965,590	920,549,620
	0	0	_	2,094,485 2,094,485	2,350,350 2,350,350

(continued)

#### INLAND EMPIRE UTILITIES AGENCY Statement of Net Position (Continued from previous page) June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Fund Types						
		Regional		Recycled			
LIABILITIES		Wastewater		Water			
Current liabilities							
Accounts payable	\$	3,259,339	\$	1,922,265			
Accrued liabilities	Ψ	98,600	Ψ	105,918			
Compensated absences (note 1)		0		0			
Retentions payable		32,652		253,242			
Notes payable, due within one year (note 12)		1,885,831		2,772,546			
Long-term debt, due within one year (note 12)		6,498,220		0			
Interest payable		1,540,979		977,897			
Retention deposits and escrows		112,123		590,736			
Total current liabilities		13,427,744		6,622,604			
Noncurrent liabilities							
Compensated absences (note 1)		0		0			
Long-term debt, due in more than one year (note 12)		168,958,534		30,235,693			
Notes payable, due in more than one year (note 12)		30,956,981		59,661,147			
Advances from other funds (note 14)		0		18,000,000			
Other noncurrent liabilities		0		187,861			
Net OPEB liability (note 1d.)		0		0			
Total noncurrent liabilities		199,915,515		108,084,701			
Total liabilities		213,343,259		114,707,305			
NET POSITION							
Net Investment in capital assets		191,566,331		73,006,256			
Restricted for:							
Capital construction		38,035,613		0			
SRF Loan debt service		1,447,479		3,552,769			
Bond operating contingency requirement		15,286,462		0			
Total restricted		54,769,554		3,552,769			
Unrestricted		102,208,041		(4,841,205)			
Total net position	\$	348,543,926	\$	71,717,820			

Non-reclaimable			Totals					
Wastewater		Non-Major			2014	2013		
Φ 00		•	47 700 000	•	00 000 000	•	10.004.100	
	3,480	\$	17,786,998	\$	23,662,082	\$	19,294,403	
1,01	6,128		2,826,609		4,047,255		11,466,725	
	0		1,587,969		1,587,969		1,697,226	
	1,363		0		297,257		221,312	
78	34,623		0		5,443,000		4,747,362	
	0		606,780		7,105,000		6,870,000	
	3,548	690			2,673,114	2,639,86		
2	23,176		38,178		764,213		554,293	
2,68	32,318		22,847,224		45,579,890		47,491,18	
	0		2 456 175		2 456 175		2 220 22	
7 36	68,580		2,456,175 14,936,511		2,456,175 221,499,318		2,220,224 229,147,294	
	1,471		14,930,311		94,559,599		82,594,09	
3,94	•		0		18,000,000		18,000,00	
	0		0		187,861		52,81	
	0		4,355,322		4,355,322		6,833,72	
			4,000,022		4,000,022		0,000,72	
11,31	0,051		21,748,008		341,058,275		338,848,15	
13,992,369			44,595,232		386,638,165		386,339,33	
4,14	1,763		49,577,981		318,292,331		354,123,52	
	0		0		20 025 642		20 246 076	
	0		0		38,035,613		28,246,979	
0			0		5,000,248		4,877,85	
3,73	88,200		1,012,683		20,037,345	-	16,911,462	
3,73	88,200		1,012,683		63,073,206		50,036,29	
15,83	35,318		22,854,219		136,056,373		132,400,81	
\$ 23,71	5,281	\$	73,444,883	\$	517,421,910	\$	536,560,63	

	Enterprise Fund Types					
	Regional Wastewater			Recycled		
				Water		
OPERATING REVENUES						
Service charges	\$	43,047,559	\$	0		
Recycled water sales		0		10,830,500		
Total operating revenues		43,047,559		10,830,500		
OPERATING EXPENSES						
Wastewater collection		1,248,892		0		
Wastewater treatment		20,505,666		0		
Wastewater disposal		7,705,551		0		
Operations and maintenance		0		3,764,958		
Administration and general		16,399,276		2,784,926		
Depreciation and amortization		22,644,933		5,922,464		
Total operating expenses		68,504,318		12,472,348		
Operating income (loss)		(25,456,759)		(1,641,848)		
NONOPERATING REVENUES (EXPENSES)						
Interest income		298,443		74,922		
Property tax revenue		33,393,487		1,949,548		
Wastewater capital connection fees		9,788,634		0		
Other nonoperating revenues		3,781,194		11		
Interest on long-term debt		(6,723,540)		(1,644,219)		
Other nonoperating expenses		(3,232,292)		(199,167)		
Total nonoperating revenues (expenses)		37,305,926		181,095		
Income (loss) before capital contributions and transfers		11,849,167		(1,460,753)		
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in (note 15)		0		1,564,622		
Transfers out (note 15)		(5,671,639)		(1,398,209)		
Capital grants		34,851		2,279,679		
Change in net position		6,212,379		985,339		
Total net position - beginning, as restated		342,331,547		70,732,481		
Total net position - ending	\$	348,543,926	\$	71,717,820		

Non-reclaimable			Totals					
Wastewater			Non-Major		2014	2013		
\$	8,199,986	\$	4,923,653	\$	56,171,198	\$	52,153,314	
	0		0		10,830,500		7,951,605	
	8,199,986		4,923,653		67,001,698	-	60,104,919	
	4,373,746		0		5,622,638		4,656,011	
	0		0		20,505,666		18,907,779	
	0		0		7,705,551		8,612,642	
	0		489,856		4,254,814		3,868,448	
	6,840,855		9,166,215		35,191,272		24,473,192	
	749,892		2,977,292		32,294,581		31,933,552	
	11,964,493		12,633,363		105,574,522		92,451,624	
	(3,764,507)		(7,709,710)		(38,572,824)		(32,346,705)	
	57,092		133,873		564,330		818,784	
	6		3,143,689		38,486,730		48,086,946	
	0		0		9,788,634		14,614,387	
	32,325		2,523,019		6,336,549	6,336,549 7,		
	(188,336)		(8,565)		(8,564,660)		(9,805,292)	
	(24,878,257)		(1,531,058)		(29,840,774)		(8,088,092)	
	(24,977,170)		4,260,958		16,770,809	-	53,136,975	
	(28,741,677)		(3,448,752)		(21,802,015)		20,790,270	
	0		5,661,083		7,225,705		6,454,273	
	(55,857)		(100,000)			(6,454,273)		
	0		348,761		2,663,291		3,151,916	
	(28,797,534)		2,461,092		(19,138,724)		23,942,186	
	52,512,815		70,983,791		536,560,634		512,618,448	
\$	23,715,281	\$	73,444,883	\$	517,421,910	\$	536,560,634	

#### **INLAND EMPIRE UTILITIES AGENCY**

#### **Statement of Cash Flows**

For the Fiscal Year ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds		
	Regional Wastewater	Recycled Water	
	wasiewaiei	vvaler	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 40,221,444	\$ 12,075,371	
Cash received from interfund services provided	0	0	
Cash payments to suppliers for goods and services	(21,843,247)	(4,284,019)	
Cash payments to employees for services	(6,344,716)	(909,239)	
Cash payments for interfund services used	(19,188,844)	(2,198,698)	
Net cash provided by (used for) operating activities	(7,155,363)	4,683,415	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	0	1,564,622	
Transfers out	(5,671,639)	(1,398,209)	
Contract reimbursement from others	3,781,195	11	
Tax revenues	33,284,017	1,943,220	
Issuance of long-term receivable	0	0	
Collection of long-term receivable	19,152	185,371	
Cash paid to others	(2,695,704)	(230,573)	
Net cash provided by (used for) noncapital financing	•		
activities	28,717,021	2,064,442	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(12,638,803)	(19,696,177)	
Proceeds from capital debt	0	0	
Proceeds from State Revolving Funds	0	9,946,701	
Connection fees on deposit held by members	9,788,634	0	
Capital grants received	34,851	2,279,679	
Principal paid on capital debt	(7,329,875)	(38,182)	
Interest paid on capital debt	(6,427,755)	(1,519,649)	
Payments on State Revolving Funds	(693,294)	0	
Bond administration fees	(536,590)	0	
Contractor deposits collected	0	0	
Net cash provided by (used for) capital and related			
financing activities	(17,802,832)	(9,027,628)	

Non-reclaimable			Totals				
Wastewater		Non-Major		2014	2013		
\$	8,267,884	\$ 5,754,334	\$	66,319,033	\$ 49,220,704		
	0	23,918,921		23,918,921	22,634,150		
	(8,984,359)	(10,349,620)		(45,461,245)	(21,367,414)		
	(796,490)	(25,387,703)		(33,438,148)	(28,620,866)		
	(1,242,455)	(187,289)		(22,817,286)	(21,651,266)		
	(2,755,420)	(6,251,357)		(11,478,725)	215,308		
	0	5,661,083		7,225,705	6,454,273		
	(55,857)	(100,000)		(7,225,705)	(6,454,273)		
	32,325	2,419,488		6,233,019	7,528,995		
	6	3,133,477		38,360,720	50,456,276		
	28,503	0		28,503	(194,853)		
	0	0		204,523	2,403,415		
	75	(1,446,422)		(4,372,624)	(7,442,706)		
	5,052	9,667,626		40,454,141	52,751,127		
	· · · · · · · · · · · · · · · · · · ·						
	(1,386,460)	(2,016,718)		(35,738,158)	(23,401,715)		
	4,089,976	0		4,089,976	0		
	0	0		9,946,701	789,872		
	0	0		9,788,634	14,614,387		
	0	348,761		2,663,291	3,151,917		
	(142,411)	(584,746)		(8,095,214)	(7,755,051)		
	(92,843)	(93,262)		(8,133,509)	(9,448,279)		
	0	0		(693,294)	0		
	7,666	0		(528,924)	(537,112)		
	32,038	38,178		70,216	0		
	2,507,966	(2,307,787)		(26,630,281)	(22,585,981)		
					(Continued)		

#### INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows (Continued from previous page) For the Fiscal Year ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds					
	Regional Wastewater			Recycled Water		
CASH FLOWS FROM INVESTING ACTIVITIES Interest on investments Purchase of investments	\$	305,070 0	\$	75,993 0		
Net cash provided by (used for) investing activities		305,070		75,993		
Net increase (decrease) in cash and cash equivalents		4,063,896		(2,203,778)		
Cash and cash equivalents - beginning	95,734,849			12,683,912		
Cash and cash equivalents - ending	\$ 99,798,745		\$	10,480,134		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES  Operating income (loss)	\$	(25,456,759)	\$	(1,641,848)		
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities  Depreciation and amortization		22,644,933		5,922,464		
Changes in assets and liabilities (Increase) decrease in    Accounts receivable    Other receivables    Short-term receivable    Inventory    Prepaid items Increase (decrease) in    Accounts payable    Accrued liabilities    Other liabilities    Change in contractor deposits    Compensated absences		(2,843,466) 0 17,351 0 0 (950,299) (60,969) 0 (506,154)		1,037,537 207,334 0 0 10,000 (1,809,090) 93,179 135,043 728,796 0		
Net cash provided by (used for) operating activities	\$	(7,155,363)	\$	4,683,415		

Non-reclaimable				Totals				
V	Vastewater		Non-Major		2014		2013	
\$	19,260	\$	134,944	\$	535,267	\$	820,279	
•	0	,	113,262	,	113,262	•	(45,949)	
							<u> </u>	
	19,260		248,206		648,529		774,330	
	(223,142)		1,356,688		2,993,664		31,154,784	
	4,575,569		32,221,828		145,216,158		114,061,374	
\$	4,352,427	\$	33,578,516	\$	148,209,822	\$	145,216,158	
·	(0.704.507)	Φ.	(7,700,740)	Φ.	(00.570.004)	Φ.	(00.040.705)	
\$	(3,764,507)	\$	(7,709,710)	\$	(38,572,824)	\$	(32,346,705)	
	749,892		2,977,292		32,294,581		31,933,555	
	68,740		834,412		(902,777)		(13,456,713)	
	(841)		(25,368)		181,125		20,138	
	0		21,636		38,987		2,552,360	
	0		(83,253)		(83,253)		(34,391)	
	119,580		(40,275)		89,305		(92,720)	
	283,629		7,365,385		4,889,625		7,433,430	
	(211,913)		(7,239,767)		(7,419,470)		5,094,279	
	0		(2,478,402)		(2,343,359)		442,154	
	0		0		222,642		(1,171,219)	
	0		126,693		126,693		(158,860)	
\$	(2,755,420)	\$	(6,251,357)	\$	(11,478,725)	\$	215,308 (Continued)	

# INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds			nds
	ŭ		Recycled	
			Water	
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Cash and short-term investments	\$	57,756,088	\$	9,889,398
Restricted assets		42,042,657		590,736
Cash & cash equivalents at end of year	\$	99,798,745	\$	10,480,134

The accompanying notes are an integral part of the basic financial statements

Non-reclaimable				Totals				
Wastewater		N	Non-Major		2014		2013	
\$	4,329,251	\$	32,681,036	\$	104,655,773	\$	111,647,534	
	23,176		897,480		43,554,049		33,568,624	
	20,170		557,400		40,004,040		00,000,024	
\$	4,352,427	\$	33,578,516	\$	148,209,822	\$	145,216,158	



Regional Water Recycling Facility No. 1 –

Fuel Cell

### **INLAND EMPIRE UTILITIES AGENCY**

### Index of Notes to the Basic Financial Statements

### June 30, 2014

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# NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2014

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (1) Organization and Summary of Significant Accounting Policies:

#### a. <u>Description of the Reporting Entity</u>

The Inland Empire Utilities Agency (hereafter referred to as the Agency), was authorized and established by the voters in an election held on June 6, 1950. As defined by accounting principles generally accepted (GAAP) in the United States of America and the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the Agency as the primary government. The Agency has no legally separate component units that require blended or discrete presentation.

Subject to the limitation imposed by the Constitution of California, and pursuant to its charter, all powers of the Agency are vested in a five-member Board of Directors. Each Director serves a four-year term and is elected by and represents the voters of a specific geographic area within the Agency's boundaries, identified as a Division. As of June 30, 2014, the Agency's staff is led by the Board-appointed General Manager, Executive Manager of Policy Development/Assistant General Manager (AGM,) Executive Manager of Operations/AGM, Executive Manager of Engineering/AGM, and the Chief Financial Officer/AGM. The Agency's staff consisted of 295 authorized positions, of which 258 were filled as of June 30, 2014. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as they relate to governmental units (Special Districts). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### b. Fund Financial Statements

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues and expenses, as appropriate. The Agency's resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Agency accounts for its activities in Enterprise Funds. These funds are included in the financial statements and have been grouped into fund types described as "Proprietary Fund Types."

For financial reporting purposes, the Agency has the following major funds: Regional Wastewater, and Recycled Water. These major funds are comprised of certain sub-funds within the Agency's accounting system. The composition of the major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to "Supplementary Schedules" section, and the "Individual Funds" section.) The composition of the non-major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to the "Individual Funds" section.)

#### c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Agency's enterprise funds include: Service charges for the treatment of domestic wastewater flows based on Equivalent Dwelling Units (EDU's) connected to the Contracting Agencies local collection systems, user charges for the export of high-salinity and industrial wastewater generated within the Agency's service area and eventual discharge to the Pacific Ocean recorded in the Non-Reclaimable Wastewater (NRW) Fund, imported water acre foot surcharge for the agency's administrative and operational cost associated with the delivery of imported water supplies and water resource development and planning activities, water meter service charge to meet the agency's readiness-to-serve (RTS) obligation pass through from MWD and to help support a portion of the agency's ground water recharge program, and the sale of recycled water. The principal operating expenses include the costs associated with the primary and secondary treatment of domestic wastewater delivered to the regional sewage system, treatment and export costs of industrial waste delivered to the NRW North and South systems, biosolids recycling and direct and recharged deliveries of recycled water. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All Proprietary Funds are accounted for on a cost of services or "economic resources maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported fund equity (net total position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

#### **Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

#### The Regional Wastewater Capital Improvement Fund

The Regional Wastewater Capital Improvement (RC) Fund records the transactions for the acquisition, construction, and expansion of the Agency's municipal wastewater treatment plants, large sewer interceptors, and appurtenant facilities.

# c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

#### **Enterprise Funds** (continued):

#### Regional Wastewater Operations and Maintenance Fund

The Regional Wastewater Operations and Maintenance (RO) Fund accounts for the revenues and operating expenses associated with the primary, secondary, and tertiary treatment of domestic wastewater delivered by the contracting agencies to the Agency's interceptors and water recycling facilities. These costs are associated with the domestic wastewater delivered to the regional sewage system, which serves the residential, commercial, and industrial entities within the Agency's 242 square-mile service area. The tertiary process includes chlorination, and dechlorination, to remove excess chlorine residuals thus protecting the habitats in the receiving waters, as required by the Agency's National Pollution Discharge Elimination System (NPDES) permits.

#### Recycled Water Fund

The Recycled Water (WC) Fund records the revenues and expenses associated with the operations and maintenance of the facilities used to distribute recycled water supplied from the Agency's water recycling plants. Additionally, the Recycled Water Fund records all of the costs associated with the construction and financing of recycled water capital projects. In response to the potential shortage and reduction of imported water supplies, the Agency adopted the Recycled Water Business Plan (RWBP) in December 2007. A key goal of the RWBP is to increase the demand for recycled water to 50,000 acre foot per year (AFY) with the expansion of the Regional Recycled Water Distribution System. This goal is anticipated to be reached by fiscal year 2024/25. Recycled water provides a cost effective and more reliable local water supply and is a key source to the Agency's goal of drought proofing its service area by 2030.

#### Non-Reclaimable Wastewater Fund

The Non-Reclaimable Wastewater (NC) Fund records the transactions for the acquisition, construction, expansion, and replacement of the Agency's non-reclaimable wastewater sewer lines, interceptors and appurtenant facilities as well as the revenues and operating costs directly related to providing collection services, pipeline transport, and treatment. Revenue includes volumetric and capacity fees as well as excess use fees, capacity unit sales, and other service charge revenue.

#### **Basis of Accounting**

Basis of accounting refers to the timing when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The Agency prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

### c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

#### **Use of Estimates**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

#### Recognition of Revenues and Expenses

Effective June 30, 2004, the Agency began recognizing certain imported water sales and purchases as pass-through transactions. Instead of recording the water deliveries to contracting agencies as gross revenue and corresponding imported water purchases from Metropolitan Water District of Southern California (MWD) as expenses, the Agency records only the transaction surcharge as operating revenue in the Water Resources (WW) Fund. For these transactions, the Agency is merely a conduit or accommodator for the transactions between the MWD, and the contracting agencies. The Agency, other than its role as a member of the MWD, has no control over the pricing of the imported water delivered to the contracting agencies by MWD.

Also effective June 30, 2004, the Agency began recording the Regional Wastewater Capital Connection Fees collected and held by contracting agencies, on behalf of the Agency, as revenue when the funds are received by each contracting agency. Previously, the Agency recorded the revenue when the fees were called or requested from the contracting agencies. Fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

#### **Operating and Non-operating Revenues and Expenses**

Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Examples include sewage treatment and disposal service charges, sales of recycled water, and surcharges on the deliveries of imported domestic water. Nonoperating revenues do not directly relate to the Agency's core operations, such as: 1) property tax receipts; 2) interest income; 3) regional capital connection fees; and 4) reimbursement for contract services provided to Chino Basin Desalter Authority (CDA) and Inland Empire Regional Composting Authority (IERCA).

The Agency classifies the expense types based upon the goods and/or services directly related to the operations of the Agency in providing the core services and/or goods. Typical operating expenses include sewage treatment, biosolids disposal costs, and the cost of delivering recycled water. In contrast, non-operating expenses are not directly related to the Agency's core operations, such as costs related to administrative and operational support provided to CDA and IERCA, interest expense and the cost of financial services.

# c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

#### **Budgetary Policy and Control**

The Agency's Board approves each year's budget submitted by the Chief Financial Officer prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The Agency is not required to present budget comparisons; therefore budgetary data is not presented in the accompanying basic financial statements.

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. All appropriations lapse at year-end.

#### **New Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 66, *Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*, the objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained* in Pre-November 30, 1989 FASB and AICPA Pronouncements. This is required to be implemented in the current fiscal year and did not impact the Agency.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This is required to be implemented in the current fiscal year and did not impact the Agency.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Report for Pensions, an amendment of GASB Statement No. 27. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses (expenditures). This will be effective for the fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This will be effective for the fiscal years beginning after December 15, 2013.

# c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

#### **New Accounting Pronouncements** (continued):

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This will be effective for the fiscal years beginning after June 15, 2014.

### d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u>

#### Cash and Investments

Investments in short-term highly liquid debt instruments that have a remaining maturity at the time of purchase of one year or less, and nonparticipating interest earning investment contracts, are reported at amortized cost. All other investments are reported at fair value.

For the purpose of the Statement of Cash Flows at June 30, 2014, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency's cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts that are readily available on demand. All short-term cash surpluses are maintained in a cash and investment pool, and allocated to each fund based on month-end cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

#### **Interest Income Allocation Method**

Interest income earned on pooled cash and investments is allocated quarterly to the funds, based on month-end cash and investment balances. Interest income from cash and investments in the deferred compensation plan and restricted accounts is credited directly to the related fund.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of Interfund loans) or "advances to/from other funds" (the non-current portion of Interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

### d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### **Receivables and Payables (continued):**

Property taxes payable to the San Bernardino County Tax Assessor (The County) are annually attached as an enforceable lien on property as of January 1. Taxes are levied annually on July 1; and, are payable to the County in two installments on December 10 and April 10. The County bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year. Annually in July, the County prepares a property tax year-end reconciliation and remits any unpaid taxes to the Agency generally within sixty days of the fiscal year end. Those taxes are accrued by the Agency and reflected as taxes receivable in the applicable Funds at fiscal year-end. The Agency does not collect property taxes in advance; therefore no deferred revenue is shown on the financial statements.

The County is permitted by State Law, (Article XIII A of the California Constitution, Proposition 13,) to levy taxes at 1% of full market value (at the time of purchase) and can increase the property's value no more than 2% per year. In accordance with an agreement with the County, the Agency receives \$0.0625 per hundred dollars levied.

All receivables are shown net of an allowance for uncollectibles. The Agency extends credit to customers in the normal course of operations. Management has evaluated the accounts and did not identify any to be uncollectible as of June 30, 2014. When an account is determined to be uncollectible, it is written off as a bad debt expense following Board approval.

#### **Inventories and Prepaids**

The Agency uses the consumption method of accounting for inventories and is valued at the weighted average cost of items on hand. Inventories of operating supplies are maintained and accounted for in the Administrative Services (GG) Fund.

