

Inland Empire Utilities Agency\*

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

\*A Municipal Water District

Chino, California



Water Smart - Thinking in Terms of Tomorrow



# Chino Creek Invert Repair



Flow Diversion Set-up

Inland Empire Utilities Agency\*

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Fiscal Year Ended June 30, 2016



\*A Municipal Water District

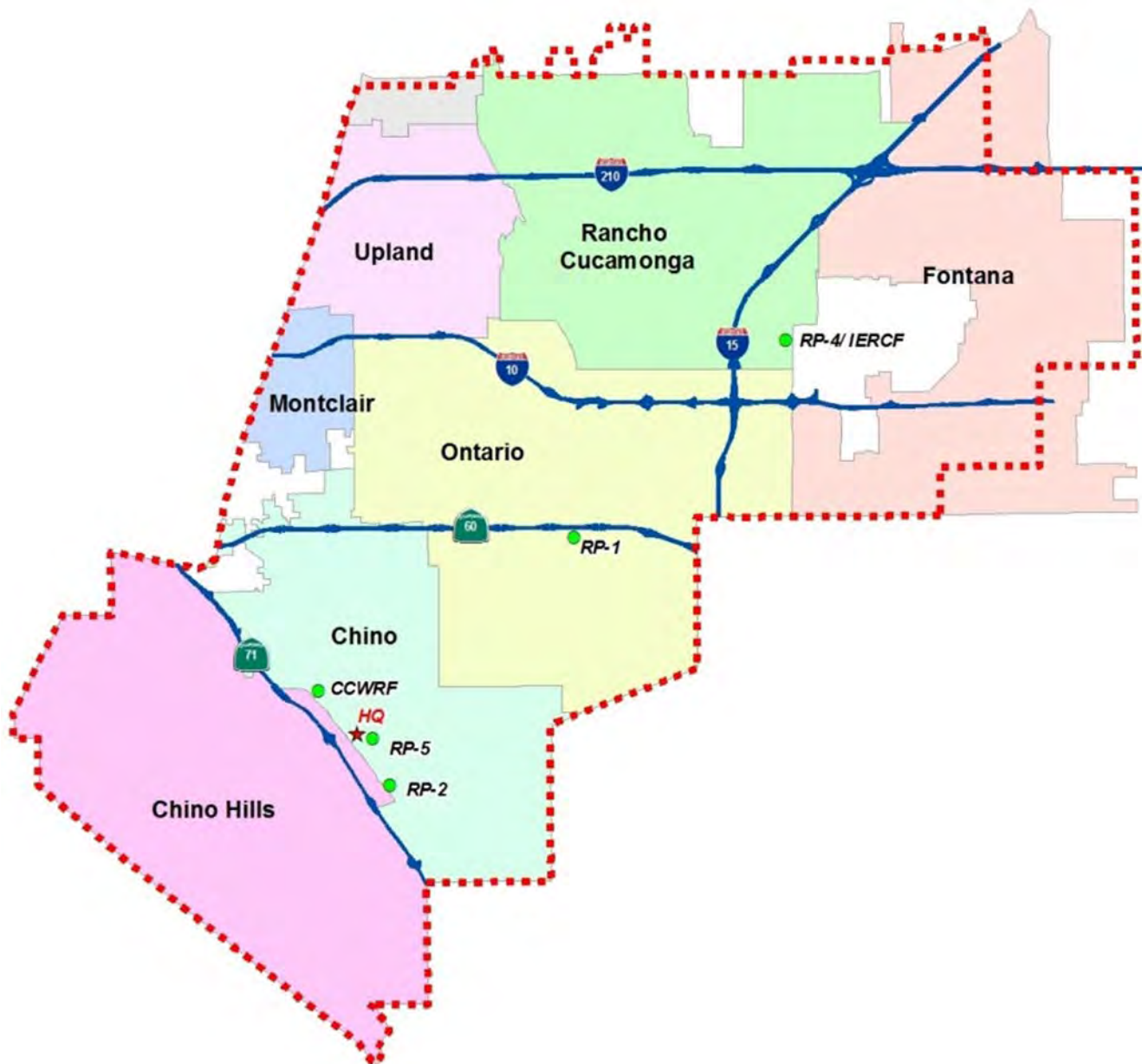
Chino, California





# 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, 2016

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## Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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TEL (909) 993-1600 • FAX (909) 993-1985  
[www.ieua.org](http://www.ieua.org)

December 21, 2016

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 general 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, 2016.

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 accounting principles generally accepted in the United States of America. 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 Lance, Soll & Lunghard, 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, 2016, are free from 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 opinion that the Agency's financial statements for the year ended June 30, 2016 are fairly presented in conformity with accounting principles generally accepted in the United States of America. 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.

Accounting principles generally accepted in the United States of America 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.

### *Water Smart – Thinking in Terms of Tomorrow*

**Terry Catlin**  
President

**Michael E. Camacho**  
Vice President

**Steven J. Elle**  
Secretary/Treasurer

**Jasmin A. Hall**  
Director

**Paul Hofer**  
Director

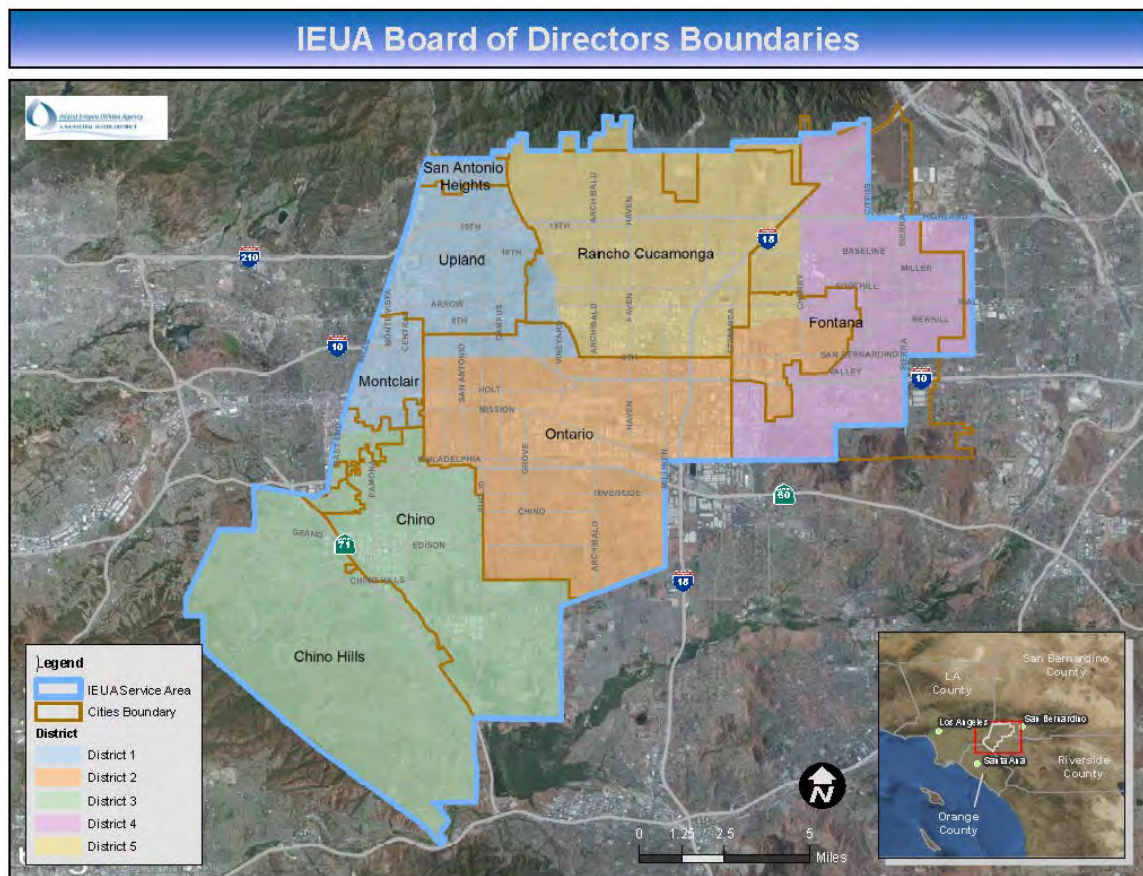
**P. Joseph Grindstaff**  
General Manager



## 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 to south of 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.



## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

### **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 as well as 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 sewer 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 and biosolids treatment capacity. RP-1 treats an average flow of approximately 23.5 million gallons per day (mgd) of wastewater.



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

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 RP-5 facilities.



#### **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 6.9 mgd.



## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

### **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. 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 uses several treatment processes that contribute to providing quality recycled 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.

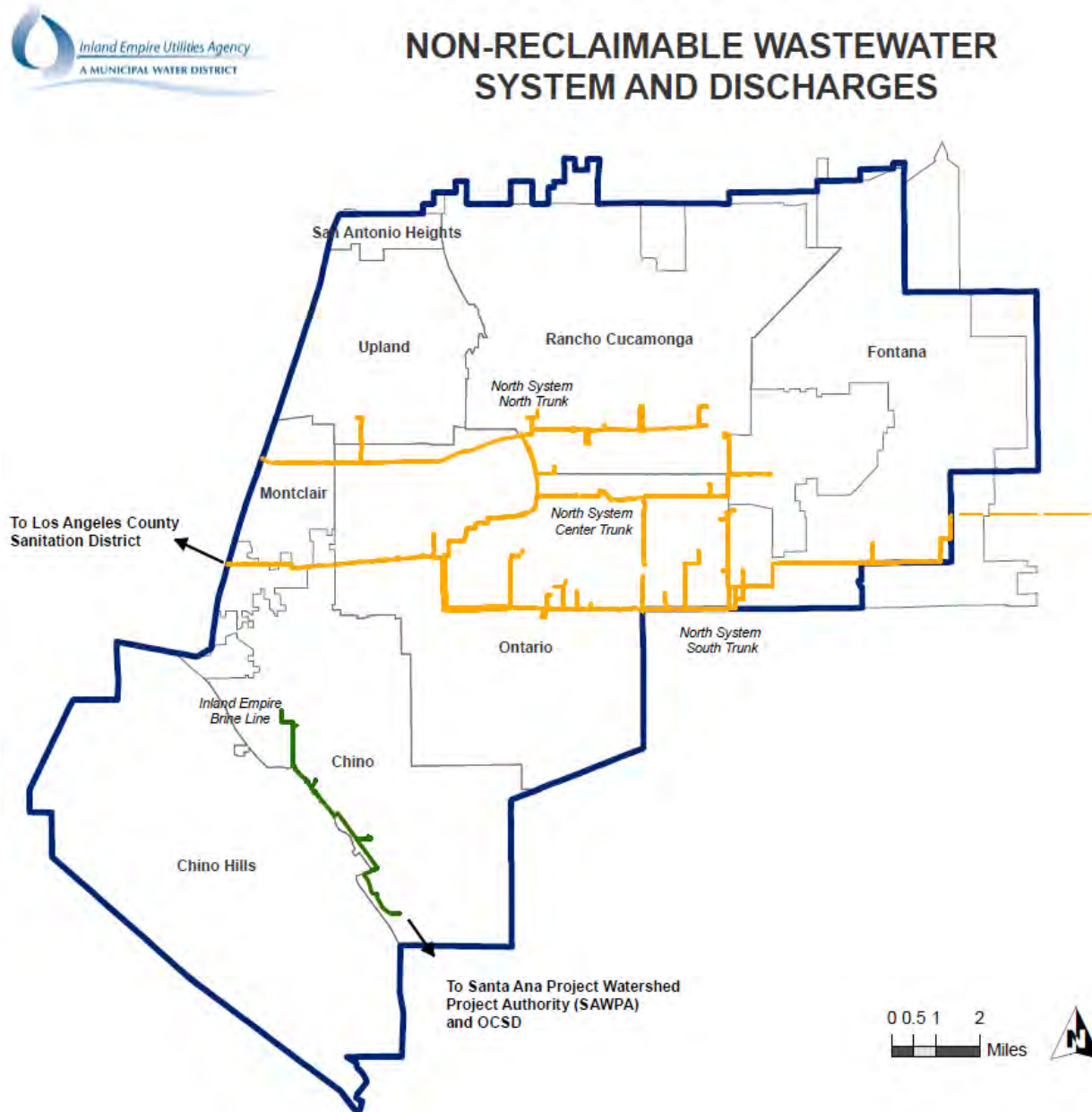
The Agency operates the Non-reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts, for discharge into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of 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, center, and south trunk lines, which discharge the industrial wastewater into the Sanitation Districts of Los Angeles County (SDLAC) System. The wastewater generated from the Southern portion of the NRWS is diverted to Orange County Sanitation (CSDOC).

As of June 30, 2016, approximately 51 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 (II), Nestle (Arrowhead) 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 6 industrial customers that truck their wastewater to the Agency's dump discharge stations.

## INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

### Up to the Present (continued):





## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

### **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 plants via the SARI pipeline for treatment and discharge into the Pacific Ocean. Currently, the NRWS owns a 4.13 mgd capacity right in the SARI system, and 2.25 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 0.1 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 SDLAC entered into agreements dating back to 1966 under which SDLAC 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 SDLAC effective July 1, 2014. The new agreement has a term of 30 years, allowing for four additional five-year extensions and the option to lease discharge rights, which makes the new agreement more attractive for both new and existing customers looking to expand. Under the agreement, SDLAC owns and operates the sewerage system, and the Agency has been assigned approximately 15,000 capacity units per year. The assigned capacity will be adjusted annually through June 30, 2018.

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 Mega Watt (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).



## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

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



Tilted single-axis tracker, installed at RP-5

### **Agency wide – 3.5 MW Photovoltaic System (continued)**

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

The Agency has started a pioneer energy project to use advanced energy storage systems to integrate renewable power, reduce demand on the electric grid and lower the cost. Upon completion, 3.65 MW of advance energy storage will be placed at the regional water recycling facilities to complement and integrate the Agency's renewable resources.

## **Joint Powers of Authority**

Chino Basin Desalter Authority (CDA), a joint powers authority (JPA), was formed in 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 CDA 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.

## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

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

In February 2002, the Agency entered into a Joint Powers Agreement, with the County Sanitation District No. 2 of Los Angeles County (SDLAC) 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 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.



### **Recycled Water Distribution System**

The Agency has been providing 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 the cities of Chino and Chino Hills. The connected demand for recycled water has more than tripled since FY 2006/07 from 13,000 acre feet per year (AFY) to over 48,248 AFY. Recycled water and groundwater recharge deliveries 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 \$13 million/year (wholesale rate revenue plus Metropolitan Water District (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 connection for direct use customers to the regional recycled water system has been stagnant. The main causes 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 Wineville Recycled Water Pipeline Extension, was completed in December 2015. The next phase of projects and priorities will be developed in the Recycled Water Program Strategy, completed in Fiscal Year 2016.



## **INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):**

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

#### **Groundwater Recharge Basins**

In conjunction with the Chino Basin Watermaster (CBWM), the Agency is implementing the groundwater recharge program to increase artificial groundwater recharge within Chino Basin using storm water, recycled water, and imported water. By enhancing the recharge capacity in 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.

In 2013, the Agency, CBWM, Chino Basin Water Conservation District (CBWCD), and their respective member agencies completed a review of the 2010 Recharge Master Plan (2013 Recharge Master Plan Update or RMPU). The Update evaluated 27 yield enhancing capital projects, which are included in the Ten Year Capital Improvement Plan (TYCIP). Two projects have been fast tracked to leverage available grants and low cost State Revolving Fund (SRF) Loans. The remaining projects required additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program. The Agency actively supports the implementation of the RMPU providing assistance to obtain low cost financing and grants for multiple projects through the State Water Resources Control Board.

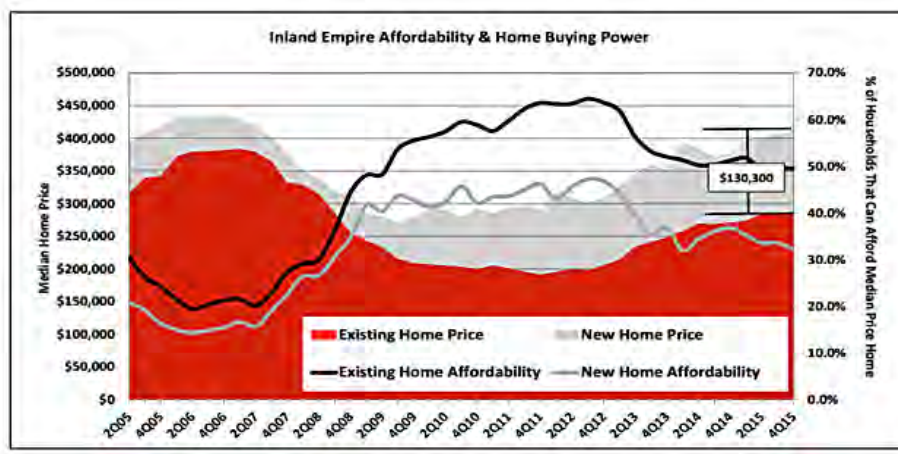
## **ECONOMIC CONDITION AND OUTLOOK**

California has stayed on course with a solid economic performance through the first three quarters of 2016 despite slower growth nationally. Through the first half of 2016, the state's 2.7% job growth rate, compared to 1.8% nationally, placed it among the top 10 states in the nation.

The Inland Empire (IE), consisting of Riverside and San Bernardino Counties, is an area of tremendous ongoing expansion with a population that is among the fastest growing in the state. Population-driven output growth continues to benefit residents and businesses. Combined with an improving economy, population growth has helped drive taxable sales to record highs in the region. Taxable sales grew by 4.7 % in the IE from the first quarter 2015 to the first quarter of 2016. It's geographic location, rising labor force, outstanding academic resources, and sophisticated logistics infrastructure, position the IE with the capacity to effectively handle growth as it returns. A surge in new development is also a positive sign throughout the region, particularly in the Agency's service area.

## ECONOMIC CONDITION AND OUTLOOK (continued):

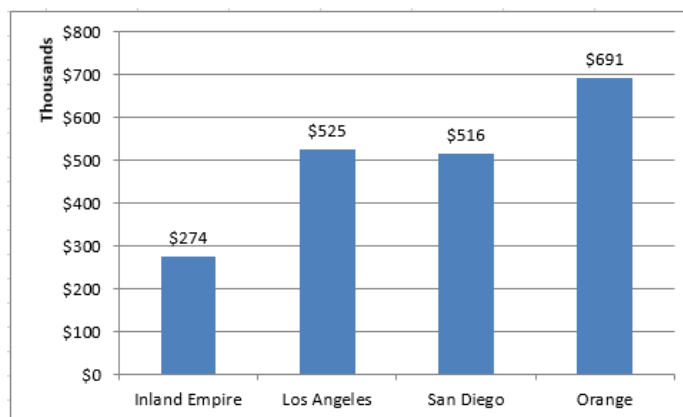
**Housing Market** – The Inland Empire's economy continues to have positive energy in the real estate market. Metrostudy, a national housing data and consulting firm that maintains the most extensive primary database on residential construction in the US housing market, reported in January 2016 annual new home starts were up 28.2% over the 2014 numbers. The resale market finished the year strong with single family sales up over 11% and new listings up nearly 6% as compared to 2014 totals, indicating buyer/seller confidence is strong and continuing to gain. While the market finished strong, affordability is a major issue with only 32% of home buyers able to afford a “new construction” home verses an existing home. Currently the median price difference between new and existing homes is close to \$130,300 which likely has a significant impact on where buyers decide to spend the majority of their home search focus.



Source: Metrostudy Report, Inland Empire Housing, January 2016

Overall, the Inland Empire homebuilding market is moving at a moderate pace, and the trailing 12-month trends are suggesting that the market has managed to maintain a gradual upward momentum that is expected to move slowly but steadily through 2016.

### Southern California Median Home Prices by County (\$ Thousands)



Source: John Husing, April 2016 Inland Empire Quarterly Economic Report

## ECONOMIC CONDITION AND OUTLOOK (continued):

*Employment* – Virtually every industry in the state continues to add jobs and the unemployment rate is lower than one year ago. The unemployment rate dropped below 6% late last year, moving sideways in the mid-5% range for most of the summer as sustained job growth and wage gains have drawn more people into the labor force. Finally, with 45,700 jobs added and a positive start to 2016, the unemployment rate is expected to decrease to 5.0% by the calendar year end, down from 6.6% in 2015. Despite high unemployment in the region, the Inland Empire will continue the recovery and expansion that has been underway from 2011-2015. The Agency's service area population is projected to surpass 870,000 by FY 2016/17.

*Median Income* – Median annual income is estimated to be \$70,357 in the Agency's service area, \$53,803 in San Bernardino County, and \$64,500 in the State of California. The table below illustrates how the average annual incomes for the cities within the Agency's service area compare to the county and state annual average.

**Comparison of the Average Annual Income for the  
Agency's Service Area vs. the County and State Annual Average**

Agency Service Area	Median Annual Income
Chino Hills	\$102,890
Rancho Cucamonga	\$ 80,720
Chino	\$ 72,155
Fontana	\$ 64,297
Upland	\$ 63,771
Ontario	\$ 57,361
Montclair	\$ 51,308
<b>Service Area Average</b>	<b>\$70,357</b>
San Bernardino County Average	\$53,803
State of California Average	\$64,500

Source: [www.dof.ca.gov/research](http://www.dof.ca.gov/research) - American Community Survey (2015)

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

### **Major Initiatives for FY 2015/16**

Since its formation, the Agency has evolved from a purveyor of water imported as a member of Metropolitan Water District of Southern California Area (MWD) to a population of approximately 80,000 people, to becoming a “water resources steward of the region” as a regional provider of wastewater treatment with domestic and industrial systems, developing energy production and co-composting facilities, taking a leadership role in promoting integrated water resource management, regional water efficiency, and maintaining a high standard of community and educational outreach.

During the fiscal year 2015/16 the Agency accomplished many significant milestones; none of which could have been possible without the collaboration of our member agencies, stakeholders, and dedicated Agency team. Some of these milestones will help position the Agency in a more stable fiscal and operational status to more effectively execute the planned initiatives as outlined in the Agency’s Strategic Plan. Other milestones will help the Agency leverage opportunities and address unplanned challenges that arise along the way.

Significant milestones reached in FY 2015/16 include:

- ✚ Implementing the biennial budget, that included the first two years of the five year rates (FY 2015/16-2016/17) approved by the Board for the Regional Wastewater and Recycled Water programs;
  - Establishing rates and fees that fully recover the cost of providing services is a key objective of the adopted five year rates. Achieving full cost of service rate is essential in ensuring the Agency can effectively respond to economic and environmental variability. The incremental increases over the five year period lessen the impact to ratepayers, as well as provide our member agencies with more stable and predictable forecasts.
- ✚ Implement the first year of a five year wastewater connection fee increase. The five year wastewater connection fee schedule of increases was approved with the support of the Builders Industry Association (BIA).
- ✚ Establishment of a new water connection fee effective January 1<sup>st</sup>, 2016 to support future expansion and enhancement of the Agency’s regional water system which is comprised of potable water, recycled water, and groundwater recharge facilities.
  - Similar to the existing wastewater connection fee, the new water connection fee will be levied on new development to ensure future customers pay their proportionate share for the benefit received from existing available capacity and expansion of the system to meet their needs. Continual development of the regional water system is essential to ensuring water reliability and resiliency for the region now and in the future.



## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Initiatives for FY 2015/16 (continued):**

- ✚ Agency commitment to addressing critical drought issues:
  - The Agency allocated \$1.5 million in FY15/16 to support regional drought resiliency, water use efficiency and reliability projects.
  - Additionally the Agency allocated a one-time \$2.7 million of incremental property taxes to the Water Resources (WW) Fund for the purchase of supplemental water. Enhancing water supplies will better position the region to more effectively address potential water supply shortage in the future.

The Governor's FY 2015/16 May revised budget reported a \$6.7 billion increase in General Fund revenues compared to the January budget. With the state's economy on a stronger footing, attention was shifted to water shortages caused by the on-going drought. Although drought conditions are prevalent throughout the southwestern region of the U.S., coping with the fifth consecutive year of historically dry weather, California has become the focal point of the current drought crisis.

As a key participant in the crafting of the Sustainable Groundwater Management Act (SGMA) which requires local agencies to form sustainable groundwater management agencies by June 2017 and adopt sustainability plans by 2022, the Agency, in partnership with its member agencies, invests in a wide range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency. Included in the FY's 2015/16 – 2016/17 biennial budgets is an expansion of the Agency's regional conservation program, including:

- ✚ Landscape equipment upgrades,
- ✚ Indoor water saving devices,
- ✚ Free landscape evaluations,
- ✚ Rebates for turf removal,
- ✚ Increased Public outreach, and
- ✚ Messaging to heighten public awareness on the urgency to preserve our regional water supplies.

The Agency continues to be committed to safeguarding and enhancing the quality of life in the Inland Empire in a sustainable and cost effective manner; ensuring that a clean, reliable and resilient water supply is available now and in the future.

These principles will continue to guide the Agency and its member agencies in developing and prioritizing initiatives to effectively address the effects of climate change and its impact on our region's vital water resources.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Initiatives for FY 2015/16 (continued):**

Some of the major capital construction projects in FY 2015/16 included:

#### ***Water Recycling Plant Expansion***

As part of the Wastewater Facilities Master Plan (WFMP), an analysis of the influent wastewater flow and quality data for the Agency water recycling facilities, including Regional Water Recycling Plant No. 5 (RP-5) was conducted to establish current average and peak influent flows, concentrations, and loads at the plants for the purpose of developing flow and load projections for the 2035 planning year.

The analysis confirmed the need for the *RP-1 Liquids Treatment Expansion*, *RP-1 Solids Treatment Expansion*, *RP-5 Liquids Treatment Expansion*, and *RP-5 Solids Treatment Facility* and identified five major capital projects required for the Agency to accommodate the projected influent wastewater flows within the next twenty years.

To investigate the current systems and detail the system requirements, the Agency has established and combined two projects for the preparation of one Preliminary Design Report (PDR) for the RP-1 Liquids & Solids Treatment Expansion and RP-5 Liquids & Solids Treatment Expansion. This PDR will establish the project management plan, set the requirements of the future expansions, and develop the preliminary design for the future five projects in terms of major technologies, estimated cost, and schedule. Implementation of each of these projects over the next 20 years will have to be completed before the influent wastewater flows are projected to exceed treatment or conveyance capacities years.

#### ***SCADA Enterprise System***

The Facilities and Recycled Water Supervisory Control and Data Acquisition (SCADA) Master Plans identified the critical need for an Agency-Wide SCADA Enterprise System. The Agency relies heavily on SCADA for operation and compliance of the various facilities.

The project will migrate the Agency's wastewater facilities from the Foxboro-Invensys Distributed Control System (DCS) to a Rockwell Automation SCADA Enterprise System. This project includes several phases of a SCADA migration, including CCWRF, RP-1, RP-4, and RP-5. The scope for this project includes design, procurement, installation and programming of a new SCADA system. In doing this, several central control panels and equipment will need to be overhauled. Additionally, the project will consist of several tasks including, SCADA system design (physical and operator screens), procurement, installation, integration, and cutover & testing of the upgrades to the network, supervisory control, direct control, Operations Data Management Systems, reporting, etc. for all of the Agency's five major wastewater facilities. The CCWRF phase of the project was completed in FY15/16

Migration to a uniform SCADA system will allow for the optimization of SCADA assets and maximize their lifecycle, better meet business needs, and mitigate disruptions to operational continuity. The Enterprise will minimize system delivery risk, reduce system variability, enhance system quality, and ensure that Agency staff members have the support to maintain the system post-commissioning. This project will provide the infrastructure, tools, and information to enable

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Initiatives for FY 2015/16 (continued):**

#### ***SCADA Enterprise System (continued):***

Operations to maintain regulatory compliance and meet their levels of service in an efficient manner.

#### ***Water Quality Laboratory***

The scope of the Water Quality Laboratory project includes the construction of a 16,000 ft. state-of-the-art laboratory located at the IEUA Headquarters Campus, in the city of Chino. The new lab will be constructed in accordance with the *Leadership in Energy and Environmental Design* (L.E.E.D) Silver rating for energy efficiency. The project scope also includes the expansion of the existing Central Chiller Plant, which will provide the chilled water needed for the New Lab air conditioning and heating system.

#### ***Montclair Diversion Structure Improvements***

The existing Liquid Mist System odor control system had been in service for 20 years and had reached the end of its useful life. The Agency replaced the existing cast iron gates with automated S.S. gates, replaced access covers and updated the metering instruments to aid in savings in the quantity and cost of chemicals currently being used in the existing system.

#### ***Agency-Wide HVAC Improvements-Package No. 3***

There are currently several electrical and control buildings throughout the Agency with heating, ventilation and air conditioning (HVAC) systems that are experiencing problems.

These HVAC systems are old, inefficient and cause electrical equipment failures which result in process disruption and costly repairs. Some electrical rooms are without a HVAC system at all. This project addresses and will upgrade all deficient HVAC systems.

This project includes the design procurement, and installation of all necessary HVAC equipment throughout the Agency; and, ensures process safety and reliability.