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

#### Restricted Assets

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents.

Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention.

# d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### Capital Assets

Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation or construction costs, Agency labor for engineering, construction management and administrative activities, capitalized interest, as well as ancillary expenses necessary to make productive use of the assets. Current capitalization thresholds are reflected in the following table:

Type of Expenditure	Total Cost	Estimated Life	Increases Estimated Life	Enhances Performance
Office Equipment	≥\$ 5,000	> 1 Year	N/A	N/A
Computer Equipment	≥\$ 1,000	> 1 Year	N/A	N/A
Other Equipment	≥ \$ 5,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥\$ 5,000	≥ 3 Years		Yes
Single Year Capital Projects	≥\$ 5,000	≥ 3 Years	N/A	N/A
Multi-Year Capital Projects	<u>&gt;</u> \$15,000	≥ 1 Year	N/A	N/A

The Agency capitalizes interest on tax exempt debt issued to finance construction projects. The amount of interest capitalized is calculated after offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

During the year ended June 30, 2014, total interest of \$1,012,295 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds and is comprised of \$345,606 recorded in the Regional Wastewater Capital Improvement Fund, \$397,735 in the Recycled Water Fund, \$213,558 in the Non-Reclaimable Wastewater Fund and \$55,396 in the Regional Wastewater and Operations and Maintenance Fund.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

# d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### **Capital Assets** (continued):

Depreciation of capital assets has been provided on a straight-line basis. One-half year depreciation is recorded in the year of acquisition and disposal.

Estimated useful lives are:	Furniture, machinery and equipment	3 - 15 years
-----------------------------	------------------------------------	--------------

Improvements15 yearsInterceptors, buildings and plants5 - 50 yearsIntangible Capacity Rights50 yearsComputer Software3 years

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has one item that qualifies for reporting in this category. It is the deferred loss on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Agency has no deferred inflows of resources.

#### **Compensated Absences**

The Agency records a liability for vacation, sick and compensatory leave earned but not used. Each employee earns vacation pay based on the length of employment. Upon termination, employees receive payment for accrued vacation pay.

Employees continuously employed by the Agency for at least five years receive partial payment, upon termination, of accrued sick leave hours. The payment percentage is based upon the number of years of service.

The Agency allows hourly employees of all bargaining units to accrue up to a maximum of forty (40) hours of compensatory time each calendar year. At the end of each calendar year, hourly un-represented employees, and members of the general, operators and laboratory bargaining units have the option to receive payment for, or roll over to the next calendar year, all accrued compensatory time that has not yet been taken as paid time off.

### d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### <u>Compensated Absences</u> (continued):

At July 1, 2013 the accumulated vacation leave payable was \$1,480,880 with additions and deletions during the year of \$1,740,717, and \$1,421,872 respectively, resulting in an ending balance at June 30, 2014 of \$1,799,725. There was a net increase of \$318,845 over the previous fiscal year. The sick and compensatory leave balance at July 1, 2013 was \$2,436,570 with additions and deletions during the year of \$2,289,476 and \$2,481,627 respectively, resulting in an ending balance at June 30, 2014 of \$2,244,419. There was a net increase of \$192,151 over the previous fiscal year. Total compensated absences have been recorded in the Administrative Service Fund as a combined total of \$4,044,144. The current year liability is estimated to be \$1,587,969.

#### **Other Post - Employment Benefits**

In accordance with the Agency's Memorandum of Understanding (MOU), the Agency provides post-employment benefits to all retired employees through the California Public Employees' Retirement System (CalPERS) Public Employees Medical and Hospital Care Act (PEMHCA) health program.

The Agency contributes an additional monthly longevity benefit to each retiree minus the minimum PEMHCA contribution or \$112.00, whichever is greater, according to the chart below who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55).

Hire Date	Retirement Date	Benefit Level	Minimum Years of Agency Service	Benefit
Before July 2, 1980	N/A	Employee and/or eligible dependent(s)	15	100% of applicable Kaiser Rate
Before Jan. 1, 1992	N/A	Employee and/or eligible dependent(s)	20	50% of applicable Kaiser Rate
N/A	After July 3, 2004	Employee only or surviving spouse	12	50% of applicable Kaiser Rate

The longevity benefit is available to qualifying retirees whether they enroll in a CalPERS medical plan or not. The retiree will be reimbursed on a monthly basis for his/her retiree longevity benefit via direct deposit to the retiree's (or surviving spouse's) bank account, up to the maximum benefit provided. Retirees are responsible for any taxes that may be due on reimbursement of retiree longevity benefits.

# d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### Other Post - Employment Benefits (continued):

In accordance with GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension (OPEB), public entities are required to accrue OPEB costs throughout the employee's working lifetime and record the actuarially calculated cost as a liability. The Agency contracted an independent pension consultant and actuaries to perform an actuarial valuation of the OPEB as of July 1, 2013, with results rolled back to July 1, 2012. The report used the "Entry Age Normal" actuarial cost method and an attribution period that runs from the date of hire until the expected retirement date. Normal costs can be defined to be the present value of future benefits that are "earned" by employees for service rendered during the current year. The report used the normal cost approach with which the Agency's unfunded actuarial accrued liability is being amortized as a level dollar amortization over a closed 26-year period.

On June 04, 2014, the Agency entered into an agreement to prefund OPEB through CalPERS CERBT trust fund. As of June 30, 2014, the Agency has funded \$3,500,000 into the CERBT trust fund towards OPEB obligation.

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets and Annual Required Contribution for the FY 2013/14.

Valuation as on July 1, 2013	2013/14
Annual Required Contribution (ARC)	\$1,561,912
Interest on net OPEB Obligation	\$307,518
Adjustment to ARC	(353,307)
Annual OPEB Costs	\$1,516,123
IEUA Contributions	(3,994,525)
Percentage Contributed	262%
Increase or Decrease in Net OPEB	(\$2,478,402)
Net OPEB Obligation – Beginning of Year	\$6,833,724
Net OPEB Obligation – End of Year	\$ 4,355,322
Annual Covered Payroll	\$23,082,758

# d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### <u>Other Post - Employment Benefits</u> (continued):

#### Three-year trend information for OPEB

Fiscal	Annual	Percentage	Net
Year	OPEB	of OPEB	OPEB
<b>Ending</b>	Cost	Contributed	Obligation
6/30/2012	\$1,463,921	24%	\$5,855,131
6/30/2013	\$1,424,675	31%	\$6,833,724
6/30/2014	\$1,516,123	262%	\$4,355,322

#### **Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17,476,486 and the actuarial value of assets was Nil, resulting in unfunded actuarial accrued liabilities (UAAL) of \$17,476,486. The covered payroll (annual payroll of active employees covered by the plan) was \$23,184,095, and the ratio of the UAAL to the covered payrolls was 76.5%.

#### **Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan between the employer and the plan members and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefits costs between the employer and the plan members at that point. Since retiree health benefits will be paid over the next 50 years or more, a projection of future benefits payments and liabilities requires the use of actuarial assumptions to reflect the estimate of what is likely to occur over the long-term.

The valuation process uses a mathematical model to project the number of retirees and dependents in each future year based on the retirees at the beginning of the year who are expected to survive until the end of the year, and the active employees expected to retire during the year. The expected benefits payable in future years are calculated based on the number of projected retirees and dependents and the anticipated future per capita costs Actuarial assumptions used for the July 1, 2013 valuation were:

Discount Rate – a 4.5% discount was used to calculate the present value of future benefit payments. Normal costs increase by 5.0% per year.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

#### Other Post - Employment Benefits (continued):

Health Care Trend – based on recent rate increases, the projected trend was developed for the actuarial valuation, assuming an annual increase in CalPERS Kaiser rates, as follows:

<u>Year</u>	<u>Rate</u>
2015	6.7%
2016	6.4%
2017	6.1%
2018	5.8%
2019	5.5%
2020 and after	5.2%

A separate audited post-employment benefit plan report is not available at this time.

#### **Long-Term Obligations**

In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable fund statement of net position. Certain Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

#### **Prior Fiscal Year Data**

The information included in the accompanying financial statements for the prior fiscal year has been presented for comparison purposes only, and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

#### II. STEWARDSHIP

#### (2) Stewardship, Compliance & Accountability:

#### **Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration in the Agency's enterprise funds.

Encumbrances (e.g., purchase orders, contracts, other commitments) outstanding at year end are reported as unrestricted net position and do not constitute expenses or liabilities. Upon Board approval, these commitments are re-appropriated and honored during the subsequent fiscal year.

#### III. DETAILED NOTES ON ALL FUNDS

#### (3) Cash and Investments

The Agency follows the practice of pooling cash and investments of all funds except for restricted funds generally held by outside custodians and funds in its employees' deferred compensation plans. Each fund's position in the pool is reported on the combined statement of net position as cash and investments. Amounts in the Agency's deferred compensation plan are no longer reported on the Agency's balance sheet as they are held in trust.

Interest income earned on pooled cash and investments is allocated to those funds which are required by law, local ordinance, administrative action or agreements to receive interest. Such allocation is made quarterly, at a minimum, based on the weighted average cash balances in each fund receiving interest. Interest income from cash and investments which are restricted is credited directly to the related fund.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statement as follows:

Statement of net position:  Cash and investments  Cash and investments held by fiscal agent	\$104,655,773 43,554,049
Total cash and investments	\$148,209,822
Cash and investments as of June 30, 2014 consist of the following: Cash on hand (Petty Cash) Deposits with financial institutions Deposits held by other governmental agencies Investments	\$1,177 11,983,894 38,035,613 98,189,138
Total cash and investments	\$148,209,822

#### GASB Statement No. 31

The Agency adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 established fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the agency reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

#### <u>Investments and Interest Receivable - Restricted</u>

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents. Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Capacity Reimbursement Account (CCRA) fees collected on behalf of the Agency to fund regional wastewater capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention. Construction contract retentions are included in Non-current assets within the Restricted Assets category on the Statement of Net Position.

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

The table below identifies the investment types that are authorized by the California Government Code Section 53601 and the Agency's investment policy (where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

The table does not address investment of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum <u>Maturity</u>	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
Local Agency Investment Pools	N/A	\$20M/Acct	None
Bank Deposits	N/A	None	None

#### **Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by the provisions of the Agency's debt agreements, rather than the general provision of the California Government Code or the Agency's Investment Policy.

The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address quality of risk, interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Bankers Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase Agreements	Α	30 days	None	None
LAIF	None	N/A	None	None

#### <u>Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations</u>

The Agency does not have any investments with fair values highly sensitive to interest rate fluctuations.

#### **Investment Pool Oversight**

#### **Local Agency Investment Fund (LAIF)**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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 basis.

#### <u>Investment in Investment Trust of California (CalTRUST)</u>

The Agency is a voluntary participant in the CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. Seg. and 53635, et. seg. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced on a daily basis on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

#### **Deposits**

At June 30, 2014, the carrying amount of the Agency's deposits was \$11,983,894 and the bank balance was \$12,670,529. The \$686,635 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure public agencies deposits by pledging government securities with a value of 110% of a public agency's deposits. California law also allows financial institutions to secure entity's deposits by pledging first mortgage notes having a value of 150% of the Agency's total deposits. California law also allows financial institutions to secure Entity deposits by pledging first mortgage notes having a value of 150% of the District's total deposits. The collateral for deposits in federal and

#### **Deposits** (continued);

state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank of San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agency of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

#### 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. The Agency has no formal policy for managing risks.

Presented below is the minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2014 for each investment type:

		_	Moody's Rating as of June 30, 2014								
Investment Type		Minimum Legal Rating	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated					
Repurchase Agreement	\$25,388,586	N/A	\$0	\$0	\$0	\$25,388,586					
U.S. Agency Securities	11,095,161	N/A	11,095,161	0	0	0					
Medium Term Notes	6,360,871	Α	1,005,900	5,354,971	0	0					
State Municipal Bonds	4,152,254	Α	3,632,295	0	0	519,959					
LAIF	38,759,672	N/A	0	0	0	38,759,672					
Cal Trust	3,528,370	N/A	0	0	0	3,528,370					
CBB Certificate of Deposit	4,150,000	N/A	0	0	0	4,150,000					
Held by Bond Trustee:											
U.S. Agency Securities	4,754,185	N/A	0	0	0	4,754,185					
Money Market Mutual Funds	39	AA-m / Aa2	0	0	0	39					
Total	\$98,189,138	•	\$15,733,356	\$5,354,971	\$0	\$77,100,811					

#### **Concentration of Credit Risk**

The Agency's investment policy contains several limitations on the amount that can be invested with any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pools) that represents 5% or more of the total Agency's investments are as follows:

<u>Issuer</u>	<b>Investment Type</b>	Reported Amount	Percentage
Citizens Business Bank	Repurchase Agreement	\$25,388,586	25.9%
FHLB	U.S. Agency Securities	\$5,591,996	5.7%

#### **Custodial Credit Risk**

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover 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 the failure of the counterparty (e.g., broker-dealer) to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are in the possession of another party. The California Government Code and the Agency'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 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure Agency deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

The investment in the repurchase agreement is uninsured with the collateral for the repurchase agreement held in the name of the bank and not in the name of the Agency.

For investments identified as held by bond trustee, the trustee selects the investments under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the Agency.

#### **Interest Rate Risk**

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate 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. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to

#### **Interest Rate Risk**

securities with a final state maturity not to exceed five years. The Agency manages its exposure to interest rate risk is by purchasing a combination of short term and long term investments. Investment maturities are spread out evenly to provide the cash flow and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2014, the Agency had the following investments and original maturities:

Remaining Maturity (in Months)
--------------------------------

Investment Type	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	Fair Value
Repurchase Agreement	\$25,388,586	\$0	\$0	\$0	\$25,388,586
U.S. Agency Securities	0	0	7,504,565	3,590,596	11,095,161
Medium Term Notes	2,346,341	3,017,770	996,760	0	6,360,871
State Municipal Bonds	3,105,514	1,046,740	0	0	4,152,254
State Investment Pool	38,759,672	0	0	0	38,759,672
Cal Trust	3,528,370	0	0	0	3,528,370
CBB Certificate of Deposit		4,150,000			4,150,000
Held by Bond Trustee:					
Money Market Mutual Fund	39	0	0	0	39
U.S. Treasuries	4,754,185	0	0	0	4,754,185
Total	\$77,882,707	\$8,214,510	\$8,501,325	\$3,590,596	\$98,189,138

#### (4) Deferred Compensation Plan

The Agency established a Deferred Compensation Plan for employees in December 1977. Under this plan, employees may choose to defer income until retirement or termination. All deferred wages are credited to the participating employee accounts. Internal Revenue Code Section 457 currently requires that plan assets be held in trust for the exclusive benefit of the participants and their beneficiaries. Investments in the Deferred Compensation Plan are held by a fiscal agent in investment options chosen by the participants. The Agency makes no contributions under this plan.

In fiscal year 1997/98, the Board of Directors adopted a resolution to establish another Deferred Compensation Plan that is a qualified plan under the IRC Section 401(a). Each participant is expected to contribute up to 10% of their employee's earnings up to a maximum of \$52,000 for 2014. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current IRS regulations once an employee elects to participate in the plan, he/she cannot change his/her contribution amount or withdraw from the plan until he/she leaves Agency employment.

#### (4) Deferred Compensation Plan (continued):

The Agency adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans." The implementation of GASB Statement No. 32 requires the Agency to change its accounting for its Deferred Compensation Plan to exclude it from the financial statements, since the Agency neither has custody of the plan assets, nor directs or accounts for the plan investments. The Deferred Compensation Plan had been included as an asset and liability prior to July 1, 1998.

#### (5) Defined Benefit Pension Plan

#### **Plan Description**

The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. The Agency's defined benefit pension plan is identified as the Miscellaneous Plan of the Inland Empire Utilities Agency (Agency's Plan). PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the state of California.

Benefit provisions, and all other requirements, are established by State statutes within the Public Employees' Retirement Law. The Agency's Plan selects optional provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 "Q" Street - Sacramento, CA 95811.

#### **Funding Policy**

Effective October 2, 2011, Agency employees hired before January 1, 2012 shall contribute 2% of their annual PERS reportable covered salary to CalPERS. The Agency will contribute the remaining 6% for a total contribution of 8%. For all employees hired on or after January 1, 2012, the employee shall contribute 3% of their annual compensation to CalPERS. The Agency will contribute the remaining 4% for a total contribution of 7%. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the retirement benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

All full-time Agency employees participate in CalPERS with benefits vesting after five years of CALPERS related service. For each year of service credit, Agency employees hired prior to January 1, 2012 and who retire at or after age 55 are eligible for annual retirement benefits, payable monthly for life, in an amount equal to 2.5% of their average salary during the period of 12 consecutive months in which they earned their highest salary. For employees hired on or after January 1, 2012, the Agency contracts with CalPERS for a second tier pension plan which provides for the 2.0% @ 55 Benefit Formula with highest average monthly pay rate for a 3 year period. Employees hired after January 1, 2013, and defined as "new members" under the Public Employees' Pension Reform Act of 2013 ("PEPRA"), Government Code section 7522, et seq., will receive the 2% @ 62 Benefit Formula and will pay one half (1/2) of their total normal cost rate as determined by CalPERS.

#### (5) Defined Benefit Pension Plan (continued):

#### **Annual Pension Costs**

Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011.

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014. The Agency's annual pension cost for the fiscal year ended June 30, 2014 was \$4,769,984.

A summary of the principle assumptions and methods used to determine the annual required contribution are shown below.

Valuation Date June 30, 2011

Actuarial Cost Method Entry Age Normal Cost Method Amortization Method Level Percentage of Payroll

Average Remaining

Period 24 Years as of the Valuation Date

Asset Valuation Method 15 Year Smoothed Market

Actuarial Assumptions Investment Rate of

Return 7.50% (net of administration expenses)
Projected Salary Increases 3.30% to 14.20% depending on Age,

Service, and type of employment.

Inflation 2.75% Payroll Growth 3.00%

Individual Salary Growth A merit scale varying by duration of

employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

#### Three-vear Trend information for the IEUA CalPERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$4,976,080	100%	0
6/30/2013	4,875,602	100%	0
6/30/2014	4,769,984	100%	0

#### (5) Defined Benefit Pension Plan (continued):

#### **Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the plan was 71.7% funded. The actuarial accrued liability for benefits was \$138,490,379 and the actuarial value of assets was \$99,338,537, resulting in unfunded actuarial accrued liabilities (UAAL) of \$39,151,842. The covered payroll (annual payroll of active employees covered by the plan) was \$22,377,620, and the ratio of the UAAL to the covered payrolls was 175.0%.

#### (6) Risk Management

The Agency 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. During fiscal year 1985/86, the Agency chose to establish a risk management program for risks associated with all liability losses except workers' compensation losses. These risks are covered by commercial insurance purchased from independent third parties.

- General and auto liability, public officials and employees' error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to \$500,000 per person per occurrence.
- The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to \$25,000.

In fiscal year 1993/94, the Agency adopted a self-insurance program for risks associated with workers' compensation to account for and finance uninsured workers' compensation losses. The Agency uses excess insurance agreements to reduce its exposure to large workers' compensation losses.

Excess insurance permits the recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks.

■ The Agency purchases commercial insurance coverage for that portion of workers' compensation claims exceeding the California statutory limits of \$1,000,000 per person per occurrence. The current commercial insurance provides coverage for workers' compensation claims up to \$25,000,000. The Agency does not report excess insurance risks as liabilities unless it is probable that those risks will not be covered by the excess insurance.

In addition to the above, the Agency has the following insurance coverage:

- Employee dishonesty coverage up to \$50,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$1,000 per occurrence.
- Property damage has a \$1,000,000,000 per occurrence coverage limit, subject to a \$25,000 deductible per occurrence. All other claims categories provide coverage up to \$800,000,000 on an annual aggregate basis.

#### (6) Risk Management (continued):

■ Boiler and machinery coverage for the replacement cost up to a shared limit of \$500,000,000, subject to various deductibles depending on the type of equipment.

Insurance premiums are paid into the Administrative Services Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the programs. The total is calculated using trends in actual claims experience. The allocation is based upon the percentage of each fund's current payroll as it relates to the total payroll of the Agency. These allocated interfund premiums are used to reduce the amount of claims expenditure reported in the Administrative Services Fund.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2014, 2013, and 2012. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

#### **Claim Liabilities**

Claim liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNRs). A negative amount reflects a current year change in the estimated unpaid claims balance at the beginning of the year. Claim liabilities are calculated considering effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The liability for claims and judgments is reported in the accrued liabilities.

Changes in the balances of workers' compensation and general liability claims during the past two fiscal years were as follows:

	Worker's Cor	mpensation	General Liability				
	2013/14	2012/13	2013/14	2012/13			
Unpaid Claims, beginning of fiscal year	\$263,382	\$399,739	\$500,000	\$500,000			
Incurred claims (including IBNRs)	76,768	(93,227)	14,998	13,328			
Claim payments	(110,792)	(43,130)	(14,998)	(13,328)			
Unpaid claims, end of fiscal year	\$229,358	\$263,382	\$500,000	\$500,000			

#### (7) Changes in Capital Assets

#### **Jobs in Progress**

At the Fiscal Year ended June 30, 2014, the Agency had several jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the amendments to the Recycled Water Business Plan adopted in December 2007. Other significant projects are also underway to expand, improve and refurbish existing treatment facilities in the Agency's Regional Wastewater Program, including the disposition of wastewater by-products and provide for ancillary facilities that support operating activities.

Other Projects (less than \$1,000,000 each)	\$17,287,128
RP1 Dewatering Facility Expansion	29,512,229
CCWRF RW Pump Station Expansion	10,230,862
930 Zone RW Pipeline Construction	8,017,189
930 Zone RW Reservoir Construction	6,349,167
RP-1 Asset Replacement	3,561,641
Wineville Extension Recycled Water Pipeline	2,303,034
RP1 Flare Boiler Replacement	1,952,402
Central Plant for the New Operations Lab	1,876,784
RP-2 Digester No. 4 Dome Improvements	1,405,743
HVAC & Server Room Fire Suppression Improvement	1,321,797
FY07/08 -FY09/10 Multi-Family Direct	1,129,366
Total jobs in progress	\$84,947,342

### (7) Changes in Capital Assets (continued):

The following is a summary of jobs in progress, property, plant and equipment, and intangible assets at June 30, 2014:

#### **Capital Assets**

Capital Assets	Balance at 6/30/13 As Restated	Additions	ransfers & letirements	Ва	llance at 6/30/14	ccumulated preciation at 6/30/14	Net Book Value at 6/30/14
Capital assets-not being depreciated:							
Land	\$ 14,067,874	\$ -	\$ -	\$	14,067,874	\$ -	\$ 14,067,874
Jobs in progress	74,766,321	35,522,006	(25,340,985)		84,947,342	-	84,947,342
Total capital assets, not being depreciated	\$ 88,834,195	\$ 35,522,006	\$ (25,340,985)	\$	99,015,216	\$ -	\$ 99,015,216
Capital assets- being depreciated:							
Interceptors, trunk lines and inter-ties	\$ 36,078,588	\$ -	\$ -	\$	36,078,588	\$ (9,123,088)	\$ 26,955,500
Office facilities	12,076,617	-	-		12,076,617	(2,469,806)	9,606,811
Collection, outfall, and transmission lines	121,430,653	744,855	-		122,175,508	(65,226,463)	56,949,045
Reservoirs, settling basins, ponds, and chlorination stations	109,292,980	5,801,126	(105,285)		114,988,821	(24,187,697)	90,801,124
Recycled water distribution systems	117,516,089	1,663,913			119,180,002	(14,943,016)	104,236,986
Treatment plants, pump	254,737,392	3,977,113	(10,532)		258,703,973	(110,707,427)	147,996,546
stations and office buildings							
Equipment	154,927,923	6,730,689	(884,119)		160,774,493	(84,590,904)	76,183,589
Land improvement	20,397,734	5,579,814	-		25,977,548	(8,981,503)	16,996,045
Total capital assets, being depreciated	\$ 826,457,976	\$ 24,497,510	\$ (999,936)	\$	849,955,550	\$ (320,229,904)	\$ 529,725,646
Less accumulated depreciation for:							
Interceptors, trunk lines and inter-ties	\$ (8,285,334)	\$ (837,754)	\$ -	\$	(9,123,088)		
Office facilities	(2,230,771)	(239,035)	-		(2,469,806)		
Collection, outfall, and transmission lines	(61,359,809)	(3,866,654)	-		(65,226,463)		
Reservoirs, settling basins, ponds, and chlorination stations	(21,515,199)	(2,699,261)	26,763		(24,187,697)		
Recycled water distribution systems	(12,243,884)	(2,699,132)	-		(14,943,016)		
Treatment plants, pump	(104,191,823)	(6,515,604)	-		(110,707,427)		
stations and office buildings	,	* * * *			,		
Equipment	(72,200,613)	(13,109,407)	719,116		(84,590,904)		
Land improvement	(8,009,212)	(972,291)	-		(8,981,503)		
Total accumulated depreciation	\$ (290,036,645)	\$ (30,939,138)	\$ 745,879	\$	(320,229,904)		
Total capital assets, being depreciated, net	\$ 536,421,331	\$ (6,441,628)	\$ (254,057)	\$	529,725,646		
Total capital			(05 505 6:5)				
assets-Enterprise Funds, net	\$ 625,255,526	\$ 29,080,378	\$ (25,595,042)	\$	628,740,862		

#### (7) Changes in Capital Assets (continued):

#### **Intangible Assets**

Intangible Assets	Balance at 6/30/13		Additions		Transfers & Retirements		Balance at 6/30/14		Accumulated Amortization at		Value at
Intangible assets-being amortized:											
Computer Software	\$	10,021,801	\$	714,154	\$	-	\$ 10,735,955	\$	(5,241,694)	\$	5,494,261
Contribted Capital-Lease		-		129,324.00		-	129,324.00		(3,233.00)		126,091.00
Metropolitan Water District connections		198,891.00		-		-	198,891.00		(173,035.00)		25,856.00
Corps of Engineers-Cucamonga Creek		43,489.00		-		-	43,489.00		(25,579.00)		17,910.00
San Bernardino County Flood Control- Chino Road Barrier		48,078.00		-		-	48,078.00		(16,829.00)		31,249.00
County Sanitation Districts of Los Angeles		39,393,542.00		-		(39,393,542.00)	-		-		-
County's facilities and capacity rights											
Santa Ana Watershed Project Authority capacity rights		12,467,002.00		-		-	12,467,002.00		(6,097,163.00)	6	5,369,839.00
Organization and master planning		1,939,805.00		-		-	1,939,805.00		(614,542.00)	1	,325,263.00
Total intangible assets being amortized	\$	64,112,608	\$	843,478	\$	(39,393,542)	\$ 25,562,544	\$	(12,172,075)	\$	13,390,469
Less accumulated amortization for:											
Computer Software	\$	(4,230,991)	\$	(1,010,703)	\$	-	\$ (5,241,694)				
Contribted Capital-Lease		-		(3,233.00)			(3,233.00)				
Metropolitan Water District connections		(169,057.00)		(3,978.00)		-	(173,035.00)				
Corps of Engineers-Cucamonga Creek berm		(24,709.00)		(870.00)		-	(25,579.00)				
San Bernardino County Flood Control- Chino Road Barrier		(15,226.00)		(1,603.00)		-	(16,829.00)				
County Sanitation Districts of Los Angeles County's facilities and capacity rights	(	14,507,546.00)		-		14,507,546.00	-				
Santa Ana Watershed Project Authority capacity rights		(5,799,578.00)		(297,585.00)		-	(6,097,163.00)				
Organization and master planning		(577,067.00)		(37,475.00)		-	(614,542.00)				
Total accumulated amortization	\$	(25,324,174)	\$	(1,355,447)	\$	14,507,546	\$ (12,172,075)				
Total intangible assets-Enterprise Funds, net	\$	38,788,434	\$	(511,969)	\$	(24,885,996)	\$ 13,390,469				
Total capital assets- Enterprise Funds, net	<u> </u>	\$663,253,960		\$29,358,409		(\$50,481,038)	\$642,131,331				

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2014 (rounding difference.) For the Fiscal year ended June 30, 2014, depreciation was \$30,939,138 and amortization expense was \$1,355,447.

Ending balance of accumulated depreciation for intangible assets has been adjusted to the Statement of Net Assets for 2014 (rounding difference).

Due to the expiration of the contract with County Sanitation District of Los Angeles, related to the facilities and capacity rights, the entire value of the intangible asset of net book value of 24.9 million has been amortized in FY 2013/14.

#### (8) Construction Commitments

The Agency is committed to several material construction contracts. Total outstanding obligations were \$6,152,954 at June 30, 2014. Some of the more significant contracts are as follows.

There are several projects on-going throughout the Agency's regional plants, with three Agency wide projects on-going with contract balances totaling \$2,836,525; two major recycled water projects on-going totaling \$2,428,648; one major project on-going at RP-1 with a contract balance totaling \$608,351; two major projects on-going at the Carbon Canyon facility totaling \$215,840; two Recharge Facilities Improvement projects totaling \$47,000; one upgrade at RP-2 with a contract balance totaling \$12,656; and one upgrade at the Agency's headquarters with a contract balance of \$3,934 at June 30, 2014.

The major projects include:

- 930 Zone Recycled Water Pipeline Construction EN13023. This project is located northeast of the intersection of Galloping Hills Road and Buckhaven Road, in Chino Hills, California. The installation of 13,000 linear feet of 30-inch 930-zone recycled water pipeline will connect the proposed 5.0 reservoir and the Carbon Canyon Water Reclamation Facility (CCWRF) Recycled Water Pump Station. The transmission line will also have numerous direct connections to serve approximately another 300 acre-foot per year (AFY) to recycled water customers. This project has an outstanding obligation of \$2,346,128.
- Montclair Lift Station Upgrades EN13054. Operations diverted additional flow to RP-1 to accommodate demand for the recycled water at the southern service areas of IEUA. This additional flow also generated a ragging problem at the Montclair Pump Station, requiring frequent de-ragging of the pumps. The goal is to modify the operations of the pumps, and ramp the pump speeds several times during each day, in an attempt to eliminate the ragging problem. This project has an outstanding obligation of \$1,649,136.
- Philadelphia Pump Station Upgrades EN11035. This project will address, fix and mitigate several problems at the Philadelphia Pump Station. The walls and floor surfaces will be recoated with a strong resin. The existing T-Lock will be removed, all cracks filled and cured, and a new T-Lock installed. A shade structure will be installed above the existing 30 inch PVC pipe which by-passes the outside of the pump station. And, an isolation gate will be installed. This project has an outstanding obligation of \$1,173,770.
- RP-1 Aeration Ducting EN12022. Many of the standard compression couplings are leaking on the RP1 distribution header pipeline. The agency will repair aeration header air leaks as identified throughout the RP-1 Aeration Basin Treatment Systems (Systems A, B, C and common header pipelines). The identified compression couplings will be replaced with flanged expansion joints. In addition, full construction documents will be prepared to replace 39 compression couplings of assorted sizes within the Aeration System. This project has an outstanding obligation of \$608,351.
- Carbon Canyon Recycled Water Pump Station Expansion EN07010. This project will include construction of the Chino Hills reservoir and pipeline to have approximately 9.5 Million Gallon (MG) capacity, and 21,500 linear feet of 36-inch pipeline, respectively. The project will allow for recycled water to be stored and distributed to the City of Chino Hills. It is the backbone of the Chino Hills Recycled Water system, and consists of a 5 MG reservoir located within the corporate limits of Chino Hills, and the feeder line approximately 12,500 feet in total length from the proposed reservoir to an existing connection point located at the northeast quadrant of the San Antonio Channel Crossing and Chino Hills Parkway.

#### (8) Construction Commitments (continued):

The project has an outstanding obligation of \$202,582.

- 930 Zone Recycled Water Reservoir Construction EN13022. A 5 MG storage reservoir will be constructed in the City of Chino Hills. Since the recycled water use has continued to increase in the Cities of Chino Hills, and Ontario, additional storage is needed to serve these growing demands more reliably. This project has an outstanding obligation of \$82,520.
- Turner 1 Turnout EN13029. This project is to construct the new turnout within Basin 1. It will be approximately 200 linear feet of 16-inch steel pipe which will supply 10 cubic feet per second of water to the basins. An automated control valve and flow metering will also be provided for remote operation of the facility. The construction will also include modification of the existing drop-inlet structure within Deer Creek Channel which is north of Basin 4. This construction will provide a bypass which will be constructed within Deer Creek Channel. This project is part of the Turner Basin Recharge Improvement project which is funded partially by the United States Bureau of Reclamation (USBR.) The project has a contract with an outstanding obligation of \$23,500.
- Turner Basin Recharge Improvements WR11017. IEUA, San Bernardino County, and several local and regional stakeholders developed the West End Conservation and Groundwater Task Force, for the development of a comprehensive plan that will guide future improvement efforts of the Turner / Guasti site. To-date, the Task Force has developed the Turner Basin / Guasti Park Multi-Use Project Implementation. This project is to excavate and enlarge one of the basins which have been identified as a high priority by Chino Basin Watermaster (CBWM). CBWM will reimburse half of the design and environmental work for this phase. The City of Ontario has identified an opportunity to complete the rough grading for free by allowing a contractor to remove fill dirt for a transportation project that the City is conducting a few miles away. The next phase of the project will be a feasibility / planning study for the entire site, including construction or enlargement of several other recharge basins, appurtenances to allow more recycled water and storm water to be captured and recharged, wetlands, and educational opportunities. The project has an outstanding obligation of \$23,500.
- Casing Extension for Regional and NRW Pipeline-Union Pacific Railroad EN11044. This project consists of consulting engineering design, staff review, permit application, and construction to extend the casing on the existing IEUA pipeline which crosses the Union Pacific Railroads right-of-way project. This project has an outstanding obligation of \$13,619.
- Carbon Canyon 12KV Switchgear Repair EN11032. This project entails assessment, repair and construction of rain protection for the Carbon Canyon Facility 12KV switchgear. The project has an outstanding obligation of \$13,258.
- RP-2 Digester No. 4 Dome Improvements EN13049. This project is located in Chino at the intersection of El Prado and Pine Avenues. The scope of this project is to deliver and install the system components required to convert the RP-2 Digester No. 4 floating dome to a fixed dome permanently attached to the digester wall. The structural system includes gravity load bearing columns and seismic lateral load supports; anchors and restraints; sealing annular space between the digester dome skirt and the digester wall; raising the steel dome to a high enough level to perform the construction work, and lowering it back onto the

#### (8) Construction Commitments (continued):

- supporting steel columns to the permanent fixed position; removal of the digester roof top platforms and stairs, and installation of guard railing; removal of existing dome guide rails and rollers; coating of surfaces damaged during welding; and coating all new structural steel components and hardware in accordance with the Contract documents. This is a "confined space" project that must comply with Cal-OSHA rules and regulations, and all other applicable codes and standards. The project has an outstanding obligation of \$12,656.
- Headquarters Building Central Plant Improvements EN11051. The scope of this project includes the central plant air conditioning system upgrades and modifications; the installation of the backup equipment for the existing chiller system; and, upsizing the system to accommodate the new central lab building which will be located south of the Agency's headquarters. The project has an outstanding obligation of \$3,934.

#### (9) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

At June 30, 2014, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with worker's compensation and general liability matters. Based on legal counsel's opinion, the potential losses and/or resolutions of these cases will not materially affect the financial condition of the Agency.

#### (10) Long-Term Receivables

#### Niagara Bottling, L.L.C.

In March 2004, the Agency entered into an agreement with Niagara Bottling, L.L.C. for the construction of a Non-reclaimable Wastewater (NRW) lateral pipeline with a not-to-exceed cost of \$250,000. Niagara is responsible for reimbursing the Agency in equal monthly installments over a ten (10) year period with interest added at 3% per annum. As of June 30, 2014, there is no long term receivable from Niagara Bottling, L.L.C.

#### City of Ontario

On June 4, 2004, the Agency entered into an amendment to its original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project. The project was completed on March 31, 2008, and as of June 30, 2014, the receivable amount is \$2,775,563 and is recorded in the Regional Wastewater Capital Improvement (RC) Fund.

#### **Monte Vista Water District**

On February 2, 2008, the Agency entered into an agreement with Monte Vista Water District (MVWD) for the construction of the regional recycled water distribution system that resides within the MVWD service area. Monte Vista Water District agrees to reimburse the Agency \$1,068,418 for the construction costs, payable yearly beginning June, 2009, plus interest at an annum rate of

#### (10) Long-Term Receivables (continued):

#### Monte Vista Water District (continued):

2.2% for 20 years. As of June 30, 2014, the long term receivable amount is \$746,031, and is recorded in the Recycled Water (WC) Fund.

#### Cucamonga Valley Water District

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. Cucamonga Valley Water District agrees to reimburse the Agency \$690,648 for the construction costs, payable yearly beginning June, 2011, plus interest at an annum rate of 0.74% for 20 years. As of June 30, 2014, the long term receivable amount is \$518,817, and is recorded in the Recycled Water (WC) Fund.

#### **Bellevue Memorial Park**

On June 2008, the Agency entered into an agreement with Bellevue Memorial Park for the construction of retrofit improvements for the use of recycled water. Bellevue agreed to reimburse the Agency \$850,000 for construction costs to be paid over a 5 year period. The monthly installments began on September 2009, and include interest charged on the outstanding principal of an annum rate of 4.85% interest annually for 5 years. As of June 30, 2014, there is no long term receivable.

#### **Chaffey Joint Union High School District**

On September 2008, the Agency entered into an agreement with Chaffey Joint Union High School District for the construction of retrofit improvements for the use of recycled water. The Chaffey Joint Union High School District agreed to reimburse the Agency \$235,718 for construction costs to be paid over a 5 year period. The annual installments began on May 2010 and to continue through May 2014. As of June 30, 2014, there is no long term receivable.

On February 2012, the Agency entered into an amendment with Chaffey Joint Union High School District for two additional retrofit construction sites, the Valley View High School for \$78,953 and the Alternate Education Center for \$48,134. The Chaffey Joint Union High School District agreed to reimburse the Agency for construction costs for both sites over a 5 year period, with annual installments starting on February 2012 and continuing through February 2016. As of June 30, 2014, the receivable amount of \$15,790 for the Valley View High School retrofit and \$9,627 for the Alternate Education Center are recorded in the Recycled Water (WC) Fund.

#### (11) Joint Ventures - Long-Term Agreements

The Agency participates in the following joint ventures with other districts and agencies for various water projects and operating facilities in Southern California.

#### Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the

#### Santa Ana Watershed Project Authority (continued):

Santa Ana River Watershed. SAWPA is composed of the five water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agency. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of ten. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each Agency based on the general or specific nature of the project or study. Financial data is available at the Agency's main office.

Audited financial information for the operation of SAWPA as of and for the fiscal years ended June 30, 2014 is summarized as follows:

	2014			2013
Total assets	\$	177,502,546		\$ 185,611,542
Total liabilities		110,906,578		117,951,098
Total net position		66,595,968		67,660,444
Total revenues		14,329,188		15,507,129
Total expenses		(15,393,664)		(14,905,849)
Net change in net position	\$	(1,064,476)		\$ 601,280

Significant agreements that the Agency entered into with SAWPA (and the related costs), which are classified as intangible assets, are as follows:

Non-reclaimable Wastewater Brine Line Interceptor - In April 1972, the Agency entered into a contract with the County Sanitation Districts of Orange County (CSDOC) for the construction of a 30 million gallon per day (mgd) increment of capacity in a brine removal interceptor, to be constructed by CSDOC from Fountain Valley to the Orange/San Bernardino County line. SAWPA completed construction of the 30 mgd interceptor from that point through Prado Dam. Under Project Agreement #1, this 30 mgd capacity was assigned to SAWPA, with the Agency retaining rights to use up to 11.25 mgd of this capacity. The Agency's share of the construction costs not funded by grants was \$1,179,204.

Over the course of time, the Agency has purchased capacity from SAWPA in the Santa Ana Regional Interceptor (SARI) System, now called Inland Empire Brine Line (IEBL).

As of June 30, 2005, the Agency has 4.0 mgd IEBL pipeline and 2.25 treatment capacity. This consisted of the following:

# Santa Ana Watershed Project Authority (continued):

- A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Non-reclaimable Capital Improvement (NC) Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of \$2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
- B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
- C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement (RC) Fund 1.5 mgd of IEBL I pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of .4 mgd IEBL discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of IEBL pipeline and 1.5 mgd capacity is \$4,650,970. Subsequent annual capital replacement and supplemental costs were \$1,442,010, which brought the total expenditures to \$6,092,980 as of June 30, 2001.
- D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of IEBL pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Wastewater Capital Improvement (RC) Fund, purchased .5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-reclaimable Capital Improvement (NC) Fund. The total cost of the purchase was \$5,625,000, with a 5% down payment. The balance is payable over 20 years with a zero interest rate, and has been discounted by \$2,095,253 at an imputed interest rate of 6%.
- E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of IEBL pipeline capacity from SAWPA. The purchase price was \$3,750,000, and is recorded in the Non-reclaimable Wastewater (NC) Fund. The agreement called for a 5% down payment of \$187,500, and the balance of \$3,562,500 to be financed by SAWPA for a 20 year-period at a 6% interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of \$2,961,171 plus accrued interest of \$167,935.
- F) On April 21, 2004, the Agency Board of Directors approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority (CDA). The sale price totaled \$14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with \$4.73 million going to the Regional Wastewater Capital Improvement (RC) Fund and \$9.52 million going to the Non-reclaimable Wastewater (NC) Fund.

#### Chino Basin Desalter

The Chino Basin Desalter Authority (CDA) was formed in September, 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from Santa Ana Watershed Project Authority (SAWPA) Project #14. The purchase was consummated in February, 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency (IEUA). IEUA serves as a non-voting member and provides finance and administration support for the JPA, as well as operational support for the Desalter 1 facility. In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2014, Desalter 1 and Desalter 2 delivered a total of 25,559 acre feet of water. Financial data is available at the CDA's main office located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

## **Inland Empire Regional Composting Authority**

In February 2002, the Agency entered into a Joint Power Authority Agreement (JPA) with the County Sanitation District No. 2 of Los Angeles County (CSDLAC) to form the Inland Empire Regional Composting Authority (IERCA). The purpose of the JPA is to build and operate a fully enclosed biosolids composting facility. The JPA Agreement calls for a 50/50 share of all costs related to the activities of the JPA.

Prior to the JPA Agreement, the two partners entered into a separate agreement in December, 2001 to acquire real property for proposed joint use. As a result of this agreement, a piece of property and building in the City of Rancho Cucamonga, adjacent to IEUA's Regional Plant No. 4 (RP-4) was acquired in December, 2001 at a cost of \$15,116,229. Subsequent to the property acquisition, preliminary and final designs were launched to modify the building. The facility started operation in FY 2006/2007 and is staffed by twenty-four full time IEUA employees who provide all operational activities including production, maintenance, safety and industrial hygiene training, and sales and administration. The IERCA reimburses IEUA 100% of employment costs. A tipping fee is paid by JPA partners for biosolids deliveries to IERCA, to recover O&M and R&R costs. The agency records biosolids tipping fees in RO fund.

As of June 30, 2014, the Agency's equity share is \$46,441,872 recorded in the Regional Wastewater Capital Improvement (RC) Fund. There was an additional write-down of \$50,586 (50% of the Agency's equity share) of the JPA's net position at June 30, 2014; this reduction is recorded in the non-operating expenses on the statement of revenues in RC Fund. The Agency records the JPA labor costs for operating the facility in the RO Fund. IERCA financial data is available at the Agency's main office.

#### Santa Ana River Watermaster

The Santa Ana River Watermaster (hereafter referred to as Watermaster), was formally established on April 23, 1969 as part of a judgment resulting from a lawsuit by the Orange County Water District, filed with the Superior Court of California in the County of Orange, California. The Watermaster primarily administers the provisions of the judgment as well as, develops and implements its own basin management plan. Each year, the Watermaster is required to issue a report to satisfy its obligation to monitor and test water flows from the Upper Area to the Lower

# Santa Ana River Watermaster (continued):

Area of the Santa Ana River.

The Watermaster represents the four water districts identified below and is composed of a committee of five representatives from the four water districts. Two representatives serve from Orange County Water District (OCWD) and one representative from the Inland Empire Utilities Agency (the Agency), Western Municipal Water District (WMWD) and the San Bernardino Valley Municipal Water District (SBMWD). Representation is based on percentages as defined by adjudication of the Santa Ana River Watermaster.

Costs and expenses incurred by the individual representatives are reimbursed directly from their respective water districts. Collective Watermaster costs and expenses are budgeted and funded by contributions from the four water districts. Financial data is available at the Agency's main office. The Agency's share of assets, liabilities, fund equity and changes therein during the year is 20 percent.