#### ***RP-1 Mixed Liquor Return Pumps***

The purpose of implementing a mixed liquor return pumps (MLRP) system is to enhance the removal of total inorganic nitrogen (TIN) to comply with the U.S. Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) and groundwater recharge program permit conditions. IEUA's NPDES permit has limits for TIN concentration of 8 mg/L and mass emission rate of 5,338 lbs/day based on a 12-month flow-weighted running average. NPDES compliance is determined on an Agency-wide basis using the flow-weighted average of discharges from RP-1, RP-4, RP- 5 and the Carbon Canyon Water Recycling Facility (CCWRF). IEUA's groundwater recharge program permit requires a maximum total nitrogen (TN) concentration in recharged recycled water or a combination of recycled water and diluent blend water not to exceed 5 mg/L prior to reaching the groundwater table. Compliance with groundwater recharge permit conditions is based on lysimeter readings near each basin.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Initiatives for FY 2015/16 (continued):**

#### ***RP-1 Mixed Liquor Return Pumps (continued):***

As part of the IEUA Wastewater Facilities Master Plan, process modeling was performed to evaluate existing RP-1 liquid treatment capacity to meet both 5 mg/L and 8 mg/L effluent TIN under average and maximum month flow and load conditions. The process modeling showed that the overall liquid treatment capacity with a MLRP system installed could meet 8 mg/L TIN at a 32 mgd flow rate, and could meet 5 mg/L at a 28 mgd flow rate. Current average influent flow is approximately 28 mgd and flows are predicted to increase to 33 mgd by 2035. Implementation of an MLRP system at RP-1 will help IEUA optimize its treatment capacity while meeting NPDES and groundwater recharge permit requirements with a modest capital investment until the next major plant capacity expansion, expected to occur by 2035.

This project scope is comprised of:

1. Add Mixed Liquor Return functionality to all 6 Aeration Basins.
2. Add a swing zone to Basin 1 of all 6 Aeration Basins.
3. Provide the necessary DCS and SCADA Integration of newly installed equipment.
4. Provide access and maintainability of new equipment.
5. Upgrade the facilities' electrical system to accommodate the new equipment in conformance with the new electrical system evaluation being prepared by the Engineering Department.
6. The design of the SCADA Enterprise Project at RP-1 has been completed. The construction may begin as early as the 4th quarter in 2017.

#### ***Energy Storage Banks***

On October 14, 2015, the Board approved an Energy Storage Services Agreement with Advanced Microgrid Solutions, Inc. (AMS) for a 10-year term to provide energy storage services. AMS has developed a project structure whereby 3.65 MW of energy storage will be installed at no cost to the Agency. Under this Agreement, the Agency will have access to all the stored energy and will pay AMS fixed equipment fees and performance-based service charges. AMS will assume, at its own expense, all responsibility for design, development, permitting, financing, operation, maintenance and decommissioning of the Project at each facility. The Agency will provide AMS access to utility data and facilitate design, permitting, construction, interconnection and installation of the Project.

The energy storage installations will be equipped with software designed to adapt to each facility's load requirements and maximize cost savings based on the electricity tariff specific to the site. AMS estimates that the energy storage installations will result in an annual savings up to \$550,000 across all Agency facilities. After taking into account the equipment and service fees, AMS estimates that IEUA will realize \$55,000 to \$230,000 in annual electricity savings.



## MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

### Major Initiatives for FY 2015/16 (continued):

#### Energy Storage Banks (continued):

##### Energy Storage Installation Sites and Sizes

Facility	Energy Storage Rating (MW)
RP-1	1.0
RP-4	1.25
RP-5	0.5
CCWRF	0.5
1630 East Pump Station	0.15
1630 West Pump Station	0.25
Total	3.65

AMS has provided an assurance that the Agency will receive a minimum system benefit of \$15 per kW of storage installed, net of any equipment fees. This assurance guarantees a minimum savings of approximately \$55,000 annually. In the event that system performance warrants the cost savings assurance, AMS will make a lump sum cash payment to the Agency equivalent to the minimum system benefit of \$55,000.



Energy Storage Bank at RP-5

#### Recycled Water Projects

Additionally, state legislation enacted in 2015 and 2016 (*Executive Orders B-36-15 and B-37-16*) require divisions of the State to reduce water waste, use recycled water when it is available, and irrigation systems must meet Title 22 requirements.

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

## MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

### Major Initiatives for FY 2015/16 (continued):

#### Recycled Water Projects (continued):

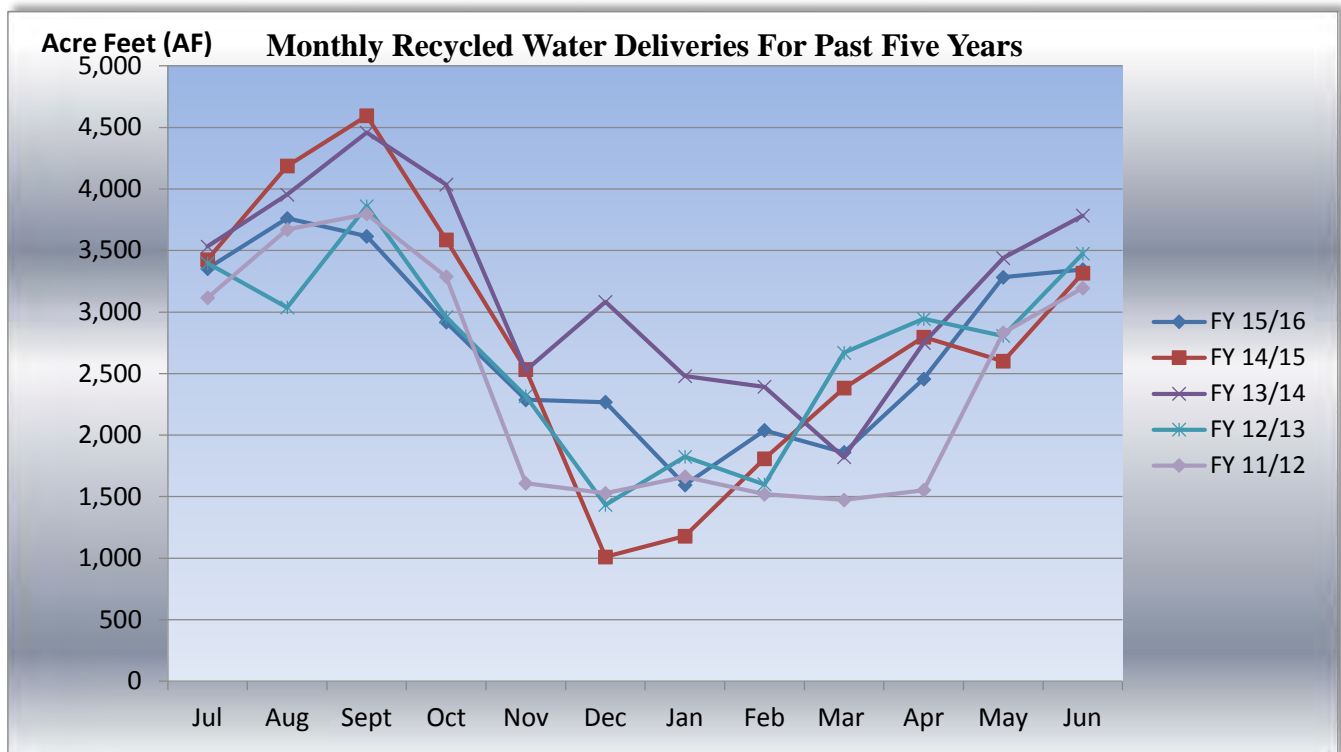
##### *Recycled Water Deliveries by Acre Foot*

Type	Existing				Projected		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/2019
Direct Use	21,840	24,659	22,580	19,397	24,200	22,580	22,059
GW Recharge	10,479	13,593	10,840	13,222	12,900	10,840	12,320
Total	32,319	38,251	33,420	32,619	37,100	33,420	34,379

New connections to the recycled water system increased by approximately 42.7 percent in FY 2015/16, with 167 new connections vs the prior fiscal year total of 39. New connected demand of 2,132 AFY increased approximately 25.9% over the prior fiscal year total of 822 AFY.

- Total member Agency connected meters to-date – 1,013.
- Total connected demand to-date – 48,248 AF.

#### *Annual Recycled Water Connected Demand Summary (AFY)*



## MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

### Major Initiatives for FY 2015/16 (continued):

The highlights of major activities and accomplishments are as follows:

Grants and State Revolving Fund (SRF) loans have accounted for a significant portion of the Agency's capital program funding sources. Since the year 2002, the Agency has secured approximately \$418 million grants and SRF loan funding accumulatively for IEUA, Chino Basin Desalter Authority (CDA), Chino Basin Watermaster (CBWM), and IEUA's member agencies.

In FY 2015/16, federal, state and local grants and loans provided \$11,068,417 to fund the Agency's capital projects, and \$5,150,131 to fund the CDA capital projects, for combined funding of \$16,218,548, as illustrated in the table below.

#### Active Grant and SRF Loan Summary

As of June 30, 2016

IEUA Active Grants and SRF Loans	Award Amount	Invoiced Through (6/30/15)	Invoiced FY15/16 (07/01/15 - 6/30/16)	Award Balance
Federal Grants	\$ 5,022,278	\$ 1,312,278	\$ 1,322,218	\$ 2,387,782
State and Local Grants	\$ 18,267,523	\$ 10,643,608	\$ 5,442,329	\$ 2,181,586
<b>Subtotal IEUA Grants</b>	<b>\$ 23,289,801</b>	<b>\$ 11,955,886</b>	<b>\$ 6,764,547</b>	<b>\$ 4,569,368</b>
SRF Loans	\$ 65,914,688	\$ 44,880,829	\$ 4,303,870	\$ 16,729,989
<b>Subtotal IEUA Grants and SRF Loans</b>	<b>\$ 89,204,489</b>	<b>\$ 56,836,715</b>	<b>\$ 11,068,417</b>	<b>\$ 21,299,357</b>
CDA Grants	\$ 62,745,027	\$ 29,047,413	\$ 5,150,131	\$ 28,547,484
<b>Grand Total Active Grants and SRF Loans</b>	<b>\$ 151,949,516</b>	<b>\$ 85,884,128</b>	<b>\$ 16,218,548</b>	<b>\$ 49,846,840</b>
Closed Grants	\$ 179,604,064			
Closed SRF Loans	\$ 86,107,654			
Closed Grants and SRF loans	\$ 265,711,718			
<b>Total Active and Closed Grants and SRF Loans since 2002</b>	<b>\$ 417,661,234</b>			

\*Includes FY 2015/2016 Accrued Grant Receipts and Loan Proceeds.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued)**

The Agency's grant program assist member Agencies and regional stakeholders in securing low cost financing for critical infrastructure projects. In FY 2015/16 the Agency has submitted to the State Water Resources Control Board (SWRCB) Proposition 1 grant and SRF loan applications for water recycling infrastructure projects for a total of \$158 million project costs. Funding of \$30 million comprised of (\$11 million grants and \$19 million SRF loans) is expected to be awarded in FY2016/17.

**SWRCB Grant and SRF Loan Applications Submitted in FY2015/16**

<b>Project Name</b>	<b>Cost</b>	<b>Acre- Feet Per Year (AFY)</b>	<b>Proposition 1 Grant</b>	<b>SRF Loan</b>
Napa Lateral	\$ 5,824,770	\$ 500	\$ 2,038,670	\$ 3,786,101
San Sevaine Basin Improvements	\$ 7,525,603	\$ 1,500	\$ 2,633,961	\$ 4,891,642
RP-1 1158 RW Pump Station Upgrades	\$ 4,659,816	\$ 2,361	\$ 1,630,936	\$ 3,028,881
RP-5 Recycled Water Pipeline Bottleneck	\$ 1,514,440		\$ 530,054	\$ 984,386
RW Pressure Sustaining Valve Installation	\$ 990,213		\$ 346,574	\$ 643,636
RP-1 Parallel Outfall Pipeline	\$ 6,640,238	\$ 500	\$ 2,324,083	\$ 4,316,155
Baseline Extension (Village of Heritage)	\$ 4,077,339	\$ 105	\$ 1,427,069	\$ 2,650,271
City of Ontario Euclid/Riverside RW Distribution System	\$ 22,639,081	\$ 476	\$ 7,923,678	\$ 14,715,403
IEUA-JCSD Recycled Water Intertie	\$ 52,460,000	\$ 3,000	\$ 15,000,000	\$ 37,460,000
IEUA-Pomona-MVWD Recycled Water Intertie	\$ 51,896,000	\$ 1,100	\$ 15,000,000	\$ 36,896,000
<b>Total</b>	<b>\$ 158,227,500</b>	<b>\$ 9,542</b>	<b>\$ 48,855,025</b>	<b>\$ 109,372,475</b>



## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued)**

#### *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)**

Under the new USBR WaterSMART Drought Response Program, IEUA was awarded \$500,000 in grant funding to support drought contingency planning and to build long-term resiliency to future droughts for the following projects:

- 1) USBR awarded IEUA \$300,000 for the RP-3 Basin Improvement Project. The grant funding will be used to construct improvements at a storm water management facility to capture, recharge and convey 3,311 acre-feet per year of storm water, dry-weather runoff, and recycled water that can be made available for use in drought years. The project will increase available water supplies in the Chino Basin and will increase flexibility to divert flows to a recharge site.
- 2) USBR also awarded IEUA \$200,000 in grant funding to update the existing Drought Contingency Plan to account for economic impacts to customers, increased reclaimed water supplies, conservation, climate change, population and other factors not considered in the original plan. The updated plan will incorporate five regional water management plans in order to provide a holistic approach to improving water resources management for the region rather than relying solely on imported water supply.

Under the \$26 million USBR Title XVI Water Reclamation and Reuse Grant Program, IEUA has been awarded \$20.7 million on behalf of the Chino Basin Desalter Authority (CDA). In FY 2015/16 a grant application for \$7.2 million was successfully submitted and awarded. IEUA has a grant administration agreement with CDA to manage the grant awards.

In FY 2015/16 a \$5 million grant was awarded to support the CDA Phase 3 Expansion Project. In FY 2015/16, grant costs of \$4,923,927 for the construction of the Concentrate Reduction Facility were claimed for reimbursement.

USBR awarded a \$3 million grant to IEUA for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline projects. This grant funding is used for the Trichloroethylene (TCE) plume cleanup, IEUA is the lead agency for this project. The grant was invoiced \$1,322,218 for costs incurred in FY 2015/16.

USBR grant awarded to IEUA on behalf of CDA under the Title XVI program for the Chino Creek Wellfield Wells (\$1.5 million) was invoiced \$161,031 for costs incurred in FY 2015/16.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued):**

#### ***Funding Developments (continued):***

##### ***State and Local Grants***

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

Under the 2014 Integrated Regional Water Management (IRWM) Drought Solicitation Implementation Grant Program, Proposition 84, IEUA was awarded grant funding of \$3,807,564. The projects awarded help alleviate drought conditions and improve regional drought preparedness.

In FY 2015/16, four IRWM Proposition 84 grants were invoiced for \$1,464,751 to support the following projects:

- 1) Interregional Landscape Water Demand Reduction Turf Removal Program - \$807,564
- 2) San Sevaine Basin Improvement Project - \$310,335
- 3) Regional Residential Landscape Retrofit Program - \$235,929
- 4) Wineville Recycled Water Pipeline/GWR System Upgrade - \$110,923



SAWPA/DWR Proposition 84  
Integrated Regional Water  
Management Drought  
Solicitation:  
Institutional and Homeowners'  
Association Turf Removal  
Project

**Turf Removal Locations  
demonstrating Water-Wise  
Landscaping**

## MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

### Major Accomplishments for FY 2015/16 (continued):

#### Funding Developments (continued):

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



Central Area Recycled  
Water Project:  
SCADA Communication  
System Upgrades

Communication Tower –  
newly added radio dishes

Radio Cut-Over  
from Old to  
New System



Central Area Recycled  
Water Project:  
Wineville Recycled  
Water Pipeline Extension  
Segment B

Valve Station at RP-3



## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued):**

#### ***Funding Developments (continued):***

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

#### **Metropolitan Water District (MWD) Foundational Actions Funding (FAF) Program**

The MWD Foundational Actions Funding Program awarded \$489,216 to IEUA for two projects and a joint CDA and Cucamonga Valley Water District (CVWD) project:

- 1) Recycled Water Intertie Study - \$25,0000
- 2) 3\_D Excitation-Emission Matrix (3D-EMM) - \$50,000
- 3) CDA Pilot Scale Biological Treatment Process Project, (BIOTTTA™) - \$414,216

In FY 2015/16, the CDA project grant was invoiced for \$152,729 to support the BIOTTTA™ project.

#### **Department of Parks & Recreation (DPR)**

The Chino Creek Park Water Discovery Field Trip & Bus Program grant awarded for \$207,900 was invoiced \$28,308 in FY 2015/16. A total of 2,564 participants have been served from November 2014 to the March 2016. Educational awareness is facilitated through a series of programs which provide tours and managing the interpretative wetlands and wildlife education center.

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

In FY 2015/16, the Central/Wineville Area Recycled Water Projects \$4 million Proposition 50 grant was invoiced \$3,949,270 for costs incurred. Under the new Proposition 1 Water Recycling Program, an additional \$4,293,950 has been awarded for the Wineville Program for a total of \$8,293,950 in grant funding.

The SWRCB awarded IEUA a Proposition 13 planning grant of \$75,000. The grant funding will be used to prepare a Feasibility Report of Recycled Water Interconnection between the City of Pomona, Monte Vista Water District and IEUA.

The SWRCB/Division of Drinking Water Proposition 50 grant of \$52,005,716 was awarded in prior years for the CDA Phase III expansion projects. In FY 2015/16, an additional \$1,867,196 has been requested. If awarded the new total grant funding will be increased to \$53,872,912. IEUA has a grant administration agreement with CDA to manage the grant award.



## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued):**

#### ***Funding Developments (continued):***

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

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

Central/Wineville Recycled Water SRF loan awarded for \$22,206,050 includes the Wineville Extension Recycled Water Pipeline project and the Supervisory Control and Data Acquisition (SCADA) System Improvement projects. In FY 2015/16, \$2,848,480 has been invoiced for costs incurred.

Water Quality Laboratory Project received a \$17.1 million SRF loan agreement which includes a \$1 million principal forgiveness loan with a 2.1% interest rate and a 30-year term. In F/Y 2015/16 a \$7.5 million SRF loan contract amendment was requested for a total project cost of \$24.6 million. The amendment will cover the cost of the Central Chiller Plant Expansion which includes a new chiller, cooling tower, pumps, and piping to accommodate the additional air and heating loads. The executed amendment is expected in November 2017.

The Water Quality Laboratory Project (EN15008) consists of constructing a new laboratory building to provide sampling and analytical support to the IEUA's five regional water recycling plants, its ground water recharge program, and potentially to the member agencies or other regional stakeholders. The building, when complete, will be approximately 17,000 square feet.

In FY 2015/16 reimbursement costs of \$1,455,390 were submitted to the SWRCB for the planning, design and administration expenditures incurred since July 2009.

*Funding for these projects has been provided in full or in part through agreements with the California State Water Resources Control Board, the California Department of Water Resources and United States Bureau of Reclamation. The contents of this document do not necessarily reflect the views and policies of the State Water Resources Control Board or the U.S. Government, nor does mention of trade names or commercial products constitute endorsement or recommendation for use. (Gov. Code §7550, 40 CFR § 31.20).*

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):**

### **Major Accomplishments for FY 2015/16 (continued):**

#### ***Other Agency accomplishments included:***

##### **Rates:**

Adoption of 5 Year Rates for the Agency's Regional Wastewater and Recycled Water Programs (FYs 2015/16 – 2019/20) which achieve full cost a service; a key Board policy objective;

- ✚ Completed the Agency's first engineering study analysis of the regional wastewater connection fee. The study identified an adjustment of \$1,182 per new connection from \$5,107 to \$6,289 was needed to support capital investment over the next 20 years. Phased implementation over the next 5 years was a collaborative effort with the Building Industry Association (BIA) Baldy View Chapter. The Agency secured approval of the proposed connection fees for both wastewater and water from BIA.
- ✚ Wastewater EDU Volumetric Fee full cost of service will be achieved for FY2018/19 based upon current assumptions;
- ✚ Recycled Water Rates full cost of service will be achieved for FY2017/18 based upon current assumptions;
- ✚ Established a new water connection fee to support capital investments to enhance and expand the regional water distribution system and groundwater recharge facilities. The water connection fee was set at \$693 per meter equivalent unit (MEU) for 5/8" and 3/4" meter sizes effective January 1, 2016.

##### **Long Term Planning:**

- ✚ Pursuant to the Board's objective to achieve fully funded status of the Agency's Other Post-Employment Benefit (OPEB) liability in five (5) years, the Agency processed the third installment of \$2 million in May 2016. The cumulative payments of \$9 million have been funded.
- ✚ Processed the second installment of \$4.5 million against the Agency's unfunded pension liability to meet the Board's objective to achieve full funded status over a period of 10 years.

##### **Cost Containment / Efficiencies:**

- ✚ Maintained a vacancy factor of 11.8% (weighted average), equivalent to 32 FTEs. Recruitment of critical positions is underway which will reduce the overall average at the end of the FY1516; however it is expected to remain well above the budgeted 5%.

## FUTURE YEARS

The Inland Empire will continue the recovery and expansion that has been underway from 2011 – 2016. As reported in the April 2016 *Inland Empire Quarterly Economic Report*, the deep 2008-2010 U.S. recession eliminated –8.7 million jobs (-6.7%). However, from February 2010 to March 2016, the economy created 14.0 million jobs. It means that the ocean of national forces affecting local economies like the Inland Empire are providing a positive environment and steady growth. This growth is expected to push the I.E. employment levels above their pre-recession levels. With the state, and the I.E.’s economy poised to outpace most other states in the nation over the next several years, attention is focused toward the water shortages caused by the ongoing drought.

In his April 1, 2015 Executive Order *B-29-15*, Gov. Brown mandated a 25 percent water use reduction by users of urban water supplies across California. In May 2015, the State Water Board adopted an emergency regulation requiring an immediate 25 percent reduction in overall potable urban water use. The statewide mandate was the first in California’s history.

On February 2, 2016, based on Gov. Brown’s November 2015 Executive Order *B-36-15*, the State Water Board approved an updated and extended emergency regulation to continue mandatory reductions through October 2016, unless revised. The extended regulation took into account some factors that influence water use: climate, population growth and significant investments in new local, drought-resilient water supplies such as wastewater reuse and desalination. That February Board action reduced the maximum conservation standard to below 25 percent, but above 20 percent, depending on how credits were applied. Under the new reporting structure, water districts will continue to report water use, but their conservation standard will be based on any shortfall in projected supply over three drought years.

With nearly 1.3 million acre-feet of water conserved from June 2015 through March 2016, the state saved an impressive amount of water during the worst of the drought months. Statewide cumulative savings from June 2015 to March 2016 totaled 23.9 percent compared with the same months in 2013. During the last month of reporting, statewide average water use was 66 residential gallons per capita per day (R-GPCD) for March 2016.

On May 9, 2016 Governor Brown issued *Executive Order B-37-16* directing actions aimed at using water wisely, reducing water waste, and improving water use efficiency for the years and decades ahead. The Executive Order, in part, directed the State Water Board to extend the emergency regulations for urban water conservation.



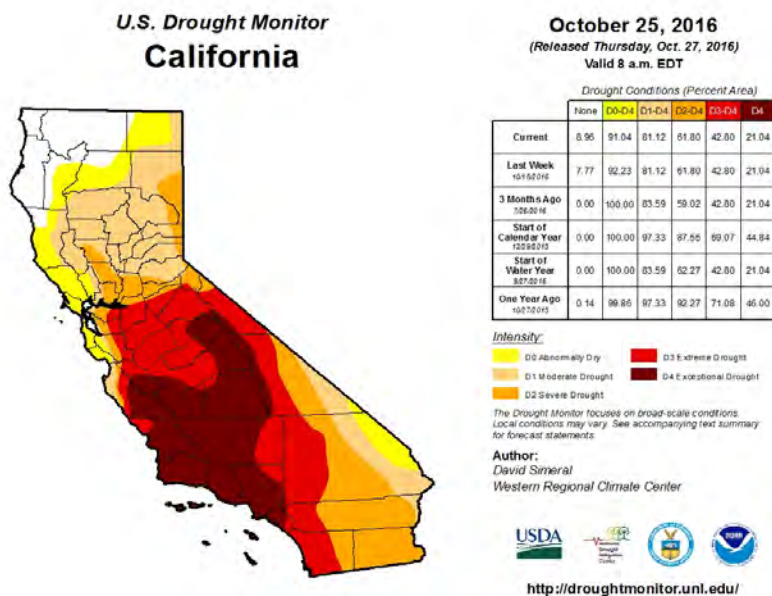
### **State Water Board Adopts ‘Stress Test’ Approach to Water Conservation**

Recognizing persistent yet less severe drought conditions throughout California, in May 2016 the State Water Resources Control Board adopted a statewide water conservation approach that replaces the prior percentage reduction-based water conservation standard with a localized “stress test” approach that mandates urban water suppliers act now to ensure at least a three year

supply of water to their customers under drought conditions. The newly adopted emergency regulation will replace the Feb. 2 emergency water conservation regulation that set specific water conservation benchmarks at the state level for each urban water supplier.

## FUTURE YEARS (continued):

The May adopted regulation requires locally developed conservation standards based upon each agency's specific circumstances. These standards require local water agencies to ensure a three-year supply assuming three more dry years like the ones the state experienced from 2012 to 2015. Water agencies that would face shortages under three additional dry years will be required to meet a conservation standard equal to the amount of shortage. The new emergency conservation standards took effect in June and remain in effect until the end of January 2017.



Cumulatively, local water suppliers have saved 1.75 million acre feet in the 13 months since mandatory conservation goals began – enough water to supply 8.8 million people for a year.

And even though water conservation fell to 21.5 percent savings in June 2016—down from 27.5 percent a year ago, the severity of the drought still remains and will require continued monitoring of conservation levels to improve long-term drought preparedness.

The Agency Strategic Plan defines the major initiatives to be accomplished in the next five years. These initiatives are categorized into six main groups, or Business Goals:

- ✚ Fiscal Responsibility
- ✚ Workplace Environment
- ✚ Water Reliability
- ✚ Wastewater Management
- ✚ Environmental Stewardship
- ✚ Business Practices



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

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. The Strategic Work Plan serves as the basis for setting individual department goals and objectives.

### **Water Reliability**

The Agency, in partnership with its member agencies, invests in a wide range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency. In support of the Governor's statewide mandate to reduce water use, the IEUA Board of Directors adopted Drought Resolution (2015-5-8) in May 2015. The Drought Resolution calls for aggressive actions to reduce outdoor water use and preserve remaining water supplies in the Chino Basin. Included in the FYs 2015/16 – 2016/17 biennial budgets is an expansion of the Agency's regional conservation program including: rebates for turf removal, landscape equipment upgrades, indoor water saving devices, free landscape evaluations, and increased public outreach and messaging to heighten public awareness on the urgency to preserve our regional water supplies.

To mitigate the uncertainty of SWP water supplies due to recurring drought conditions and operational constraints, the Agency will continue developing and enhancing regional water supplies, including infrastructure improvements, construction of state-of-the-art recycled water and groundwater recharge facilities, and water use efficiency programs. A major facet of the Agency's integrated water resource management program is optimizing beneficial use of recycled water generated in its recycling water facilities.

### **Environmental Stewardship**

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.

The Agency is committed to protection of the environment through conservation and sustainable practices implemented on a regional and watershed basis. Included in the biennial budget are various projects that pool together multiple agencies in the region to collaborate in large-scale water supply reliability and water use efficiency projects that could benefit the entire Santa Ana Watershed. As one of ten agencies participating in the Santa Ana River Multiple Species Habitat Conservation Plan, led by the San Bernardino Valley Municipal Water District (SBVMWD), the Agency will work closely with the U.S. Fish and Wildlife Service to mitigate any potential impact to federally-listed endangered, threatened, or special status species from future water projects in the Upper Santa Ana River region.

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

### **Wastewater Management**

Forecasts by the Agency's member agencies indicate a rebound in new development over the next five to ten years. As a regional wastewater service provider, the Agency is required to maintain capacity within systems and facilities to meet essential service demands to protect public health and the environment. One of the key objectives included in the IEUA Business Goal Wastewater Management is to ensure that systems are managed and constructed so that 90 percent of capacity is never exceeded.

To prepare for the anticipated growth, the Agency initiated an update of some of the key long term planning documents, amongst them the Wastewater Facilities Master Plan (WFMP) last updated in 2002. The update included an assessment of the general plans for each of the Agency's member agencies to identify planned land use and growth projections through 2060. These growth forecasts served as the basis to identify future wastewater and organics infrastructure needs throughout the Agency's service area.