Participants in the Watermaster make contributions, based upon their percentages as defined by adjudication of the Santa Ana River Watermaster, as follows:

Total	<u>100%</u>
San Bernardino Valley Municipal Water District	20%
Western Municipal Water District	20%
Inland Empire Utilities Agency	20%
Orange County Water District	40%

Financial information for the operation of Watermaster as of and for the fiscal years ended June 30, are summarized as follows:

	2013	2012
Total assets - cash	\$ 12,701	\$ 21,299
Fund balance	12,701	21,299
Total revenues	14,000	14,000
Total expenses	(22,598)	(5,740)
Net increase/(decrease) in equity	\$ (8,598)	\$ 8,260

Santa Ana River Watermaster issues a separate Comprehensive Annual Financial Report. Copies of the report may be obtained upon request to: 380 East Vanderbilt Way, San Bernardino, California 92408-3593.

# (12) Long-term Debt and Notes Payable

#### **Long-term Debt**

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Bonds Payable: 2005A Revenue Bonds (1999 Refinancing)	\$17,645,000	\$0	\$1,445,000	\$16,200,000	\$1,505,000	\$14,695,000
2008A Revenue Bonds 2008B Variable Rate	125,000,000	0	0	125,000,000	0	125,000,000
(2002 A Refinancing)	47,575,000	0	1,725,000	45,850,000	1,790,000	44,060,000
2010A (1994 Refunding)	38,460,000	0	3,700,000	34,760,000	3,810,000	30,950,000
Sub-total	228,680,000	0	6,870,000	221,810,000	7,105,000	214,705,000
Bond Premium	7,337,294	0	542,976	6,794,318		6,794,318
	\$236,017,294	\$0	\$7,412,976	\$228,604,318	\$7,105,000	\$221,499,318

## 2005A Revenue Bonds

On May 1, 2005, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Authority Revenue Bonds, Series 2005A in the amount of \$24,735,000.

- The bonds were issued to refund a portion of the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 1999.
- The bonds maturing through 2023 are Insured Serial Bonds payable in annual installments ranging from \$1,390,000 to \$2,120,000 with interest rates from 3.00% to 5.00%. The balance outstanding at June 30, 2014 is comprised of the principal of \$16,200,000, plus a bond premium of \$368,013 for a net balance of \$16,568,013.

#### 2008A Revenue Bonds

On February 5, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A in the amount of \$125,000,000.

• The Bonds were issued to (i) finance the cost of certain replacements of the Inland Empire Utilities Agency wastewater facilities and certain improvements to the wastewater recycled water and non-reclaimable wastewater facilities, (ii) to refund the outstanding Chino Basin Regional Financing Authority Commercial Paper, (iii) to purchase a debt service surety bond for deposit in the Reserve Fund, (iv) to capitalize interest on a portion of the Bonds, and (v) to pay the cost of issuing the Bonds.

# <u>Long-term Debt</u> (continued):

## **2008A Revenue Bonds** (continued):

- The bonds maturing through 2028 are Serial Bonds payable in annual installments ranging from \$2,620,000 to \$4,305,000 with an interest rate of 5.00%. The bonds maturing through 2034 are Term Bonds payable in annual installments ranging from \$5,495,000 to \$10,735,000 with an interest rate of 5.00%.
- The bonds maturing through 2039 are Term Bonds payable in annual installments ranging from \$11,285.000 to \$13,785,000 with an interest rate of 5.00%. The balance outstanding at June 30, 2014 is comprised of the principal of \$125,000,000, plus a bond premium of \$4,046,914, for a net balance of \$129,046,914.

#### **2008B Revenue Bonds**

On March 1, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Variable Rate Demand Revenue Refunding Bonds, Series 2008B in the total amount of \$55,675,000.

- The Bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a \$700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of \$249,242 of deferred charge on refunding for the Series 2008B Bonds to be amortized through the year 2032.
- The bonds maturing through 2032 are Serial Bonds payable in annual installments ranging from \$1,660,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2014 comprised of the principal amount of \$45,850,000.

#### **2010A Revenue Bonds**

On July 15, 2010, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2010A in the amount of \$45,570,000.

- The Bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 1994 (Chino Basin Municipal Water District Sewer System Project), and (ii) pay the costs of issuing the Bonds. The agency reduced its aggregate debt service payment by almost \$9,434,527 over the next 13 years. Net present value of this economic gain was \$8,022,916.
- The bonds maturing through 2022 are payable in annual installments ranging from \$3,600,000 to \$5,075,000 with an interest rate from 1.35% to 5.00% per annum, payable semi-annually. The balance outstanding on June 30, 2014 is comprised of the principal amount of \$34,760,000, plus unamortized deferred bond premium of \$2,379,391, for a net amount of \$37,139,391.

### **Long-term Debt** (continued):

# **Aggregate Long Term Debt**

As of June 30, 2014, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Interest Payments Payments			Total	
		_		_	
2015	\$ 7,105,000	\$	8,867,744	\$	15,972,744
2016	7,395,000		9,063,588		16,458,588
2017	7,670,000		9,198,475		16,868,475
2018	7,900,000		9,362,906		17,262,906
2019	8,170,000		9,022,088		17,192,088
2020-2024	36,800,000		39,424,450		76,224,450
2025-2029	34,980,000		32,069,126		67,049,126
2030-2034	49,270,000		22,042,152		71,312,152
2035-2039	62,520,000		8,127,250		70,647,250
Subtotal	\$ 221,810,000	\$	147,177,779	\$	368,987,779
Plus: Net Premium	6,794,318.00				6,794,318.00
Total Debt Service Payable	\$ 228,604,318	\$	147,177,779	\$	375,782,097

All bond debt with variable interest rates use 0.2%, the rate in effect as of June 30, 2014.

#### **Debt Covenants**

In accordance with bond covenants, system generated revenues comprised of user charges and connection fees and property tax revenues are pledged to fund bond debt service costs. San Bernardino County property tax revenues are distributed November through June annually. Each fiscal year end the Agency is required to reserve six months of tax receipts to fund debt service requirements due July through November of the following fiscal year. The Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2014. (Refer to the Agency System Total Debt Coverage Ratio schedule in the statistical section).

#### **Notes Pavable**

Summary of notes payable activity for the Fiscal Year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Notes Payable:						
SARI Pipeline Cap. 1.5mgd	\$ 1,125,493	\$ -	\$ 199,659	\$ 925,834	\$ 211,638	\$ 714,196
State Revolving Fund Loan	78,764,115	13,318,529	4,065,123	88,017,521	4,105,253	83,912,268
City of Fontana	7,451,845	-	482,577	6,969,268	482,578	6,486,690
CSDLAC Past 4R's	-	4,089,976	-	4,089,976	643,531	3,446,445
Total Notes Payable	\$87,341,453	\$17,408,505	\$ 4,747,359	\$100,002,599	\$5,443,000	\$94,559,599

# Santa Ana Watershed Project Authority

As a result of the purchase of 1.5 mgd SARI pipeline capacity from the Santa Ana Watershed Project Authority (SAWPA) in Fiscal Year 1997/98, the Agency signed a 20 year term note in the amount of \$5,625,000 with an initial deposit of \$281,250, and zero interest.

The balance of \$5,343,750 is payable in 20 annual installments of \$267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at 6%, to derive a principal balance of \$2,981,310. The seventeenth installment is due on July 15, 2014. This is a combined note payable recorded in the Non-reclaimable Wastewater Capital Improvement (NC) and Regional Wastewater Capital Improvement (RC) Funds.

As of June 30, 2014, the future payments for the remaining note payable obligation by year is as follows:

	Principal		li	mputed		
Year Ending June 30		Payments		Interest		Total
2015	\$	211,638	\$	55,549	\$	267,187
2016		224,336		42,852		267,188
2017		237,796		29,391		267,187
2018		252,064		15,124		267,188
Total SAWPA Note	\$	925,834	\$	142,916	\$1	1,068,751

### **Notes Payable** (continued):

#### State Water Resources Control Board

- The Regional Recycled Water Distribution System Phase I-V projects are in part funded by the State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2007, the five projects in Phase I had been completed and received \$15,141,192 of SRF funding. Payments on SRF loans commence one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%. As of June 30, 2014, the balance is \$9,200,580.
- The RP-1 Pump Station and West Edison SAC Recycled Water Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). The three projects were complete as of June 30, 2010 and have received \$14,752,201 of SRF funding. The current balance as of June 30, 2014 is \$11,163,556.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by the State Revolving Fund (SRF). The three projects were complete as of June 30, 2010 and have received \$10,862,198 of SRF funding, with a current balance as of June 30, 2014 of \$8,181,221.
- The Recycled Water projects included in Phase IV are also in part funded by the State Revolving Fund (SRF). As of June 30, 2012, the four projects were complete and received \$15,061,175 of SRF funding. The current balance as of June 30, 2014 is \$12,833,394.
- The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by the State Revolving Fund (SRF). The project was completed by June 30, 2011 and received \$999,024 of SRF funding. The current balance at June 30, 2014 is \$814,448.
- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by the State Revolving Fund (SRF). As of June 30, 2014, we reflect a current balance of \$17,398,930.
- The Recycled Water Project (Central Area) in Phase X is also partially funded by the State Revolving Fund (SRF). As of June 30, 2014, we reflect a current balance of \$2,841,563.
- The RP-1 Dewatering Facility Expansion project is also in part funded by the State Revolving Fund (SRF). As of June 30, 2014, this project is complete and has received \$27,546,972 of SRF funding, and reflects a current balance of \$24,950,131.
- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2014, 50% of the design phase has been completed and reflects a current balance of \$633,698.

### **Notes Payable** (continued):

# <u>State Water Resources Control Board</u>(continued):

As of June 30, 2014, the future payments for the remaining loan obligations by year are as follows:

	Principal	Interest			
Year Ending June 30	Payments		Payment		Total
					_
2015	\$ 4,105,253	\$	615,610	\$	4,720,863
2016	4,599,769		1,015,595		5,615,364
2017	4,734,665		990,869		5,725,534
2018	4,789,804		935,665		5,725,469
2019	4,846,095		879,374		5,725,469
2020/2024	25,117,042		3,510,341		28,627,383
2025/2029	21,650,955		2,069,493		23,720,448
2030/2034	9,697,065		1,255,086		10,952,151
2035/2039	4,265,794		757,237		5,023,031
2040/2044	3,969,816		245,776		4,215,592
2045/2049	241,263		3,503		244,766
Total SRF Loans	\$ 88,017,521	\$	12,278,549	\$	100,296,070

## City of Fontana

On October 18, 2005, the Agency entered into a reimbursement agreement with the City of Fontana for the design and construction of the San Bernardino Avenue lift station and force main, to convey wastewater to the Agency's regional water recycling facility, located at south of San Bernardino Avenue. The City of Fontana received \$9,577,747 from the State Water Resources Control Board, less \$1,596,323 in deferred interest charges for a net loan amount of \$7,981,424, for the cost of construction. The project was completed by June 30, 2010 and title and ownership of the regional lift station and force main were transferred to the Agency from the City of Fontana.

As of June 30, 2014, the future payments for the remaining note payable obligation by year are as follows:

	Principal	Interest		Interest			
Year Ending June 30	Payments		Amortization		Total		
2015	\$ 482,578	\$	79,824	\$	562,402		
2016	482,578		79,824		562,402		
2017	482,578		79,824		562,402		
2018	482,578		79,824		562,402		
2019	482,578		79,824		562,402		
2020/2024	2,412,890		399,120		2,812,010		
2025/2029	2,143,489		325,016		2,468,504		
Total SRF Loans	\$ 6,969,268	\$	1,123,256	\$	8,092,524		

#### **Notes Payable** (continued):

#### **County Sanitation District of Los Angeles County**

On June 30, 2014, the Agency recorded the reimbursement agreement with the County Sanitation District No. 21 of Los Angeles County (CSDLAC) for the 4R Capital Charges that were allowed to be funded to CSDLAC by State Revolving Fund loans under Prior Contracts. The Agency has agreed to pay CSDLAC the balance in annual installments over a six year term at 2.3% per year interest with the first payment being due July 15, 2014. As of June 30, 2014, the remaining note payable obligation is \$4,089,976.

Year Ending June 30	Principal Payments		
2014	\$	643,531	
2015		658,332	
2016		673,473	
2017		688,963	
2018		704,809	
2019		720,868	
Total CSDLAC Note	\$	4,089,976	

# (13) Arbitrage Rebate Obligation

Arbitrage rebate refers to the required payment to the U.S. Treasury of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. The Agency has elected to have the arbitrage liability calculated annually.

- The 2005A Revenue, 2008A Revenue, 2008B Variable Rate, and 2010A Revenue Bonds are all subject to arbitrage limitations.
- The initial arbitrage rebate on the 2005A Revenue Bonds was calculated in May, 2010.
- On the 2008A and 2008B Bonds, the initial arbitrage rebate will be due in June, 2018.
- The initial arbitrage rebate on the 2010A Bonds will be due in July, 2015.

No arbitrage liability is currently due at June 30, 2014.

# (14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2014, is as follows:

	A 0			
Funds	Re	cycled Water Fund	Total	
Advances From Other Funds:				
Major Funds:				
Regional Wastewater Capital Improvement Fund	\$	3,000,000	\$ 3,000,000	
Non-reclaimable Wastewater Fund		15,000,000	15,000,000	
Total advances	\$	18,000,000	\$ 18,000,000	

#### Regional Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2014, the Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of \$3,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water sales.

## Non-reclaimable Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2014, the Non-reclaimable Wastewater Capital Improvement (NC) Fund reported an advance to the Recycled Water (WC) Fund, in the amount of \$15,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

### (15) Interfund Transfers

The Recycled Water (WC) Fund received debt service support from the Regional Wastewater Capital Improvement (RC) Fund in the amount of \$1,464,622 and \$100,000 in operating support from the Water Resources (WW) Fund.

Non-Major Enterprise Funds received transfers in the amount of \$5,661,083 including \$4,207,017 from the Regional Wastewater Funds. These transfers included \$1,642,858 in capital support from various funds to the Administrative Services (GG) Fund and \$2,700,000 in property tax transfers from the Regional Wastewater Operations & Maintenance (RO) Fund and the Recycled Water (WC) Fund to the GG Fund to partially fund the Agency's pension unfunded accrued liability (UAL). The remaining amount consisted of \$475,873 in debt service support, \$700,000 in operating support, and \$142,352 in capital support to the Recharge Water (RW) Fund.

# (15) Interfund Transfers (continued):

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2014.

	Transf	fers In:		
	Regional Wastewater	Recycled Water	Non-Major Enterprise Funds	Total
Transfers out:				
Regional Wastewater Funds	\$0	\$1,464,622	\$4,207,017	\$5,671,639
Recycled Water Fund	0	0	1,398,209	1,398,209
Non-Major Enterprise Funds	0	100,000	55,857	155,857
Total Transfers	\$0	\$1,564,622	\$5,661,083	\$7,225,705

# (16) Operating Leases

The Agency has two operating leases at June 30, 2014:

- One postage meter lease extending to June 30, 2016.
- One lease for ten copiers at \$23,141 for the year ended June 30, 2014.

Total operating lease costs were \$23,141 for the year ended June 30, 2014. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	<u>Amount</u>
2015	\$23,835
2016	24,550
Total	\$48,385

## (17) Restatement of Net Position and Related Accounts

The Agency did not capitalize the interest related to 2008A bonds to open projects for FY 2012/13; also certain projects were capitalized to construction-in-progress that were not capital assets. The beginning net position has been restated to include these adjustments.

#### Regional Wastewater Capital Improvement Fund

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

# (17) Restatement of Net Position and Related Accounts (continued):

# Regional Wastewater Capital Improvement Fund (continued):

The effects of the restatement of net position are as follows:

Net position as previously reported June 30, 2013 \$342,837,	Net position as previou	sly reported June 30, 2013	\$342,837,591
--------------------------------------------------------------	-------------------------	----------------------------	---------------

Capitalized interest for FY 2012/13 1,082,159
Costs for prior year recorded as capital assets (1,588,203)

Net position as restated, June 30, 2013 \$342,331,547

#### **Recycled Water Fund**

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Not position of	s previously reported June 30, 2013	\$69.646.020
ivet position as	s previousiv reported June 30. 2013	\$69.646.UZU

Capitalized interest for FY 2012/13 1,208,643
Cost for prior year recorded as capital assets (122,182)

Net position as restated, June 30, 2013 \$70,732,481

#### Non -reclaimable Wastewater Fund

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

1161 POSITION AS PIEVIOUSIVIEDONEU JUNE 30, 2013 9123,201,020	Net p	osition as previously	reported June 30, 2013	\$123,287,020
---------------------------------------------------------------	-------	-----------------------	------------------------	---------------

Capitalized interest for FY 2012/13 213,518
Cost for prior year recorded as capital assets (3,932)

Net position as restated, June 30, 2013 <u>\$123,496,606</u>

# (18) Subsequent Event

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 3, 2014, the date the financial statements were available to be issued, and found no other subsequent events.

# Required Supplementary Information

Other Post-Employment Benefits
Schedule of Funding Progress

# INLAND EMPIRE UTILITIES AGENCY REQUIRED SUPPLEMENTARY INFORMATION

# CalPERS Miscellaneous Pension Plan As of June 30, 2014

The Schedule of Funding Progress below shows the recent history of the Entry Age Actual Accrued Liability, Actuarial Value of Assets, the Unfunded Liability (their relationship), Funded Ratio Status (i.e. the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated Annual Covered Payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the Annual Covered Payroll. This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([a - b]/c)
6/30/2011	\$ 122,731,341	\$ 94,418,030	\$ 28,313,311	76.9%	\$ 23,924,612	118.3%
6/30/2012	129,557,136	101,701,391	27,855,745	78.5%	23,644,373	117.8%
6/30/2013	138,490,379	99,338,537	39,151,842	71.7%	22,377,620	175.0%

## **Other Post-Employment Benefit Plan**

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	(Overfunded) Actuarial Accrued Liability (UAAL) (a-	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([a - b]/c)
04/01/09	\$ 13,977,691	-	\$ 13,977,691	0.00%	\$ 24,293,839	57.5%
10/01/11	14,520,001	-	14,520,001	0.00%	23,924,612	60.7%
07/01/13	17,476,486	-	17,476,486	0.00%	23,184,095	76.5%

# INLAND EMPIRE UTILITIES AGENCY SUPPLEMENTARY INFORMATION – ALL FUNDS

# **SUPPLEMENTARY SCHEDULES -**

Non-Major Enterprise Fund Statements.

## INDIVIDUAL FUNDS -

Individual Schedules of all funds are provided as supplementary information.



# INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Position June 30, 2014

	Non-Major Enterprise Fund	
	Water	Recharge
ASSETS	Resources	Water
Current assets		
Cash and investments	\$ 879,078	\$ 2,581,630
Accounts receivable	9,892,889	44,568
Interest receivable	1,123	3,594
Taxes receivable	0	0
Other receivables	25,368	0
Inventory	0	0
Prepaid items	0	0
Total current assets	10,798,458	2,629,792
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	0	859,302
Total restricted assets	0	859,302
Capital assets		
Land	0	0
Jobs in progress	1,463,616	158,119
Capital assets, net of		
accumulated depreciation	20,474	45,206,246
Intangible assets, net of		
accumulated amortization	29,650	30,475
Total capital assets	1,513,740	45,394,840
Total noncurrent assets	1,513,740	46,254,142
Total assets	12,312,198	48,883,934

Α	dministrative	Totals		
	Services	2014	14 2013	
\$	29,220,328	\$ 32,681,036	\$ 31,356,095	
	8,399,594	18,337,051	19,189,337	
	29,948	34,665	35,735	
	38,778	38,778	28,566	
	35,335	60,703	56,971	
	1,616,288	1,616,288	1,533,035	
	112,145	112,145	71,870	
	39,452,416	52,880,666	52,271,609	
	38,178	897,480	865,734	
	38,178	897,480	865,734	
	20.920	20,920	20.920	
	20,829 1,207,689	20,829 2,829,424	20,829 1,858,892	
	1,207,009	2,029,424	1,000,092	
	11,528,334	56,755,054	57,865,136	
	11,020,004	00,700,004	07,000,100	
	4,596,537	4,656,662	5,476,537	
	1,000,001	1,000,002	0,110,001	
	17,353,389	64,261,969	65,221,394	
	,			
	17,391,567	65,159,449	66,087,128	
	56,843,983	118,040,115	118,358,737	
			(continued)	

# INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Position (Continued from previous page) June 30, 2014 (With Comparative Totals for June 30, 2013)

	Non-Major Enterprise Fund		
	Water	Recharge	
LIABILITIES	Resources	Water	
Current liabilities			
Accounts payable	\$ 8,701,659	\$ 138,277	
Accrued liabilities	545,411	102	
Compensated absences	0	0	
Long-term debt, due within one year	0	606,780	
Interest payable	0	690	
Retentions deposits and escrows	0	0	
Total current liabilities	9,247,070	745,849	
Noncurrent liabilities			
Compensated absences	0	0	
Long-term debt, due in more than one year	0	14,936,511	
Net OPEB liability	0	0	
Total noncurrent liabilities	0	14,936,511	
Total liabilities	9,247,070	15,682,360	
NET POSITION			
Net investment in capital assets	1,513,740	30,710,852	
Restricted for:			
Bond operating contingency requirement	0	0	
Total restricted	0	0	
Unrestricted	1,551,388	2,490,722	
Total net position	\$ 3,065,128	\$ 33,201,574	

Ad	dministrative	Totals			Totals	
	Services		2014		2013	
\$	8,947,062	\$	17,786,998	\$	10,421,614	
	2,281,096		2,826,609		10,066,376	
	1,587,969		1,587,969		1,697,226	
	0		606,780		584,746	
	0		690		751	
	38,178		38,178		6,994	
	12,854,305		22,847,224		22,777,707	
	2,456,175		2,456,175		2,220,224	
	0		14,936,511		15,543,291	
	4,355,322		4,355,322		6,833,724	
	6,811,497		21,748,008	-	24,597,239	
	10 665 902		44 E0E 222		47 274 046	
	19,665,802		44,595,232	-	47,374,946	
	17,353,389		49,577,981		49,952,095	
	1,012,683		1,012,683		202,075	
	1,012,683		1,012,683		202,075	
	18,812,109		22,854,219		20,829,621	
\$	37,178,181	\$	73,444,883	\$	70,983,791	
	. , -,	<u> </u>	., ,-,-	<u> </u>	-,,	