As identified in the updated WFMP, member agencies project a total of 39,696 new equivalent dwelling units (EDU) connections over the next ten years. Approximately 60 percent of the growth is expected in the southern section of the Agency's service area; predominantly in the cities of Ontario and Fontana. Some of the major construction projects to be executed over the next ten years include: the relocation of the Regional Water Recycling Plant No. 2 (RP-2) solids handling processes to the Regional Water Recycling Plant No. 5 (RP-5) facility, expansion of RP-5 liquid treatment, rehabilitation and expansion of the Regional Water Recycling Plant No. 1 (RP-1) solids and liquid treatment processes. The RP-2 solids handling facility is located in the City of Chino on land leased from the U. S. Army Corps of Engineers (Army Corps). Portions of the RP-2 facility are located in the 100-year flood plain. Triggering the relocation of the RP-2 facility is the proposed raising of the maximum operation water level behind the Prado Dam to allow for greater water storage and conservation by the Army Corps and Orange County Flood Control District.

### **Fiscal Responsibility**

The Operating Budget for FYs 2015/16 – 2016/17 was the Agency's first biennial budget. The transition from a single year budget to a biennial budget was one of the key objectives of the IEUA Business Goal Fiscal Responsibility. Another important milestone was the adoption of five year rates and fees for FYs 2015/16 – 2019/20 for the Agency's regional wastewater and recycled water programs and the new water connection fee. Included in the FY 2015/16 – 2016/17 biennial budget are the first two years of five year rates. These multi-year rates achieve another key policy principle; the establishment of rates and fees that fully recover the cost of providing the service. Having full cost of service rates and fees is essential in ensuring the Agency has the fiscal fortitude to effectively address economic and environmental variability.

The incremental increases over the five-year period lessen the impact to ratepayers, as well as provide our member agencies with more stable and predictable forecasts.

Premised on the policy principle "growth pays for growth", the new water connection fee will ensure that future users pay for the benefit provided by the regional water system comprised of potable water, recycled water and groundwater recharge facilities.

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

### **Fiscal Responsibility (continued):**

Based on the adopted TYCIP for FYs 2016 - 2025, approximately 94 percent of the new water connection fees will be designated to support expansion and enhancement of the Agency's recycled water and groundwater recharge facilities. The remaining six percent will support investment in the Agency's regional integrated water resource management program. The Agency worked closely with its member agencies and the Business Industry Association (BIA) in establishing the new regional water connection fee. BIA recognizes the need to have a reliable and resilient water supply that supports economic development by meeting the needs of current and future customers.

The Agency continues to be committed to sustainable cost containment as demonstrated in the adopted biennial budget. The number of authorized full time equivalent (FTEs) of 290 is maintained over the two-year budget period, and projected to be sustained over the ensuing three years. Succession planning for the impending retirement of the Agency's "baby boomers", many of whom are in senior positions, will be managed through an incremental reduction in the vacancy factor.

However, management recognizes that some cost containment strategies are not sustainable. Although deferral of repair and replacement (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.

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. The Agency will continue to aggressively pursue federal, state and regional grants and incentives, including rebates offered by MWD, and low interest SRF loans, to reduce the cost of executing the planned programs and projects included in the adopted biennial budget and TYCIP.

### **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 accounting principles generally accepted in the United States of America.

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 calculation 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

## **FINANCIAL INFORMATION**

### **Budgetary Controls (continued):**

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 Lance, Soll & Lunghard, LLP to perform the annual audit. In their opinion the financial statements are presented fairly in all material aspects, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Agency. Government Auditing Standards, issued by the Comptroller General of the United States, 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, 2015. This was the seventeenth 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.

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.



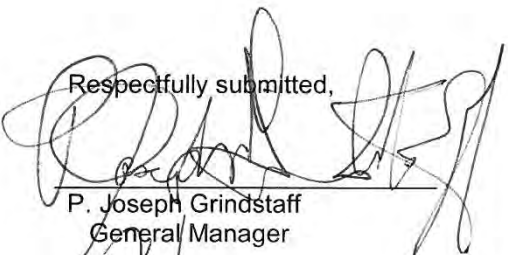
## **OTHER INFORMATION (continued):**

### **Acknowledgements (continued):**

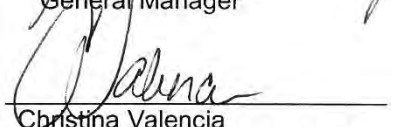
We further acknowledge the thorough and professional way our auditors, Lance, Soll & Lunghard, LLP conducted the audit.

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,



P. Joseph Grindstaff  
General Manager



Christina Valencia  
Chief Financial Officer/AGM



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

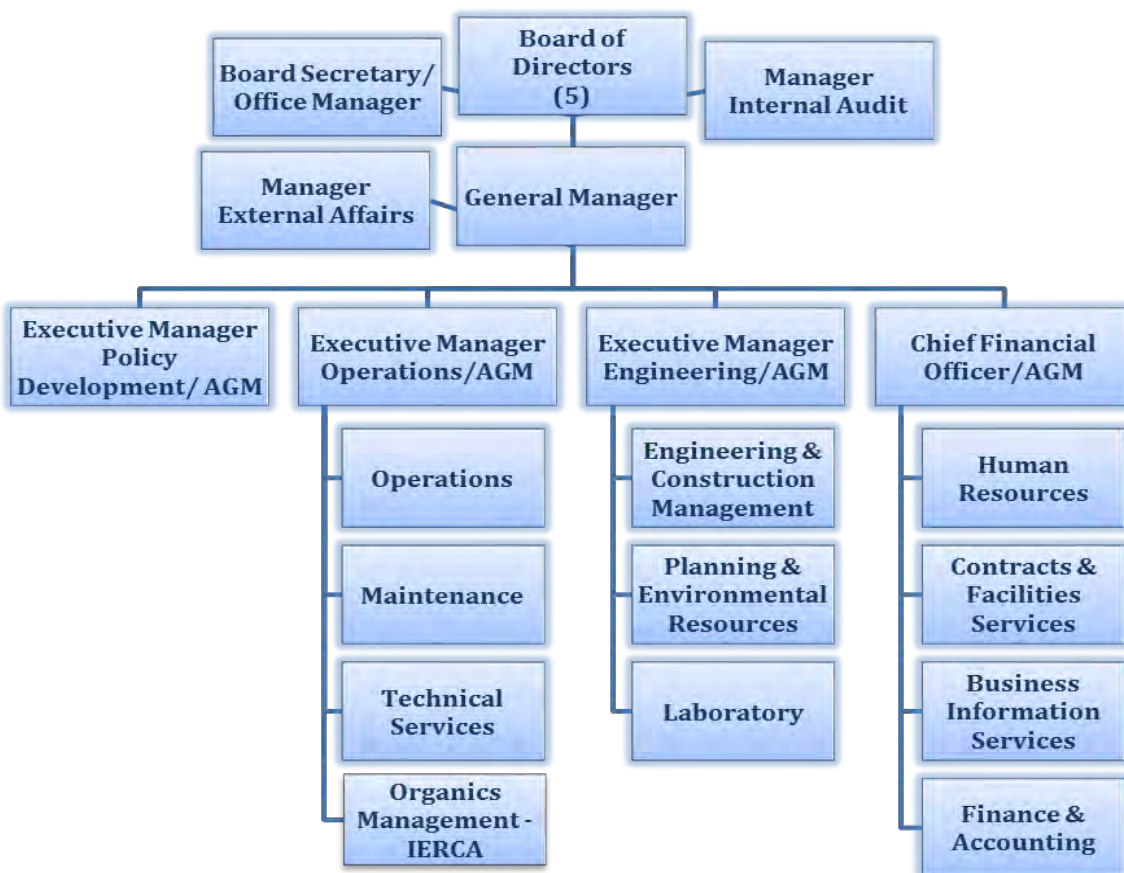
**June 30, 2015**

Executive Director/CEO

# INLAND EMPIRE UTILITIES AGENCY

FY 2015/2016

## Organizational Chart



# INLAND EMPIRE UTILITIES AGENCY

## Principal Officials

June 30, 2016

### **BOARD OF DIRECTORS**

<i>Terry Catlin</i>	<i>President</i>
<i>Michael E. Camacho</i>	<i>Vice President</i>
<i>Steven J. Elie</i>	<i>Secretary/Treasurer</i>
<i>Gene Koopman</i>	<i>Director</i>
<i>Jasmin A. Hall</i>	<i>Director</i>

### **EXECUTIVE STAFF**

<i>P. Joseph Grindstaff</i>	<i>General Manager</i>
<i>Chris Berch</i>	<i>Executive Manager of Engineering/AGM</i>
<i>Martha Davis</i>	<i>Executive Manager – Policy Development/AGM</i>
<i>Randy Lee</i>	<i>Executive Manager of Operations/AGM</i>
<i>Christina Valencia</i>	<i>Chief Financial Officer/AGM</i>

### **MANAGEMENT STAFF**

<i>Kathryn Besser</i>	<i>Manager - External Affairs</i>
<i>Sharmeen Bhojani</i>	<i>Manager - Human Resources</i>
<i>Warren Green</i>	<i>Manager - Contracts &amp; Facilities Services</i>
<i>Nelletje Groenveld</i>	<i>Manager – Laboratories</i>
<i>Javier Chagoyen-Lazaro</i>	<i>Manager - Finance and Accounting</i>
<i>Sylvie Lee</i>	<i>Manager - Planning and Environmental Resources</i>
<i>Jeff Noelte</i>	<i>Manager of Technical Services</i>
<i>Kanes Pantayatiwong</i>	<i>Manager - Business Information Services</i>
<i>Shaun Stone</i>	<i>Manager – Engineering</i>
<i>Teresa Velarde</i>	<i>Manager – Internal Audit</i>
<i>April Woodruff</i>	<i>Board Secretary/Office Manager</i>
<i>Jeff Ziegenbein</i>	<i>Manager of Organics Management – IERCA</i>
<i>Suresh Malkani</i>	<i>Principal Accountant</i>
<i>Tina Cheng</i>	<i>Budget Officer</i>
<i>Jason Gu</i>	<i>Grants Officer</i>



# Recycled Pump Station Surge Protection



Surge Tank Installed on Pad

## 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 and 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 2015/2016:

### First Half FY 2015/2016

#### Finance/Administration

Torres Waters-Leiva

#### Engineering/Planning

Bonita Fan

#### Operations

Adolfo Zavala

### Second Half FY 2015/2016

#### Finance/Administration

Khanh Doan

#### Engineering/Planning

Jamal Zughbi

#### Operations

James (Jim) Roos

### Employee of the Year

*For FY 2015/16, Jim Roos was chosen by the Selection Committee as the Employee of the Year.*



***IEUA STAR AWARD RECIPIENT  
EMPLOYEE OF THE YEAR 2015/2016***



***James (Jim) Roos  
Receives Star Award from President Terry Catlin***

Jim Roos has been a valued and respected member of the Operations team for 28 years. He is an incredibly positive and friendly person. Jim's strong work ethic is infectious and uplifting for everybody who works with him. His constant positive attitude puts staff at ease during some of the most stressful challenges.

Jim is always ready and willing to lend a helping hand to his fellow employee, such as assisting with a flat tire. He can also be counted on to come into work on his day off, when needed, and will not hesitate to stay until the job is completed.

As part of the operations team, Jim's leadership is one of the reason the Agency maintains a great compliance record and controls costs. He is always available to assist his team and other departments with their projects or maintenance activity. He provides significant insight and knowledge, quality workmanship, dependability, and initiative in maintaining Agency goals.

Jim is a unique asset to the Agency and deserves to be STAR Employee of the Year.

# Wineville Extension, Segment B



Valve Station at RP-3



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

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

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency (the "Agency"), as of and for the year ended June 30, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's minimum audit requirements for California Special 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency, as of June 30, 2016, 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.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Prior Year Comparative Information*

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which such partial information was derived. The prior year was audited by another auditor and received an unmodified opinion, therefore, we provide no assurance on the prior year information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, non-major enterprise fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major enterprise fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 non-major enterprise fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 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.

*Lance, Solt & Lughard, LLP*

Brea, California  
December 19, 2016

# RP-4 Power Center Roof Access



Power Center Five Duct and  
A/C Access

## 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, 2016. 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 \$192,266,238 for Fiscal Year (FY) 2015/16 reported an increase of \$12,199,597 compared to \$180,066,641 recorded for FY 2014/15. The net increase was primarily due to: 1) \$9,836,353 increase in wastewater capital connection fees as a result of an additional 1,223 units of new wastewater capital; 2) \$5,527,156 increase in other non-operating revenue is primarily due to forgiveness of \$4,308,104 interfund loan; 3) \$4,685,110 increase in property tax receipts; 4) \$3,287,518 increase in service charges due to higher rates; 5) 1,612,884 increase in capital grants; 6) \$1,421,018 increase in recycled water sales due to higher rates; 7) \$997,010 increase as a result of new water capital connection fees; and 8) \$325,678 increase in interest income. These increases were partially offset by a decrease of \$15,493,130 in imported water sales, mainly due to a drop in total deliveries as a result of the Governor's Executive Order requiring statewide reduction in water usage of 25%.

Total expenses of \$154,961,829 for FY 2015/16 reported a decrease of \$2,977,485 compared to \$157,939,314 recorded in FY 2014/15. The overall decrease includes a decrease in operating expenses of \$11,278,226 and an increase in non-operating expense of \$8,300,740. The decrease in operating expenses was primarily due to: 1) a decrease of \$15,493,130 in water purchases mainly due to a drop in total deliveries; 2) a decrease of \$4,559,923 in administration and general expenses; and 3) a decrease of \$450,647 in interest on long-term debt. These decreases were partially offset by 1) a cumulative increase of \$4,676,118 in wastewater collection, treatment, and disposal costs; 2) an increase of \$2,742,862 in depreciation and amortization; and 3) an increase of \$1,806,494 in operation and maintenance expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued):

### The Agency's Operations – an Overview (continued):

The increase in non-operating expenses of \$8,300,740 is primarily due to 1) forgiveness of \$4,308,104 interfund loan; 2) an increase of \$2,684,544 for retirement of obsolete assets and 3) an increase of \$898,106 for capitalization of operation and maintenance (O&M) special project costs related to water conservation programs.

## FINANCIAL HIGHLIGHTS

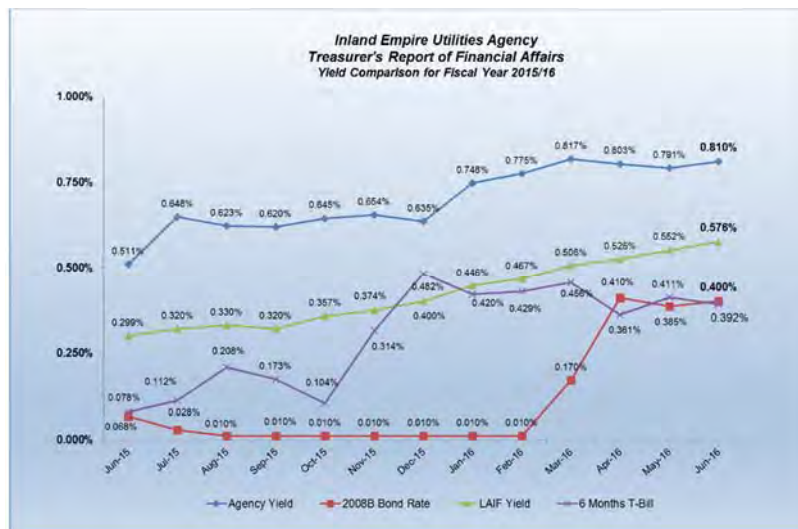
### Cash and Investment Management

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 for six months, 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, 2016, 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

The continued US economic recovery is evident as the Agency's interest yield level rose from prior fiscal year performance. The Agency's overall portfolio rate of return increased from 0.511% in June 2015 to 0.810% by June 30, 2016.

Total interest income for FY 2015/16 of \$760,730 increased 74.4% compared to \$436,200 in FY 2014/15, the increase in interest income is primarily due increase in the investment funds held by the Agency, and due to higher interest yield in Government-Sponsored Enterprise and pooled investments such as Local Agency Investment Fund, California Asset Management Program and CalTRUST.

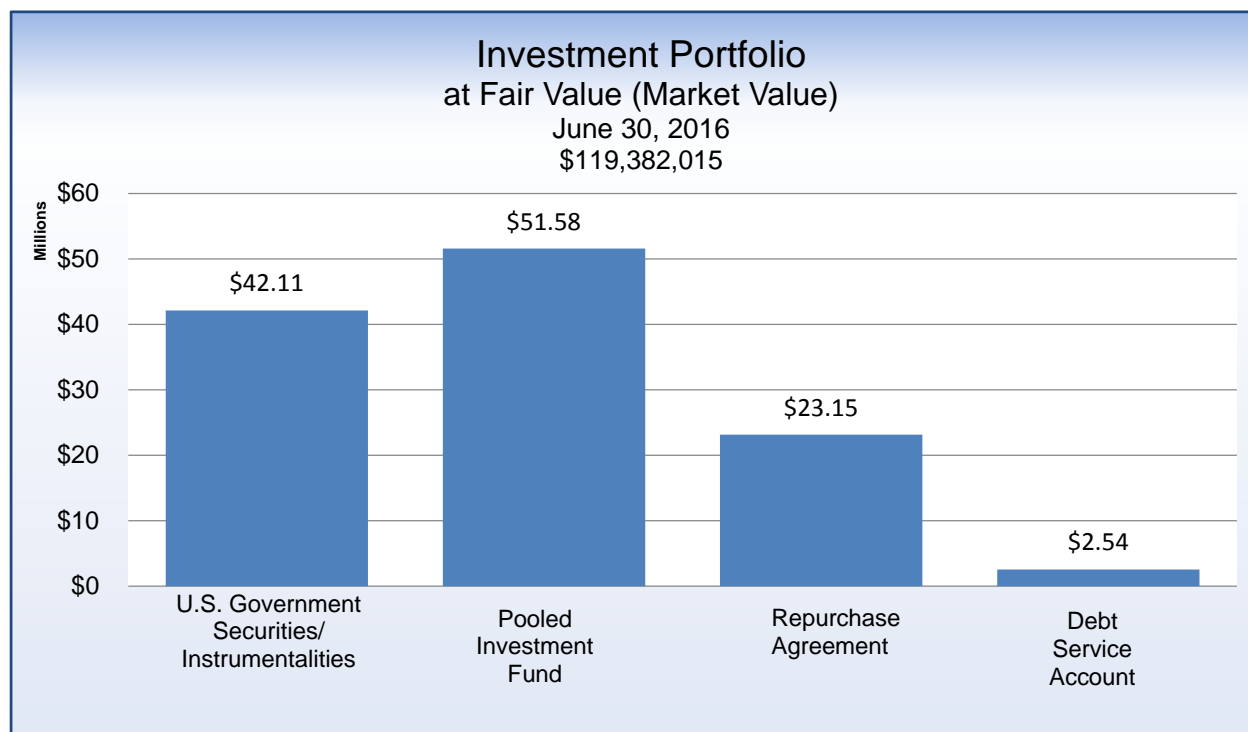




## FINANCIAL HIGHLIGHTS (continued):

### Investment Portfolio Performance (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, 2016 and June 30, 2015 were \$119,382,015 and \$86,002,997 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).

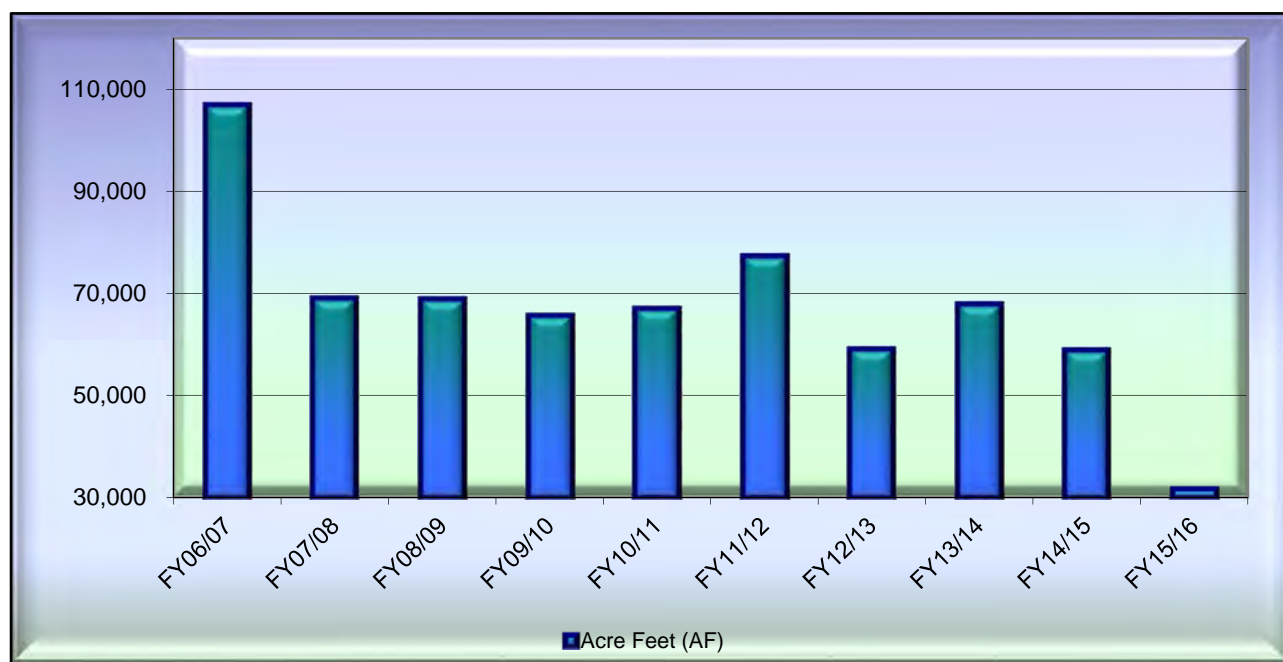
All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Service Fund. These expenses are billed to the CDA monthly. In FY 2015/16, the total amount billed and reimbursed was \$1,369,921 and reported as non-operating revenue.

## FINANCIAL HIGHLIGHTS (continued):

### Imported Water Deliveries

Imported water deliveries for FY 2015/16 were 31,714 acre feet (AF) compared to 58,908 AF reported in FY 2014/15, a decrease of 27,194 AF. The decrease is due to mandatory drought restrictions set by Governor Brown to cut water usage. A surcharge of \$15 per AF was levied by the Agency for all imported water deliveries to support the conservation program, water resources planning, and drought related projects and activities. 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 decreased by \$15,869,073 in FY 2015/16 to \$23,968,212 from \$39,837,285 in FY 2014/15, the decrease was primarily due to lower imported water deliveries.

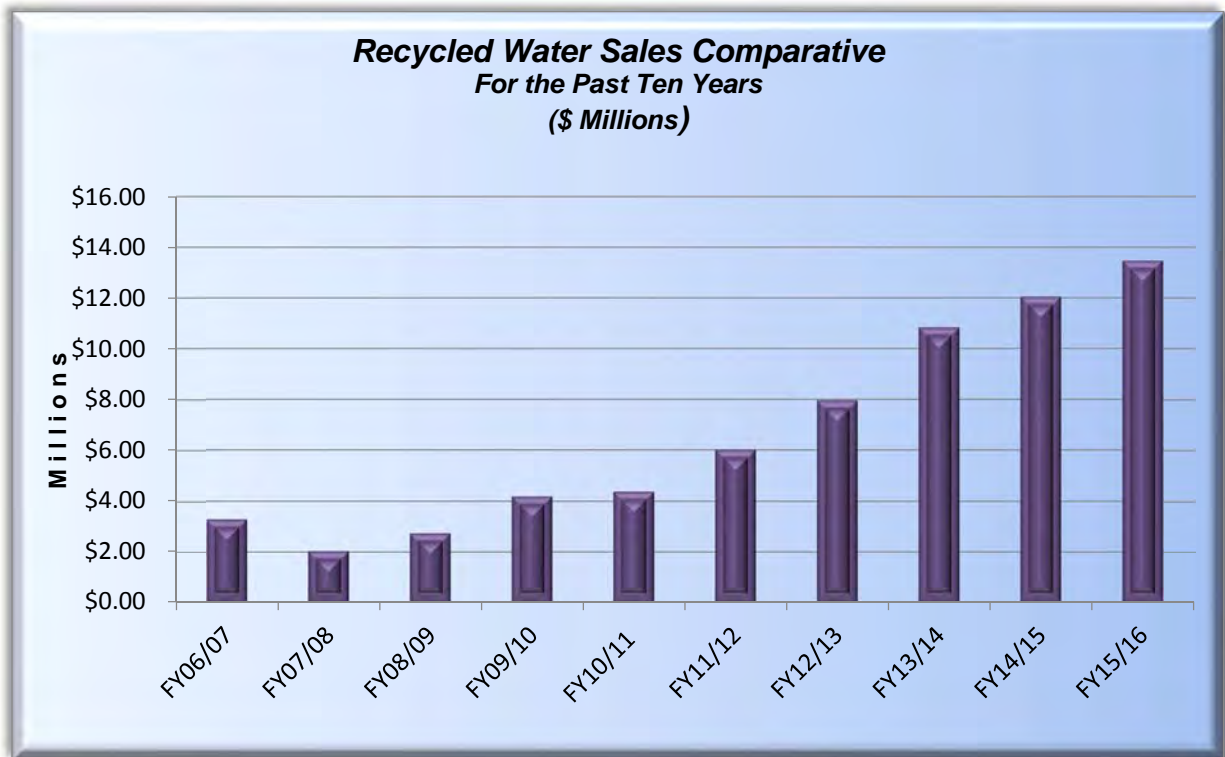
The meter service charges for FY 2015/16 increased to \$4,851,385 from \$4,789,827 in FY 2014/15, due to the higher number of retail water meters in FY 2015/16 2,304,696 units compared to 2,275,452 units in FY 2014/15. This revenue is used to meet the Readiness to Serve (RTS) obligation from Metropolitan Water District of Southern California (MWD), and to support water use efficiency programs. Additionally, revenue from the \$15 per AF administrative surcharge decrease by 50% as a result of lower imported water deliveries.

The total operating expenses decreased from \$40,146,766 in FY 2014/15 to \$25,949,069 in FY 2015/16, this decrease was primarily due to less imported water purchases from MWD.

## FINANCIAL HIGHLIGHTS (continued):

### Recycled Water Sales

Total recycled water sales increased by \$1,421,018 to \$13,468,182 in FY 2015/16, compared to \$12,047,164 in FY 2014/15.



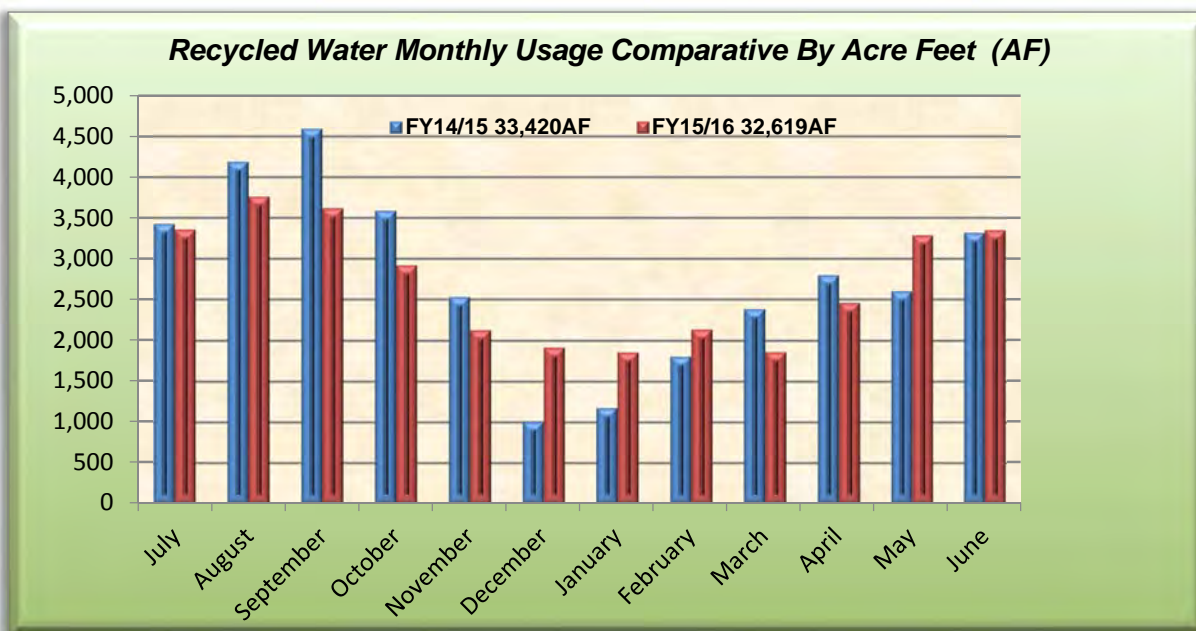
The 12% increase in revenues was primarily driven by an increase in recycled water rates for direct deliveries from \$290 to \$350 per acre foot (AF), effective October 1, 2015. Additionally, there was an increase in the groundwater recharge rate from \$335 to \$410 per AF. Included in total operating revenues was \$2,079,000 for the MWD Local Project Program (LPP) 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 2014/15. Grants receipts totaled \$4,370,528 in support of the Regional Recycled Water Expansion capital construction programs. Total operating expenses increased by \$2,121,451 or 15%, to \$16,490,498 as a result of increase in depreciation expense of \$1,609,390 and increase in other operating expense of \$512,061. Total interfund transfer out increased by \$3,537,902, which was offset by a transfer in of \$1,389,654.