## INLAND EMPIRE UTILITIES AGENCY

# Combining Statement of Revenues, Expenses, and

## **Changes in Net Position**

# For the Fiscal Year Ended June 30, 2014

(with Comparative rotals for June 30, 2013)		Non-Major E	nternri	se Funds
	Water		Recharge	
	Resources		Water	
OPERATING REVENUES		100001000		· · · · · · · · · · · · · · · · · · ·
Service charges	\$	4,923,653	\$	0
53 <b>g</b> .0	<u> </u>	.,,==,,==	<u>*</u>	
Total operating revenues		4,923,653		0
OPERATING EXPENSES				
Operations and maintenance		489,856		0
Administration and general		4,532,846		1,141,178
Depreciation and amortization		5,367		1,221,174
Total operating expenses		5,028,069		2,362,352
Operating income (loss)		(104,416)		(2,362,352)
NONOPERATING REVENUES (EXPENSES)				
Interest income		9,215		14,166
Property tax revenue		0		0
Other nonoperating revenues		25,548		1,055,124
Interest on long-term debt		0		(8,565)
Other nonoperating expenses		(219,502)		(83,549)
Total nonoperating revenues (expenses)		(184,739)		977,176
Income (loss) before capital contributions and transfers		(289,155)		(1,385,176)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in		0		1,318,225
Transfers out		(100,000)		0
Capital grants		348,761		0
Change in net position		(40,394)		(66,951)
Total net position - beginning, as restated		3,105,522		33,268,525
Total net position - ending	\$	3,065,128	\$	33,201,574

Administrative	Totals				
Services	2014	2013			
\$ 0	\$ 4,923,653	\$ 4,262,366			
0	4,923,653	4,262,366			
0	489,856	672,907			
3,492,191	9,166,215	5,493,400			
1,750,751	2,977,292	2,854,126			
5,242,942	12,633,363	9,020,433			
(5,242,942)	(7,709,710)	(4,758,067)			
110,492	133,873	126,216			
3,143,689	3,143,689	3,796,966			
1,442,347	2,523,019	2,738,701			
0	(8,565)	(24,727)			
(1,228,007)	(1,531,058)	(1,787,962)			
3,468,521	4,260,958	4,849,194			
(1,774,421)	(3,448,752)	91,127			
4,342,858	5,661,083	3,209,651			
0	(100,000)	(330,000)			
0	348,761	591,455			
2,568,437	2,461,092	3,562,233			
34,609,744	70,983,791	67,421,558			
\$ 37,178,181	\$ 73,444,883	\$ 70,983,791			

# INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2014

	Non-Major Enterprise Funds				
	Water	Recharge			
	Resources	Water			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,856,844	\$ 0			
Cash received from interfund services provided	0	0			
Cash payments to suppliers for goods and services	(3,726,328)	(970,231)			
Cash payments to employees for services	(465,298)	(349,111)			
Cash payments for interfund services used	(387,246)	199,957			
Net cash provided by (used for) operating activities	277,972	(1,119,385)			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	0	1,318,225			
Transfers out	(100,000)	0			
Contract reimbursment from others	25,548	1,072,998			
Tax revenues	0	0			
Cash paid to others	(219,502)	(1,445)			
Net cash provided by (used for) noncapital financing activities	(293,954)	2,389,778			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(179,364)	(253,930)			
Capital grants	348,761	0			
Principal paid on capital debt	0	(584,746)			
Interest paid on capital debt	0	(90,730)			
Contractor deposits collected	0	0			
Net cash provided by (used for) capital and related	400.00-	(000 (55)			
financing activities	169,397	(929,406)			

Administrative	е	Totals				
Services		2014	2013			
\$ 897,49	0 \$	5,754,334	\$ (5,047,786)			
23,918,92	11	23,918,921	22,634,150			
(5,653,06	51)	(10,349,620)	520,777			
(24,573,29	4)	(25,387,703)	(18,431,762)			
	0	(187,289)	(545,079)			
(5,409,94	4)	(6,251,357)	(869,700)			
4,342,85	8	5,661,083	3,209,651			
	0	(100,000)	(330,000)			
1,320,94	2	2,419,488	2,757,455			
3,133,47	7	3,133,477	3,987,274			
(1,225,47	<u>(5)</u>	(1,446,422)	(1,642,074			
7,571,80	12	9,667,626	7,982,306			
(1,583,42	·4\	(2.046.749)	/2 492 450			
(1,363,42	. <del>4</del> ) 0	(2,016,718)	(3,182,159			
	0	348,761 (584,746)	591,456 (562,711			
(2,53		(93,262)	(172,144			
38,17		38,178	0			
:-		<b></b>				
(1,547,77	(8)	(2,307,787)	(3,325,558			
			(Continued			

## **INLAND EMPIRE UTILITIES AGENCY**

# Combining Statement of Cash Flows - (Continued from previous page)

## For the Fiscal Year Ended June 30, 2014

		Non-Major Er	nterprise Funds				
		Water	Recharge				
	R	esources		Water			
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments	\$	8,905	\$	16,420			
Sale of investments							
Net cash provided by (used for) investing activities		8,905		16,420			
Net increase (decrease) in cash and cash equivalents		162,320		357,407			
Cash and cash equivalents - beginning		716,758		3,083,525			
Cash and cash equivalents - ending	\$	879,078	\$	3,440,932			
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$	(104,416)	\$	(2,362,352)			
Adjustments to reconcile operating income (loss) to							
net cash provided by (used for) operating activities							
Depreciation and amortization		5,367		1,221,174			
Changes in assets and liabilities							
(Increase) decrease in							
Accounts receivable		(41,442)		0			
Other receivables		(25,368)		0			
Short term receivables		0		0			
Inventory		0		0			
Prepaid items		0		0			
Increase (decrease) in							
Accounts payable		582,453		21,691			
Accrued liabilities		(138,622)		102			
Other noncurrent liabilities		0		0			
Compensated absences		0		0			
Net cash provided by (used for) operating activities	\$	277,972	\$	(1,119,385)			

Α	dministrative	Totals								
	Services		2014			2013				
\$	109,619	\$	134,944		\$	145,085				
	113,262		113,262			(45,949)				
	222,881		248,206			99,136				
	836,961		1,356,688			3,886,184				
			.,000,000			3,000,101				
	28,421,545		32,221,828			28,335,644				
	<u> </u>									
\$	29,258,506	\$	33,578,516		\$	32,221,828				
\$	(5,242,942)	\$	(7,709,710)		\$	(4,758,067)				
	1,750,751		\$2,977,292			2,854,128				
	875,854		834,412			(9,426,891)				
	070,004		(25,368)			0				
	21,636		21,636			116,739				
	(83,253)		(83,253)			(34,391)				
	(40,275)		(40,275)			(4,344)				
	(10,210)		(10,210)			(1,011)				
	6,761,241		7,365,385			2,629,144				
	(7,101,247)		(7,239,767)			6,934,250				
	(2,478,402)		(2,478,402)			978,592				
	126,693		126,693			(158,860)				
\$	(5,409,944)	\$	(6,251,357)		\$	(869,700)				
					(0	Continued)				

## INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2014

		Non-Major Ente	erprise Funds			
		Water	I	Recharge		
	R	esources		Water		
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:						
Cash and short-term investments	\$	879,078	\$	2,581,630		
Restricted assets		0		859,302		
Cash & cash equivalents at end of year	\$	879.078	\$	3,440,932		

	Administrative	Total Non-Major Funds					
_	Services		2014		2013		
\$	5 29,220,328	\$	32,681,036	\$	31,356,094		
Ψ	20,220,020	Ψ	02,001,000	Ψ	01,000,004		
	38,178		897,480		865,734		
_							
\$	29,258,506	\$	33,578,516	\$	32,221,828		



Garden in Every School Program





# INLAND EMPIRE UTILITIES AGENCY REGIONAL WASTEWATER FUND COMBINING SCHEDULES

# The Regional Wastewater Fund consists of the following subfunds:

# Regional Wastewater Capital Improvement (RC) Fund

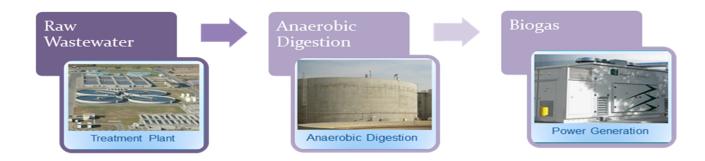
The RC fund records the activities associated with the acquisition, construction, replacement, and expansion of the Agency's wastewater treatment plants, energy cogeneration, solids handling facilities, large sewer interceptors, and appurtenant facilities. In addition, principal payments, interest expenses, and related administrative costs associated with the administration of the Regional Capital program and debt service costs are also recorded in this fund

The RC Fund revenues include property tax receipts, connections fees, and interest income earned. Additionally, the fund may record state loans and grants received for various capital projects within the fund.

# Regional Wastewater Operations and Maintenance (RO) Fund

The RO Fund accounts for the revenue and operating cost directly related to the domestic sewage treatment service for the contracting agencies (wastewater collection and treatment) and organics management activities, including labor costs to operate and support the Inland Empire Regional Composting Facility.

The fund's major source of revenue is the service charge applied to the regional wastewater flows based on Equivalent Dwelling Units (EDU's). Other revenue sources include property tax receipts and reimbursement from the Inland Empire Regional Composting Authority for providing operation and maintenance services at the facility.



#### INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Fund Combining Schedule of Net Position by Subfund June 30, 2014

(With Comparative Totals for June 30, 2013)

Taxes receivable         308,032         106,511         414,543         305,6           Other receivables         19,152         19,152         36,6		ls		Totals		Regional perations &	0	Regional Capital			
Current assets         Cash and investments       \$ 22,177,849       \$ 35,578,239       \$ 57,756,088       \$ 63,076,776,088         Accounts receivable       365,435       9,249,691       9,615,126       6,771,671,671,671,671,671,671,671,671,67		2013		2014		aintenance	N	Improvement			
Cash and investments         \$ 22,177,849         \$ 35,578,239         \$ 57,756,088         \$ 63,076,76,071,675,071,675,071,775,071,775,071,075,071,071,071,071,071,071,071,071,071,071										SETS	ASSETS
Accounts receivable         365,435         9,249,691         9,615,126         6,771,6           Interest receivable         156,191         48,243         204,434         211,1           Taxes receivable         308,032         106,511         414,543         305,0           Other receivables         19,152         19,152         19,152         36,5           Prepaid items         1,200         1,200         1,200         1,2           Total current assets         23,027,859         44,982,684         68,010,543         70,402,2           Noncurrent assets           Restricted assets           Deposits held by governmental agencies         38,035,613         38,035,613         28,246,6										rent assets	Current a
Interest receivable         156,191         48,243         204,434         211,6           Taxes receivable         308,032         106,511         414,543         305,6           Other receivables         19,152         19,152         36,6           Prepaid items         1,200         1,200         1,200           Total current assets         23,027,859         44,982,684         68,010,543         70,402,2           Noncurrent assets           Restricted assets           Deposits held by governmental agencies         38,035,613         38,035,613         28,246,6	76,711	63,076	\$	57,756,088	\$	35,578,239	\$	22,177,849	\$	ash and investments	Cash a
Taxes receivable         308,032         106,511         414,543         305,0           Other receivables         19,152         19,152         36,6           Prepaid items         1,200         1,200         1,200           Total current assets         23,027,859         44,982,684         68,010,543         70,402,2           Noncurrent assets           Restricted assets           Deposits held by governmental agencies         38,035,613         38,035,613         28,246,64	71,660	6,771		9,615,126		9,249,691		365,435		counts receivable	Accoun
Other receivables         19,152         19,152         36,5           Prepaid items         1,200         1,200         1,200           Total current assets         23,027,859         44,982,684         68,010,543         70,402,2           Noncurrent assets           Restricted assets           Deposits held by governmental agencies         38,035,613         38,035,613         28,246,8	11,060	211		204,434		48,243		156,191		erest receivable	Interest
Prepaid items         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200         1,200	05,073	305		414,543		106,511		308,032		ixes receivable	Taxes r
Total current assets         23,027,859         44,982,684         68,010,543         70,402,2           Noncurrent assets           Restricted assets           Deposits held by governmental agencies         38,035,613         38,035,613         28,246,8	36,503	36		19,152				19,152		her receivables	Other re
Noncurrent assets  Restricted assets  Deposits held by governmental agencies 38,035,613 38,035,613 28,246,8	1,200	1		1,200				1,200	_	epaid items	Prepaid
Restricted assets  Deposits held by governmental agencies 38,035,613 38,035,613 28,246,8	)2,207	70,402		68,010,543		44,982,684		23,027,859		Total current assets	Total
Deposits held by governmental agencies 38,035,613 38,035,613 28,246,8										ncurrent assets	Noncurre
										estricted assets	Restric
Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,	16,979	28,246		38,035,613				38,035,613		Deposits held by governmental agencies	Depo
	1,159	4,411		4,007,044		53,661		3,953,383	_	Assets held with trustee/fiscal agents	Asset
Total restricted assets 41,988,996 53,661 42,042,657 32,658,	58,138	32,658		42,042,657		53,661		41,988,996		Total restricted assets	Tot
Capital assets										apital assets	Capital
Land 14,047,045 14,047,045 14,047,045	17,045	14,047		14,047,045				14,047,045		Land	Land
Jobs in progress 39,881,146 9,567,326 49,448,472 48,936,4	36,401	48,936		49,448,472		9,567,326		39,881,146		Jobs in progress	Jobs
Capital assets, net of accumulated depreciation 316,703,898 10,137,451 326,841,349 337,273,7	73,748	337,273		326,841,349		10,137,451		316,703,898		Capital assets, net of accumulated depreciation	Capit
Intangible assets, net of accumulated amortization 5,493,196 127,223 5,620,419 5,655,6	55,635	5,655		5,620,419		127,223		5,493,196		ntangible assets, net of accumulated amortization	Intanç
Total capital assets 376,125,285 19,832,000 395,957,285 405,912,6	12,829	405,912		395,957,285		19,832,000		376,125,285		Total capital assets	Tot
Other assets										ther assets	Other a
Long-term investments 46,441,872 0 46,441,872 46,492,	92,458	46,492		46,441,872		0		46,441,872		Long-term investments	Long-
Advances to other funds 3,000,000 0 3,000,000 3,000,000	00,000	3,000		3,000,000		0		3,000,000		Advances to other funds	Adva
Long-term receivables 2,775,563 0 2,775,563 2,794,	94,715	2,794		2,775,563		0		2,775,563		ong-term receivables	Long-
Prepaid bond insurance 420,152 21,372 441,524 459,	59,185	459		441,524		21,372		420,152		Prepaid bond insurance	Prepa
Prepaid Interest -SRF loans         1,123,256         0         1,123,256         1,203,0	03,080	1,203		1,123,256		0		1,123,256		Prepaid Interest -SRF loans	Prepa
Total other assets	19,438	53,949		53,782,215		21,372	-	53,760,843	_	Total other assets	Tot
Total noncurrent assets 471,875,124 19,907,033 491,782,157 492,520,4	20,405	492,520		491,782,157		19,907,033		471,875,124		Total noncurrent assets	Total
Total assets 494,902,983 64,889,717 559,792,700 562,922,6	22,612	562,922		559,792,700		64,889,717		494,902,983		Total assets	Total
DEFERRED OUTFLOWS OF RESOURCES										FERRED OUTFLOWS OF RESOURCES	DEFER
Deferred loss on refunding         2,094,485         2,094,485         2,350,3	50,350	2,350		2,094,485				2,094,485		Deferred loss on refunding	Deferr
Total deferred outflows of resources         2,094,485         0         2,094,485         2,350,30	50,350	2,350		2,094,485		0		2,094,485	_	Total deferred outflows of resources	Tot

(Continued)

		Regional Capital	0	Regional perations &				
	lm	provement		laintenance		2014	ais	2013
LIABILITIES		iprovement	IV	amenance		2014		2013
Current liabilities								
Accounts payable	\$	554,689	\$	2,704,650	\$	3,259,339	\$	4,209,638
Accrued liabilities		30,350		68,250		98,600		159,569
Retentions payable		27,913		4,739		32,652		148,382
Notes payable, due within one year		1,885,831				1,885,831		1,876,127
Long-term debt, due within one year		6,498,220				6,498,220		6,285,254
Interest payable		1,505,250		35,729		1,540,979		1,598,544
Retention deposits and escrows		58,462		53,661		112,123		502,547
Total current liabilities		10,560,715		2,867,029		13,427,744		14,780,061
Noncurrent liabilities								
Long-term debt, due in more than one year		164,532,227		4,426,307		168,958,534		175,952,243
Notes payable, due in more than one year		30,323,284		633,697		30,956,981		32,209,111
Total noncurrent liabilities		194,855,511		5,060,004		199,915,515		208,161,354
Total liabilities		205,416,226		7,927,033		213,343,259		222,941,415
NET POSITION								
Net Investment in capital assets		176,794,336		14,771,995		191,566,331		203,465,708
Restricted for:								
Capital construction		38,035,613		0		38,035,613		28,246,979
SRF Loan debt service		1,447,479				1,447,479		1,387,280
Bond operating contingency requirement		1,963,708		13,322,754		15,286,462		14,900,362
Total restricted		41,446,800		13,322,754		54,769,554		44,534,621
Unrestricted		73,340,106		28,867,935		102,208,041		94,331,218
Total net position	\$	291,581,242	\$	56,962,684	\$	348,543,926	\$	342,331,547

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Fund
Combining Schedule of Revenues, Expenses and
Changes in Net Position by Subfund
For the Fiscal Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

		Regional		Regional				
		Capital		perations &	Totals			
OPERATING REVENUES	!	mprovement	N	Maintenance		2014		2013
Service charges	\$	-	\$	43,047,559	\$	43,047,559	\$	39,711,858
						-,- ,		
Total operating revenues		0		43,047,559		43,047,559		39,711,858
OPERATING EXPENSES								
Wastewater collection		0		1,248,892		1,248,892		781,264
Wastewater treatment		0		20,505,666		20,505,666		18,907,779
Wastewater disposal		0		7,705,551		7,705,551		8,612,642
Administration and general		5,891,124		10,508,152		16,399,276		14,290,612
Depreciation and amortization		21,857,828		787,105		22,644,933		22,130,511
Total operating expenses		27,748,952		40,755,366	-	68,504,318		64,722,808
Operating income (loss)		(27,748,952)		2,292,193		(25,456,759)		(25,010,950)
NONOPERATING REVENUES (EXPENSES)								
Interest income		148,574		149,869		298,443		528,073
Property tax revenue		24,759,344		8,634,143		33,393,487		41,934,887
Wastewater capital connection fees		9,788,634		0		9,788,634		14,614,387
Other nonoperating revenues		13,274		3,767,920		3,781,194		4,692,094
Interest on long-term debt		(6,564,561)		(158,979)		(6,723,540)		(7,220,372)
Other nonoperating expenses		(93,262)		(3,139,030)		(3,232,292)		(5,998,780)
Total nonoperating revenues (expenses)	_	28,052,003		9,253,923		37,305,926		48,550,289
Income (loss) before capital contributions								
and transfers		303,051		11,546,116		11,849,167		23,539,339
TRANSFERS AND CAPITAL CONTRIBUTIONS		,		,, -		,, -		.,,
Transfers out		(3,471,639)		(2,200,000)		(5,671,639)		(5,429,136)
Capital grants		0		34,851		34,851		66,809
Change in net position		(3,168,588)		9,380,967		6,212,379		18,177,012
Total net position - beginning, as restated	_	294,749,830		47,581,717		342,331,547		324,154,535
Total net position - ending	\$	291,581,242	\$	56,962,684	\$	348,543,926	\$	342,331,547

# INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND COMPARATIVE SCHEDULES

# Recycled Water Fund:

The Recycled Water (WC) Fund records the revenues of recycled water sales and expenses associated with the operations and maintenance of the facilities that support the distribution of recycled water supplied from the Agency's recycling plants. The fund generates revenue through groundwater recharge rates and from the sale of recycled water to member agencies and industries, such as multiple golf courses throughout the service area.

Additionally, the Recycled Water fund records revenues and costs related to the construction of recycled water capital projects. Non-operational revenues recorded in the fund include property tax receipts, SRF loan receipts, grants, and inter-fund transfers in support of program activities. Project costs include site studies, environmental reviews, design, construction, and construction management, trunk and distribution lines and pumping stations needed in the distribution of recycled water within the Agency's service area.





Regional Plant No. 5 Pump Station









Recycled Water Truck

Inland Empire Utilities Agency Recycled Water Funds Comparative Schedules

#### INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Schedule of Net Position June 30, 2014

	Totals			
ASSETS		2014		2013
Current assets				
Cash and investments	\$	9,889,398	\$	12,639,160
Accounts receivable		7,271,717		8,309,254
Interest receivable		13,265		14,336
Taxes receivable		24,046		17,717
Other receivable		185,372		392,706
Prepaid items	-	3,500		13,500
Total current assets		17,387,298		21,386,673
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agents		590,736		44,752
Total restricted assets		590,736		44,752
Capital assets				
Jobs in progress		31,585,123		22,403,741
Capital assets, net of accumulated depreciation		133,329,962		129,767,771
Intangible assets, net of accumulated amortization		760,556		252,362
Total capital assets		165,675,641		152,423,874
Other assets				
Long term receivables		1,290,265		1,475,637
Prepaid bond insurance		145,991		151,830
Prepaid interest - SRF loans		1,335,194		1,425,710
Total other assets		2,771,450		3,053,177
Total noncurrent assets		169,037,827		155,521,803
Total assets		186,425,125		176,908,476 Continued)

	Totals			
LIABILITIES	2014			2013
Current liabilities				
Accounts payable	\$	1,922,265	\$	4,253,300
Accrued liabilities		105,918		12,739
Retentions payable		253,242		70,430
Notes payable, due within one year		2,772,546		2,738,129
Interest payable		977,897		981,090
Retention deposits and escrows		590,736		44,752
Total current liabilities		6,622,604		8,100,440
Noncurrent liabilities				
Advances from other funds		18,000,000		18,000,000
Long-term debt, due in more than one year		30,235,693		30,273,875
Notes payable, due in more than one year		59,661,147		49,748,862
Other noncurrent liabilities		187,861		52,818
Total noncurrent liabilities		108,084,701		98,075,555
Total liabilities		114,707,305		106,175,995
NET POSITION				
Net Investment in capital assets		73,006,256		68,576,546
Restricted for:				
Capital construction		0		0
SRF Loan debt service		3,552,769		3,490,575
Total restricted		3,552,769		3,490,575
Unrestricted		(4,841,205)		(1,334,640)
Total net position	\$	71,717,820	\$	70,732,481

# INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Totals			3		
		2014		2013		
OPERATING REVENUES						
Recycled water sales	\$	10,830,500	\$	7,951,605		
Total operating revenue		10,830,500		7,951,605		
OPERATING EXPENSES						
Operations and Maintenance Administration and general Depreciation and amortization		3,764,958 2,784,926 5,922,464		3,195,541 3,136,853 4,998,742		
Total operating expenses		12,472,348		11,331,136		
Operating income (loss)		(1,641,848)		(3,379,531)		
NONOPERATING REVENUES (EXPENSES)						
Interest income		74,922		98,102		
Property tax revenue		1,949,548		2,355,088		
Other nonoperating revenues		11		64,177		
Other nonoperating expenses		(199,167)		(666,671)		
Interest on long-term debt		(1,644,219)	-	(2,150,763)		
Total nonoperating revenues (expenses)		181,095		(300,067)		
Income (loss) before capital contributions and transfers		(1,460,753)		(3,679,598)		
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in		1,564,622		3,244,622		
Transfers out		(1,398,209)		(616,769)		
Capital grants		2,279,679		2,493,652		
Change in net position		985,339		1,441,907		
Total net position - beginning, as restated		70,732,481		69,290,574		
Total net position - ending	\$	71,717,820	\$	70,732,481		

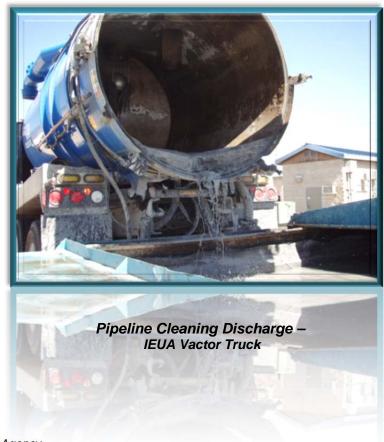
#### INLAND EMPIRE UTILITIES AGENCY NON-RECLAIMABLE WASTEWATER FUND COMPARATIVE SCHEDULES

#### The Non-reclaimable Wastewater Fund consists of the following:

The Non-reclaimable Wastewater System (NC) Fund records the transactions for the acquisition, construction, expansion, replacement, and operations of the Agency's non-reclaimable wastewater sewer lines, interceptors and appurtenant facilities. It also accounts for the revenues and operating costs directly related to providing collection services, wastewater conveyance/transport, and wastewater treatment.

A pass-through rate structure was implemented to allow the Agency to recover operating and capital fees billed by SDLAC and SAWPA for the north and south systems, respectively. These charges are comprised of capacity, volumetric, and strength fees. Different rates apply to the north and south systems.

In addition to the pass through rates, the user charges support the Agency's operating and capital costs associated with the operations, maintenance, replacement, and improvement of the NRWS system. These Agency program costs are recovered through surcharge imposed to the industries.



Inland Empire Utilities Agency
Non-reclaimable Wastewater Fund Comparative Schedules

#### INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Net Position June 30, 2014

(With Comparative Totals for June 30, 2013)

	Totals			
ASSETS		2014		2013
Current assets				
Cash and investments	\$	4,329,251	\$	4,575,568
	Ψ		Ψ	
Accounts receivable		1,578,182		1,646,922
Interest receivable		476,521		438,690
Other receivables		28,505		27,663
Prepaid items		0		119,581
Total current assets		6,412,459		6,808,424
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agent		23,176		0
Total restricted assets		23,176		0
Capital assets				
Jobs in progress		1,084,323		1,567,290
Capital assets, net of accumulated depreciation		12,799,281		11,514,676
Intangible assets, net of accumulated amortization		2,352,832		27,403,900
Total capital assets		16,236,436		40,485,866
Other assets				
Advances to other funds		15,000,000		15,000,000
Long-term receivables		0		28,503
Prepaid bond insurance		35,579		37,002
Total other assets		15,035,579		15,065,505
Total noncurrent assets		31,295,191		55,551,371
Total assets		37,707,650		62,359,795
			(0	Continued)

	Totals			
LIABILITIES		2014		2013
Current liabilities				
Accounts payable	\$	693,480	\$	409,851
Accrued liabilities		1,016,128		1,228,041
Retentions payable		11,363		2,500
Notes payable, due within one year		784,623		133,106
Interest payable		153,548		59,479
Retention deposits and escrows		23,176		0
Total current liabilities		2,682,318		1,832,977
Noncurrent liabilities				
Long-term debt, due in more than one year		7,368,580		7,377,885
Notes payable, due in more than one year		3,941,471		636,118
Total noncurrent liabilities		11,310,051		8,014,003
Total liabilities		13,992,369		9,846,980
NET POSITION				
Net Investment in capital assets		4,141,763		32,129,172
Restricted for:				
Capital construction		0		0
Bond operating contingency requirement		3,738,200		1,809,025
Total restricted		3,738,200		1,809,025
Unrestricted		15,835,318		18,574,618
Total net position	\$	23,715,281	\$	52,512,815

#### INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

		To	<b>3</b>					
		2014		2014		2014		2013
OPERATING REVENUES								
Service charges	\$	8,199,986	\$	8,179,090				
Total operating revenues		8,199,986		8,179,090				
OPERATING EXPENSES								
Wastewater collection Administration and general Depreciation and amortization		4,373,746 6,840,855 749,892		3,874,747 1,552,327 1,950,173				
Total operating expenses		11,964,493		7,377,247				
Operating income (loss)		(3,764,507)		801,843				
NONOPERATING REVENUES (EXPENSES)								
Interest income Property tax revenue Other nonoperating revenues Interest on long-term debt Other nonoperating expenses		57,092 6 32,325 (188,336) (24,878,257)		66,393 5 15,270 (409,430) 365,321				
Total nonoperating revenues (expenses)		(24,977,170)		37,559				
Income (loss) before transfers		(28,741,677)		839,402				
TRANSFERS								
Transfers out		(55,857)		(78,368)				
Change in net position		(28,797,534)		761,034				
Total net position - beginning, as restated		52,512,815		51,751,781				
Total net position - ending	\$	23,715,281	\$	52,512,815				

# INLAND EMPIRE UTILITIES AGENCY WATER RESOURCES FUND COMPARATIVE SCHEDULES

#### Water Resources Fund

The Water Resources (WW) Fund records the fiscal activities associated with providing water resources and water use efficiency programs within the Agency's service area. These programs include management and distribution of imported water supplies, development and implementation of regional water use efficiency initiatives, water resource planning and support for regional water supply programs including recycled water, groundwater recharge, and storm water management.

The WW Fund's major revenue source can be attributed to the surcharge for imported water sold within the service area and a monthly meter service charge per meter. The regional water conservation programs receive dedicated funding, including a portion of the imported water acre foot surcharge and water meter service charge, and program grants and reimbursements from various sources including State, Federal, and local agencies.



#### INLAND EMPIRE UTILITIES AGENCY Water Resources Fund Schedule of Net Position June 30, 2014

(With Comparative Totals for June 30, 2013)

	Totals			
		2014		2013
ASSETS				
Current assets				
Cash and investments	\$	879,078	\$	716,758
Accounts receivable		9,892,889		9,851,447
Interest receivable		1,123		813
Other receivable		25,368		0
Total current assets		10,798,458		10,569,018
Noncurrent assets				
Capital assets				
Jobs in progress		1,463,616		1,284,253
Capital assets, net of accumulated depreciation		20,474		21,020
Intangible assets, net of accumulated amortization		29,650		34,471
Total capital assets		1,513,740		1,339,744
Total noncurrent assets		1,513,740		1,339,744
Total assets		12,312,198	11,908,	
LIABILITIES				
Accounts payable		8,701,659		8,119,207
Accrued liabilities		545,411		684,033
Total liabilities		9,247,070		8,803,240
NET POSITION				
Net Investment in capital assets		1,513,740		1,339,743
Unrestricted		1,551,388		1,765,779
Total net position	\$	3,065,128	\$	3,105,522

#### INLAND EMPIRE UTILTIES AGENCY Water Resources Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

	To	otals			
	 2014		2013		
OPERATING REVENUES					
Service charges	\$ 4,923,653	\$	4,262,366		
Total operating revenues	 4,923,653		4,262,366		
OPERATING EXPENSES					
Operations and maintenance Administration and general Depreciation and amortization	489,856 4,532,846 5,367		672,907 3,759,199 5,367		
Total operating expenses	5,028,069		4,437,473		
Operating income (loss)	(104,416)		(175,107)		
NONOPERATING REVENUES (EXPENSES)					
Interest income Other nonoperating revenues Other nonoperating expenses	 9,215 25,548 (219,502)		9,440 23,697 (165,360)		
Total nonoperating revenues (expenses)	 (184,739)		(132,223)		
Income (loss) before capital contributions and transfers	(289,155)		(307,330)		
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Transfers out Capital grants	(100,000) 348,761		(200,000) 590,408		
Change in net position	 (40,394)		83,078		
Total net position - beginning, as restated	 3,105,522		3,022,444		
Total net position - ending	\$ 3,065,128	\$	3,105,522		



Chino Creek Conservation Park





#### INLAND EMPIRE UTILITIES AGENCY RECHARGE WATER FUND COMPARATIVE SCHEDULES

#### Recharge Water Fund

The Recharge Water (RW) Fund accounts for the revenues and expenses associated with the groundwater recharge operations and maintenance through the joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control District (SBCFCD), and the Inland Empire Utilities Agency. Expenses include general basin maintenance or restoration costs, groundwater administration (e.g. labor, utilities, equipment, and tools), contracted services (e.g. weeding and vector control), as well as compliance reporting and environmental documentation for the program's Fish & Game Permit. The operations and maintenance budget is partially funded by the Chino Basin Watermaster (CBWM) and the Agency. Revenues include reimbursements from CBWM, inter-fund transfers from Regional Wastewater Capital and Recycled Water funds, grant proceeds and interesting earnings on the programs reserve balance.

Debt service costs are for the Ground Water Basin Enhancement Project funded by the 2008B Variable Rate Bonds (refinancing the 2002A Bonds in May 2008). Debt principal and interest payments are equally reimbursed by Chino Basin Watermaster and the Agency. The Agency's portion is supported by a fund transfer from the Regional Wastewater Capital (RC) Improvement Fund.





**Groundwater Recharge Basins** 

#### INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Net Position June 30, 2014

(With Comparative Totals for June 30, 2013

	To	tals
100570	2014	2013
ASSETS		
Current assets		
Cash and investments	\$ 2,581,630	\$ 2,217,792
Accounts receivable	44,568	62,442
Interest receivable	3,594	5,847
Total current assets	2,629,792	2,286,081
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	859,302	865,734
Total restricted assets	859,302	865,734
Capital assets		
Jobs in progress	158,119	210,829
Capital assets net of accumulated depreciation	45,206,246	46,119,067
Intangible assets, net of accumulated amortization	30,475	39,182
Total capital assets	45,394,840	46,369,078
Total noncurrent assets	46,254,142	47,234,812
Total assets	48,883,934	49,520,893
		(Continued)

	То	Totals			
	2014	2013			
LIABILITIES					
Current liabilities					
Accounts payable	\$ 138,277	\$ 116,586			
Accrued liabilities	102	0			
Long-term debt, due within one year	606,780	584,746			
Interest payable	690	751			
Retentions deposits and escrows	0	6,994			
Total current liabilities	745,849	709,077			
Noncurrent liabilities					
Advances from other funds					
Long-term debt, due in more than one year	14,936,511	15,543,291			
Total noncurrent liabilities	14,936,511	15,543,291			
Total liabilities	15,682,360	16,252,368			
NET POSITION					
Net Investment in capital assets	30,710,852	31,099,781			
Unrestricted	2,490,722	2,168,744			
Total net position	\$33,201,574	\$33,268,525			

#### INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for June 30, 2013

	Tota	als
	2014	2013
OPERATING REVENUES		
Recycled water sales	\$ -	\$ -
Total operating revenues	0	0
OPERATING EXPENSES		
Administration and general Depreciation and amortization	1,141,178 1,221,174	1,127,975 1,211,579
Total operating expenses	2,362,352	2,339,554
Operating income (loss)	(2,362,352)	(2,339,554)
NONOPERATING REVENUES (EXPENSES)		
Interest income Other nonoperating revenues Interest on long-term debt Other nonoperating expenses	14,166 1,055,124 (8,565) (83,549)	17,587 1,142,065 (24,727) (132,345)
Total nonoperating revenues (expenses)	977,176	1,002,580
Income (loss) before capital contributions and transfers	(1,385,176)	(1,336,974)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in Capital grants	1,318,225 0	904,707
Change in net position	(66,951)	(432,267)
Total net position - beginning, as restated	33,268,525	33,700,792
Total net position - ending	\$ 33,201,574	\$ 33,268,525

#### INLAND EMPIRE UTILITIES AGENCY ADMINISTRATIVE SERVICES FUND COMPARATIVE SCHEDULES

#### Administrative Services Fund

The Agency's costs of general and administrative expenses for various cost centers and staff labor pool are initially budgeted in the Administrative Services (GG) Fund. These costs include capital acquisitions for general administrative purposes, purchases of non-capital and non-project related materials, supplies, tools, and contract services. Throughout the year, pertinent expenses such as staff labor, equipment, and facilities maintenances and other indirect costs are allocated to the Agency's various programs, departments, and external clients on a cost reimbursement basis, based on either estimated staff work time, frequency of equipment usage, or full time equivalent (FTE) participation for specific program or activities.

Revenues for the GG fund include 8% of the Agency's total property tax revenue, contract cost reimbursements, and interest. Other funding sources include inter-fund transfers for capital replacement support from the Regional Wastewater, Non-Reclaimable Wastewater, and Recycled Water Programs.



Reception Area of Headquarters, Building A

#### INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Net Position June 30, 2014

(With Comparative Totals for June 30, 2013)

		Totals
	2014	2013
ASSETS		
Current assets		
Cash and investments	\$ 29,220	
Accounts receivable		9,594 9,275,448
Interest receivable		9,948 29,075
Taxes receivable		3,778 28,566
Other receivables		5,335 56,971
Inventory		5,288 1,533,035
Prepaid items		2,145 71,870
Total current assets	39,452	2,416 39,416,510
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	38	3,178 0
Total restricted assets	38	3,1780
Capital assets		
Land	20	0,829 20,829
Jobs in progress	1,207	7,689 363,810
Capital assets, net of accumulated depreciation	11,528	3,334 11,725,049
Intangible assets, net of accumulated amortization	4,596	5,537 5,402,884
Total capital assets	17,353	3,389 17,512,572
Total noncurrent assets	17,39	1,567 17,512,572
Total assets	56,843	
		(Continued)

	Totals			
	 2014	2013		
LIABILITIES				
Current liabilities				
Accounts payable Accrued liabilities Compensated absences Retention deposits and escrows	\$ 8,947,062 2,281,096 1,587,969 38,178	\$	2,185,821 9,382,343 1,697,226 0	
Current liabilities	 12,854,305		13,265,390	
Noncurrent liabilities				
Compensated absences Net OPEB liability	 2,456,175 4,355,322		2,220,224 6,833,724	
Total noncurrent liabilities	 6,811,497		9,053,948	
Total liabilities	 19,665,802		22,319,338	
NET POSITION				
Net Investment in capital assets	 17,353,389		17,512,571	
Restricted for:				
Bond operating contingency requirement	 1,012,683		202,075	
Total restricted	 1,012,683		202,075	
Unrestricted	 18,812,109		16,895,098	
Total net position	\$ 37,178,181	\$	34,609,744	

INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

	Totals	6
	2014	2013
OPERATING REVENUES		
Service charges	\$ -	\$ -
Total operating revenues	0	0
OPERATING EXPENSES		
Administration and general Depreciation and amortization	3,492,191 1,750,751	606,226 1,637,180
Total operating expenses	5,242,942	2,243,406
Operating income (loss)	(5,242,942)	(2,243,406)
NONOPERATING REVENUES (EXPENSES)		
Interest income Property tax revenue Other nonoperating revenues Other nonoperating expenses	110,492 3,143,689 1,442,347 (1,228,007)	99,189 3,796,966 1,572,939 (1,490,257)
Total nonoperating revenues (expenses)	3,468,521	3,978,837
Income (loss) before capital contributions and transfers	(1,774,421)	1,735,431
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in Transfers out Capital grants	4,342,858 0 0	2,304,944 (130,000) 1,047
Change in net position	2,568,437	3,911,422
Total net position - beginning, as restated	34,609,744	30,698,322
Total net position - ending	\$ 37,178,181	\$ 34,609,744

#### Index of Statistical Section Schedules

#### June 30, 2014

This part of Inland Empire Utilities Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

(1)	Financial Trends
(2)	Revenue Capacity
(3)	Debt Capacity
(4)	Operating Indicators
(5)	Demographic and Economic Information

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# Historical Operating Results Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position Fiscal Years Ended June 30, 2005 through 2014 (Dollars in Thousands)

Operating revenues         \$ 51,248         \$ 47,891         \$ 42,209         \$ 41,544         \$ 42,102           Cher charges         10,830         7,952         6,009         4,353         4,162           Total operating revenues         62,078         55,843         48,218         45,897         46,270           Operating expenses           Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater treatment         20,506         18,908         17,377         17,208         19,016           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operating and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         48,875         8,477         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         41,550         (38,300)			2013/14	2	2012/13		2011/12		2010/11	 2009/10
Service charges         \$ 51,248         \$ 47,891         \$ 42,209         \$ 41,544         \$ 42,108           Other charges         10,830         7,952         6,009         4,353         4,162           Total operating revenues         62,078         55,843         48,218         45,897         46,270           Operating expenses           Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         555         809	Operating revenues									
Other charges         10,830         7,952         6,009         4,353         4,162           Total operating revenues         62,078         55,843         48,218         45,897         46,270           Operating expenses         Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater treatment         20,506         18,908         17,377         17,208         19,016           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,688         20,714         21,398         20,465         22,018           Depreciation and amonitization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)         38,487         48,087         32,695         33,419         34,355           Wastewater		\$	51,248	\$	47,891	\$	42,209	\$	41,544	\$ 42,108
Total operating revenues         62,078         55,843         48,218         45,897         46,270           Operating expenses         Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,466         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)         4,684         8,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753	•	•	·			•		•		
Wastewater collection         5,623         4,656         5,629         6,517         7,338           Wastewater treatment         20,506         18,908         17,377         17,208         19,016           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753 </td <td>· · · · · · · · · · · · · · · · · · ·</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	· · · · · · · · · · · · · · · · · · ·									
Wastewater treatment         20,506         18,908         17,377         17,208         19,016           Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566	Operating expenses									
Wastewater disposal         7,705         8,613         11,316         10,664         10,030           Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         5555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)	Wastewater collection		5,623		4,656		5,629		6,517	7,338
Operations and maintenance         3,765         3,195         2,987         2,600         -           Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Coperating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)	Wastewater treatment		20,506		18,908		17,377		17,208	19,016
Administration and general         30,658         20,714         21,398         20,465         22,018           Depreciation and amortization         32,289         31,928         30,168         29,993         26,168           Total operating expenses         100,546         88,014         88,875         87,447         84,570           Non-operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)           Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating expenses         2,314         2,561         4,263	Wastewater disposal		7,705		8,613		11,316		10,664	10,030
Depreciation and amortization   32,289   31,928   30,168   29,993   26,168   Total operating expenses   100,546   88,014   88,875   87,447   84,570	Operations and maintenance		3,765		3,195		2,987		2,600	-
Total operating expenses         100,546         88,014         88,875         87,447         84,570           Operating income (loss)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)         Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852	Administration and general		30,658		20,714		21,398		20,465	22,018
Non-operating revenues (expenses)         (38,468)         (32,171)         (40,657)         (41,550)         (38,300)           Non-operating revenues (expenses)         Interest income         555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         - <td>Depreciation and amortization</td> <td></td> <td>32,289</td> <td></td> <td>31,928</td> <td></td> <td>30,168</td> <td></td> <td>29,993</td> <td>26,168</td>	Depreciation and amortization		32,289		31,928		30,168		29,993	26,168
Non-operating revenues (expenses)           Interest income         5555         809         951         1,159         1,684           Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Total operating expenses		100,546		88,014		88,875		87,447	84,570
Interest income   555   809   951   1,159   1,684     Property tax revenue   38,487   48,087   32,695   33,419   34,355     Wastewater capital connection fees   9,789   14,614   7,686   5,398   7,753     Other nonoperating revenues   6,311   7,486   8,160   6,008   7,566     Interest on long-term debt   (7,120)   (8,321)   (7,447)   (7,803)   (9,891)     Other nonoperating expenses   (31,066)   (9,407)   (8,907)   (7,626)   (7,283)     Total nonoperating revenues (expenses)   16,956   53,268   33,138   30,555   34,184     Income (loss) before contributions and transfers   (21,512)   21,097   (7,519)   (10,995)   (4,116)     Capital grants   2,314   2,561   4,263   6,852   10,163     Contribution in aid	Operating income (loss)		(38,468)		(32,171)		(40,657)		(41,550)	 (38,300)
Property tax revenue         38,487         48,087         32,695         33,419         34,355           Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         - <t< td=""><td>Non-operating revenues (expenses)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Non-operating revenues (expenses)									
Wastewater capital connection fees         9,789         14,614         7,686         5,398         7,753           Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -           Transfers (to non-sewer funds)         100         200         300         300         300           Change in net position         (19,098)         23,858         (2,956)         (3,843)         6,347           Total net position - beginning         532,113         512,616         515,572         518,244         511,897	Interest income		555		809		951		1,159	1,684
Other nonoperating revenues         6,311         7,486         8,160         6,008         7,566           Interest on long-term debt         (7,120)         (8,321)         (7,447)         (7,803)         (9,891)           Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -           Transfers (to non-sewer funds)         100         200         300         300         300           Change in net position         (19,098)         23,858         (2,956)         (3,843)         6,347           Total net position - beginning         532,113         512,616         515,572         518,244         511,897           Prior period adjustment         790         (4,361)         1,171         1,171	Property tax revenue		38,487		48,087		32,695		33,419	34,355
Interest on long-term debt	Wastewater capital connection fees		9,789		14,614		7,686		5,398	7,753
Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -           Transfers (to non-sewer funds)         100         200         300         300         300           Change in net position         (19,098)         23,858         (2,956)         (3,843)         6,347           Total net position - beginning         532,113         512,616         515,572         518,244         511,897           Prior period adjustment         790         (4,361)         1,171         1,171	Other nonoperating revenues		6,311		7,486		8,160		6,008	7,566
Other nonoperating expenses         (31,066)         (9,407)         (8,907)         (7,626)         (7,283)           Total nonoperating revenues (expenses)         16,956         53,268         33,138         30,555         34,184           Income (loss) before contributions and transfers         (21,512)         21,097         (7,519)         (10,995)         (4,116)           Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -           Transfers (to non-sewer funds)         100         200         300         300         300           Change in net position         (19,098)         23,858         (2,956)         (3,843)         6,347           Total net position - beginning         532,113         512,616         515,572         518,244         511,897           Prior period adjustment         790         (4,361)         1,171         1,171	Interest on long-term debt		(7,120)		(8,321)		(7,447)		(7,803)	(9,891)
Income (loss) before contributions and transfers   (21,512)   21,097   (7,519)   (10,995)   (4,116)			(31,066)		(9,407)		(8,907)		(7,626)	(7,283)
Capital grants         2,314         2,561         4,263         6,852         10,163           Contribution in aid         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Total nonoperating revenues (expenses)		16,956		53,268		33,138		30,555	34,184
Contribution in aid         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Income (loss) before contributions and transfers		(21,512)		21,097		(7,519)		(10,995)	 (4,116)
Contribution in aid         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Capital grants		2,314		2,561		4,263		6,852	10,163
Change in net position         \$ (19,098)         \$ 23,858         \$ (2,956)         \$ (3,843)         \$ 6,347           Total net position - beginning Prior period adjustment         532,113         512,616         515,572         518,244         511,897           Prior period adjustment         790         (4,361)         1,171         1,171	·		· -		· -		-		-	-
Total net position - beginning 532,113 512,616 515,572 518,244 511,897 Prior period adjustment 790 (4,361) 1,171	Transfers (to non-sewer funds)		100		200		300		300	300
Prior period adjustment 790 (4,361) 1,171	Change in net position	\$	(19,098)	\$	23,858	\$	(2,956)	\$	(3,843)	\$ 6,347
Prior period adjustment 790 (4,361) 1,171	Total net position - heginning		532 113		512 616		515 572		518 244	511 807
							010,012			011,001
		\$		\$		\$	512.616	\$		\$ 518.244