Total net position at June 30, 2016 was \$65,369,115, a decrease of \$1,828,185. The decrease was primarily due to an increase in operations & maintenance and depreciation expenses.

## FINANCIAL HIGHLIGHTS (continued):

### Recycled Water Sales (continued):

A total of 32,619 AF were registered for direct and recharged recycled water deliveries, compared to 33,420 AF for last fiscal year. The demand for direct sales of recycled water decreased due to lower agriculture use and loss of customers but was partially offset with the increase in groundwater recharge deliveries.



### 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 \$116,983,048 in FY 2015/16, an increase of \$14,780,817, or 14% over last fiscal year.

#### **Revenues by Category – Regional Wastewater Program**

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

Revenue Category	2015/16		2014/15		Increase/<Decrease> from 2014/15	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 50,073,868	43.0%	\$ 47,022,954	46.0%	\$ 3,050,914	6.0%
Property Tax Receipts	37,231,448	32.0%	35,554,077	35.0%	1,677,371	5.0%
Wastewater Connection Fees	24,910,235	21.0%	15,073,882	15.0%	9,836,353	65.0%
Other Non-operating Revenues	4,348,713	4.0%	4,262,635	4.0%	86,078	2.0%
Interest Income	418,784	0.0%	288,683	0.0%	130,101	45.0%
<b>Total Revenues</b>	<b>\$ 116,983,048</b>	<b>100.0%</b>	<b>\$ 102,202,231</b>	<b>100.0%</b>	<b>\$ 14,780,817</b>	<b>14.0%</b>

## FINANCIAL HIGHLIGHTS (continued):

### Regional Wastewater Program Activities (continued):

The Agency's FY 2015/16 service charges were \$50,073,868, 6% higher, compared to FY 2014/15 total of \$47,022,954. The increase is primarily due to an Equivalent Dwelling Unit (EDU) rate increase from \$14.39 to \$15.89 per EDU (effective October 1, 2015) which is partially offset by a decrease in the number of EDU's by 1.3% as a result of the Governor's Executive Order requiring statewide reduction in water usage by 25%.

Property tax receipts allocated to the Regional Wastewater Program increased from \$35,554,077 in FY 2014/15 to \$37,231,448 in FY 2015/16, reporting a 5% increase. The primary reason for the increase is the continuing recovery of the real estate market and improvement of assessed property values.

New EDU connection fees reported by the contracting agencies in FY 2015/16 were 4,176 units compared to 2,953 units reported in FY 2014/15, an increase of approximately 1,223 units at \$5,415 per unit (effective January 1, 2016). Cucamonga Valley Water District, City of Fontana, and City of Ontario reported a combined number of new connections of approximately 66% of the Agency wide total. In addition, there was \$3.1 million in new connection fees from three sewer service agreements with California Steel Industry, Prologist and Auto Club Speedway.

Other Non-Operating Revenues were \$4,348,713 in FY 2015/16 compared to \$4,262,635 in FY 2014/15. The increase is primarily due to an adjustment of FY14/15 electricity usage charge in error to RP-4 due to a faulty meter, and due to a decrease of contract service reimbursements from San Bernardino County Regional Park for O&M Cost related to the dechlorination station.

Interest income increased from \$288,683 in FY 2014/15 to \$418,784 in FY 2015/16 due to increased balances held by the program.

***Expenses by Category – Regional Wastewater Program***  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

Expense Category	2015/16		2014/15		Increase/<Decrease> from 2014/15	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	\$ 1,377,333	2.0%	\$ 805,353	1.0%	\$ 571,980	71.0%
Wastewater Treatment	21,104,320	25.0%	19,001,130	23.0%	2,103,190	11.0%
Wastewater Disposal	11,148,524	13.0%	7,996,871	10.0%	3,151,653	39.0%
<b>Total Wastewater Expenses</b>	<b>33,630,177</b>	<b>40.0%</b>	<b>27,803,354</b>	<b>34.0%</b>	<b>5,826,823</b>	<b>21.0%</b>
Administration & General	14,801,870	17.0%	20,262,896	25.0%	(5,461,026)	(27.0)%
Depreciation & Amortization	24,071,692	28.0%	23,154,752	28.0%	916,940	4.0%
Interest on long-term debt	6,049,290	7.0%	6,368,586	8.0%	(319,296)	(5.0)%
Other nonoperating exp	6,371,221	8.0%	4,523,072	5.0%	1,848,149	41.0%
<b>Total Expenses</b>	<b>84,924,250</b>	<b>100.0%</b>	<b>82,112,660</b>	<b>100.0%</b>	<b>2,811,590</b>	<b>3.0%</b>



## FINANCIAL HIGHLIGHTS (continued):

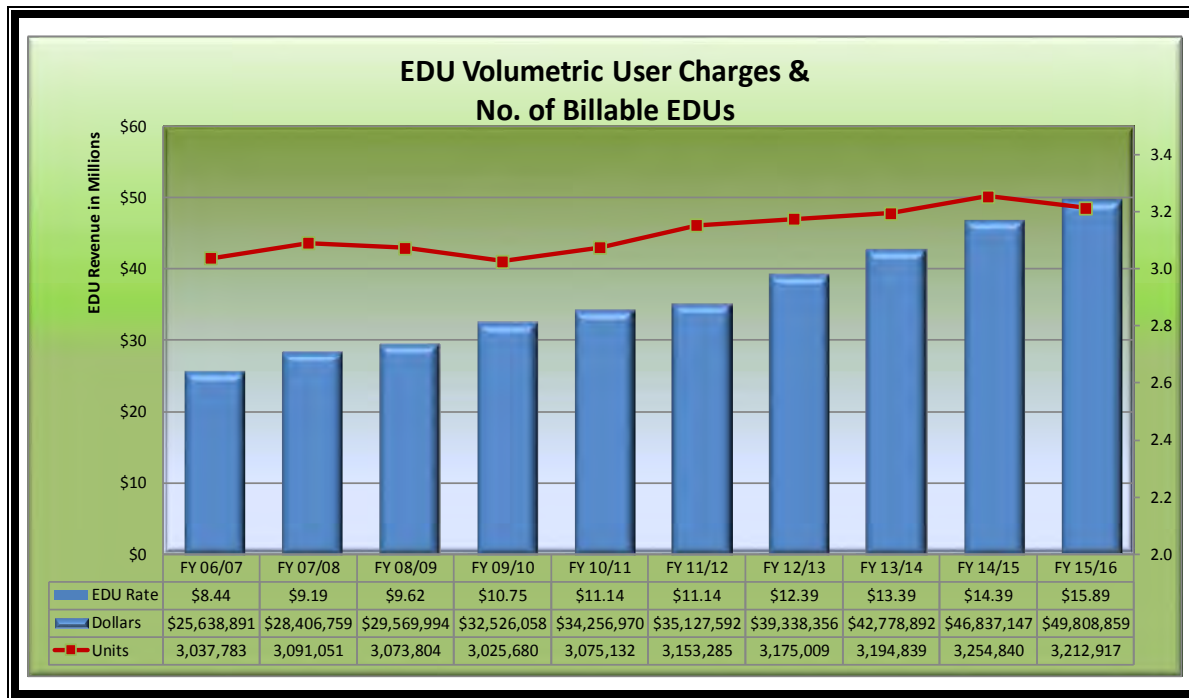
### Regional Wastewater Program Activities (continued):

Total expenses for FY 2015/16 were \$84,924,250 or a 3% increase compared to FY 2014/15 actual of \$82,112,660. Total wastewater collection, treatment, and disposal costs increased by \$5,826,823, primarily the result of an increase in work orders assigned to operations and maintenance (O&M) to maintain processes in good condition and higher chemical cost. The \$5,461,028 decrease in administration and general costs was primarily due to a reduction in work orders assigned to administration and general.

Total other non-operating expenses of \$6,371,221 represent a 41% increase compared to FY 2014/15 actual of \$4,523,072. The increase in this category is primarily due to 1) a Inland Empire Regional Composting Authority (IERCA) investment loss; 2) an increase for Contributions in Aid for the clean-up of the So Archibald Plume Project; 3) Loss on disposal/retirement of assets; and 4) the reclassification of prior year project costs from capital to O&M expenses. The reclassification was identified as part of the fiscal year-end process of closing projects completed during the fiscal year.

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. Project costs not meeting these criteria are classified as O&M expenses.

### **Comparative EDU Volumetric Revenues**



## FINANCIAL HIGHLIGHTS (continued):

### Non-reclaimable Wastewater Treatment

The Non-reclaimable Wastewater (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 namely the North and South systems. The North system conveys wastewater to sewer lines owned and operated by the Sanitation Districts of Los Angeles County (SDLAC). Flows in the South system, known as Inland Empire Brine Line (IEBL), 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.

Pass through rates are adopted annually for volumetric, capacity, and excessive strength charges to allow the Agency to recover rates billed by SDLAC (North) and SAWPA (South). As a result, North and South Systems have different rate structures. These agency program costs are recovered as follows:

- North System – prorated based on the number of capacity units issued per customer
- South System – a 50% operating surcharge is imposed on volumetric, capacity and strength charges

The Agency and SDLAC entered into a new NRWS Wastewater Disposal agreement effective July 1, 2014, with 30-year term and four additional five year extensions. Under the new Agreement, the pass-through rates from SDLAC are expected to be more stable and predictable, making it easier for NRW industries to effectively plan for their annual budgets. The ability to acquire wastewater discharge rights as capacity units and connect to the system will also be more attractive to new industries as they now have the option to purchase or lease discharge rights rather than make a mandatory purchase as required under the prior agreement.

Total service charges in FY 2015/16, for the North and South systems, increased \$612,547 to \$11,854,847, compared to \$11,242,300 reported in FY 2014/15. The increase in revenues is primarily due to an increase in monthly volumetric fees for the North system customers from \$835.80 to \$948.00 per million gallons of discharge, increase in non-compliance fees, and capacity purchase from Eastside Water Treatment.

Total operating expenses in FY 2015/16 decreased \$1,341,896 to \$8,750,446 compared to \$10,092,342 in FY 2014/15. The decrease in operating expenses is mainly due to reduction in wastewater collection fees and lower strength discharges by industries in the North system. The net position balance at June 30, 2016, increased \$2,871,659 to \$24,890,236.

## FINANCIAL HIGHLIGHTS (continued):

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

#### **NRW Pass through Rates**

For the Fiscal Year Ended June 30, 2016

Rate Description	2014/15	2015/16
<b>North System</b>		
Monthly Capital Improvement Fee	\$90.00	\$90.00
Monthly Volumetric Fee	\$835.80	\$948.00
Total Suspended Solids (TSS)	\$418.22	\$433.00
Chemical Oxygen Demand (COD)	\$147.84	\$210.00
Peak Flow Fee	\$317.54	\$360.00
4R Capital Fee	\$212.60	\$212.60
<b>South System</b>		
Monthly Capital Improvement Fee	\$90.00	\$90.00
Monthly Capacity Unit Fee	\$334.43	\$351.17
Monthly Volumetric Fee	\$777.00	\$817.00
Total Suspended Solids (TSS)	\$411.00	\$420.00
Biochemical Oxygen Demand (BOD)	\$295.00	\$301.00

A total of 51 users were connected to the NRW System (North and South) during FY 2015/16, with a total flow of 1,704 million gallons.

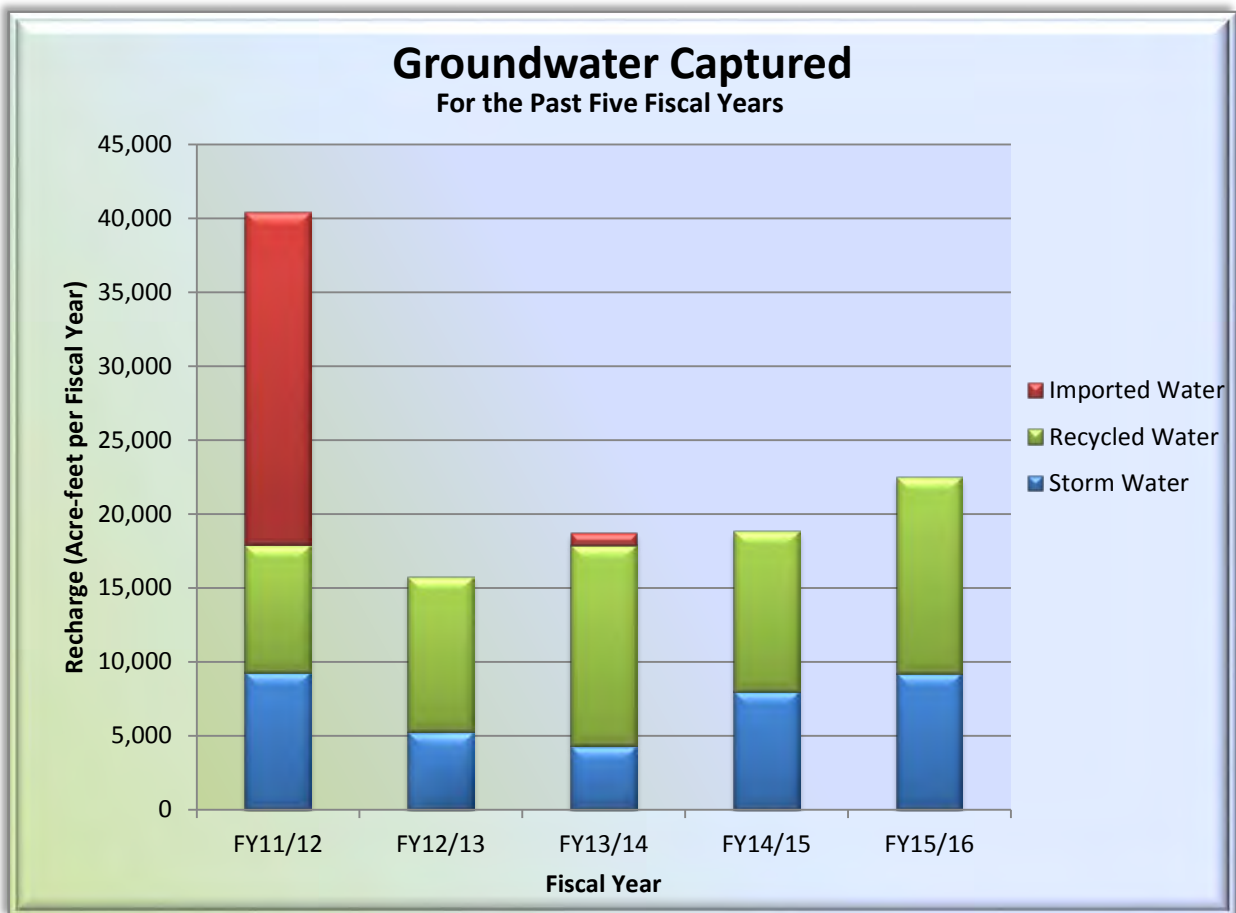
### Recharge Water Fund

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.

## FINANCIAL HIGHLIGHTS (continued):

### Recharge Water Fund (continued):

Total operating expenses recorded in FY 2015/16 were \$2,673,208 compared to \$2,435,603 in FY 2014/15, resulting in an increase of \$237,605. The increase was due to higher expenses for professional and contract services related to midge fly treatment services at Turner, Ely, San Sevaire, and Victoria Basins. At June 30, 2016, total net position was \$32,286,312 an increase of \$117,872 over the prior fiscal year.



## FINANCIAL HIGHLIGHTS (continued):

### Revenues

Combined revenues and other funding sources for the fiscal year totaled \$192,266,238, an increase of \$12,199,597, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2015/16 and 2014/15.

**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

Revenue & Other Funding Sources	2015/16		2014/15		Increase/<Decrease> from 2014/15	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 67,243,134	35.0%	\$ 63,955,616	36.0%	\$ 3,287,518	5.0%
Water Sales	18,653,793	10.0%	34,146,923	19.0%	(15,493,130)	(45.0)%
Recycled Water Sales	13,468,182	7.0%	12,047,164	7.0%	1,421,018	12.0%
Interest Income	761,878	1.0%	436,200	1.0%	325,678	75.0%
Property Tax Receipts	45,631,113	23.0%	40,946,003	22.0%	4,685,110	11.0%
Water Capital Connection Fees	997,010	1.0%	-	0.0%	997,010	100.0%
Wastewater Connection Fees	24,910,235	13.0%	15,073,882	8.0%	9,836,353	65.0%
Other Non-operating Revenues	13,070,445	6.0%	7,543,289	4.0%	5,527,156	73.0%
Capital Grants	7,530,448	4.0%	5,917,564	3.0%	1,612,884	27.0%
<b>Total Revenues &amp; Contributions</b>	<b>\$ 192,266,238</b>	<b>100.0%</b>	<b>\$ 180,066,641</b>	<b>100.0%</b>	<b>\$ 12,199,597</b>	<b>7.0%</b>

#### **Water Sales**

Decrease is due to reduced deliveries from 58,908 AF to 31,714 AF as a result of the Governor's Executive Order requiring statewide water reduction of 25%.

#### **Wastewater Connection Fees**

Increase is primarily due to a 41% increase in new connections from 2,953 units in FY 2014/15 to 4,176 units in FY 2015/16 and a fee increase from \$5,107 to \$5,415 per connection.

#### **Recycled Water Sales**

Increase is primarily due to a \$75/AF increase in direct rates, from \$335 to \$410 per AF.

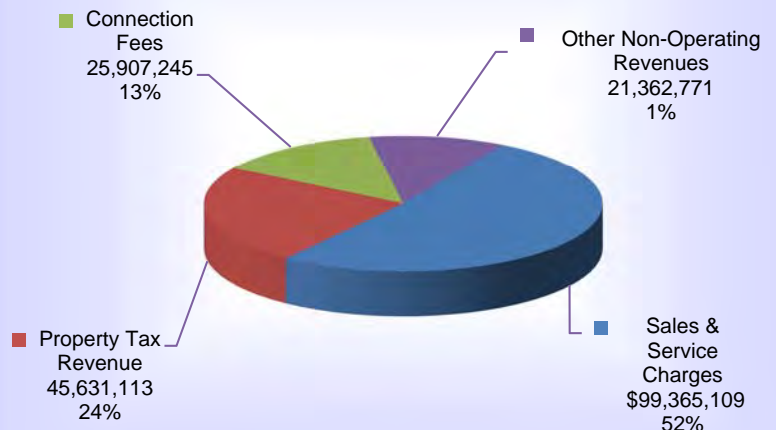
#### **Service Charges**

Increase is primarily due to a volumetric fee increase from \$14.39 to \$15.89 per EDU and higher strength fees for the NRW system.

#### **Capital Grants**

Secured a significant amount in grant funding to support recycled water capital investments.

**Combined Revenue & Other Funding Sources  
by Category - All Funds  
Fiscal Year 2015/16  
\$192,266,238**





## FINANCIAL HIGHLIGHTS (continued):

### Expenses

Combined expenses for the fiscal year totaled \$154,961,829, a decrease of \$2,977,485, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2015/16 and 2014/15.

**Combined Expenses by Category - All Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

Expense Category	2015/16		2014/15		Increase/<Decrease> from 2014/15	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Water Purchases	\$ 18,653,793	12.0%	\$ 34,146,923	22.0%	\$ (15,493,130)	(45.0)%
Wastewater Collection	7,510,150	5.0%	8,088,875	5.0%	(578,725)	(7.0)%
Wastewater Treatment	21,104,320	14.0%	19,001,130	12.0%	2,103,190	11.0%
Wastewater Disposal	11,148,524	7.0%	7,996,871	5.0%	3,151,653	39.0%
Operations and Maintenance	6,199,759	4.0%	4,393,265	3.0%	1,806,494	41.0%
Administration and General	28,866,058	18.0%	33,425,981	20.0%	(4,559,923)	(14.0)%
Depreciation and Amortization	36,855,892	24.0%	34,113,030	22.0%	2,742,862	8.0%
Interest on Long-Term Debt	9,142,219	6.0%	9,592,866	6.0%	(450,647)	(5.0)%
Other Non-Operating Expenses	15,481,114	10.0%	7,180,373	5.0%	8,300,741	116.0%
<b>Total Expenses</b>	<b>\$ 154,961,829</b>	<b>100.0%</b>	<b>\$ 157,939,314</b>	<b>100.0%</b>	<b>\$ (2,977,485)</b>	<b>144.0%</b>

#### **Water Purchases**

*Decrease is due to the drought and the Governor's Executive Order requiring statewide water reductions of 25%.*

#### **Wastewater Treatment/Disposal**

*Increase is due to higher work orders in operation and maintenance to maintain processes in good condition. FY 2014/15 amounts are not associated with the administration and general amount.*

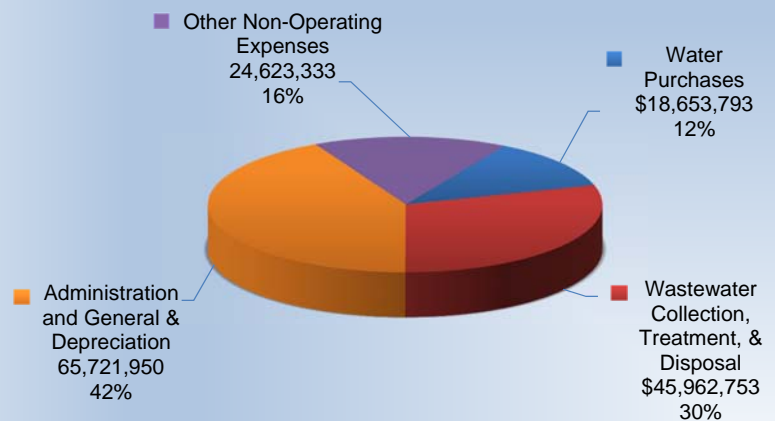
#### **Administration and General**

*Decrease is due to reduction in work orders assigned to administration and general*

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

*Increase is primarily due to forgiveness of an interfund loan from the Administrative Services Fund to the Water Resources Fund, retirement of obsolete assets, and capitalization of O&M project costs related to water conservation programs.*

**Combined Expense by Category - All Funds**  
**Fiscal Year 2015/16**  
**\$154,961,829**



## FINANCIAL HIGHLIGHTS (continued):

### Changes in Financial Conditions of the Agency

Combined Net Position-All Funds				
For the Fiscal Year Ended June 30, 2016				
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)				
	FY 2015/16	FY 2014/15	Increase/<Decrease> from FY 2014/15	
<b>Assets</b>				
Current assets	\$ 156,914,352	\$ 140,136,167	\$ 16,778,185	12.0%
Restricted assets	57,746,164	44,990,323	12,755,841	28.4%
Capital assets	639,223,080	655,163,227	(15,940,147)	(2.4)%
Other assets	81,400,317	85,086,463	(3,686,146)	(4.3)%
<b>Total Assets</b>	<b>935,283,913</b>	<b>925,376,180</b>	<b>9,907,733</b>	<b>1.1%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding	946,974	1,102,641	(155,667)	(14.1)%
Deferred outflow-net pension liability	10,678,084	8,354,702	2,323,382	27.8%
<b>Total deferred outflows</b>	<b>11,625,058</b>	<b>9,457,343</b>	<b>2,167,715</b>	<b>22.9%</b>
<b>Liabilities</b>				
Current liabilities	39,342,446	47,244,777	(7,902,331)	(16.7)%
Non-current liabilities	373,920,094	386,369,706	(12,449,612)	(3.2)%
<b>Total liabilities</b>	<b>413,262,540</b>	<b>433,614,483</b>	<b>(20,351,943)</b>	<b>(4.7)%</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflow-net pension liability	3,052,067	7,929,085	(4,877,018)	(61.5)%
<b>Total deferred inflows</b>	<b>3,052,067</b>	<b>7,929,085</b>	<b>(4,877,018)</b>	<b>(61.5)%</b>
<b>Net Position</b>				
Net investment in capital assets	325,272,927	332,066,908	(6,793,981)	(2.0)%
Restricted	82,064,270	67,080,838	14,983,432	22.3%
Unrestricted	123,257,167	94,142,209	29,114,958	30.9%
<b>TOTAL NET POSITION</b>	<b>\$ 530,594,364</b>	<b>\$ 493,289,955</b>	<b>\$ 37,304,409</b>	<b>7.6%</b>

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

- ✚ The \$16.8 million increase in Current Assets is due to the \$17.9 million rise in Cash and Investments in the Regional Wastewater Capital Improvement (RC) Fund.
- ✚ The Restricted assets increase of \$12.8 million is primarily due to wastewater capital connection deposits held by contracting Agencies.
- ✚ The Deferred Inflows of Resources related to net pension liability decreased \$4.8 million mainly due to net differences between projected and actual earnings on pension plan investments of \$5.1 million.

## FINANCIAL HIGHLIGHTS (continued):

### 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, 2016**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

Item Category	FY 2015/16		FY 2014/15		Increase/<Decrease> from FY 2014/15	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Total Revenue	\$ 184,735,790	34.8%	\$ 174,149,077	35.4%	\$ 10,586,713	6.1%
Total Expenses	154,961,829	29.2%	157,939,314	32.0%	(2,977,485)	(1.9)%
Excess (deficiency) before contrib.	29,773,961	5.6%	16,209,763	3.3%	13,564,198	(83.7)%
Capital Grants	7,530,448	1.4%	5,917,564	1.1%	1,612,884	27.3%
Change in Net Position	37,304,409	7.0%	22,127,327	4.5%	15,177,082	(68.6)%
Prior Period Adjustment	-	0.0%	(1,418,441)	(0.3)%	1,418,441	100.0%
Beginning Net Position	493,289,955	93.0%	472,581,069	95.8%	20,708,886	4.4%
<b>Ending Net Position</b>	<b>\$ 530,594,364</b>	<b>100.0%</b>	<b>\$ 493,289,955</b>	<b>100.0%</b>	<b>\$ 37,304,409</b>	<b>7.6%</b>

The prior period adjustment of \$1,418,441 is related to prior year project costs re-classed from capital to operations and maintenance identified during the project closure review.

### Capital Assets

The Agency had total net capital assets of \$639,223,080 in FY 2015/16, compared to \$655,163,227 in FY 2014/15. The \$15,940,147 decrease is due to an increase in accumulated depreciation, partially offset by \$19,174,785 in new capital project cost.

**Capital Asset Summary – All Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

Asset Category	2015/16	2014/15	Increase/<Decrease> from 2014/15	% of Change
Land	\$ 14,067,874	\$ 14,067,874	\$ -	0.0%
Land Improvements	29,871,098	29,863,055	8,043	0.0%
Structures and Improvements	731,587,505	704,331,463	27,256,042	3.9%
Equipment	221,258,923	203,549,709	17,709,214	8.7%
Capacity Rights	14,826,587	14,826,589	(2)	0.0%
Water Rights	133,650	-	133,650	0.0%
Computer Software	11,165,450	10,937,114	228,336	2.1%
Jobs in Progress	17,632,197	43,792,697	(26,160,500)	(59.7)%
<b>Sub-total</b>	<b>1,040,543,284</b>	<b>1,021,368,501</b>	<b>19,174,783</b>	<b>1.9%</b>
Less: Accumulated Depreciation & Amortization	(401,320,204)	(366,205,274)	(35,114,930)	9.6%
<b>Net Capital Assets</b>	<b>\$ 639,223,080</b>	<b>\$ 655,163,227</b>	<b>\$ (15,940,147)</b>	<b>-2.4%</b>

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

## FINANCIAL HIGHLIGHTS (continued):

### Debt Management

At June 30, 2016, the Agency had outstanding principal bond debt of \$194,200,000.

Bond Issue	Principal	Premium (discount)	Outstanding on 06/30/16
2008A Revenue Bonds	\$ 125,000,000	\$ 3,720,988	\$ 128,720,988
2008B Variable Rate	42,195,000	-	42,195,000
2010A Revenue Bonds	27,005,000	1,707,563	28,712,563
<b>TOTAL</b>	<b>\$ 194,200,000</b>	<b>\$ 5,428,551</b>	<b>\$ 199,628,551</b>

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

Additionally, the Agency had outstanding Notes and Loans Payable at June 30, 2016:

- 1) A note from the Santa Ana Watershed Project Authority (SAWPA) pertaining to the purchases of pipeline capacity, with an outstanding balance of \$489,861.
- 2) Various State Revolving Fund (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of \$107,450,944.
- 3) 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 \$6,004,112.
- 4) A reimbursement agreement with SDLAC for the Agency's proportionate share of 4R's (Relocation, Reconstruction, Repair or Replacement) capital charges, funded with SRF loans with an outstanding balance of \$2,788,113.

In June 2016, the Agency's credit rating for long-term debt was affirmed by two major credit rating agencies:

Moody's: Aa2

Standard and Poor's: AA

## **FINANCIAL HIGHLIGHTS (continued):**

### **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 [departmentaccounting@ieua.org](mailto:departmentaccounting@ieua.org).



# GWR and RW Communication System Upgrades



## Banana Basin Radio Testing

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, 2016, 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. The Administrative Service Fund is used to monitor the general and administrative expenses of the Agency.