# Historical Operating Results Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position Fiscal Years Ended June 30, 2005 through 2014 (Dollars in Thousands)

	2008/09		2007/08		2006/07		2005/06		2004/05
			_		<u> </u>				
\$	41,575	\$	38,021	\$	36,132	\$	31,716	\$	27,090
Ψ	2,715	Ψ	-	Ψ	-	Ψ	-	Ψ	1,755
	44,290		38,021	-	36,132	-	31,716	-	28,845
-	,								-,
	5,939		5,361		1,086		1,143		1,052
	20,049		22,430		25,082		22,694		19,194
	12,885		12,722		7,434		6,235		5,851
	-,000		2,135		4,442		42		1,067
	25,685		12,728		17,650		16,607		15,483
	22,179		17,289		17,603		18,261		16,160
	86,737		72,665		73,297		64,982		58,807
	(42,447)		(34,644)		(37,165)		(33,266)		(29,962)
	2,742		4,659		5,226		3,670		2,642
	36,325		34,451		31,018		20,070		16,674
	5,753		16,626		24,672		20,896		27,958
	3,098		15,280		5,711		6,302		2,005
	(13,498)		(10,101)		(8,419)		(7,029)		(6,613)
	(3,268)		(1,224)		(15,275)		(1,415)		(804)
	31,152		59,691		42,933	-	42,494		41,862
	(11,295)		25,047		5,768		9,228		11,900
			· · · · · ·		·	-	<u> </u>	-	,
	12,275		1,095		3,380		2,493		975
	-		-		-		75		-
	300		(4,546)		(14,358)		(3,107)		(6,124)
\$	1,280	\$	21,596	\$	(5,210)	\$	8,689	\$	6,751
	434,393		412,797		422,441		413,752		407,001
	76,224		•		(4,434)		•		,
\$	511,897	\$	434,393	\$	412,797	\$	422,441	\$	413,752

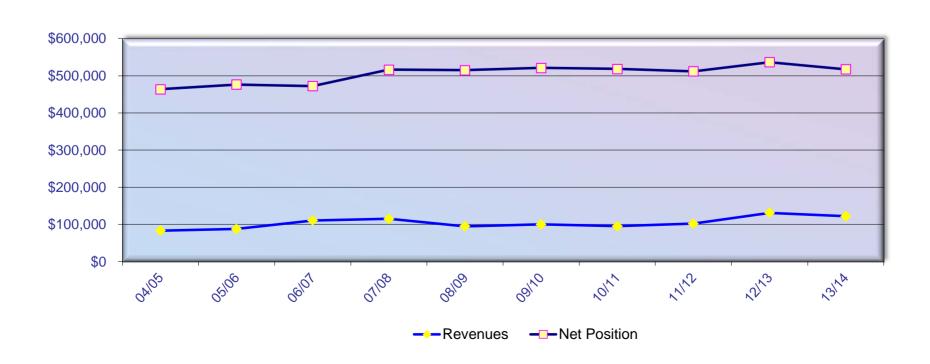
### Combined Schedule of Revenues, Expenses and Changes in Net Position

#### - All Funds -

# For The Past Ten Fiscal Years (Dollars in Thousands)

	2013/14	2012/13	2011/12	2010/11
Operating revenues				 
Service charges	\$ 56,171	\$ 52,153	\$ 46,468	\$ 44,776
Other Charges			-	-
Recycled water sales	 10,831	7,952	 6,009	 4,352
Total operating revenues	 67,002	60,105	 52,477	 49,128
Operating expenses				
Wastewater collection	5,623	4,656	5,629	6,517
Wastewater treatment	20,506	18,908	17,378	17,208
Wastewater disposal	7,705	8,613	11,316	10,664
Administration and general	4,255	3,868	24,755	23,266
Depreciation and amortization	35,191	26,582	30,173	29,999
Operations and maintenance	 32,295	31,933	3,725	 3,230
Total operating expenses	105,575	94,560	92,976	90,884
Operating income (loss)	 (38,573)	(34,455)	 (40,499)	 (41,756)
Non-Operating revenues (expenses)				
Interest income	564	819	963	1,179
Property tax revenue	38,487	48,087	32,695	33,419
Wastewater capital connection fees	9,789	14,614	7,686	5,398
Other non-operating revenues	6,337	7,510	8,562	6,090
Interest on long-term debt	(8,565)	(9,958)	(7,447)	(8,058)
Other non-operating expenses	 (29,841)	(7,936)	 (9,014)	 (7,773)
Total non-operating revenues (expenses)	16,771	53,136	33,445	30,255
Income (loss) before contributions and transfers	(21,802)	18,681	(7,054)	(11,501)
Capital grants	2,663	3,152	4,841	7,587
Contributions in aid	-	-	-	-
Change in net position	\$ (19,139)	\$ 21,833	\$ (2,213)	\$ (3,914)
Total net position - beginning	\$512,618	\$513,938	 \$518,455	\$522,370
Net position by component:				
Net Investment in capital assets	318,292	354,124	362,673	372,277
Restricted for Debt service & Capital construction	63,073	50,036	42,798	50,378
Unrestricted	 136,056	 131,611	106,357	 95,800
Total net position - ending	\$ 517,421	\$ 535,771	\$ 511,828	\$ 518,455

# Operating & Non-Operating Revenues & Net Position Trends For the Past Ten Fiscal Years

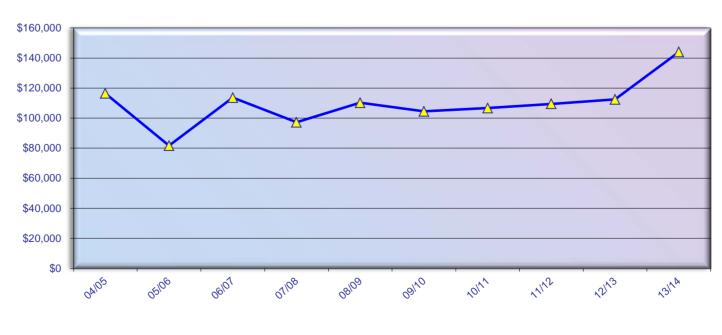


## Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds -

# For The Past Ten Fiscal Years (continued) (Dollars in Thousands)

	2009/10		2008/09		2007/08		2006/07		2005/06	 2004/05
\$	44,545	\$	43,832	\$	39,459	\$	37,964	\$	33,837	\$ 29,194
	-		-		-		-		-	1,755
	4,162		2,716		2,007		3,254		1,147	653
	48,707		46,548		41,466		41,218		34,984	31,602
	7 000		0.054		5.004		4.000		4.440	4.050
	7,338		2,351		5,361		1,086		1,143	1,052
	19,016		23,640		22,429		25,082		22,694	19,194
	10,030		9,885		12,723		7,434		6,236	5,851
	21,567 26,173		25,101 22,185		22,322 19,054		24,447 18,944		23,568 18,719	20,605 16,311
	2,760		5,539		2,175		7,431		67	1,688
	86,884		88,701		84,064		84,424		72,427	64,701
	(38,177)		(42,154)		(42,598)		(43,206)		(37,443)	 (33,099)
	1,715		2,796		5,006		5,325		3,868	2,903
	34,355		36,325		34,451		31,018		20,070	16,674
	7,753		5,753		16,626		24,671		20,895	27,958
	7,638		3,543		17,720		8,645		8,007	4,195
	(9,891)		(13,498)		(11,278)		(9,540)		(7,796)	(7,138)
	(7,684)		(8,031)		(1,890)		(19,678)		(1,478)	 (868)
	33,886		26,888		60,635		40,441		43,566	43,724
	(4,291)		(15,266)		18,036		(2,765)		6,123	10,623
	10,387		13,924		12,373		13,883		6,656	4,220
	-		-		-		-		68	26
\$	6,096	\$	(1,342)	\$	30,409	\$	11,118	\$	12,847	\$ 14,869
	\$515,104		\$516,446		\$472,192		\$476,440		\$463,594	 \$448,725
	377,512		370,516		355,794		330,897		339,320	300,869
	63,545		81,418		123,620		66,071		59,447	101,162
<u> </u>	81,313	_	63,170	_	37,032	_	75,224	_	77,673	 61,563
<u>\$</u>	522,370	<u>\$</u>	515,104	\$	516,446	\$	472,192	\$	476,440	 463,594

# Operating & Non-Operating Expense Trends For the Past Ten Fiscal Years



### Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
2004/05	16,709,735	4,073,882	2,848,819	10,823,845
2005/06	1,687,180	977,463	257,703	1,600,188
2006/07	2,788,920	2,416,243	911,522	2,351,750
2007/08	1,603,879	1,217,755	2,360,905	2,711,172
2008/09	1,228,895	901,211	977,018	2,288,501
2009/10	2,133,583	836,680	641,780	2,509,193
2010/11	3,713,185	1,425,146	861,408	4,128,203
2011/12	3,527,692	2,031,803	843,754	4,269,896
2012/13	6,929,682	6,872,100	933,078	5,210,856
2013/14	8,831,383	9,492,302	2,918,210	6,041,082
Percentage	23.2%	25.0%	7.7%	16.0%

#### Wastewater Capital Connection Fee Agreement

On April 12, 1984, an Amendment was made to the Chino Basin Regional Sewage Service Contract, wherein each Contracting Agency agreed to contribute Wastewater Funds (Connection Fees) to the Inland Empire Utilities Agency (IEUA) for the improvement and expansion of the Regional Wastewater System. According to the Chino Basin Regional Sewage Service Contract, the Contracting Agencies must deposit or credit an amount for each wastewater connection into a Capital Capacity Reimbursement Account (CCRA). While the source of these funds is left to the discretion of the individual agencies, it is generally obtained by a connection assessment against new construction. Funds deposited into the CCRA may be used only to provide Supplemental Capital Outlay Contributions to IEUA. According to the Chino Basin Regional Sewage Service Contract, each Contracting Agency must report monthly building (permit) activity to IEUA, and the ending monthly balance of funds in each respective Capital Capacity Reimbursement Account.

In accordance with the Chino Basin Regional Sewage Service Contract, IEUA must provide each Contracting Agency: a) a quarterly report concerning the level of Capital Capacity Reimbursement Account reserves, b) Regional Wastewater Capital Improvement expenditures and, c) the estimated amount of Supplemental Capital Outlay which will be necessary to call for funds from each Contracting Agency.

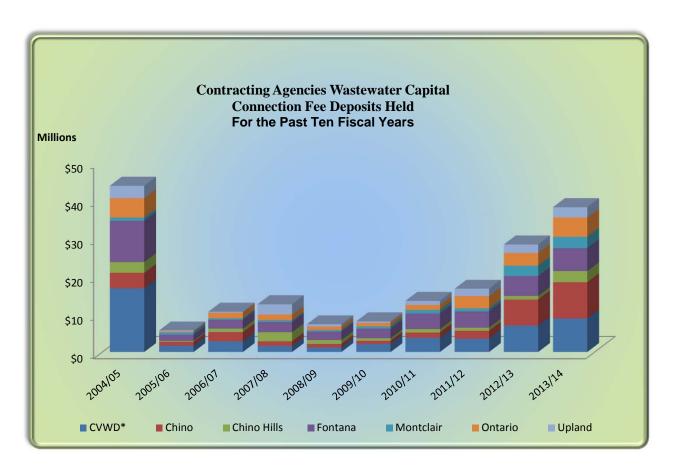
Connection fee payments to IEUA are calculated based on the percentage of each Contracting Agency's Reimbursement Account balance relative to the total balance of all Contracting Agency held funds. That percentage is then utilized to calculate each Contracting Agency's (pro rata) contribution of an IEUA "Capital Call" for funds from the Reimbursement Accounts. Table 1 & 2 represent the connection fee balances reported in the respective Contracting Agency's Annual Financial Reports. Balances reported for FY 2013/2014 are subject to further adjustment after audit.

<sup>\*</sup>Cucamonga Valley Water District

### Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Table 2

Fiscal Year	Montclair	Ontario	Upland	Total
2004/05	831,738	5,137,652	3,244,291	43,669,962
2005/06	645,129	241,894	259,375	5,668,934
2006/07	400,636	1,478,984	243,823	10,591,879
2007/08	417,175	1,498,502	2,732,573	12,541,961
2008/09	372,384	921,436	605,408	7,294,853
2009/10	651,837	842,484	432,863	8,048,420
2010/11	930,082	1,282,000	1,106,443	13,446,467
2011/12	825,708	3,151,337	1,982,403	16,632,593
2012/13	2,746,961	3,337,340	2,216,963	28,246,980
2013/14	3,009,462	5,011,733	2,731,441	38,035,613
Percentage	7.9%	13.2%	7.3%	100.0%



## INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2024\*

	Actual	Projected		
TP-1 Disinfection Pump Improvements RP-1/RP-2 Boiler Replacements Chino Creek Invert Repair RP-1 Aeration Ducting CCWRF Odor Control System Replacement RP1 Flare System Improvements RP4 Foundation Field Bus Link Device RP4 ControlNet Replacement Replace Remote I/O Scanners at RP4 Server Replacement-Proc Auto & Cntrl Net Process Automation Controls IT Improvmnt Total Replacement Projects  Agency Wide Chlorine Res Analzyer Rep Major Facilities Repair/Replacements	2013/14	2014/15	2015/16	
Replacement Projects				
TP-1 Disinfection Pump Improvements	4,116	95,000	225,000	
RP-1/RP-2 Boiler Replacements	446,901	55,000		
Chino Creek Invert Repair	17,827	288,000		
RP-1 Aeration Ducting	1,247,012	25,000		
CCWRF Odor Control System Replacement	166,149	500,000	600,000	
RP1 Flare System Improvements	293,270			
RP4 Foundation Field Bus Link Device		42,000		
RP4 ControlNet Replacement		112,000		
Replace Remote I/O Scanners at RP4		26,000		
Server Replacement-Proc Auto & Cntrl Net		10,000		
Process Automation Controls IT Improvmnt		300,000	300,000	
Total Replacement Projects	\$2,175,275	\$1,453,000	\$1,125,000	
Equipment Projects				
Agency Wide Chlorine Res Analzyer Rep	102,756	160,000		
Major Facilities Repair/Replacements		700,000	500,000	
Autoclave Replacement		17,500		
Agency Wide Security Equipment Upgrade		50,000	50,000	
Total Equipment Projects	\$102,756	\$927,500	\$550,000	

<sup>&</sup>quot;Source: Projections were derived from the 2014/15 IEUA Ten Year Capital Improvement Plan.

#### Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2024\*

#### Projected

				,				
2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
								320,000
								55,000
								288,000
								25,000
1,780,000								2,880,000
1,550,000	1,850,000							3,400,000
								42,000
								112,000
								26,000
								10,000
300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,000,000
\$3,630,000	\$2,150,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$10,158,000
								160,000
400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	4,400,000
								17,500
								100,000
\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$4,677,500

# INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2024\*

RP-4 Headworks Retrofit RP-5 Flow Equalization and Effluent Moni SCADA Enterprise System Montclair Lift Stn Communication System RP-5 Standby Generators Control Mods RP-2 Digester No. 4 Dome Improvements Montclair Lift Station Upgrades Agency-Wide HVAC Improvments- Pckg No. 2 RP-2 Drying Beds Rehabilitation RP-4 Procees Improvements RP-1 Headworks Gate Replacement RP-1 Sludge Thickening SystemImprovement CCWRF Secondary Clarifier No. 3 Rehab Sewer Collection System Manhole Rehabili Collection System Repairs Phase V , West Lab Equipment Replacement New Lab Equipment (New Lab) New Water Quality Laboratory RP-1 East Primary Effluent Pipe Rehab RP-1 TWAS and Primary Effluent Piping Re RP-1 Odor Control Improvements RP-1 Plant 3 Primary Scum Well Upgrade CM Misc RO Construction & Emerg Proj FY1 Misc RO Construction & Emerg Proj FY14/1 CM Misc RC Construction & Emerg Proj FY14/1 CM Misc RC Construction & Emerg Proj FY14/1 Regional Sewer Special Projects FY14/15 Agency-Wide HVAC Improvements RP-1 IPS System Improvements RP-2 Expansion to 30 mgd Haven LS SCADA Improvements RP-5 SHF RP-1 Flow Equalization Upgrade and Odor RP-5 Biofilter Improvements	Actual	Projected		
	2013/14	2014/15	2015/16	
onstruction Projects				
RP-4 Headworks Retrofit	293,333	900,000	300,000	
RP-5 Flow Equalization and Effluent Moni	252,353	700,000	763,000	
	403,196	1,000,000	2,625,000	
·	38,522	165,000		
RP-5 Standby Generators Control Mods	308,809	270,000	25,000	
•	591,366	400,000	•	
•	390,693	2,500,000	415,000	
,	115,284	600,000	300,000	
	90,684	600,000	510,000	
	82,424	200,000	900,000	
·	6,569	200,000	000,000	
•	8,190			
	90,421	800,000	110,000	
•	55,339	600,000	610,000	
•	55,559	•		
·		400,000	100,000	
····			50,000	
· · · · · · · · · · · · · · · · · · ·		600,000	150,000	
, , ,		400,000	100,000	
·		100,000	550,000	
RP-1 Plant 3 Primary Scum Well Upgrade		75,000	325,000	
CM Misc RO Construction & Emerg Proj FY1		250,000	250,000	
Misc RO Construction & Emerg Proj FY14/1		250,000		
Misc WW Construction & Emerg Proj FY14/1		250,000	250,000	
CM Misc RC Construction & Emerg Proj FY1		250,000	250,000	
- ·		100,000	,	
Agency-Wide HVAC Improvements- Pckg No. Whispering Lakes Pump Station Rehab		100,000	950,000	
Aeration System Improvements Energy Efficiency Improvements			100,000	
·				
· · · · · · · · · · · · · · · · · · ·				
·				
•				
· · · · · · · · · · · · · · · · · · ·				
·		40.000		
Financial Planning for RO Program		10,000		
Financial Planning for RC Program		17,500		
Veeam Virtual Mach Backup/Recvry Softwr		17,000		
Purch & Install of RP-5 Satellite Whs/MM  Total Construction Projects	\$2,727,183	\$11,554,500	\$9,633,000	
-				
Total Capital Projects	\$5,005,214	\$13,935,000	\$11,308,000	

#### Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2024\*

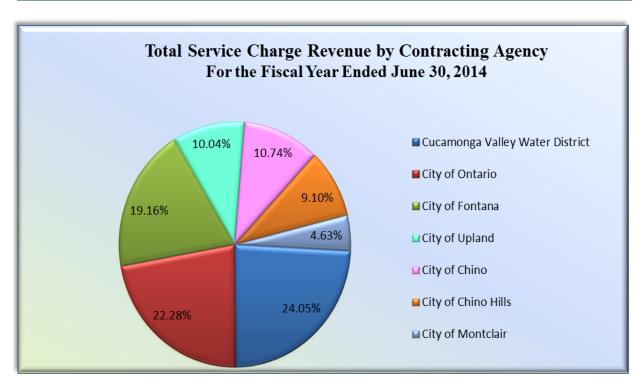
#### Projected

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total	
									1,200,
0 000 000	0 000 000								1,463,
3,000,000	3,000,000								9,625,
									165
									295
									400 2,915
									900
									1,110
425,000									1,525
210,000	1,500,000	6,000,000	2,800,000						10,510
210,000	1,500,000	240,000	1,250,000	3,478,000	3,478,000				8,446
		240,000	1,250,000	3,476,000	3,476,000	•			910
									1,210
									500
		50,000			50,000				150
	650,000	50,000			50,000	•			650
1,100,000	10,000,000	6,000,000							17,100
1,100,000	10,000,000	6,000,000							750
									500
									650
250,000	250,000	250,000	250,000	250,000	250,000	250.000	250	000	400
250,000	250,000	250,000	250,000	250,000	250,000	250,000	J 250	,000	2,500
050 000	050.000	050 000	050 000	050 000	050 000	050.00		000	250
250,000	250,000	250,000	250,000	250,000				,000	2,500
250,000	250,000	250,000	250,000	250,000	250,000	250,000	) 250	,000	2,500
									100
150,000									1,200
050 000	0 000 000	300,000	2,700,000						3,000
250,000	3,000,000	3,000,000	200,000	200 000	200 000	200.000	2000	000	6,250
200,000	200,000 250,000	200,000 750,000	200,000	200,000	200,000	200,000	) 200	,000	1,700
	100,000	500,000	500,000						1,000 1,100
	100,000	100,000	300,000						100
		300,000	2,700,000						3,000
		250,000	25,000,000	25,000,000	25,000,000	25,000,000	)		100,250
		1,000,000	-,,	-,,	.,,	-,,			1,000
		, ,	250,000	500,000	500,000	500,000	500	,000	2,250
				900,000	958,000				1,858
						100,000	250	,000	350
									10,
									17,
									17,
40.005.007	A40 450 000	A40 440 040	200,000	50,000		400	A		250,
\$6,085,000	\$19,450,000	\$19,440,000	\$36,350,000	\$30,878,000	\$30,936,000	\$26,550,000	\$1,700.	<u>000 \$1</u>	92,576,5
10,115,000	\$22,000,000	\$20,140,000	\$37,050,000	\$31,578,000	\$31,636,000	\$27,250,000	\$2,400,	000 \$2	07,412,

# Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency For the Fiscal Year Ended June 30, 2014

Through hard work, commitment and discipline, the IEUA team provides the communities they live and work in, with wastewater and related utility services, at some of the lowest rates in the State. The following table displays data for FY 2013/2014.