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.
- 3) 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.
- 4) Notes to the Basic Financial Statements.

**INLAND EMPIRE UTILITIES AGENCY****Statement of Net Position****June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>ASSETS</b>		
Current assets		
Cash and investments (note 3)	\$ 69,842,677	\$ 11,372,754
Accounts receivable	10,586,862	9,699,821
Interest receivable	270,767	15,560
Taxes receivable	348,803	20,224
Other receivables	254,040	85,735
Inventory	-	-
Water inventory (note 17)	-	-
Prepaid items	1,200	3,500
Net OPEB (note 1d)	-	-
Total current assets	81,304,349	21,197,594
Restricted assets (note 3)		
Deposits held by governmental agencies	55,201,435	-
Assets held with trustee/fiscal agent	1,685,460	-
Total restricted assets	56,886,895	-
Noncurrent assets		
Capital assets (note 7)		
Land	14,047,045	-
Jobs in progress	13,175,594	2,929,514
Capital assets, net of accumulated depreciation	341,321,221	185,244,010
Intangible assets, net of accumulated amortization	5,412,667	651,509
Total capital assets	373,956,527	188,825,033
Other assets		
Long-term agreements (note 11)	45,167,514	-
Long-term receivables (note 10)	3,947,279	1,094,508
Advances to other funds (note 14)	13,500,000	-
Prepaid bond insurance	406,202	134,312
Prepaid interest -SRF loans	963,608	1,154,162
Total other assets	63,984,603	2,382,982
Total noncurrent assets	437,941,130	191,208,015
Total assets	576,132,374	212,405,609
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	946,974	-
Deferred outflow related to net pension liability	7,916,176	954,415
Total deferred outflows of resources	8,863,150	954,415

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

Water Resources		Totals	
	Non-Major	2016	2015
\$ 6,842,536	\$ 29,903,334	\$ 117,961,301	\$ 86,311,686
5,356,382	8,367,949	34,011,014	50,781,052
3,575	584,141	874,043	687,783
-	32,615	401,642	346,159
-	62,238	402,013	223,341
-	1,558,521	1,558,521	1,660,129
1,350,043	-	1,350,043	-
-	103,916	108,616	126,017
-	247,159	247,159	-
13,552,536	40,859,873	156,914,352	140,136,167
-	-	55,201,435	41,023,148
-	859,269	2,544,729	3,967,175
-	859,269	57,746,164	44,990,323
-	20,829	14,067,874	14,067,874
-	1,527,089	17,632,197	43,792,697
19,382	69,718,190	596,302,803	585,063,217
20,008	5,136,022	11,220,206	12,239,439
39,390	76,402,130	639,223,080	655,163,227
-	-	45,167,514	45,577,499
-	-	5,041,787	3,814,580
-	15,000,000	28,500,000	32,808,104
-	32,732	573,246	598,170
-	-	2,117,770	2,288,110
-	15,032,732	81,400,317	85,086,463
39,390	91,434,862	720,623,397	740,249,690
13,591,926	133,154,004	935,283,913	925,376,180
-	-	946,974	1,102,641
451,493	1,356,000	10,678,084	8,354,702
451,493	1,356,000	11,625,058	9,457,343

(continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Net Position (Continued from previous page)**  
**June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 3,769,469	\$ 451,148
Accrued liabilities	31,083	22,628
Compensated absences (note 1)	-	-
Retentions payable	100,897	188,524
Notes payable, due within one year (note 12)	1,906,841	3,918,543
Long-term debt, due within one year (note 12)	5,367,542	-
Interest payable	1,323,443	1,420,795
Retention deposits and escrows	-	-
Total current liabilities	12,499,275	6,001,638
Noncurrent liabilities		
Compensated absences (note 1)	-	-
Long-term debt, due in more than one year (note 12)	142,447,402	30,159,329
Notes payable, due in more than one year (note 12)	28,630,573	79,143,491
Advances from other funds (note 14)	-	28,500,000
Other noncurrent liabilities	-	355,771
Net pension liability (note 5)	28,519,226	3,530,352
Net OPEB liability (note 1d)	-	-
Total noncurrent liabilities	199,597,201	141,688,943
Total liabilities	212,096,476	147,690,581
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	2,277,772	300,328
Total deferred inflows of resources	2,277,772	300,328
<b>NET POSITION</b>		
Net Investment in capital assets	197,289,629	75,603,669
Restricted for:		
Capital construction	55,201,435	-
SRF Loan debt service	1,447,479	6,265,167
Bond operating contingency requirement	16,144,016	-
Total restricted	72,792,930	6,265,167
Unrestricted	100,538,717	(16,499,721)
Total net position	\$ 370,621,276	\$ 65,369,115

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



Water Resources		Totals	
	Non-Major	2016	2015
\$ 4,593,888	\$ 9,985,690	\$ 18,800,195	\$ 25,556,171
691,674	2,012,616	2,758,001	3,724,495
-	1,939,639	1,939,639	1,606,386
10,296	-	299,717	964,656
-	832,004	6,657,388	6,666,109
-	647,458	6,015,000	5,810,000
-	128,268	2,872,506	2,749,490
-	-	-	167,470
5,295,858	15,545,675	39,342,446	47,244,777
-	2,978,684	2,978,684	2,732,734
-	21,006,820	193,613,551	200,127,428
-	2,301,578	110,075,642	112,434,954
-	-	28,500,000	32,808,104
-	-	355,771	267,184
1,379,162	4,967,706	38,396,446	36,707,778
-	-	-	1,291,524
1,379,162	31,254,788	373,920,094	386,369,706
6,675,020	46,800,463	413,262,540	433,614,483
60,722	413,245	3,052,067	7,929,085
60,722	413,245	3,052,067	7,929,085
39,390	52,473,539	325,406,227	331,855,633
-	-	55,201,435	41,023,148
-	-	7,712,646	6,609,876
-	3,006,173	19,150,189	19,447,814
-	3,006,173	82,064,270	67,080,838
7,268,287	31,816,584	123,123,867	94,353,484
\$ 7,307,677	\$ 87,296,296	\$ 530,594,364	\$ 493,289,955

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 50,073,868	\$ -
Water Sales	-	-
Recycled water sales	-	13,468,182
Total operating revenues	50,073,868	13,468,182
<b>OPERATING EXPENSES</b>		
Water purchases	-	-
Wastewater collection	1,377,333	-
Wastewater treatment	21,104,320	-
Wastewater disposal	11,148,524	-
Operations and maintenance	-	4,788,211
Administration and general	14,801,870	3,211,019
Depreciation and amortization	24,071,692	8,491,268
Total operating expenses	72,503,739	16,490,498
Operating income (loss)	(22,429,871)	(3,022,316)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	418,784	106,314
Property tax revenue	37,231,448	2,161,509
Water capital connection fees	-	997,010
Wastewater capital connection fees	24,910,235	-
Gain on interfund loan forgiveness (note 18)	-	-
Other nonoperating revenues	4,348,713	688,741
Interest on long-term debt	(6,049,290)	(2,625,576)
Loss on interfund loan forgiveness (note 18)	-	-
Other nonoperating expenses	(6,371,221)	(307,460)
Total nonoperating revenues (expenses)	54,488,669	1,020,538
Income (loss) before capital contributions and transfers	32,058,798	(2,001,778)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in (note 15)	6,984,888	1,389,654
Transfers out (note 15)	(6,335,390)	(5,586,589)
Capital grants	1,766,918	4,370,528
Change in net position	34,475,214	(1,828,185)
Total net position - beginning		
Prior period adjustment (note 19)		
Total net position - beginning, as restated	336,146,062	67,197,300
Total net position - ending	\$ 370,621,276	\$ 65,369,115

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

Water Resources	Non-Major	Totals	
		2016	2015
\$ 5,314,419	\$ 11,854,847	\$ 67,243,134	\$ 63,955,616
18,653,793	-	18,653,793	34,146,923
-	-	13,468,182	12,047,164
23,968,212	11,854,847	99,365,109	110,149,703
18,653,793	-	18,653,793	34,146,923
-	6,132,817	7,510,150	8,088,875
-	-	21,104,320	19,001,130
-	-	11,148,524	7,996,871
1,411,548	-	6,199,759	4,393,265
5,878,361	4,974,808	28,866,058	33,425,981
5,367	4,287,565	36,855,892	34,113,030
25,949,069	15,395,190	130,338,496	141,166,075
(1,980,857)	(3,540,343)	(30,973,387)	(31,016,372)
40,107	196,673	761,878	436,200
4,295,184	1,942,972	45,631,113	40,946,003
-	-	997,010	-
-	-	24,910,235	15,073,882
4,308,104	-	4,308,104	-
27,236	3,697,651	8,762,341	7,543,289
-	(467,353)	(9,142,219)	(9,592,866)
-	(4,308,104)	(4,308,104)	-
(1,960,692)	(2,533,637)	(11,173,010)	(7,180,373)
6,709,939	(1,471,798)	60,747,348	47,226,135
4,729,082	(5,012,141)	29,773,961	16,209,763
294,955	3,265,554	11,935,051	3,459,302
-	(13,072)	(11,935,051)	(3,459,302)
1,393,002	-	7,530,448	5,917,564
6,417,039	(1,759,659)	37,304,409	22,127,327
			472,581,069
			(1,418,441)
890,638	89,055,955	493,289,955	471,162,628
\$ 7,307,677	\$ 87,296,296	\$ 530,594,364	\$ 493,289,955

**INLAND EMPIRE UTILITIES AGENCY****Statement of Cash Flows****For the Fiscal Year ended June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 49,227,299	\$ 25,554,179
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(22,099,532)	(7,189,425)
Cash payments to employees for services	(10,848,574)	(1,271,938)
Cash payments for interfund services used	(19,530,953)	(3,154,129)
Net cash provided by (used for) operating activities	(3,251,760)	13,938,687
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	6,984,888	1,389,654
Transfers out	(6,335,390)	(5,586,589)
Contract reimbursement from others	4,348,713	688,741
Tax revenues	37,183,256	2,158,718
Collection of long-term receivable	(1,312,942)	85,735
Cash paid to others	(5,301,127)	(338,867)
Investment in IERCA	-	-
Advances from other funds	-	-
Advances to other funds	-	-
Net cash provided by (used for) noncapital financing activities	35,567,398	(1,602,608)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(13,349,434)	(5,098,558)
Proceeds from State Revolving Funds	1,449,597	2,848,480
Connection fees on deposit held by members	24,910,235	-
Water Connection Fees	-	997,010
Capital grants received	1,766,918	4,370,528
Principal paid on capital debt	(6,186,543)	-
Interest paid on capital debt	(5,842,539)	(2,317,495)
Payments on State Revolving Funds	(1,338,839)	(3,962,026)
Bond administration fees	(660,106)	(38,182)
Contractor deposits collected	-	-
Net cash provided by (used for) capital and related financing activities	749,289	(3,200,243)

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

Water Resources	Non-Major	Totals	
		2016	2015
\$ 22,675,870	\$ 17,666,115	\$ 115,123,463	\$ 96,391,720
-	26,372,772	26,372,772	25,642,003
(23,793,848)	(18,430,434)	(71,513,239)	(70,224,402)
(792,682)	(24,865,571)	(37,778,765)	(44,355,638)
(1,335,380)	(1,289,083)	(25,309,545)	(24,774,098)
(3,246,040)	(546,201)	6,894,686	(17,320,415)
294,955	3,265,554	11,935,051	3,459,302
-	(13,072)	(11,935,051)	(3,459,302)
27,236	2,587,758	7,652,448	7,360,810
4,295,184	1,938,472	45,575,630	41,077,212
-	-	(1,227,207)	251,249
(1,960,692)	(2,418,566)	(10,019,252)	(6,934,557)
-	-	-	864,374
-	-	-	14,808,104
-	-	-	(14,808,104)
2,656,683	5,360,146	41,981,619	42,619,088
-	(2,456,882)	(20,904,874)	(51,469,739)
-	-	4,298,077	24,541,466
-	-	24,910,235	15,073,882
-	-	997,010	-
1,393,002	-	7,530,448	5,917,564
-	(1,440,092)	(7,626,635)	(23,957,150)
-	(593,327)	(8,753,361)	(8,374,274)
-	-	(5,300,865)	(4,105,255)
-	(7,882)	(706,170)	(248,416)
-	(72,324)	(72,324)	(393)
1,393,002	(4,570,507)	(5,628,459)	(42,622,315)

(Continued)



**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows (Continued from previous page)**  
**For the Fiscal Year ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	\$ 317,555	\$ 91,902
Purchase of investments	-	-
Net cash provided by (used for) investing activities	317,555	91,902
Net increase (decrease) in cash and cash equivalents	33,382,482	9,227,738
Cash and cash equivalents - beginning	93,347,090	2,145,016
Cash and cash equivalents - ending	<u>\$ 126,729,572</u>	<u>\$ 11,372,754</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (22,429,871)	\$ (3,022,316)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	24,071,692	8,491,268
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(662,184)	12,061,709
Water inventory	-	-
Other receivables	-	-
Short-term receivable	(184,385)	24,288
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	(1,706,493)	(178,656)
Accounts payable	193,830	(2,563,206)
Accrued liabilities	(10,603)	(50,267)
Net pension liability	1,235,949	121,925
Deferred inflow related to net pension liability	(3,615,568)	(435,911)
Other liabilities	-	88,587
Change in contractor deposits	(144,127)	(598,734)
Compensated absences	-	-
Net cash provided by (used for) operating activities	<u>\$ (3,251,760)</u>	<u>\$ 13,938,687</u>

Water Resources	Non-Major	Totals	
		2016	2015
\$ 40,770	\$ 125,392	\$ 575,619	\$ 477,301
-	581,991	581,991	(61,472)
40,770	707,383	1,157,610	415,829
844,415	950,821	44,405,456	(16,907,813)
5,998,121	29,811,782	131,302,009	148,209,822
<u>\$ 6,842,536</u>	<u>\$ 30,762,603</u>	<u>\$ 175,707,465</u>	<u>\$ 131,302,009</u>
\$ (1,980,857)	\$ (3,540,343)	\$ (30,973,387)	\$ (31,016,372)
5,367	4,287,565	36,855,892	34,113,030
57,701	5,829,843	17,287,069	(13,828,372)
(1,350,043)	-	(1,350,043)	-
-	-	-	28,503
-	(18,575)	(178,672)	41,886
-	101,608	101,608	(43,841)
-	17,401	17,401	(9,172)
(170,232)	(243,485)	(2,298,866)	(4,621,119)
93,598	(4,480,198)	(6,755,976)	1,894,089
178,466	(1,084,091)	(966,495)	(322,762)
143,395	(643,845)	857,424	(6,679,644)
(206,211)	187,399	(4,070,291)	5,741,809
-	(1,538,683)	(1,450,096)	(2,984,475)
(17,224)	-	(760,085)	71,049
-	579,203	579,203	294,976
<u>\$ (3,246,040)</u>	<u>\$ (546,201)</u>	<u>\$ 6,894,686</u>	<u>\$ (17,320,415)</u>
(Continued)			

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>RECONCILIATION OF CASH &amp; CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and short-term investments	\$ 69,842,677	\$ 11,372,754
Restricted assets	56,886,895	-
Cash & cash equivalents at end of year	<u>\$ 126,729,572</u>	<u>\$ 11,372,754</u>

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

Water Resources	Non-Major	Totals	
		2016	2015
\$ 6,842,536	\$ 29,903,334	\$ 117,961,301	\$ 86,311,686
-	859,269	57,746,164	44,990,323
<u>\$ 6,842,536</u>	<u>\$ 30,762,603</u>	<u>\$ 175,707,465</u>	<u>\$ 131,302,009</u>

# RP-5 Energy Storage



Tesla Powerpack Units



**INLAND EMPIRE UTILITIES AGENCY**  
**Index of Notes to the Basic Financial Statements**

June 30, 2016

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Description of the Reporting Entity

The Inland Empire Utilities Agency, a municipal water district (hereafter referred to as the Agency), was authorized and established by the voters in an election held on June 6, 1950. The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statements. The Agency is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Agency appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden of the Agency. The Agency has accounted for the Chino Basin Regional Financing Authority (the Authority) as a "blended" component unit. Despite being legally separate, this entity is so intertwined with the Agency that it is, in substance, part of the Agency's operations. Accordingly, these basic financial statements present the Agency and its component unit, the Chino Basin Regional Financing Authority. The blended component unit has a June 30 year end.

The Authority was established on May 1, 1993 pursuant to California Government Code, Section 6500. The Authority was established to provide, through the issuance of debt, financing necessary for the construction of various public improvements. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the Agency. The payments are reported in the Regional Wastewater, Recycled Water, Non-reclaimable Wastewater, and Recharge Water Funds.

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, 2016, 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 290 regular authorized positions, of which 266 were filled as of June 30, 2016. 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.

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

### **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, Recycled Water, and Water Resources. 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 revenues 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 Metropolitan Water District 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.

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

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

#### **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.

#### ***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 (with low salinity) 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 connected 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.

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

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

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

##### ***Water Resources Fund***

The Water Resources (WW) Fund records the transactions 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, groundwater recharge, and storm drain management.

##### **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.

##### **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**

The Agency records 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. Fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

Effective June 30, 2015, the Agency returned to 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 instead of recognizing certain imported water sales and purchases as pass-through transactions. 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.

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

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

#### 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. Non-operating 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.

#### Budgetary Policy and Control

The Agency's Board approves a biennial 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

##### Current Year Standards

In fiscal year 2015/16, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*"



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

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

#### New Accounting Pronouncements

GASB has issued the following statements which may impact the Agency's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," effective for periods beginning after June 15, 2017.

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

#### 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, 2016, 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 restricted accounts is credited directly to the related fund.

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

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

#### Receivables and Payables (continued):

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.”

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.

Although the Agency extends credit to customers in the normal course of operations, uncollectible amounts are generally not significant. When an account is determined to be uncollectible, it is written off as a bad debt expense in the period so determined, following Board approval.

#### Inventories and Prepaids

The Agency uses the consumption method of accounting for inventories, and inventory 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) Non-Major Fund.

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

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

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

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.

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	Increase 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	≥\$15,000	≥1 Years	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, 2016, total interest of \$133,017 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds and is comprised of \$3,146 recorded in the Regional Wastewater Capital Improvement Fund, \$74,474 in the Recycled Water Fund and \$55,397 in the Regional Wastewater and Operations and Maintenance Fund.

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

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

#### Capital Assets (continued):

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.

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
	Improvements	15 years
	Interceptors, buildings and plants	5 - 50 years
	Intangible Capacity Rights	50 years
	Computer Software	3 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 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) until then. The Agency has two items that qualify for reporting in this category. One 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. The other is the deferred outflow of resources related to net pension liability equal to employer contributions made in the current year after the measurement date of the net pension liability and the difference between expected and actual and experiences.

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, 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 one item that qualifies for reporting in this category. It is the deferred inflow for the net difference between projected and actual earnings on investments of the pension plan fiduciary net position and change in assumption. These amounts are amortized over either a five year period or expected average remaining service life beginning with the current year.

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

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

Pensions

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

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 accumulated vacation leave payable at July 1, 2015 was \$1,945,897 with additions and deletions during the year of \$4,156,708, and \$3,876,596 respectively, resulting in an ending June 30, 2016 balance of \$2,226,009. There was a net increase of \$280,112 over the previous fiscal year.

The sick and compensatory leave balance at July 1, 2015 was \$2,393,223 with additions and deletions during the year of \$2,092,782 and \$1,793,691 respectively, resulting in an ending June 30, 2016 balance of \$2,692,314. There was a net increase of \$299,091 over the previous fiscal year.

The compensated absences liability has been recorded in the Administrative Service Non-Major Fund as a combined total of \$4,918,323. The current year liability is estimated to be \$1,939,639.

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

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

#### 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 \$125.00, whichever is greater, according to the chart below to each retiree 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.

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 June 30, 2015. 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 level-percentage of pay method with which the Agency's unfunded actuarial accrued liability is being amortized over a 22 year closed period. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.



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

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

Other Post - Employment Benefits (continued):

On June 4, 2014, the Agency entered into an agreement to prefund OPEB through CalPERS California Employer's Retiree Benefit Trust (CERBT). As of June 30, 2016, the Agency has funded \$9,000,000 into the CERBT trust fund towards the OPEB obligation.

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets and Annual Required Contribution for the Fiscal Year 2015/16.

	2015/16
Annual Required Contribution (ARC)	\$ 965,811
Interest on Net OPEB Obligation	79,041
Adjustment to ARC	(81,642)
<b>Annual OPEB Costs</b>	<b>\$ 963,210</b>
IEUA Contribution	(2,501,893)
Percentage Contributed	259%
<b>Increase or Decrease in Net OPEB</b>	<b>\$ (1,538,683)</b>
Net OPEB Obligation - Beginning of Year	1,291,524
Net OPEB Obligation - End of Year	(247,159)
Annual Covered Payroll	\$ 23,671,357

*Three-year trend information for OPEB*

Fiscal Year Ending	Annual OPEB Costs	% of OPEB Contributed	Net OPEB Obligation
6/30/2014	\$ 1,516,123	262%	\$ 4,355,322
6/30/2015	\$ 938,202	426%	\$ 1,291,254
6/30/2016	\$ 963,210	259%	\$ (247,159)

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

### **d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

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

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

As of June 30, 2015, the most recent actuarial valuation date, the plan was 48% funded. The actuarial accrued liability (AAL) for benefits was \$15,080,188 and the actuarial value of assets was \$6,992,580, resulting in unfunded actuarial accrued liabilities (UAAL) of \$8,087,608. As of June 30, 2016, the value of assets was \$9,318,938, resulting in unfunded actuarial accrued liabilities (UAAL) of \$5,731,250. The covered-employee payroll (annual total payroll of active employees covered by the plan) was \$23,048,949, and the ratio of the UAAL to the covered-employee payrolls was 24.21%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations of the ongoing plan reflects a long-term perspective.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### ***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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. 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.

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

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

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

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 June 30, 2015 valuation were:

*Actuarial report makes use of the following assumptions:*

Discount Rate	–	6.12% per annum
Inflation Rate	–	2.75% per annum
Payroll Increases	–	3% per annum
Asset Return Rate	–	6.12% per year

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

<u>Year</u>	<u>PPO</u>	<u>HMO</u>
2017	7.0%	6.5%
2018	6.5%	6.0%
2019	6.0%	5.5%
2020	5.5%	5.0%
2021 and after	5.0%	5.0%

A separate audited post-employment benefit plan report is not available

#### 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 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. Each fund's position in the pool is reported on the combined statement of net position as cash and investments.

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.

Restricted deposits held by governmental agencies represents the funds held by contracting agencies in a Capital Capacity Reimbursement Account (CCRA) on behalf of the Agency to support the improvement and expansion of the Regional Wastewater System, in accordance with the Chino Basin Regional Sewage Service Contract.

Cash and investments as of June 30, 2016 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 117,961,301
Restricted deposits held by governmental agencies	55,201,435
Restricted assets held with trustee/fiscal agent	2,544,729
<b>Total cash and investments</b>	<b>\$ 175,707,465</b>
Cash and investments as of June 30, 2016 consist of the following:	
Cash on hand (Petty Cash)	\$ 2,051
Deposits with financial institutions	1,121,964
Deposits held by other governmental agencies	55,201,435
Investments	119,382,015
<b>Total cash and investments</b>	<b>\$ 175,707,465</b>

#### Fair Value

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.

#### 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 that address interest rate risk, credit risk, and concentration of credit risk.

### (3) Cash and Investments (continued):

#### Investments Authorized by the California Government Code and the Agency's Investment Policy (continued):

<b><u>Authorized Investment Type</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Maximum Percentage of Portfolio</u></b>	<b><u>Maximum Investment in One Issuer</u></b>
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

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.

#### 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 following table 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.

<b><u>Authorized Investment Type</u></b>	<b><u>Minimum Rating</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Maximum Percentage Allowed</u></b>	<b><u>Maximum Investment in One Issuer</u></b>
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	A	30 days	None	None
Local Agency Investment Fund	None	N/A	None	None



### **(3) Cash and Investments (continued):**

#### **Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

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.

##### ***Investment Trust of California (CalTRUST)***

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. Seq. and 53635, et. Seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust.

##### ***California Asset Management Program (CAMP)***

The Agency is a voluntary participant in the CAMP, a Joint Powers Authority established on 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Code Section 53601(p). CAMP is directed by a Board of Trustees (of which the Agency is a member), which is made up of experienced local government finance directors and treasurers.

#### **Deposits**

At June 30, 2016, the carrying amount of the Agency's deposits was \$1,121,964 and the bank balance was \$1,731,438. The \$609,474 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 state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

### (3) Cash and Investments (continued):

#### Deposits (continued):

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, 2016 for each investment type:

Investment Type	Amount	Minimum Legal Rating	Moody's Rating as of June 30, 2016			
			Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
Repurchase Agreement	\$ 23,149,836	N/A	\$ 23,149,836	\$ -	\$ -	\$ -
U.S. Agency Securities	27,578,233	N/A	27,578,233	-	-	-
Medium Term Notes	9,634,166	A	7,626,366	2,007,800	-	-
US Treasury	1,001,020	A	1,001,020	-	-	-
LAIF	30,517,594	N/A	-	-	-	30,517,594
Cal Trust	16,052,880	N/A	-	-	-	16,052,880
CAMP	5,005,834	N/A	-	-	-	5,005,834
Brokered Certificate of Deposit	3,897,723	N/A	-	-	-	3,897,723
<i>Held by Bond Trustee:</i>						
Money Market Mutual Funds	2,544,729	N/A	-	-	-	2,544,729
<b>Total</b>	<b>\$ 119,382,015</b>		<b>\$ 59,355,455</b>	<b>\$ 2,007,800</b>	<b>\$ -</b>	<b>\$ 58,018,760</b>

#### 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>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
FHLMC	CBB Repurchase Agreement	\$ 24,668,182	20.67%
FNMA	and US Agency Securities	\$ 14,809,081	12.41%
Federal Farm Credit	US Agency Securities	\$ 11,250,806	9.43%

### (3) Cash and Investments (continued):

#### 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, 2016, 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 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.

### (3) Cash and Investments (continued):

#### Interest Rate Risk (continued):

As of June 30, 2016, the Agency had the following investments and original maturities:

Investment Type	Remaining Maturity (in Months)				Fair Value
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Repurchase Agreement	\$ 23,149,836	\$ -	\$ -	\$ -	\$ 23,149,836
U.S. Agency Securities	-	7,205,116	20,373,117	-	27,578,233
Medium Term Notes	-	3,990,960	5,643,206	-	9,634,166
US Treasury Note	1,001,020	-	-	-	1,001,020
State Investment Pool	30,517,594				30,517,594
Cal Trust	16,052,880	-	-	-	16,052,880
CAMP	5,005,834				5,005,834
Brokered Certificate of Deposit	730,686	1,945,088	1,221,949	-	3,897,723
<i>Held by Bond Trustee:</i>					
Money Market Mutual Fund	2,544,729	-	-	-	2,544,729
<b>Total</b>	<b>\$ 79,002,579</b>	<b>\$ 13,141,164</b>	<b>\$ 27,238,272</b>	<b>\$ -</b>	<b>\$ 119,382,015</b>

#### Fair Value Measurement (GASB 72)

The information below shows the Agency's investments fair value measurements (market approach) as of June 30, 2016. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions.

Investments by Fair Value Level	June 30			
	2016	Level 1 <sup>(A)</sup>	Level 2 <sup>(B)</sup>	Level 3 <sup>(C)</sup>
Repurchase Agreement	\$ 23,149,836		\$ 23,149,836	
U.S. Agency Securities	27,578,233		27,578,233	
Medium Term Notes	9,634,166		9,634,166	
US Treasury Notes	1,001,020	1,001,020		
State Investment Pool	30,517,594		30,517,594	
Cal Trust	16,052,880		16,052,880	
CAMP	5,005,834		5,005,834	
Brokered Certificate of Deposit	3,897,723	3,897,723		
Money Market Mutual Fund	2,544,729	2,544,729		
<b>Total</b>	<b>\$ 119,382,015</b>	<b>\$ 7,443,472</b>	<b>\$ 111,938,543</b>	<b>\$ -</b>

<sup>(A)</sup> Level 1 - Quoted prices in active markets for identical assets

<sup>(B)</sup> Level 2 - Quoted prices in active markets for significant other observable inputs

<sup>(C)</sup> Level 3 - Quoted prices in active markets for significant unobservable inputs

#### **(4) Deferred Compensation**

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 (IRC) Section 457 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 can contribute a percentage of their employee's earnings up to a maximum of \$53,000 for 2016. 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 Internal Revenue Service 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.

On July 1, 1998, the Agency adopted GASB Statement No. 32 *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."* The implementation of GASB Statement No. 32 required 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.

#### **(5) Defined Benefit Pension Plan**

##### **General information about the Pension Plans**

###### ***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.

###### ***Benefits Provided***

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.