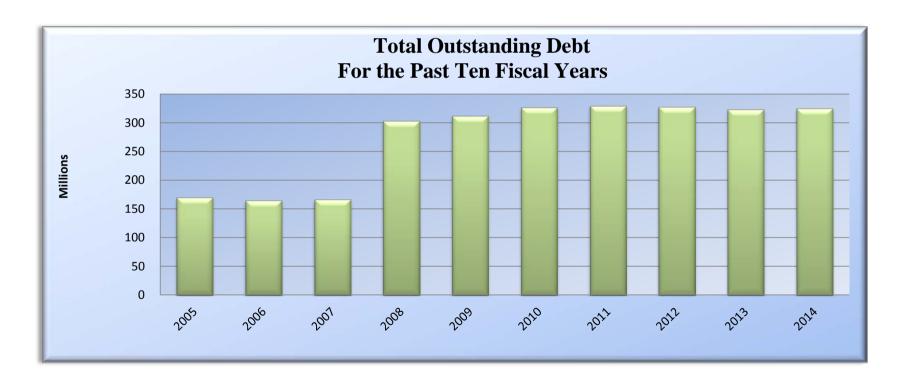
Contracting Agency	Total EDU's	Rate	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	768,353	\$ 13.39	\$ 10,288,244	24.05%
City of Ontario	711,899	13.39	9,532,321	22.28%
City of Fontana	612,143	13.39	8,196,601	19.16%
City of Upland	320,752	13.39	4,294,863	10.04%
City of Chino	343,012	13.39	4,592,930	10.74%
City of Chino Hills	290,726	13.39	3,892,815	9.10%
City of Montclair	147,955	13.39	1,981,117	4.63%
Total Contracting Agencys' Service Charge Revenue	3,194,839		\$ 42,778,892	100.00%



### **Ratios of Outstanding Debt For the Past Ten Fiscal Years**

The following table and chart reflect the Agency's outstanding debt ratio's and percentage of personal income per capita for the past ten fiscal years.

Fiscal Year Ended	Revenue Bonds (2)	State of California Loans (2)	SAWPA Note (2)	City of Fontana(2)	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
2005	\$ 152,957,336	\$ 14,079,679	\$ 2,365,327	\$ -	\$ 169,402,342	\$ 86	0.332%
2006	147,608,907	14,547,366	2,225,451	0	164,381,724	83	0.264%
2007	143,140,252	20,490,644	2,107,273	0	165,738,169	83	0.262%
2008	271,851,506	28,984,381	1,966,522	0	302,802,409	150	0.486%
2009	266,575,303	43,887,866	1,817,326	0	312,280,495	154	0.503%
2010	259,825,394	56,246,235	1,659,178	8,899,580	326,630,387	160	0.528%
2011	247,096,595	72,620,998	1,491,542	8,417,002	329,626,137	160	0.530%
2012	240,428,398	77,865,387	1,313,848	7,934,424	327,542,057	157	0.513%
2013	236,017,294	78,764,115	1,125,493	7,451,846	323,358,748	154	0.495%
2014	228,604,318	88,017,521	925,834	6,969,268	324,516,941	155	0.449%



- (1) Statistical information derived from San Bernardino County demographics at California Department of Transportation and quickfacts.
- (2) Data Source: Inland Empire Utilities Agency Finance & Accounting Department

### Agency System Total Debt Coverage Ratio

For Fiscal Years Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 2013)

_		2014		2013	20	13 Adjusted
Revenues: Wastewater System Service Charges	\$	43,047,559	\$	39,981,119	\$	39,981,119
Wastewater Capital Connection Fees	Ψ	9,788,634	Ψ	14,614,387	Ψ	14,614,387
Property Tax		38,486,730		47,986,078		33,490,920
NRW System Service Charges		8,199,986		7,909,829		7,909,829
Interest		510,114		7,909,629		755,578
Recycled Water Sales		10,830,500		7,951,605		7,951,605
Desalter/Composter Services		4,231,808		4,640,059		4,640,059
Other		1,688,917		1,988,702		1,988,702
Total Revenues	\$	116,784,249	\$	125,827,357	\$	111,332,199
Total Revenues	Ψ	110,704,249	Ψ	123,021,331	Ψ	111,332,199
Operation and Maintenance Costs:			_			
Wastewater Treatment	\$	20,505,666	\$	18,910,308	\$	18,910,308
Administration and General		30,658,425		22,997,395		22,997,395
Wastewater Disposal		7,705,551		8,612,642		8,612,642
Wastewater Collection		5,622,638		4,656,679		4,656,679
Operations and maintenance		3,764,958		3,195,541		3,195,541
Desalter/Composter Services		4,231,808		4,848,111		4,848,111
Other		457,439		1,873,791		1,873,791
Total Operation and Maintenance Costs:	\$	72,946,485	\$	65,094,468	\$	65,094,468
Revenues Available to Pay Senior Debt Service	\$	43,837,764	\$	60,732,889	\$	46,237,731
Senior Obligation Debt Service						
1994 Installment Payments	\$	0	\$	0	\$	0
1999 Installment Payments		0		0		0
Total Senior Obligation Debt Service	\$	0	\$	0	\$	0
Senior Obligation Debt Service Coverage		-		0		-
Net Revenues	\$	43,837,764	\$	60,732,889	\$	46,237,731
Parity Obligation Debt Service						
2005A Installment Purchase Payments	\$	2,135,933	\$	2,213,213	\$	2,213,213
2008A Installment Payments	·	6,250,000		6,250,000		6,250,000
2008B Installment Payments		1,750,447		1,737,000		1,737,000
2010A Installment Payments		5,295,150		5,286,650		5,286,650
Total Parity Obligation Debt Service	\$	15,431,530	\$	15,486,863	\$	15,486,863
Parity Obligation Debt Service Coverage		2.84		3.92		2.99
			_			
Net Revenues	\$	28,406,233	\$	45,246,026	\$	30,750,868
Subordinate Obligations		. =00 0.1=			•	
State Revolving Fund Loan	\$	4,709,347	\$	4,660,665	\$	4,660,665
SAWPA Sari Capacity Purchase		267,188		267,188		267,188
City of Fontana		562,402		562,401		562,401
Total Subordinate Obligations	\$	5,538,937	\$	5,490,254	\$	5,490,254
Other Debt Service Coverage		5.13		8.24		5.60
Remaining Net Revenue	\$	22,867,296	\$	39,755,772	\$	25,260,614
Revenues available after O&M expenses	\$	43,837,764	\$	60,732,889	\$	46,237,731
Total debt service	\$	20,970,467	\$	20,977,117	\$	20,977,117
Total debt coverage ratio		2.09		2.90		2.20
i otal debt coverage ratio		2.09		2.30		2.20

### Agency System Total Debt Coverage Ratio For Fiscal Years Ended June 30, 2014 (continued)

(With Comparative Totals for the Fiscal Year Ended June 2013)

In July 2003, the Chino Basin Regional Financing Authority issued Variable Rate Revenue Bonds, Series 2002A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds. In March 2008, the Agency issued the Chino Basin regional Financing Authority issued Variable rate Demand Revenue Refunding Bonds, Series 2008B to refund all of the outstanding 2002A Bonds.

In May 2005, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2005A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds.

In February 2008, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2008A. The Bonds were primarily used for improvements to the wastewater recycled water and non-reclaimable wastewater facilities.

In July 2010, the Chino Basin Regional Financing Authority issued Refunding Revenue Bonds, Series 2010A. The Bonds were primarily used to refund the outstanding Chino Basin Regional Financing Authority Revenue Bond Series 1994.

In addition, the Agency wastewater funds are required to maintain operating reserves sufficient to cover four (4) months of budgeted operating and maintenance expenses.

- The amended budget FY 2013/14 for operating and maintenance expenses for four months was \$24,765,804.
- As of the Fiscal Year Ended June 30, 2014, the Agency had designated debt service reserves of \$4,754,185, which has been included in Net Investment in Capital Assets.

#### INLAND EMPIRE UTILITIES AGENCY Computation of Direct and Overlapping Bonded Debt As of June 30, 2014

2013/2014 Assessed Valuation: \$83,588,577,734 (after deducting \$26,903,284,615 Redevelopment Incremental Valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 6/30/14	
Metropolitan Water District	3.827%	\$ 5,062,164	
Chaffey Community College District	98.772	159,675,709	
San Bernardino Community College District	0.736	3,260,237	
Chino Valley Unified School District	100.	132,919,999	
Colton Joint Unified School District	1.106	1,963,950	
Fontana Unified School District	91.572	203,349,114	
Rialto Unified School District	5.152	3,711,664	
Upland Unified School District	99.780	86,716,769	
Chaffey Union High School District	99.832	180,526,206	
Alta Loma School District	99.812	14,148,387	
Central School District	100.	18,143,515	
Mountain View School District & School Facilities Improvement District No. 1	100.	13,291,670	
Ontario-Montelair School District	100.	50,054,903	
Inland Empire Utilities Agency	100.	0	(2)
City of Chino Community Facilities Districts	100.	127,490,000	
City of Chino Hills Community Facilities Districts	100.	44,725,000	
Etiwanda School District Community Facilities Districts	100.	96,275,000	
Upland Unified School District Community Facilities District	100.	4,213,000	
City of Fontana Community Facilities Districts	4.930-100.	58,101,110	
Mountain View School District Community Facilities District	100.	885,000	
San Bernardino County Community Facilities Districts No. 2002-1	100.	22,295,000	
City of Ontario Community Facilities District	100.	7,655,000	
City of Rancho Cucamonga Community Facilities Districts	100.	88,544,000	
City of Upland Community Facilities Districts	100.	41,195,000	
City of Chino Hills 1915 Act Bonds	100.	2,680,000	
City of Ontario 1915 Act Bonds	100.	8,945,000	
City of Rancho Cucamonga 1915 Act Bonds	100.	1,615,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,377,442,397	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Bernardino County General Fund Obligations	49.675%	\$ 249,937,279	
San Bernardino County Pension Obligations	49.675	242,979,466	
San Bernardino County Flood Control General Fund Obligations	49.675	50,191,620	
Chaffey Community College District Certificates of Participation	98.772	11.670.570	
Chino Valley Unified School District Certificates of Participation	100.	18,605,000	
Colton Joint Unified School District Certificates of Participation	1.106	43.026	
Fontana Unified School District Certificates of Participation	91.572	43,386,814	
Rialto Unified School District Certificates of Participation	5.152	352.397	
Cucamonga School District Certificate of Participation	100.	9.810.000	
City of Chino Hills Certificates of Participation	100.	17,730,000	
City of Fontana Certificates of Participation	82.601	43,357,265	
City of Montclair General Fund Obligations	100.	26,265,000	
City of Ontario General Fund Obligations	100.	72,035,000	
Other City General Fund Obligations	8.172 &100.	951,870	
West Valley Vector Control District Certificates of Participation	100.	3,215,000	
TOTAL NET OVERLAPPING GENERAL FUND			
		\$ 790,530,307	
OVERLAPPING TAX INCREMENT DEBT:	10.914-100.	\$ 942,028,518	
NET COMBINED TOTAL DEBT		\$3,110,001,222	(3)

#### INLAND EMPIRE UTILITIES AGENCY Computation of Direct and Overlapping Bonded Debt (continued) As of June 30, 2014

#### Ratios to 2013-14 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.65%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt	3.72%
State School Building Aid Repayable As Of 6/30/14:	\$0

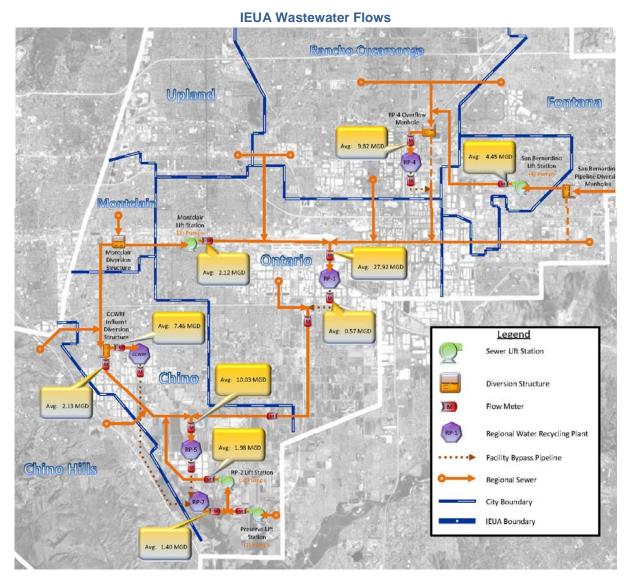
Source: California Municipal Statistics, Inc.

#### Footnotes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the agency.
- (2) Excludes revenue issues.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax Allocation Bonds and non-bonded capital lease obligations.

#### **Operating Indicators - Wastewater Facilities Design Capacity and Average Flow** As of June 30, 2014

Currently, the Agency operates four water recycling plants: Regional Plant No. 1 (RP-1) is located in the City of Ontario, Carbon Canyon Water Recycling Facility (CCWRF) is located in the City of Chino, Regional Plant No. 4 (RP-4) is located in the northeast service area in the City of Rancho Cucamonga and Regional Plant No. 5 (RP-5) located in the unincorporated area of the City of Chino.



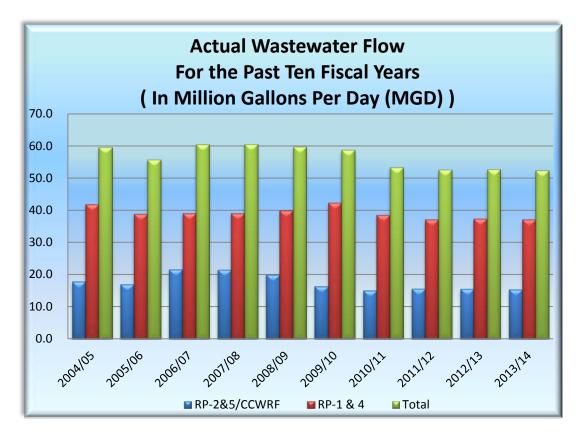
The following table presents the current design capacities and flows of the Agency's water recycling facilities as of June 30, 2014:

Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	26.9	61.1%
RP-4	14.0	10.1	72.1
RP-5	15.0	8.0	53.3
CCWRF	11.4	7.2	63.2
*MCD = million gallons per day	84.4	52.2	61.8%

\*MGD = million gallons per day

Operating Indicators - Actual Wastewater Flow For the Past Ten Fiscal Years (In Million Gallons Per Day (MGD))

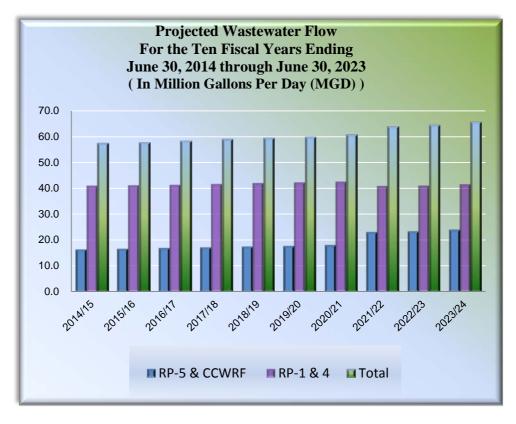
Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
2004/05	41.9	17.7	59.6
2005/06	38.8	17.0	55.8
2006/07	39.1	21.4	60.5
2007/08	39.1	21.5	60.6
2008/09	39.8	20.0	59.8
2009/10	42.3	16.4	58.7
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.2



Operating Indicator - Projected Wastewater Flow
For the Ten Fiscal Years Ending June 30, 2015 through June 30, 2024\*

( In Million Gallons Per Day (MGD) )

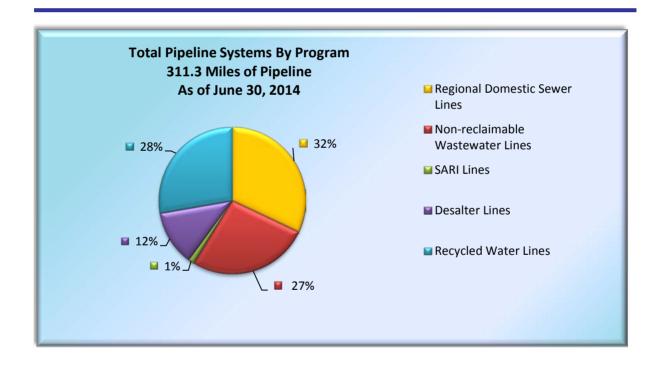
	RP-5 &		
Fiscal	CCWRF	RP-1 & 4	Total
Year	(MGD)	(MGD)	(MGD)
2014/15	16.4	41.1	57.5
2015/16	16.7	41.3	58.0
2016/17	16.9	41.5	58.4
2017/18	17.2	41.8	59.0
2018/19	17.5	42.1	59.6
2019/20	17.7	42.4	60.1
2020/21	18.1	42.7	60.8
2021/22	23.1	41.0	64.1
2022/23	23.4	41.2	64.6
2023/24	24.1	41.7	65.8



<sup>\*</sup> Source: Statistics were Provided by IEUA Planning and Water Resources Dept.

### Operating and Capacity Indicators - Pipeline Systems By Program As of June 30, 2014

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	99.7	32%
Non-reclaimable Wastewater Lines	83.2	27%
SARI Lines	4.3	1%
Desalter Lines	37.8	12%
Recycled Water Lines	86.3	28%
Total Miles of Pipeline	311.3	100%



Source: IEUA Engineering Dept.

No data available prior to most recent information.

### Operating Indicators - FY 2013/14 Staffing Allocations As of June 30, 2014

#### **Actual staffing allocation by Program**

\*FTE

Regional Wastewater Operations	162.5
Regional Wastewater Capital Programs	28.2
Recycled Water Programs	15.5
Inland Empire Regional Composting Authority Operations	24.0
Non-reclaimable Wastewater System Programs	12.9
Chino Basin Desalter Operations & Capital Programs	7.0
Recharge Water Programs	2.6
Water Related Activities & Conservation Programs	4.3
General Administration	1.0
Total FTE Count	258
Total Authorized FTE	295
Vacancy Factor Percentage	12.5%

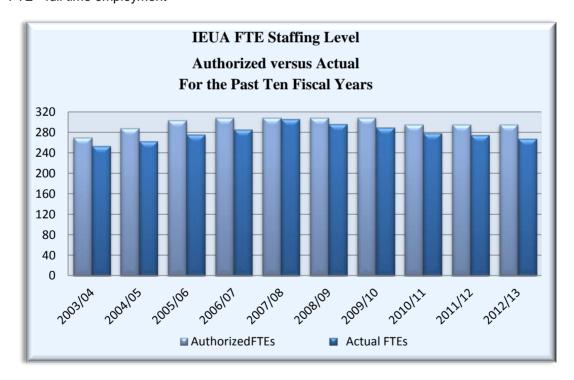
Source: IEUA June 2014 Position Control Report

<sup>\*</sup>FTE- Full Time Equivalent

Operating Indicators - Comparison of Authorized and Actual Staffing Level For the Past Ten Fiscal Years

Fiscal Year	Authorized FTEs	Actual FTEs
2003/04	270	254
2004/05	288	262
2005/06	303	276
2006/07	308	286
2007/08	308	306
2008/09	308	296
2009/10	308	290
2010/11	295	278
2011/12	295	275
2012/13	295	267

<sup>\*</sup>Actual Employee Count is an annual weighted average FTE - full time employment

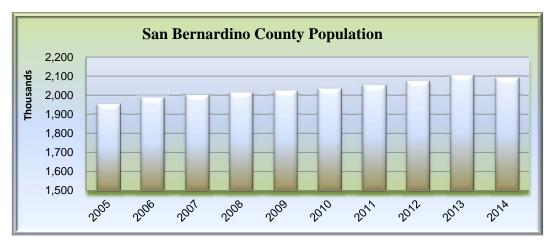


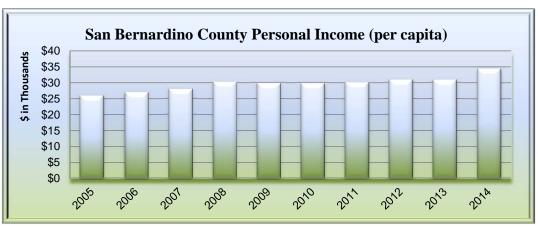
The chart and table above reflect the number of authorized FTE positions versus actual staffing level by fiscal year for the past ten fiscal years.

### Demographic and Economic Statistics For the Past Ten Fiscal Years

San Bernard	lino County	(1)
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		Personal Income	Personal Income
Year	Population	(billions)	(per capita)
2005	1,953,229	50.9	26,068
2006	1,987,505	53.9	27,134
2007	2,002,208	56.1	28,024
2008	2,015,355	60.9	30,363
2009	2,024,760	59.7	29,859
2010	2,035,210	60.8	29,848
2011	2,053,974	63.6	30,245
2012	2,074,668	67.3	31,007
2013	2,106,217	68.1	30,990
2014	2,092,660	73.5	34,561





#### Footnotes:

- (1) The Agency has chosen to use the County data since it believes that the County data is representative of the conditions and experience of the Agency.
- (2) Data for Year 2014 has been estimated.

**Demographic and Economic Statistics** 

**Area's Largest Public and Private Employers** 

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,510
Kaiser Permanente Medical Center	Fontana	4,800
Fontana Unified School District	Fontana	3,392
San Antonio Community Hospital	Upland	1,942
California Institution for Men	Chino	1,696
Upland Unifed School District	Upland	1,500
Chino Valley Unified School District	Chino	1,350
Chaffey Community College District	Rancho Cucamonga	1,229
North American Medical Management	Ontario	1,304
City of Fontana	Fontana	1,103

Sources: San Bernardino Area Chamber of Commerce, City's websites and financial documents



City of Fontana



San Antonio Community Hospital



Fontana Medical Center



Ontario International Airport

Footnote: No data available prior to most recent information.

#### **Inland Empire Utilities Agency**

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Acknowledgements:

Special Thanks to the IEUA employees who contributed photographs, articles, and their expertise for this Comprehensive Annual Financial Report.



Garden in Every School Program – Coyote Canyon Elementary