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

### General information about the Pension Plans (continued):

#### *Benefits Provided (continued):*

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire date	Prior to January 1, 2012 <sup>+</sup>	On or After January 1, 2012 <sup>+</sup>	After January 1, 2013
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Eligible retirement age	50 – 55	50 – 63+	52 – 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1.426% - 2.418%	1% - 2.5%
FY2014/15 required employee contribution rates*	8%	7%	6.25%
FY2014/15 required employer contribution rates	16.641%	16.641%	16.641%

<sup>+</sup>Closed to new entrants

\* Effective the first pay period of each fiscal year, full-time and limited-term employees will contribute an additional fixed percentage per respective memorandum of understanding (MOU) until the employees are fully funding the employee paid contribution rate. Employees hired after January 1, 2013 pays for one half (1/2) of their total normal cost rate as determined by CalPERS. See table below for the additional fixed percentage per the MOUs:

Fiscal Year	Hired Prior to January 1, 2012	Hired On or After January 1, 2012	Hired After January 1, 2013
2015/16	5.5%	6.5%	6.25%
2016/17	7.0%	7.0%	6.25%
2017/18	8.0%	7.0%	6.25%
<b>Employee contribution rates</b>	<b>8.0%</b>	<b>7.0%</b>	<b>6.25%</b>

#### *Employees Covered*

At June 30, 2016, the following employees were covered by the Plans' terms:

Inactive employees or beneficiaries currently receiving benefits	212
Inactive employees entitled to but not yet receiving benefits	192
Active employees	277
<b>Total</b>	<b>681</b>



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

### General information about the Pension Plans (continued):

#### *Contributions*

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

#### *Net Pension Liability*

The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

#### *Actuarial Assumptions*

The total pension liabilities in the June 30, 2014 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% (net of pension plan investment and administration expenses; includes inflation)
Mortality	The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using society of actuaries scale BB. For more details on this table please refer to the 2014 experience study report.

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

### **General information about the Pension Plans (continued):**

#### ***Actuarial Assumptions (continued):***

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a 2010 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

#### ***Change of Assumptions***

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

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.65% for the Agency's Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.70%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

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

### General information about the Pension Plans (continued):

#### *Discount Rate (continued):*

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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

### General information about the Pension Plans (continued):

#### *Changes in the Net Pension Liability*

The changes in the net pension liability for the Agency's Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balances at June 30, 2014</b>	\$ 154,302,938	\$ 117,595,160	\$ 36,707,778
<b>Changes in the Year:</b>			
Service cost	3,685,630	-	3,685,630
Interest on the total pension liability	11,654,818	-	11,654,818
Differences between actual and expected experience	2,049,978	-	2,049,978
Changes in assumptions	(2,979,771)	-	(2,979,771)
Changes in benefit terms	-	-	-
Contribution - employer	-	8,330,807	(8,330,807)
Contribution - employee	-	1,812,908	(1,812,908)
Net investment income	-	2,718,511	(2,718,511)
Administrative expenses	-	(140,237)	140,237
Benefit payments, including refunds of employee contributions	(5,730,808)	(5,730,808)	-
<b>Net Changes</b>	<b>\$ 8,679,847</b>	<b>\$ 6,991,181</b>	<b>\$ 1,688,666</b>
<b>Balance at June 30, 2015</b>	<b>\$ 162,982,785</b>	<b>\$ 124,586,341</b>	<b>\$ 38,396,444</b>

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

The following presents the net pension liability of the Miscellaneous Plan, (Agency Plan), calculated using the discount rate for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
<b>Net Pension Liability</b>	\$ 61,382,684	\$ 38,396,444	\$ 19,437,679

#### *Pension Plan Fiduciary Net Position*

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

### General information about the Pension Plans (continued):

#### *Subsequent Events*

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

#### *Recognition of Gains and Losses*

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

#### *Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For the fiscal year ended June 30, 2015, the Agency recognized pension expense of \$3,642,007. As of June 30, 2015, the Agency has deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,153,741	-
Differences between actual and expected experience	1,524,343	-
Change in assumptions	-	(2,215,727)
Net differences between projected and actual earnings on plan investments	-	(836,340)
<b>Total</b>	<b>\$ 10,678,084</b>	<b>\$ (3,052,067)</b>

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

### General information about the Pension Plans (continued):

Deferred outflows of resources related to contributions subsequent to the measurement date of \$9,153,741 will be recognized as a reduction of net pension liability in the year ending June 30, 2017.

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

Measurement Period Ending June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (943,061)
2017	(943,061)
2018	(919,219)
2019	1,277,617
2020	-
Thereafter	-

### *Payable to the Pension Plan*

As of June 30, 2016, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

## (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.



## (6) Risk Management (continued):

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 up to \$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.
- ✚ 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 Non-Major 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, 2016, 2015, and 2014. 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 accrued liabilities.

## (6) Risk Management (continued):

### Claim Liabilities (continued):

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

	Worker's Compensation		General Liability	
	2015/16	2014/15	2015/16	2014/15
Unpaid Claims, beginning of fiscal year	\$ 249,879	\$ 229,358	\$ 500,000	\$ 500,000
Incurring claims (including IBNRs)	234,689	123,752	51,569	15,661
Claim payments	(126,949)	(103,231)	(51,569)	(15,661)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 357,619</b>	<b>\$ 249,879</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>

## (7) Changes in Capital Assets

### Jobs in Progress

At the Fiscal Year ended June 30, 2016, 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 \$500,000 each)	4,780,063
SCADA Enterprise System	4,708,038
New Water Quality Laboratory	2,152,455
Montclair Diversion Structure Improvement	1,068,186
RP-5 Expansion Preliminary Design Report (PDR)	982,524
Agency-Wide HVAC Improvements- Pckg No. 3	742,334
RP-1 Mixed Liquor Return Pumps	567,463
1630 W. Recycled Water Pump Station - Surge Tank Installation	546,124
San Sevaine Basin Improvements	535,568
SBCFCD Recycled Water Easement	534,759
Recharge Master Plan Update (Softcost)	510,016
East Avenue 1630 E. Recycled Water Pipeline Relocation	504,666
<b>Total Jobs in Progress</b>	<b><u>\$ 17,632,197</u></b>

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

### Jobs in Progress (continued):

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2016:

### *Capital Assets*

Capital Assets	Balance at 6/30/15 (As Restated)	Additions	Transfers & Retirements	Balance at 6/30/16	Accumulated Depreciation at 6/30/16	Net Book Value at 6/30/16
<b>Capital Assets-not being depreciated:</b>						
Land	\$ 14,067,874	\$ -	\$ -	\$ 14,067,874	\$ -	\$ 14,067,874
Jobs in Progress	43,792,697	23,466,639	(49,627,139)	17,632,197	-	17,632,197
Total Capital Assets, not being depreciated	<u>\$ 57,860,571</u>	<u>\$ 23,466,639</u>	<u>\$ (49,627,139)</u>	<u>\$ 31,700,071</u>	<u>\$ -</u>	<u>\$ 31,700,071</u>
<b>Capital Assets-being depreciated:</b>						
Interceptors, trunk lines and inter-ties	\$ 36,721,245	\$ -	\$ -	\$ 36,721,245	\$ (10,822,897)	\$ 25,898,348
Office facilities	12,076,619	-	-	12,076,619	(2,947,876)	9,128,743
Collection, outfall, and transmission lines	123,643,101	962,259	-	124,605,360	(72,353,266)	52,252,094
Reservoirs, setting basins, ponds, and chlorination station	119,404,397	77,186	(1,104,000)	118,377,583	(29,627,987)	88,749,596
Recycled water distribution system	140,607,473	23,719,659	-	164,327,132	(21,449,409)	142,877,723
Treatment plants, pump stations and office buildings	271,878,633	4,403,047	(802,114)	275,479,566	(123,690,588)	151,788,978
Equipment	203,549,704	20,228,609	(2,519,390)	221,258,923	(113,972,494)	107,286,429
Land improvement	29,863,056	8,042	-	29,871,098	(11,550,206)	18,320,892
Total capital assets, being depreciated	<u>\$ 937,744,228</u>	<u>\$ 49,398,802</u>	<u>\$ (4,425,504)</u>	<u>\$ 982,717,526</u>	<u>\$ (386,414,723)</u>	<u>\$ 596,302,803</u>
<b>Less accumulated depreciation for:</b>						
Interceptors, trunk lines and inter-ties	\$ (9,969,037)	\$ (853,860)	\$ -	\$ (10,822,897)		
Office facilities	(2,708,841)	(239,035)		(2,947,876)		
Collection, outfall, and transmission lines	(68,895,583)	(3,457,683)	-	(72,353,266)		
Reservoirs, setting basins, ponds, and chlorination station	(26,979,215)	(2,836,452)	187,680	(29,627,987)		
Recycled water distribution system	(17,939,454)	(3,509,955)		(21,449,409)		
Treatment plants, pump stations and office buildings	(117,327,512)	(6,645,783)	282,707	(123,690,588)		
Equipment	(98,653,718)	(16,594,586)	1,275,810	(113,972,494)		
Land improvement	(10,207,652)	(1,342,554)		(11,550,206)		
Total accumulated depreciation	<u>\$ (352,681,012)</u>	<u>\$ (35,479,908)</u>	<u>\$ 1,746,197</u>	<u>\$ (386,414,723)</u>		
Total capital assets, being depreciated, net	<u>\$ 585,063,216</u>	<u>\$ 13,918,894</u>	<u>\$ (2,679,307)</u>	<u>\$ 596,302,803</u>		
<b>Total capital assets- Enterprise Funds, Net</b>	<u><b>\$ 642,923,787</b></u>	<u><b>\$ 37,385,533</b></u>	<u><b>\$ (52,306,446)</b></u>	<u><b>\$ 628,002,874</b></u>		

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

### Jobs in Progress (continued):

#### *Intangible Assets*

Intangible Assets	Balance at 6/30/15	Additions	Transfers & Retirements	Balance at 6/30/16	Accumulated Amortization at 6/30/16	Net Book Value at 6/30/16
<b>Intangible assets-being amortized:</b>						
Computer software	\$ 10,937,114	\$ 228,336	\$ -	\$ 11,165,450	\$ (7,279,154)	\$ 3,886,296
Contributed capital-lease	129,324	-	-	129,324	(16,165)	113,159
Metropolitan Water District connections	198,891	-	-	198,891	(180,991)	17,900
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(27,317)	16,172
Auto Club Speedway Water Rights	133,650	-	-	133,650	-	133,650
San Bernardino Conty Flood Control-Chino Road Barrier	48,076	-	-	48,076	(20,032)	28,044
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(6,692,333)	5,774,669
Organization and master planning	1,939,805	-	-	1,939,805	(689,489)	1,250,316
Total intangible assets being-amortized	\$ 25,897,351	\$ 228,336	\$ -	\$ 26,125,687	\$ (14,905,481)	\$ 11,220,206
<b>Less accumulated amortization for:</b>						
Computer software	\$ (6,245,909)	\$ (1,028,009)	\$ (5,236)	\$ (7,279,154)		
Contributed capital-lease	(9,699)	(6,466)	-	(16,165)		
Metropolitan Water District connections	(177,013)	(3,978)	-	(180,991)		
Corps of Engineers-Cucamonga Creek	(26,448)	(869)	-	(27,317)		
San Bernardino Conty Flood Control-Chino Road Barrier	(18,429)	(1,603)	-	(20,032)		
Santa Ana Watershed Project Authority capacity rights	(6,394,749)	(297,584)	-	(6,692,333)		
Organization and master planning	(652,014)	(37,475)	-	(689,489)		
Total accumulated amortization	\$ (13,524,261)	\$ (1,375,984)	\$ (5,236)	\$ (14,905,481)		
<b>Total intangible assets-Enterprise Funds, Net</b>	<b>\$ 12,373,090</b>	<b>\$ (1,147,648)</b>	<b>\$ (5,236)</b>	<b>\$ 11,220,206</b>		
<b>Total capital assets-Enterprise Funds, net</b>	<b>\$ 655,296,877</b>	<b>\$ 36,191,715</b>	<b>\$ (52,260,277)</b>	<b>\$ 639,223,080</b>		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2016 (rounding difference). For the Fiscal year ended June 30, 2016, depreciation was \$35,479,908 and amortization expense was \$1,375,984.

## (8) Construction Commitments

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$2,309,432 at June 30, 2016. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

- **Agency-wide Energy Efficiency Study and RP-4 Lighting Improvements Phase I - EN16013.** Evaluation of existing lighting and process equipment systems, to determine a long-term plan for process improvements; lighting replacements and improvements; and, pump efficiency improvements. This project has an outstanding obligation of \$1,221,528.
- **1630 East & West Recycled Water Pump Stations Surge Protection Improvements - EN15055.** This project encompasses the design and construction of a surge tank to dampen the surges in the 1299 recycled water pipeline. This project has an outstanding obligation of \$521,323.
- **Wineville Recycled Water Extension Pipeline Segment B - EN13045.** The Wineville Recycled Water Extension Pipeline Segment B has installed 2.8 miles of 30-inch recycled water pipeline in addition to the associated appurtenances, and is located in the central service area. The new pipeline consists of approximately 12,000 linear feet of 36-inch cement lined and coated steel pipeline in the City of Fontana. The pipeline connects to Segment A terminus on one end (west), and terminates at RP-3 and Declez recharge basins where approximately 1,000 linear feet of 16-inch PVC is installed inside RP-3. The pipeline will provide recycled water of approximately 4,100 acre-feet per year for direct use and groundwater recharge. This project has an outstanding obligation of \$182,525.
- **RP-4 MCC Power Center Five Roof Access - EN13056.01.** The scope of this project includes the design, fabrication, and installation of stairs to the RP-4 Microbial Culture Collection Power Center Five building along with installation of gantry platform from the stairs' top landing to the A/C units. This project scope also includes installation of hand guard rails around the perimeter of the building rooftop for personnel protection. This project has an outstanding obligation of \$178,999.
- **Montclair Diversion Structure Rehabilitation - EN13018.** The rehabilitation of the Montclair Diversion structure will include evaluation of available and viable options for the installation of a new odor control system, and the construction of new fine screens. This project has an outstanding obligation of \$105,938.
- **Supervisory Control and Data Acquisition (SCADA) Enterprise System - EN13016.** The SCADA Enterprise system will eliminate the multi-vendor platforms currently operating as islands of automation. The design and construction of a highly-reliable and scalable Enterprise SCADA system that enables the control of any facility from any location, remote operations as well as integration with the Business system, and supports wastewater treatment, recycled water, and groundwater supply-demand management. This project has an outstanding obligation of \$64,845.

## (8) Construction Commitments (continued):

- **Agency-Wide HVAC Improvements #3 - EN15032.** The scope of this project is to evaluate electrical and control building Heating, Ventilation and Air Conditioning systems, and provide solutions/upgrades for the Carbon Canyon Facility switchgear room, and the RP-1 maintenance building. It will also replace the evaporative coolers for the Carbon Canyon Facility switchgear with an air conditioning system, and modify the ventilation system configuration. This project scope includes the design, procurement and installation of all necessary HVAC equipment to address the deficient HVAC systems, and ensure process safety and reliability. This project has an outstanding obligation of \$21,387.
- **San Bernardino Lift Station Fiber Optic Upgrades - EN15030.02.** The rehabilitation and upgrade of the San Bernardino Lift Station fiber optics system. This project has an outstanding obligation of \$12,887.

## (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, 2016, 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

### 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, 2016, the long term receivable amount is \$2,530,298 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 agreed to reimburse the Agency \$1,068,418 for the construction costs, payable yearly beginning June, 2009, plus interest at an annum rate of 2.2% for 20 years. As of June 30, 2016, the long term receivable amount is \$644,535, and is recorded in the Recycled Water (WC) Fund.



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

### **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. CVWD agreed 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, 2016, the long term receivable amount is \$449,973, and is recorded in the Recycled Water (WC) Fund.

### **Auto Club Speedway**

On November 2015, the Agency entered into an agreement with California Speedway Corporation dba Auto Club Speedway (Speedway) to provide wastewater treatment and recycled water services to property owned, operated, managed and controlled by Speedway. Speedway agreed to reimburse the Agency for the construction cost and the cost of connection to provide those services. This agreement includes the option of payment through the assignment of pumping rights to the Agency as full consideration for their share of capital cost and connection cost. The assignment shall have a term of sixty (60) years. As of June 30, 2016, the Agency has incurred \$1,700,631 in connections costs. During the same period, Speedway has assigned 225 acre feet to the Agency, leaving and outstanding long term receivable of \$1,416,981 recorded in the Regional Wastewater Capital (RC) 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 River Watershed. SAWPA is composed of the five (5) 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.

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

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

Audited financial information for the operation of SAWPA as of and for the fiscal year ended June 30, 2016 is summarized as follows:

	2016	2015
Total Assets	\$ 175,164,843	\$ 173,051,031
Deferred Outflows of Resources	358,101	273,547
Total Liabilities	107,830,177	107,505,347
Deferred Inflows of Resources	525,022	784,673
<b>Total Net Position</b>	<b>67,167,745</b>	<b>65,034,558</b>
Total Revenues	17,113,620	15,228,824
Total Expenses	(14,980,433)	(14,084,505)
<b>Net Change in Net Position</b>	<b>\$ 2,133,187</b>	<b>\$ 1,144,319</b>

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 had 4.0 mgd IEBL pipeline and 2.25 mgd treatment capacity. This consisted of the following:

- 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.

## **(11) Joint Ventures - Long-Term Agreements (continued):**

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

- 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 pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of 0.4 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 0.5 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.

## **(11) Joint Ventures - Long-Term Agreements (continued):**

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

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) – In June 2016, The Agency signed the SARCCUP Memorandum of Understanding (MOU) and SARCCUP MOU for Program Implementation, PA23. SARCCUP is the result of collaboration between the SAWPA member agencies (Parties) to identify large-scale water supply reliability and water use efficiency projects that could benefit the Santa Ana River Watershed. SARCCUP will initially include development of new infrastructure and incorporation of existing infrastructure to create 60,000 acre-feet per year of wet year put and dry year take capacities for 180,000 acre-feet of groundwater storage in the San Bernardino Area Basins, the San Jacinto Basins, the Chino Basin, and the Elsinore Basin. In June 2015, the Parties submitted a grant application to the State Department of Water Resources through SAWPA for the SARCCUP project elements. The estimated costs of SARCCUP Phase 1 projects total \$100 million and will be funded by the \$55 million grant funding application and \$45 million shared equally between the five SAWPA member agencies.

### **Chino Basin Desalter Authority**

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 grants administration support for the JPA, as well as operational support for the Desalter 1 facility (based on January, 2002 operations and maintenance agreement which was amended June, 2013). In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2016, Desalter 1 and Desalter 2 delivered a total of 24,597 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 Sanitation District No. 2 of Los Angeles County (SDLAC) 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.

## **(11) Joint Ventures - Long-Term Agreements (continued):**

### **Inland Empire Regional Composting Authority (continued):**

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 2006/07 and is currently 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 Operation & Maintenance (O&M) and Repair & Replacement (R&R) costs. The agency records biosolids tipping fees in the Regional Wastewater Operation & Maintenance (RO) fund.

As of June 30, 2016, the Agency's equity share is \$45,167,514 recorded in the Regional Wastewater Capital Improvement (RC) Fund. There was an additional write-down of \$409,985 (50% of the Agency's equity share) of the JPA's net position at June 30, 2016; 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 (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 Area of the Santa Ana River.

The Watermaster is composed of a committee of five representatives from 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.

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

### Santa Ana River Watermaster (continued):

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

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

Financial information for the operation of Watermaster as of and for the fiscal year ended June 30, 2015 is summarized as follows:

	<b>2015</b>
Total Assets	\$ 12,039
<b>Fund Balance</b>	<b><u>\$ 12,039</u></b>
Total Revenues	30,000
Total Expenses	(30,662)
<b>Net Increase/(Decrease) in Equity</b>	<b><u>\$ (662)</u></b>

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, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>	<b>Amounts Due after One Year</b>
<b><u>Bonds Payable:</u></b>						
2008A Revenue Bonds	\$ 125,000,000	\$ -	\$ -	\$ 125,000,000	\$ -	\$ 125,000,000
2008B Variable Rate (2002A Refinancing)	44,060,000	-	1,865,000	42,195,000	1,910,000	40,285,000
2010A Revenue Bonds (1994 Refinancing)	30,950,000	-	3,945,000	27,005,000	4,105,000	22,900,000
Sub-Total	200,010,000	-	5,810,000	194,200,000	6,015,000	188,185,000
Bond Premium	5,927,428		498,877	5,428,551		5,428,551
<b>Revenue Bonds</b>	<b><u>\$ 205,937,428</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,308,877</u></b>	<b><u>\$ 199,628,551</u></b>	<b><u>\$ 6,015,000</u></b>	<b><u>\$ 193,613,551</u></b>

## **(12) Long-term Debt and Notes Payable (continued):**

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

#### ***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.

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, 2016 is comprised of the principal of \$125,000,000, plus a bond premium of \$3,720,988 for a total of \$128,720,988.

#### ***2008B Variable Rate Demand 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 \$1,910,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2016 comprised the principal amount of \$42,195,000.



## (12) Long-term Debt and Notes Payable

### Long-term Debt (continued):

#### *2010A Refunding 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 duration of the bonds. Net present value of this economic gain was \$8,022,916.
- The bonds maturing through 2022 are payable in annual installments ranging from \$4,105,000 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, 2016 is comprised of the principal amount of \$27,005,000, plus unamortized deferred bond premium of \$1,707,563, for a total of \$28,712,563.

#### *Aggregate Long Term Debt*

As of June 30, 2016, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2017	\$ 6,015,000	\$ 7,838,300	\$ 13,853,300
2018	6,180,000	7,652,750	13,832,750
2019	6,380,000	7,441,375	13,821,375
2020	6,800,000	7,196,950	13,996,950
2021	7,025,000	6,939,875	13,964,875
2022-2026	27,175,000	31,952,875	59,127,875
2027-2031	41,285,000	26,457,050	67,742,050
2032-2036	53,970,000	16,719,700	70,689,700
2037-2039	39,370,000	3,053,050	42,423,050
Subtotal	194,200,000	115,251,925	309,451,925
Plus: Net Premium	5,428,551		5,428,551
<b>Total Debt Service Payable</b>	<b>\$ 199,628,551</b>	<b>\$ 115,251,925</b>	<b>\$ 314,880,476</b>

The 2008B Variable Rate Demand Revenue bond interest payments are calculated using a 1.0% interest rate.

## (12) Long-term Debt and Notes Payable (continued):

### *Debt Covenants*

In accordance with bond covenants, net revenues (less the operations and maintenance costs) 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. The Agency has covenanted that, to the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each Fiscal Year, rates and charges with respect to the Agency System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 1.15. Management has determined that the Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2016. (Refer to the Agency System Total Debt Coverage Ratio Schedule included in the statistical section).

### Notes Payable

Summary of notes payable activity for the Fiscal Year ended June 30, 2016 was as follows:

<u>Notes Payable :</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
SARI Pipeline Cap. 1.5mgd	\$ 714,196	\$ -	\$ 224,335	\$ 489,861	\$ 237,796	\$ 252,065
State Revolving Fund Loan	108,453,732	4,298,077	5,300,865	107,450,944	5,263,541	102,187,403
City of Fontana	6,486,690	-	482,578	6,004,112	482,578	5,521,534
CSDLAC Past 4R's	3,446,445	-	658,332	2,788,113	673,473	2,114,640
<b>Total Notes Payable</b>	<b>\$ 119,101,063</b>	<b>\$ 4,298,077</b>	<b>\$ 6,666,110</b>	<b>\$ 116,733,030</b>	<b>\$ 6,657,388</b>	<b>\$ 110,075,642</b>

### *Santa Ana Watershed Project Authority*

As a result of the purchase of 1.5 million gallons per day (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 nineteenth installment is due on July 15, 2016. 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, 2016, the future payments for the remaining note payable obligation by year is as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Imputed Interest</u>	<u>Total</u>
2017	\$ 237,796	\$ 29,392	\$ 267,188
2018	252,065	15,122	267,187
<b>Total SAWPA Note</b>	<b>\$ 489,861</b>	<b>\$ 44,514</b>	<b>\$ 534,375</b>

## (12) Long-term Debt and Notes Payable (continued):

### Notes Payable (continued):

#### *State Water Resources Control Board (continued):*

- 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 commenced 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, 2016, the balance is \$7,692,837.
- The RP-1 Pump Station and West Edison San Antonio Channel Recycled Water Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). The three projects were completed as of June 30, 2010 and received \$14,752,201 of SRF funding. Principal and interest are paid annually for 20 years at an annual rate of 2.2%. The current balance as of June 30, 2016 is \$9,769,259.
- 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 completed as of June 30, 2010 and received \$10,862,198 of SRF funding, with a current balance as of June 30, 2016 of \$7,090,392. These are interest free loans with principal paid annually for 20 years.
- 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 completed and received \$15,061,175 of SRF funding. Principal and interest are paid annually for 20 years at an annual rate ranging from .074 % to .214%. The current balance as of June 30, 2016 is \$11,340,834.
- 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. Principal and interest are paid annually for 20 years at an annual rate of 1.0%. The current balance at June 30, 2016 is \$719,591.
- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by the State Revolving Fund (SRF). Principal and interest are paid annually for 20 years at an annual rate of 2.6%. As of June 30, 2016, we reflect a current balance of \$25,983,387.
- The Recycled Water Project (Wineville Area) in Phase X is also partially funded by the State Revolving Fund (SRF). Principal and interest are paid annually for 30 years at an annual rate of 1.0%. As of June 30, 2016, we reflect a current balance of \$20,465,734.

## (12) Long-term Debt and Notes Payable (continued):

### Notes Payable (continued):

#### *State Water Resources Control Board (continued):*

- The RP-1 Dewatering Facility Expansion project is also in part funded by the State Revolving Fund (SRF) and received \$27,546,972 of SRF funding. This project is the first ARRA funded project in the state and is qualified as a “green project”. Principal and interest are paid annually for 20 years at an annual rate of .460%. As of June 30, 2016, we reflect a current balance of \$22,278,583.
- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2016, we reflect a current balance of \$2,110,327 with 100% of the design phase being completed and construction to begin in FY2016/2017. Payments on SRF loans commence one year after the completion of construction, with principal and interest paid annually for 30 years at an annual rate of 2.1%.

As of June 30, 2016, the future payments for the remaining loan obligations by year are as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payment</b>	<b>Total</b>
2017	\$ 5,263,541	\$ 1,207,703	\$ 6,471,244
2018	5,974,040	1,385,740	7,359,780
2019	6,053,526	1,306,254	7,359,780
2020	6,134,720	1,225,059	7,359,779
2021	6,217,665	1,142,114	7,359,779
2022/2026	31,339,583	4,404,263	35,743,846
2027/2031	25,499,748	2,487,182	27,986,930
2032/2036	11,816,896	1,074,781	12,891,677
2037/2041	4,022,079	420,596	4,442,675
2042/2046	4,250,428	192,248	4,442,676
2047/2051	878,718	9,816	888,534
<b>Total SRF Loans</b>	<b>\$ 107,450,944</b>	<b>\$ 14,855,756</b>	<b>\$ 122,306,700</b>

#### *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 RP-4 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.

## (12) Long-term Debt and Notes Payable (continued):

### Notes Payable (continued):

#### *City of Fontana (continued):*

As of June 30, 2016, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
2017	\$ 482,578	\$ 79,824	\$ 562,402
2018	482,578	79,824	562,402
2019	482,578	79,824	562,402
2020	482,578	79,824	562,402
2021	482,578	79,824	562,402
2022/2026	2,412,890	399,120	2,812,010
2027/2028	1,178,332	165,368	1,343,700
<b>Total SRF Loans</b>	<b>\$ 6,004,112</b>	<b>\$ 963,608</b>	<b>\$ 6,967,720</b>

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

On June 30, 2014, the Agency recorded the reimbursement agreement with the Sanitation District No. 21 of Los Angeles County (SDLAC) for the 4R (Relocation, Reconstruction, Repair or Replacement) Capital Charges that were allowed to be funded to SDLAC by State Revolving Fund loans under Prior Contracts. The Agency has agreed to pay SDLAC the balance in annual installments over a six year term with an interest rate of 2.3%. As of June 30, 2016, the remaining note payable obligation is \$2,788,113.

Year Ending June 30	Principal Payments
2017	\$ 673,473
2018	688,963
2019	704,809
2020	720,868
<b>Total SDLAC Loans</b>	<b>\$ 2,788,113</b>

## (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.

### (13) Arbitrage Rebate Obligation (continued):

- ✚ The 2008A Revenue, 2008B Variable Rate Demand, and 2010A Refunding Revenue bonds are all subject to arbitrage limitations.
- ✚ On the 2008A and 2008B bonds, the initial arbitrage rebate will be due in June, 2018.
- ✚ The initial arbitrage rebate on the 2010A bonds would have due in July, 2015, but the calculation resulted in no arbitrage rebate due.

### (14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2016, is as follows:

Funds	<b>Advances From Other Funds:</b>	
	Recycled Water Fund	Total
<b>Advances To Other Funds:</b>		
Major Funds:		
Regional Wastewater Capital Improvement Fund	\$13,500,000	\$13,500,000
Non-reclaimable Wastewater Fund	15,000,000	15,000,000
<b>Total advances</b>	<b>\$28,500,000</b>	<b>\$28,500,000</b>

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

At June 30, 2016, the Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of \$13,500,000. This advance supported the 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-Major Funds & Recycled Water Fund & Water Resources Fund

At June 30, 2016, the Non-Reclaimable Wastewater (NC) Fund reported an advance to the Recycled Water (WC) Fund, in the amount of \$15,000,000. This advance supported the 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.

On June 15, 2016, the Board of Directors approved the forgiveness of the advance from the Administrative Services (GG) Fund to the Water Resources (WW) Fund, in the amount of \$4,308,104.

Interest on the advances is applied using the average monthly LAIF rate for the Fiscal Year.

## (15) Interfund Transfers

The Regional Wastewater Operations & Maintenance (RO) Fund received capital support from the Regional Wastewater Capital Improvement Fund (RC) Fund and the Recycled Water (WC) Fund in the amount of \$3,555,238 and \$3,429,650, respectively.

The WC Fund received \$1,389,654 from the RC Fund for debt service support and the Water Fund (WW) Fund received \$294,955 from the WC Fund for capital support.

Non-Major enterprise funds received transfers in the amount of \$3,265,554. These transfers included \$917,793 in capital support from various funds to the Administrative Services (GG) Fund and \$122,775 to the Non-reclaimable Wastewater (NRW) Fund. The remaining amount consisted of \$382,000 in debt service support, \$466,000 in operating support, and \$1,376,986 in capital support to the Recharge Water (RW) Fund.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2016.

<b>Transfers Out:</b>	<b>Transfers In:</b>				<b>Total</b>
	<b>Regional Wastewater (RO)</b>	<b>Recycled Water (WC)</b>	<b>Water Resources (WW)</b>	<b>Non-Major Enterprise Funds</b>	
Regional Capital Improvement (RC) Fund	\$ 3,555,238	\$ 1,389,654		\$ 1,390,498	\$ 6,335,390
Recycled Water (WC) Fund	3,429,650		294,955	1,861,984	5,586,589
Non-Major Enterprise Funds	-			13,072	13,072
<b>Total Transfers</b>	<b>\$ 6,984,888</b>	<b>\$ 1,389,654</b>	<b>\$ 294,955</b>	<b>\$ 3,265,554</b>	<b>\$ 11,935,051</b>

## (16) Operating Leases

The Agency has two operating leases at June 30, 2016:

- ✚ One postage meter lease extending to June 30, 2019.
  - ✚ One lease for fourteen copiers extending to June 30, 2019.
- Total operating lease costs were \$39,113 for the year ended June 30, 2016. The future minimum lease payments for equipment leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	40,287
2018	41,495
2019	42,740
2020	44,023
2021	45,343
	<u>213,888</u>



## (17) Water Inventory

In February 17, 2016, the Board approved the Water Storage Agreement between the Agency and the Cucamonga Valley Water District (CVWD), effective March 1, 2016, for the purchase of up to 5,000 acre-feet (AF) of supplemental water. This agreement would enable the Agency to purchase and store water in the Chino Basin. As of June 30, 2016, 2,273 AF are held in storage by CVWD on behalf of the Agency until such time that the Agency elects to sell or transfer the stored water.

## (18) Interfund Loan Forgiveness

At June 30, 2015, the Administrative Services (GG) Fund reported an advance to the Water Resources (WW) Fund, in the amount of \$4,308,104 to support the implementation of regional drought and conservation projects. During the June 15, 2016 Board meeting, the Board approved the forgiveness of this inter-fund loan. The forgiveness of this loan was recorded to Loss on Interfund Loan Forgiveness in the GG fund and Gain on Interfund Loan Forgiveness in the WW fund.

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

### Regional Wastewater Fund

Net Position as of July 1, 2015 has been restated by \$1,418,441 to reflect prior years' recording of financial impact.

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

#### ***Regional Wastewater Capital Improvement Fund***

Net position at July 1, 2015 as previously reported	\$ 292,200,296
Cost for prior year recorded as capital assets	(443,022)
Net position at July 1, 2015 as restated	<u>\$ 291,757,274</u>

#### ***Regional Wastewater Operation & Maintenance Fund***

Net position at July 1, 2015 as previously reported	\$ 45,053,310
Cost for prior year recorded as capital assets	(664,522)
Net position at July 1, 2015 as restated	<u>\$ 44,388,788</u>
Combined net position at July 1, 2015 as restated	<u>\$ 336,146,062</u>

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

### **Recycled Water Fund**

Net Position as of July 1, 2015 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2015 as previously reported	\$	67,296,922
Cost for prior year recorded as capital assets		(99,622)
Net position at July 1, 2015 as restated	\$	<u>67,197,300</u>

### **Water Resources Fund**

Net Position as of July 1, 2015 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2015 as previously reported	\$	1,101,913
Cost for prior year recorded as capital assets		(211,275)
Net position at July 1, 2015 as restated	\$	<u>890,638</u>

## **(20) Subsequent Events**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 12, 2016, the date the financial statements were available to be issued, and found no subsequent events that would affect the 2016 financial statements.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**Schedule of Changes in Net Pension Liability and Related Ratios**

**Schedule of Contributions**

**Other Post-Employment Benefit Plan Funding Progress**

# **INLAND EMPIRE UTILITIES AGENCY** **REQUIRED SUPPLEMENTARY INFORMATION**

## **CalPERS Miscellaneous Pension Plan** **Schedule of Changes in Net Pension Liability and Related Ratios** **Last Ten Years\***

	2016	2015
<b>Total Pension Liability:</b>		
Service cost	\$ 3,685,630	\$ 3,768,503
Interest on total pension liability	11,654,818	10,818,920
Differences between expected and actual experience	2,049,978	-
Changes in assumptions	(2,979,771)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(5,730,808)	(5,304,990)
Net Change in Total Pension Liability	<b>8,679,847</b>	<b>9,282,433</b>
Total Pension Liability - Beginning of Year	<b>154,302,938</b>	<b>145,020,505</b>
Total Pension Liability - End of Year (a)	<b>\$ 162,982,785</b>	<b>\$ 154,302,938</b>
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 8,330,807	\$ 3,733,583
Contributions - employee	1,812,908	2,374,649
Net investment income	2,718,511	17,346,113
Benefit payments	(5,730,808)	(5,304,990)
Administrative Expense	(140,237)	-
Net Change in Plan Fiduciary Net Position	<b>6,991,181</b>	<b>18,149,355</b>
Plan Fiduciary Net Position - Beginning of Year	<b>117,595,160</b>	<b>99,445,805</b>
Plan Fiduciary Net Position - End of Year (b)	<b>\$ 124,586,341</b>	<b>\$ 117,595,160</b>
<b>Net Pension Liability - Ending (a)-(b)</b>	<b>\$ 38,396,444</b>	<b>\$ 36,707,778</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>76.44%</b>	<b>76.21%</b>
<b>Covered - employee payroll</b>	<b>\$ 23,671,357</b>	<b>\$ 23,048,949</b>
<b>Net pension liability as percentage of covered- employee payroll</b>	<b>162.21%</b>	<b>159.26%</b>

### **Notes to Schedule:**

#### Benefit Changes:

There were no changes in benefits.

#### Changes in Assumptions:

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

\*-Fiscal year 2014/15 was the 1st year of GASB 68 implementation, therefore only two years of date is shown.

## REQUIRED SUPPLEMENTARY INFORMATION (continued)

### CalPERS Miscellaneous Pension Plan Schedule of Contributions As of June 30, 2016 Last Ten Years\*

	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 9,153,741	\$ 8,354,702
Contributions in relation to the actuarially determined contributions	(9,153,741)	(8,354,702)
Contribution deficiency (excess)	<b>\$ -</b>	<b>\$ -</b>
Covered - employee payroll	\$ 23,671,357	\$ 23,048,949
Contributions as a percentage of covered - employee payroll	38.67%	36.25%

#### Notes to Schedule:

Valuation Date 6/30/2013

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years as of the valuation report
Asset valuation method	15 years smooth market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.65%, net of pension plan investment and administrative expense, includes inflation
Retirement age	55 years (2.5% @ 55, 2% @ 55, and 2% @ 62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2014/15 was the 1st year of GASB 68 implementation, therefore only two years of data are shown.

**REQUIRED SUPPLEMENTARY INFORMATION (continued)**

**Other Post-Employment Benefit Plan  
Funding Progress  
As of June 30, 2015**

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-Employee Payroll (c)	UAAL as a Percentage of Covered-Employee Payroll ([a - b]/c)
04/01/09	13,977,691	-	13,977,691	0.00%	24,293,839	57.50%
10/01/11	14,520,001	-	14,520,001	0.00%	23,924,612	60.70%
07/01/13	17,476,486	-	17,476,486	0.00%	23,184,095	76.50%
06/30/15	15,080,188	6,992,580	8,087,608	48%	23,048,949	35.09%

## INLAND EMPIRE UTILITIES AGENCY SUPPLEMENTARY INFORMATION

### SUPPLEMENTARY SCHEDULES

Non-Major Enterprise Fund Statements.

#### *Non-reclaimable Wastewater Fund*

The Non-reclaimable Wastewater System (NRWS) 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.

#### *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; the Agency's share is supported by fund transfer from the Recycled Water (WC) fund, grant proceeds, and interest earnings on the programs reserve balance.

#### *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.



**INLAND EMPIRE UTILITIES AGENCY**
**Combining Statement of Net Position**
**June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 3,637,467	\$ 1,904,048
Accounts receivable	1,776,340	712,203
Interest receivable	551,120	2,626
Taxes receivable	1	-
Other receivables	-	-
Inventory	-	-
Prepaid items	-	-
Net OPEB	-	-
Total current assets	5,964,928	2,618,877
Restricted assets		
Assets held with trustee/fiscal agent	-	859,269
Total restricted assets	-	859,269
Noncurrent assets		
Capital assets		
Land	-	-
Jobs in progress	3,662	827,900
Capital assets, net of accumulated depreciation	15,032,736	43,222,482
Intangible assets, net of accumulated amortization	2,022,688	13,061
Total capital assets	17,059,086	44,063,443
Other assets		
Advances to other funds	15,000,000	-
Prepaid bond insurance	32,732	-
Total other assets	15,032,732	-
Total noncurrent assets	32,091,818	44,063,443
Total assets	38,056,746	47,541,589
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	521,726	188,859
Total deferred outflows of resources	521,726	188,859

Administrative Services	Totals	
	2016	2015
\$ 24,361,819	\$ 29,903,334	\$ 28,880,156
5,879,406	8,367,949	13,680,761
30,395	584,141	512,858
32,614	32,615	28,115
62,238	62,238	43,663
1,558,521	1,558,521	1,660,129
103,916	103,916	121,317
247,159	247,159	-
32,276,068	40,859,873	44,926,999
-	859,269	931,626
-	859,269	931,626
20,829	20,829	20,829
695,527	1,527,089	2,650,428
11,462,972	69,718,190	69,514,190
3,100,273	5,136,022	6,036,495
15,279,601	76,402,130	78,221,942
-	15,000,000	19,308,104
-	32,732	34,156
-	15,032,732	19,342,260
15,279,601	91,434,862	97,564,202
47,555,669	133,154,004	143,422,827
645,415	1,356,000	1,087,999
645,415	1,356,000	1,087,999

(continued)

**INLAND EMPIRE UTILITIES AGENCY**
**Combining Statement of Net Position (Continued from previous page)**
**June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Non-Major Enterprise Funds	
	Non-reclaimable	Recharge
	Wastewater	Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 769,084	\$ 357,586
Accrued liabilities	121	-
Compensated absences	-	-
Notes payable, due within one year	832,004	-
Long-term debt, due within one year	-	647,458
Interest payable	123,606	4,662
Retentions deposits and escrows	-	-
Total current liabilities	1,724,815	1,009,706
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year	7,349,970	13,656,850
Notes payable, due in more than one year	2,301,578	-
Net pension liability	2,100,091	713,875
Net OPEB liability	-	-
Total noncurrent liabilities	11,751,639	14,370,725
Total liabilities	13,476,454	15,380,431
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	211,782	63,705
Total deferred inflows of resources	211,782	63,705
<b>NET POSITION</b>		
Net investment in capital assets	6,575,535	30,618,403
Restricted for:		
Bond operating contingency requirement	2,600,312	-
Total restricted	2,600,312	-
Unrestricted	15,714,389	1,667,909
Total net position	\$24,890,236	\$ 32,286,312

Administrative Services	Totals	
	2016	2015
\$ 8,859,020	\$ 9,985,690	\$ 14,465,888
2,012,495	2,012,616	3,096,707
1,939,639	1,939,639	1,606,386
-	832,004	807,888
-	647,458	632,203
-	128,268	139,171
-	-	72,324
12,811,154	15,545,675	20,820,567
2,978,684	2,978,684	2,732,734
-	21,006,820	21,663,583
-	2,301,578	3,133,583
2,153,740	4,967,706	4,780,307
-	-	1,291,524
5,132,424	31,254,788	33,601,731
17,943,578	46,800,463	54,422,298
137,758	413,245	1,032,573
137,758	413,245	1,032,573
15,279,601	52,473,539	52,843,986
405,861	3,006,173	3,425,731
405,861	3,006,173	3,425,731
14,434,286	31,816,584	32,786,238
\$ 30,119,748	\$ 87,296,296	\$ 89,055,955

**INLAND EMPIRE UTILITIES AGENCY**
**Combining Statement of Revenues, Expenses, and**
**Changes in Net Position**
**For the Fiscal Year Ended June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 11,854,847	\$ -
Total operating revenues	11,854,847	-
<b>OPERATING EXPENSES</b>		
Wastewater collection	6,132,817	-
Administration and general	1,668,118	1,301,432
Depreciation and amortization	949,511	1,371,776
Total operating expenses	8,750,446	2,673,208
Operating income (loss)	3,104,401	(2,673,208)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	65,316	13,504
Property tax revenue	3	-
Other nonoperating revenues	34,489	1,600,316
Interest on long-term debt	(449,919)	(17,434)
Loss on interfund loan forgiveness	-	-
Other nonoperating expenses	7,666	(1,030,292)
Total nonoperating revenues (expenses)	(342,445)	566,094
Income (loss) before capital contributions and transfers	2,761,956	(2,107,114)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	122,775	2,224,986
Transfers out	(13,072)	-
Capital grants	-	-
Change in net position	2,871,659	117,872
Total net position - beginning		
Prior period adjustment (note 19)		
Total net position - beginning as restated	\$22,018,577	32,168,440
Total net position - ending	\$ 24,890,236	\$ 32,286,312

Administrative Services	Totals	
	2016	2015
\$ -	\$ 11,854,847	\$ 11,242,300
-	11,854,847	11,242,300
-	6,132,817	7,283,522
2,005,258	4,974,808	4,183,815
1,966,278	4,287,565	3,961,923
3,971,536	15,395,190	15,429,260
(3,971,536)	(3,540,343)	(4,186,960)
117,853	196,673	135,653
1,942,969	1,942,972	1,828,099
2,062,846	3,697,651	2,631,612
-	(467,353)	(480,211)
(4,308,104)	(4,308,104)	-
(1,511,011)	(2,533,637)	(1,472,681)
(1,695,447)	(1,471,798)	2,642,472
(5,666,983)	(5,012,141)	(1,544,488)
917,793	3,265,554	2,185,745
-	(13,072)	(37,330)
-	-	69,922
(4,749,190)	(1,759,659)	673,849
		88,382,106
		-
34,868,938	89,055,955	88,382,106
\$ 30,119,748	\$ 87,296,296	\$ 89,055,955

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Non-Major Enterprise Funds	
	Non-Reclaimable	Recharge
	Wastewater	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 11,982,698	\$ -
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(7,665,622)	(666,235)
Cash payments to employees for services	(908,150)	(369,268)
Cash payments for interfund services used	<u>(1,103,495)</u>	<u>(185,588)</u>
Net cash provided by (used for) operating activities	<u>2,305,431</u>	<u>(1,221,091)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	122,775	2,224,986
Transfers out	(13,072)	-
Contract reimbursement from others	34,490	1,083,285
Tax revenues	2	-
Cash paid to others	-	(911,929)
Advances to other funds	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>144,195</u>	<u>2,396,342</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(491,836)	(1,060,002)
Capital grants	-	-
Principal paid on capital debt	(807,889)	(632,203)
Interest paid on capital debt	(457,045)	(131,910)
Bond administration fees	(7,882)	-
Contractor deposits collected	<u>(72,324)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(1,836,976)</u>	<u>(1,824,115)</u>



Administrative Services	Totals	
	2016	2015
\$ 5,683,417	\$ 17,666,115	\$ 7,754,662
26,372,772	26,372,772	25,642,003
(10,098,577)	(18,430,434)	(8,463,944)
(23,588,153)	(24,865,571)	(25,924,205)
-	(1,289,083)	(1,780,495)
(1,630,541)	(546,201)	(2,771,979)
917,793	3,265,554	2,185,745
-	(13,072)	(37,330)
1,469,983	2,587,758	2,449,132
1,938,470	1,938,472	1,838,764
(1,506,637)	(2,418,566)	(1,397,811)
-	-	(4,308,104)
2,819,609	5,360,146	730,396
(905,044)	(2,456,882)	(3,369,977)
-	-	69,922
-	(1,440,092)	(1,391,403)
(4,372)	(593,327)	(570,153)
-	(7,882)	(7,882)
-	(72,324)	(393)
(909,416)	(4,570,507)	(5,269,886)
		(Continued)

**INLAND EMPIRE UTILITIES AGENCY****Combining Statement of Cash Flows - (Continued from previous page)****For the Fiscal Year Ended June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	\$ 11,383	\$ 12,797
Sale of investments	-	-
Net cash provided by (used for) investing activities	11,383	12,797
Net increase (decrease) in cash and cash equivalents	624,033	(636,067)
Cash and cash equivalents - beginning	3,013,434	3,399,384
Cash and cash equivalents - ending	\$ 3,637,467	\$ 2,763,317
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 3,104,401	\$ (2,673,208)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	949,512	1,371,775
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	127,851	-
Other receivables	-	-
Short term receivables	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	(47,496)	(6,331)
Accounts payable	(1,600,495)	177,971
Accrued liabilities	(6,537)	(145)
Other noncurrent liabilities	-	-
Deferred Inflow related to net pension liability	(238,289)	(110,774)
Net pension liability	16,484	19,621
Compensated absences	-	-
Net cash provided by (used for) operating activities	\$ 2,305,431	\$ (1,221,091)

Administrative Services	Totals	
	2016	2015
\$ 101,212	\$ 125,392	\$ 132,858
581,991	581,991	(61,472)
683,203	707,383	71,386
962,855	950,821	(7,240,083)
23,398,964	29,811,782	37,051,865
<u>\$ 24,361,819</u>	<u>\$ 30,762,603</u>	<u>\$ 29,811,782</u>
\$ (3,971,536)	\$ (3,540,343)	\$ (4,186,960)
1,966,278	4,287,565	3,961,923
5,701,992	5,829,843	(3,507,813)
-	-	28,503
(18,575)	(18,575)	(8,328)
101,608	101,608	(43,841)
17,401	17,401	(9,172)
(189,658)	(243,485)	(601,789)
(3,057,674)	(4,480,198)	4,687,069
(1,077,409)	(1,084,091)	(200,619)
(1,538,683)	(1,538,683)	(3,063,798)
(294,782)	(643,845)	1,032,573
151,294	187,399	(1,154,703)
579,203	579,203	294,976
<u>\$ (1,630,541)</u>	<u>\$ (546,201)</u>	<u>\$ (2,771,979)</u>
(Continued)		

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

Non-Major Enterprise Funds	
Non-Reclaimable	Recharge
Wastewater	Water

**RECONCILIATION OF CASH & CASH EQUIVALENTS  
TO THE STATEMENT OF NET POSITION:**

Cash and short-term investments	\$ 3,637,467	\$ 1,904,048
Restricted assets	-	859,269
Cash & cash equivalents at end of year	<u>\$ 3,637,467</u>	<u>\$ 2,763,317</u>

Administrative Services	Totals	
	2016	2015
\$ 24,361,819	\$ 29,903,334	\$ 28,880,156
-	859,269	931,626
<u>\$ 24,361,819</u>	<u>\$ 30,762,603</u>	<u>\$ 29,811,782</u>

# RP-5 Lawn Conversion



## Examples of Turf Removal

## INLAND EMPIRE UTILITIES AGENCY REGIONAL WASTEWATER FUND

*The Regional Wastewater Fund consists of the following sub-funds:*

### *Regional Wastewater Capital Improvement Fund*

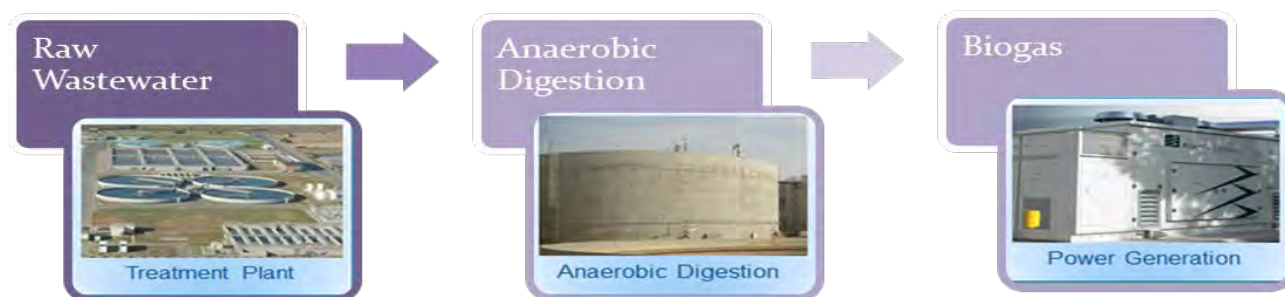
The Regional Wastewater Capital Improvement (RC) Fund records the activities associated with the acquisition, construction, replacement, and expansion of the Agency's wastewater treatment facilities, energy cogeneration facilities, solids handling facilities, large sewer interceptors, and appurtenant facilities. In addition, the fund also records, principal payments, interest expenses, and related administrative costs associated with the administration of the Regional Capital program.

The RC Fund revenues include property tax receipts, fees levied for new connections to the regional wastewater system which are referred to as connection 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 Fund*

The Regional Wastewater Operations and Maintenance (RO) Fund accounts for the revenue and operating costs directly related to the Agency's domestic sewage treatment service provided to the contracting member agencies (wastewater collection and treatment) and organics management activities, including employment 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 municipal wastewater flows billed on an Equivalent Dwelling Units (EDU's) volumetric basis. Other revenue sources include property tax receipts and reimbursement from the Inland Empire Regional Composting Authority for providing operations and maintenance services at the facility.





**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Fund**  
**Combining Schedule of Net Position by Subfund**  
**June 30, 2016**

(With Comparative Totals for June 30, 2015)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2016	2015
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 17,935,399	\$ 51,907,278	\$ 69,842,677	\$ 50,543,386
Accounts receivable	362,602	10,224,260	10,586,862	9,924,678
Interest receivable	198,325	72,442	270,767	169,539
Taxes receivable	259,222	89,581	348,803	300,611
Other receivables	254,040	-	254,040	69,655
Prepaid items	1,200	-	1,200	1,200
Total current assets	19,010,788	62,293,561	81,304,349	61,009,069
Restricted assets				
Deposits held by governmental agencies	55,201,435	-	55,201,435	41,023,148
Assets held with trustee/fiscal agents	1,685,460	-	1,685,460	1,780,556
Total restricted assets	56,886,895	-	56,886,895	42,803,704
Noncurrent assets				
Capital assets				
Land	14,047,045	-	14,047,045	14,047,045
Jobs in progress	6,028,641	7,146,953	13,175,594	12,869,489
Capital assets, net of accumulated depreciation	316,208,855	25,112,366	341,321,221	352,329,573
Intangible assets, net of accumulated amortization	5,241,022	171,645	5,412,667	5,432,679
Total capital assets	341,525,563	32,430,964	373,956,527	384,678,786
Other assets				
Long-term investments	45,167,514	-	45,167,514	45,577,499
Advances to other funds	13,500,000	-	13,500,000	13,500,000
Long-term receivables	3,947,279	-	3,947,279	2,634,337
Prepaid bond insurance	386,540	19,662	406,202	423,863
Prepaid Interest -SRF loans	963,608	-	963,608	1,043,432
Total other assets	63,964,941	19,662	63,984,603	63,179,131
Total noncurrent assets	405,490,504	32,450,626	437,941,130	447,857,917
Total assets	481,388,187	94,744,187	576,132,374	551,670,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding	946,974	-	946,974	1,102,641
Deferred outflow related to net pension liability	929,160	6,987,016	7,916,176	6,209,683
Total deferred outflows of resources	1,876,134	6,987,016	8,863,150	7,312,324

(Continued) (Continued)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2016	2015
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,498,048	\$ 2,271,421	\$ 3,769,469	\$ 3,575,639
Accrued liabilities	21,385	9,698	31,083	41,685
Retentions payable	50,389	50,508	100,897	149,878
Notes payable, due within one year	1,906,841	-	1,906,841	1,896,195
Long-term debt, due within one year	5,367,542	-	5,367,542	5,177,797
Interest payable	1,273,794	49,649	1,323,443	1,369,844
Retention deposits and escrows	-	-	-	95,146
Total current liabilities	10,117,999	2,381,276	12,499,275	12,306,184
Noncurrent liabilities				
Long-term debt, due in more than one year	138,032,275	4,415,127	142,447,402	148,266,334
Notes payable, due in more than one year	26,520,246	2,110,327	28,630,573	29,087,817
Net pension liability	4,284,011	24,235,215	28,519,226	27,283,277
Total noncurrent liabilities	168,836,532	30,760,669	199,597,201	204,637,428
Total liabilities	178,954,531	33,141,945	212,096,476	216,943,612
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to net pension liability	529,270	1,748,502	2,277,772	5,893,340
Total deferred inflows of resources	529,270	1,748,502	2,277,772	5,893,340
<b>NET POSITION</b>				
Net Investment in capital assets	171,384,120	25,905,509	197,289,629	201,122,239
Restricted for:				
Capital construction	55,201,435	-	55,201,435	41,023,148
SRF Loan debt service	1,447,479	-	1,447,479	1,447,479
Bond operating contingency requirement	1,852,838	14,291,178	16,144,016	16,022,083
Total restricted	58,501,752	14,291,178	72,792,930	58,492,710
Unrestricted	73,894,648	26,644,069	100,538,717	76,531,113
Total net position	\$ 303,780,520	\$ 66,840,756	\$ 370,621,276	\$ 336,146,062

**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, 2016**  
(With Comparative Totals for June 30, 2015)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2016	2015
<b>OPERATING REVENUES</b>				
Service charges	\$ -	\$ 50,073,868	\$ 50,073,868	\$ 47,022,954
Total operating revenues	-	50,073,868	50,073,868	47,022,954
<b>OPERATING EXPENSES</b>				
Wastewater collection	-	1,377,333	1,377,333	805,353
Wastewater treatment	-	21,104,320	21,104,320	19,001,130
Wastewater disposal	-	11,148,524	11,148,524	7,996,871
Administration and general	5,558,514	9,243,356	14,801,870	20,262,896
Depreciation and amortization	22,114,601	1,957,091	24,071,692	23,154,752
Total operating expenses	27,673,115	44,830,624	72,503,739	71,221,002
Operating income (loss)	(27,673,115)	5,243,244	(22,429,871)	(24,198,048)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	134,575	284,209	418,784	288,683
Property tax revenue	27,658,602	9,572,846	37,231,448	35,554,077
Wastewater capital connection fees	24,910,235	-	24,910,235	15,073,882
Other nonoperating revenues	10,177	4,338,536	4,348,713	4,262,635
Interest on long-term debt	(5,882,095)	(167,195)	(6,049,290)	(6,368,586)
Other nonoperating expenses	(799,743)	(5,571,478)	(6,371,221)	(4,523,072)
Total nonoperating revenues (expenses)	46,031,751	8,456,918	54,488,669	44,287,619
Income (loss) before capital contributions and transfers	18,358,636	13,700,162	32,058,798	20,089,571
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers in	-	6,984,888	6,984,888	1,273,557
Transfers out	(6,335,390)	-	(6,335,390)	(1,373,285)
Capital grants	-	1,766,918	1,766,918	381,525
Change in net position	12,023,246	22,451,968	34,475,214	20,371,368
Total net position - beginning				316,882,238
Prior period adjustment (note 19)				(1,107,544)
Total net position - beginning, as restated	291,757,274	44,388,788	336,146,062	315,774,694
Total net position - ending	\$ 303,780,520	\$ 66,840,756	\$ 370,621,276	\$ 336,146,062

## **INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND**

### ***Recycled Water Fund***

The Recycled Water (WC) Fund records the revenues and expenses associated with the operations and maintenance of facilities that support the distribution of recycled water supplied from the Agency's water recycling plants. The Recycled Water fund also records revenues and costs related to capital construction and a portion of operating and maintenance costs for regional recharge basins recharged with recycled water.

The WC fund generates operating revenue from the sale of recycled water to member agencies and industries, non-operational revenues recorded in the fund include property tax receipts, fees levied for new connections to the regional potable and recycled water systems and interest income earned. Additionally, the fund records state loans and grants received for various capital projects within the fund.

**INLAND EMPIRE UTILITIES AGENCY**  
**Recycled Water Fund**  
**Schedule of Net Position**  
**June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 11,372,754	\$ 890,023
Accounts receivable	9,699,821	21,761,530
Interest receivable	15,560	1,148
Taxes receivable	20,224	17,433
Other receivable	85,735	110,023
Prepaid items	3,500	3,500
Total current assets	21,197,594	22,783,657
Restricted assets		
Assets held with trustee/fiscal agents	-	1,254,993
Total restricted assets	-	1,254,993
Noncurrent assets		
Capital assets		
Jobs in progress	2,929,514	28,272,780
Capital assets, net of accumulated depreciation	185,244,010	163,199,526
Intangible assets, net of accumulated amortization	651,509	745,436
Total capital assets	188,825,033	192,217,742
Other assets		
Long term receivables	1,094,508	1,180,243
Prepaid bond insurance	134,312	140,151
Prepaid interest - SRF loans	1,154,162	1,244,678
Total other assets	2,382,982	2,565,072
Total noncurrent assets	191,208,015	194,782,814
Total assets	212,405,609	218,821,464
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	954,415	775,759
Total deferred outflows of resources	954,415	775,759

(Continued)

	Totals	
	2016	2015
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 451,148	\$ 3,014,354
Accrued liabilities	22,628	72,895
Retentions payable	188,524	787,258
Notes payable, due within one year	3,918,543	3,962,026
Interest payable	1,420,795	1,240,475
Total current liabilities	6,001,638	9,077,008
Noncurrent liabilities		
Advances from other funds	28,500,000	28,500,000
Long-term debt, due in more than one year	30,159,329	30,197,511
Notes payable, due in more than one year	79,143,491	80,213,554
Other noncurrent liabilities	355,771	267,184
Net pension liability	3,530,352	3,408,427
Total noncurrent liabilities	141,688,943	142,586,676
Total liabilities	147,690,581	151,663,684
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	300,328	736,239
Total deferred inflows of resources	300,328	736,239
<b>NET POSITION</b>		
Net Investment in capital assets	75,603,669	77,844,651
Restricted for:		
SRF Loan debt service	6,265,167	5,162,397
Total restricted	6,265,167	5,162,397
Unrestricted	(16,499,721)	(15,809,748)
Total net position	\$ 65,369,115	\$ 67,197,300

**INLAND EMPIRE UTILITIES AGENCY**  
**Recycled Water Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>OPERATING REVENUES</b>		
Recycled water sales	\$ 13,468,182	\$ 12,047,164
Total operating revenue	13,468,182	12,047,164
<b>OPERATING EXPENSES</b>		
Operations and Maintenance	4,788,211	3,262,561
Administration and general	3,211,019	4,115,498
Depreciation and amortization	8,491,268	6,990,988
Total operating expenses	16,490,498	14,369,047
Operating income (loss)	(3,022,316)	(2,321,883)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	106,314	132
Property tax revenue	2,161,509	2,063,827
Water capital connection fees	997,010	-
Other nonoperating revenues	688,741	511,095
Other nonoperating expenses	(307,460)	(188,763)
Interest on long-term debt	(2,625,576)	(2,744,069)
Total nonoperating revenues (expenses)	1,020,538	(357,778)
Income (loss) before capital contributions and transfers	(2,001,778)	(2,679,661)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	1,389,654	-
Transfers out	(5,586,589)	(2,048,687)
Capital grants	4,370,528	4,901,476
Change in net position	(1,828,185)	173,128
Total net position - beginning		67,123,794
Prior period adjustment (note 19)		(99,622)
Total net position - beginning, as restated	67,197,300	67,024,172
Total net position - ending	\$ 65,369,115	\$ 67,197,300



## **INLAND EMPIRE UTILITIES AGENCY NON-RECLAIMABLE WASTEWATER FUND**

### ***Non-reclaimable Wastewater Fund***

The Non-reclaimable Wastewater System (NRW) Fund records the transactions for 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 Sanitation District of Los Angeles (SDLAC) and Santa Ana Watershed Project Authority (SAWPA) for the north and south systems, respectively. These charges are comprised of volumetric, peaking factor, and strength fees for the North System; capacity, volumetric, and strength fees for the South System. Different rates apply to the North and South Systems.

In addition to the pass-through rates which fully recover operating and capital costs from SDLAC and SAWPA, the Agency collects a capacity charge from the NRW industries in the north system. Additionally, the Agency collects a 50% operating surcharge on the volumetric, capacity and strength charges for non-recycled water users is collected from NRW industries in the south system to recover operating costs not supported by the pass-through rates.

**INLAND EMPIRE UTILITIES AGENCY**  
**Non-reclaimable Wastewater Fund**  
**Schedule of Net Position**  
**June 30, 2016**

(With Comparative Totals for June 30, 2015)

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 3,637,467	\$ 2,941,110
Short-term investments		
Accounts receivable	1,776,340	1,904,191
Interest receivable	551,120	497,187
Taxes receivable	1	-
Total current assets	5,964,928	5,342,488
Restricted assets		
Assets held with trustee/fiscal agent	-	72,324
Total restricted assets	-	72,324
Noncurrent assets		
Capital assets		
Jobs in progress	3,662	2,320,840
Capital assets, net of accumulated depreciation	15,032,736	13,008,162
Intangible assets, net of accumulated amortization	2,022,688	2,187,760
Total capital assets	17,059,086	17,516,762
Other assets		
Advances to other funds	15,000,000	15,000,000
Prepaid bond insurance	32,732	34,156
Total other assets	15,032,732	15,034,156
Total noncurrent assets	32,091,818	32,550,918
Total assets	38,056,746	37,965,730
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	521,726	474,230
Total deferred outflows of resources	521,726	474,230

(Continued)

	2016	2015
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 769,084	\$ 2,369,579
Accrued liabilities	121	6,658
Notes payable, due within one year	832,004	807,888
Interest payable	123,606	138,398
Retention deposits and escrows	-	72,324
Total current liabilities	1,724,815	3,394,847
Noncurrent liabilities		
Long-term debt, due in more than one year	7,349,970	7,359,275
Notes payable, due in more than one year	2,301,578	3,133,583
Net pension liability	2,100,091	2,083,607
Total noncurrent liabilities	11,751,639	12,576,465
Total liabilities	13,476,454	15,971,312
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	211,782	450,071
Total deferred inflows of resources	211,782	450,071
<b>NET POSITION</b>		
Net Investment in capital assets	6,575,535	6,216,016
Restricted for:		
Bond operating contingency requirement	2,600,312	3,092,159
Total restricted	2,600,312	3,092,159
Unrestricted	15,714,389	12,710,402
Total net position	\$ 24,890,236	\$ 22,018,577

**INLAND EMPIRE UTILITIES AGENCY**  
**Non-reclaimable Wastewater Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	2016	2015
<b>OPERATING REVENUES</b>		
Service charges	\$ 11,854,847	\$ 11,242,300
Total operating revenues	11,854,847	11,242,300
<b>OPERATING EXPENSES</b>		
Wastewater collection	6,132,817	7,283,522
Administration and general	1,668,118	1,992,955
Depreciation and amortization	949,511	815,865
Total operating expenses	8,750,446	10,092,342
Operating income (loss)	3,104,401	1,149,958
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	65,316	35,461
Property tax revenue	3	4
Other nonoperating revenues	34,489	15,135
Interest on long-term debt	(449,919)	(472,828)
Other nonoperating expenses	7,666	7,669
Total nonoperating revenues (expenses)	(342,445)	(414,559)
Income (loss) before transfers	2,761,956	735,399
<b>TRANSFERS</b>		
Transfers in	122,775	-
Transfers out	(13,072)	(37,330)
Change in net position	2,871,659	698,069
Total net position - beginning	22,018,577	21,320,508
Prior period adjustment (note 19)		-
Total net position - beginning, as restated	22,018,577	21,320,508
Total net position - ending	\$ 24,890,236	\$ 22,018,577

## **INLAND EMPIRE UTILITIES AGENCY WATER RESOURCES FUND**

### ***Water Resources Fund***

The Water Resources (WW) Fund records the fiscal activities associated with providing water resources and water use efficiency programs throughout 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. Revenues for the WW fund includes a property tax allocation of \$1.5 million or 3.4% and a one-time Board approved \$2.8 million of the Agency's total property tax receipts and \$0.3 million of inter-fund water connection fee transfer from the Recycled Water (WC) Fund. 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, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 6,842,536	\$ 5,998,121
Accounts receivable	5,356,382	5,414,083
Interest receivable	3,575	4,238
Water inventory	1,350,043	-
Total current assets	13,552,536	11,416,442
Noncurrent assets		
Capital assets		
Capital assets, net of accumulated depreciation	19,382	19,928
Intangible assets, net of accumulated amortization	20,008	24,829
Total capital assets	39,390	44,757
Total noncurrent assets	39,390	44,757
Total assets	13,591,926	11,461,199
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	451,493	281,261
Total deferred outflows of resources	451,493	281,261
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	4,593,888	4,500,290
Accrued liabilities	691,674	513,208
Retentions payable	10,296	27,520
Current liabilities	5,295,858	5,041,018
Noncurrent liabilities		
Advances from other funds	-	4,308,104
Net pension liability	1,379,162	1,235,767
Total noncurrent liabilities	1,379,162	5,543,871
Total liabilities	6,675,020	10,584,889
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	60,722	266,933
Total deferred inflows of resources	60,722	266,933
<b>NET POSITION</b>		
Net Investment in capital assets	39,390	44,757
Unrestricted	7,268,287	845,881
Total net position	\$ 7,307,677	\$ 890,638

**INLAND EMPIRE UTILITIES AGENCY**  
**Water Resources Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>OPERATING REVENUES</b>		
Sales	\$ 18,653,793	\$ 34,146,923
Service charges	5,314,419	5,690,362
Total operating revenues	23,968,212	39,837,285
<b>OPERATING EXPENSES</b>		
Water Purchases	18,653,793	34,146,923
Operations and maintenance	1,411,548	1,130,704
Administration and general	5,878,361	4,863,772
Depreciation and amortization	5,367	5,367
Total operating expenses	25,949,069	40,146,766
Operating income (loss)	(1,980,857)	(309,481)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	40,107	11,732
Property tax revenue	4,295,184	1,500,000
Gain on interfund loan forgiveness	4,308,104	-
Other nonoperating revenues	27,236	137,947
Other nonoperating expenses	(1,960,692)	(995,857)
Total nonoperating revenues (expenses)	6,709,939	653,822
Income (loss) before capital contributions and transfers	4,729,082	344,341
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	294,955	-
Capital grants	1,393,002	564,641
Change in net position	6,417,039	908,982
Total net position - beginning		192,931
Prior period adjustment (note 19)		(211,275)
Total net position - beginning, as restated	890,638	(18,344)
Total net position - ending	\$ 7,307,677	\$ 890,638



# Water Quality Laboratory



Lab Rendering

## **INLAND EMPIRE UTILITIES AGENCY RECHARGE WATER FUND**

### *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 for operating, debt service and capital project costs; interfund transfers from the Recycled Water (WC) fund for the Agency's share of operating costs; grant proceeds; and interest 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 service costs are equally shared by CBWM and the Agency. The Agency's portion is supported by a fund transfer from the Regional Wastewater Capital Improvement (RC) Fund.

**INLAND EMPIRE UTILITIES AGENCY**  
**Recharge Water Fund**  
**Schedule of Net Position**  
**June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 1,904,048	\$ 2,540,082
Accounts receivable	712,203	195,172
Interest receivable	2,626	1,916
Total current assets	2,618,877	2,737,170
Restricted assets		
Assets held with trustee/fiscal agents	859,269	859,302
Total restricted assets	859,269	859,302
Noncurrent assets		
Capital assets		
Jobs in progress	827,900	160,308
Capital assets net of accumulated depreciation	43,222,482	44,193,141
Intangible assets, net of accumulated amortization	13,061	21,768
Total capital assets	44,063,443	44,375,217
Total noncurrent assets	44,063,443	44,375,217
Total assets	47,541,589	47,971,689
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	188,859	158,012
Total deferred outflows of resources	188,859	158,012

(Continued)

	Totals	
	2016	2015
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 357,586	\$ 179,615
Accrued liabilities	-	145
Long-term debt, due within one year	647,458	632,203
Interest payable	4,662	773
Total current liabilities	1,009,706	812,736
Noncurrent liabilities		
Long-term debt, due in more than one year	13,656,850	14,304,308
Net pension liability	713,875	694,254
Total noncurrent liabilities	14,370,725	14,998,562
Total liabilities	15,380,431	15,811,298
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	63,705	149,963
Total deferred inflows of resources	63,705	149,963
<b>NET POSITION</b>		
Net Investment in capital assets	30,618,403	30,298,007
Unrestricted	1,667,909	1,870,433
Total net position	\$32,286,312	\$32,168,440

**INLAND EMPIRE UTILITIES AGENCY**  
**Recharge Water Fund**  
**Schedule of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>OPERATING REVENUES</b>		
Recycled water sales	\$ -	\$ -
Total operating revenues	-	-
<b>OPERATING EXPENSES</b>		
Administration and general	1,301,432	1,190,144
Depreciation and amortization	1,371,776	1,245,459
Total operating expenses	2,673,208	2,435,603
Operating income (loss)	(2,673,208)	(2,435,603)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	13,504	13,409
Other nonoperating revenues	1,600,316	1,221,438
Interest on long-term debt	(17,434)	(7,383)
Other nonoperating expenses	(1,030,292)	(85,664)
Total nonoperating revenues (expenses)	566,094	1,141,800
Income (loss) before capital contributions and transfers	(2,107,114)	(1,293,803)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	2,224,986	1,087,800
Capital grants	-	69,922
Change in net position	117,872	(136,081)
Total net position - beginning	32,168,440	32,304,521
Prior period adjustment (note 19)		-
Total net position - beginning, as restated	32,168,440	32,304,521
Total net position - ending	\$ 32,286,312	\$ 32,168,440

## **INLAND EMPIRE UTILITIES AGENCY ADMINISTRATIVE SERVICES FUND**

### ***Administrative Services Fund***

The Agency's total employment costs and general and administrative expenses are initially recorded in the Administrative Services (GG) Fund. General and administrative expenses include capital acquisitions of "Agency-wide" assets, such as fleet vehicles and computer hardware, as well as supplies, equipment, tools, and contract services. Throughout the year, pertinent expenses such as staff labor, equipment, and facilities maintenance 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 includes 4.3% of the Agency's total property tax receipts, contract cost reimbursements, and interest. Other funding sources include inter-fund transfers for capital support from the Regional Wastewater, Recycled Water, and Non-Reclaimable Wastewater Programs.

**INLAND EMPIRE UTILITIES AGENCY**  
**Administrative Services Fund**  
**Schedule of Net Position**  
**June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 24,361,819	\$ 23,398,964
Accounts receivable	5,879,406	11,581,398
Interest receivable	30,395	13,755
Taxes receivable	32,614	28,115
Other receivables	62,238	43,663
Inventory	1,558,521	1,660,129
Prepaid items	103,916	121,317
Net OPEB	247,159	-
Total current assets	32,276,068	36,847,341
Noncurrent assets		
Capital assets		
Land	20,829	20,829
Jobs in progress	695,527	169,280
Capital assets, net of accumulated depreciation	11,462,972	12,312,887
Intangible assets, net of accumulated amortization	3,100,273	3,826,967
Total capital assets	15,279,601	16,329,963
Other assets		
Advance to other funds	-	4,308,104
Total other assets	-	4,308,104
Total noncurrent assets	15,279,601	20,638,067
Total assets	47,555,669	57,485,408
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to net pension liability	645,415	455,757
Total deferred outflows of resources	645,415	455,757

(Continued)

	Totals	
	2016	2015
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 8,859,020	\$ 11,916,694
Accrued liabilities	2,012,495	3,089,904
Compensated absences	1,939,639	1,606,386
Current liabilities	12,811,154	16,612,984
Noncurrent liabilities		
Compensated absences	2,978,684	2,732,734
Net pension liability	2,153,740	2,002,446
Net OPEB liability	-	1,291,524
Total noncurrent liabilities	5,132,424	6,026,704
Total liabilities	17,943,578	22,639,688
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	137,758	432,539
Total deferred inflows of resources	137,758	432,539
<b>NET POSITION</b>		
Net Investment in capital assets	15,279,601	16,329,963
Restricted for:		
Bond operating contingency requirement	405,861	333,572
Total restricted	405,861	333,572
Unrestricted	14,434,286	18,205,403
Total net position	\$ 30,119,748	\$ 34,868,938



**INLAND EMPIRE UTILITIES AGENCY**  
**Administrative Services Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	Totals	
	2016	2015
<b>OPERATING REVENUES</b>		
Service charges	\$ -	\$ -
Total operating revenues	-	-
<b>OPERATING EXPENSES</b>		
Administration and general	2,005,258	1,000,716
Depreciation and amortization	1,966,278	1,900,599
Total operating expenses	3,971,536	2,901,315
Operating income (loss)	(3,971,536)	(2,901,315)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	117,853	86,783
Property tax revenue	1,942,969	1,828,095
Other nonoperating revenues	2,062,846	1,395,039
Loss on interfund loan forgiveness	(4,308,104)	0
Other nonoperating expenses	(1,511,011)	(1,394,686)
Total nonoperating revenues (expenses)	(1,695,447)	1,915,231
Income (loss) before capital contributions and transfers	(5,666,983)	(986,084)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	917,793	1,097,945
Change in net position	(4,749,190)	111,861
Total net position - beginning	34,868,938	34,757,077
Prior period adjustment (note 19)		-
Total net position - beginning, as restated	34,868,938	34,757,077
Total net position - ending	\$ 30,119,748	\$ 34,868,938

# INLAND EMPIRE UTILITIES AGENCY

## Index of Statistical Section Schedules

June 30, 2016

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.

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

**INLAND EMPIRE UTILITIES AGENCY**  
**Historical Operating Results**  
**Wastewater Revenue Funds' Combined Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Fiscal Years Ended June 30, 2007 through 2016**  
**(Dollars in Thousands)**

	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Operating revenues</b>					
Service charges	\$ 61,929	\$ 58,265	\$ 51,248	\$ 47,891	\$ 42,209
Other charges	13,468	12,047	10,830	7,952	6,009
Total operating revenues	<u>75,397</u>	<u>70,312</u>	<u>62,078</u>	<u>55,843</u>	<u>48,218</u>
<b>Operating expenses</b>					
Wastewater collection	7,510	8,089	5,623	4,656	5,629
Wastewater treatment	21,104	19,001	20,506	18,908	17,377
Wastewater disposal	11,149	7,997	7,705	8,613	11,316
Operations and maintenance	4,788	3,262	3,765	3,195	2,987
Administration and general	22,988	28,562	30,658	20,714	21,398
Depreciation and amortization	36,851	34,108	32,289	31,928	30,168
Total operating expenses	<u>104,390</u>	<u>101,019</u>	<u>100,546</u>	<u>88,014</u>	<u>88,875</u>
Operating income (loss)	<u>(28,993)</u>	<u>(30,707)</u>	<u>(38,468)</u>	<u>(32,171)</u>	<u>(40,657)</u>
<b>Non-operating revenues (expenses)</b>					
Interest income	722	424	555	809	951
Property tax revenue	41,336	39,446	38,487	48,087	32,695
Wastewater capital connection fees	24,910	15,074	9,789	14,614	7,686
Water capital connection fees	997				
Other nonoperating revenues	8,735	7,405	6,311	7,486	8,160
Interest on long-term debt	(9,142)	(9,593)	(7,120)	(8,321)	(7,447)
Other nonoperating expenses	(13,110)	(6,184)	(31,066)	(9,407)	(8,907)
Total nonoperating revenues (expenses)	<u>54,448</u>	<u>46,572</u>	<u>16,956</u>	<u>53,268</u>	<u>33,138</u>
Income (loss) before contributions and transfers	<u>25,455</u>	<u>15,865</u>	<u>(21,512)</u>	<u>21,097</u>	<u>(7,519)</u>
Capital grants	6,137	5,353	2,314	2,561	4,263
Contribution in aid	-	-	-	-	-
Transfers (to non-sewer funds)	(295)	-	100	200	300
<b>Change in net position</b>	<u>\$ 31,297</u>	<u>\$ 21,218</u>	<u>\$ (19,098)</u>	<u>\$ 23,858</u>	<u>\$ (2,956)</u>
Total net position - beginning	493,054	513,805	532,113	512,616	515,572
Prior period adjustment	(1,207)	(41,969)	790	(4,361)	
<b>Total net position - ending</b>	<u>\$ 523,144</u>	<u>\$ 493,054</u>	<u>\$ 513,805</u>	<u>\$ 512,113</u>	<u>\$ 512,616</u>

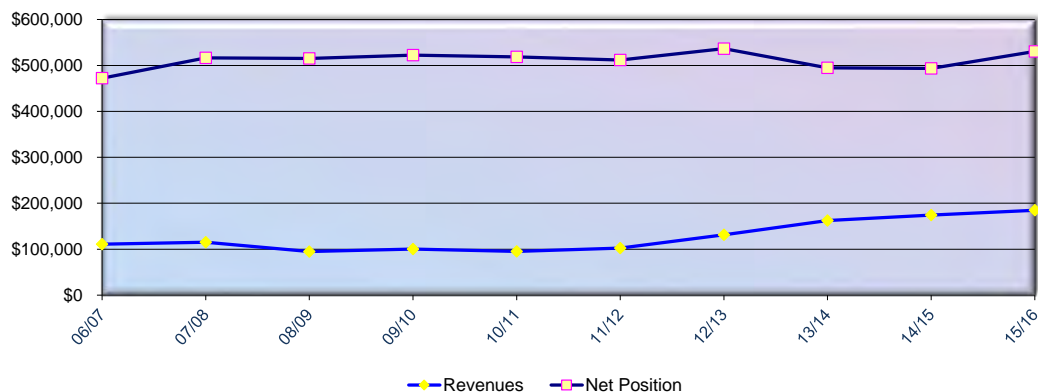
**INLAND EMPIRE UTILITIES AGENCY**  
**Historical Operating Results**  
**Wastewater Revenue Funds' Combined Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Fiscal Years Ended June 30, 2007 through 2016**  
**(Dollars in Thousands)**

<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
\$ 41,544	\$ 42,108	\$ 41,575	\$ 38,021	\$ 36,132
4,353	4,162	2,715	-	-
<u>45,897</u>	<u>46,270</u>	<u>44,290</u>	<u>38,021</u>	<u>36,132</u>
6,517	7,338	5,939	5,361	1,086
17,208	19,016	20,049	22,430	25,082
10,664	10,030	12,885	12,722	7,434
2,600	-	-	2,135	4,442
20,465	22,018	25,685	12,728	17,650
29,993	26,168	22,179	17,289	17,603
<u>87,447</u>	<u>84,570</u>	<u>86,737</u>	<u>72,665</u>	<u>73,297</u>
<u>(41,550)</u>	<u>(38,300)</u>	<u>(42,447)</u>	<u>(34,644)</u>	<u>(37,165)</u>
1,159	1,684	2,742	4,659	5,226
33,419	34,355	36,325	34,451	31,018
5,398	7,753	5,753	16,626	24,672
6,008	7,566	3,098	15,280	5,711
(7,803)	(9,891)	(13,498)	(10,101)	(8,419)
<u>(7,626)</u>	<u>(7,283)</u>	<u>(3,268)</u>	<u>(1,224)</u>	<u>(15,275)</u>
<u>30,555</u>	<u>34,184</u>	<u>31,152</u>	<u>59,691</u>	<u>42,933</u>
<u>(10,995)</u>	<u>(4,116)</u>	<u>(11,295)</u>	<u>25,047</u>	<u>5,768</u>
6,852	10,163	12,275	1,095	3,380
-	-	-	-	-
300	300	300	(4,546)	(14,358)
<u>\$ (3,843)</u>	<u>\$ 6,347</u>	<u>\$ 1,280</u>	<u>\$ 21,596</u>	<u>\$ (5,210)</u>
518,244	511,897	434,393	412,797	422,441
1,171		76,224		(4,434)
<u>\$ 515,572</u>	<u>\$ 518,244</u>	<u>\$ 511,897</u>	<u>\$ 434,393</u>	<u>\$ 412,797</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Combined Schedule of Revenues, Expenses and Changes in Net Position**  
**- All Funds -**  
**For The Past Ten Fiscal Years**  
**(Dollars in Thousands)**

	2015/16	2014/15	2013/14	2012/13
<b>Operating revenues</b>				
Service charges	\$ 67,243	\$ 63,956	\$ 56,171	\$ 52,153
Water sales	18,654	34,147	40,225	-
Other Charges	-	-	-	-
Recycled water sales	13,468	12,047	10,831	7,952
Total operating revenues	99,365	110,150	107,227	60,105
<b>Operating expenses</b>				
Water purchases	18,654	34,147	40,225	-
Wastewater collection	7,510	8,089	5,623	4,656
Wastewater treatment	21,104	19,001	20,506	18,908
Wastewater disposal	11,148	7,997	7,705	8,613
Administration and general	6,200	4,393	4,255	3,868
Depreciation and amortization	28,866	33,426	35,191	26,582
Operations and maintenance	36,856	34,113	32,295	31,933
Total operating expenses	130,338	141,166	145,800	94,560
Operating income (loss)	(30,973)	(31,016)	(38,573)	(34,455)
<b>Non-Operating revenues (expenses)</b>				
Interest income	762	436	564	819
Property tax revenue	45,631	40,946	38,487	48,087
Wastewater capital connection fees	24,910	15,074	9,789	14,614
Water capital connection fees	997	-	-	-
Other non-operating revenues	13,070	7,543	6,337	7,510
Interest on long-term debt	(9,142)	(9,593)	(8,565)	(9,958)
Other non-operating expenses	(15,481)	(7,180)	(29,841)	(7,936)
Total non-operating revenues (expenses)	60,747	47,226	16,771	53,136
Income (loss) before contributions and transfers	29,774	16,210	(21,802)	18,681
Capital grants	7,530	5,917	2,663	3,152
Contributions in aid	-	-	-	-
<b>Change in net position</b>	<b>\$ 37,304</b>	<b>\$ 22,127</b>	<b>\$ (19,139)</b>	<b>\$ 21,833</b>
<b>Total net position - beginning</b>	<b>\$493,290</b>	<b>\$ 494,708</b>	<b>\$536,561</b>	<b>\$511,828</b>
<b>Net position by component:</b>				
Net Investment in capital assets	325,273	332,067	333,274	354,124
Restricted for Debt service & Capital construction	82,064	67,081	67,081	50,036
Unrestricted	123,257	94,142	94,353	132,401
<b>Total net position - ending</b>	<b>\$ 530,594</b>	<b>\$ 493,290</b>	<b>\$ 494,708</b>	<b>\$ 536,561</b>

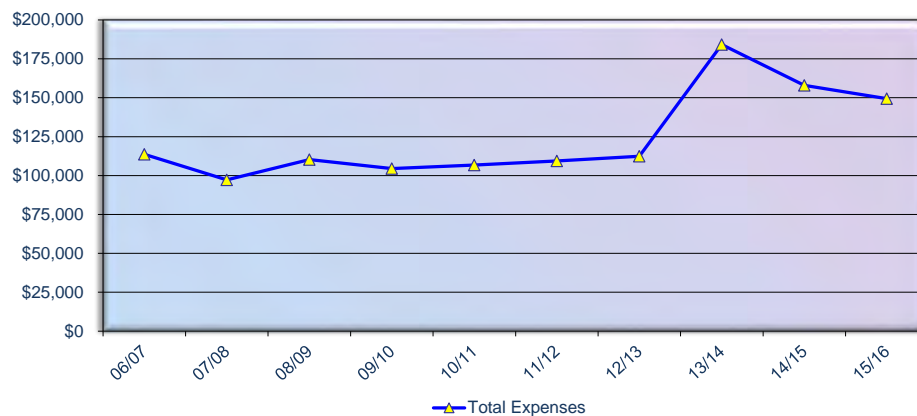
**Operating & Non-Operating Revenues & Net Position Trends**  
**For the Past Ten Fiscal Years**  
**(Dollars in Thousands)**



**INLAND EMPIRE UTILITIES AGENCY**  
**Combined Schedule of Revenues, Expenses and Changes in Net Position**  
**- All Funds -**  
**For The Past Ten Fiscal Years (continued)**  
**(Dollars in Thousands)**

2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
\$ 46,468	\$ 44,776	\$ 44,545	\$ 43,832	\$ 39,459	\$ 37,964
-	-	-	-	-	-
6,009	4,352	4,162	2,716	2,007	3,254
52,477	49,128	48,707	46,548	41,466	41,218
5,629	6,517	7,338	2,351	5,361	1,086
17,378	17,208	19,016	23,640	22,429	25,082
11,316	10,664	10,030	9,885	12,723	7,434
24,755	23,266	21,567	25,101	22,322	24,447
30,173	29,999	26,173	22,185	19,054	18,944
3,725	3,230	2,760	5,539	2,175	7,431
92,976	90,884	86,884	88,701	84,064	84,423
(40,499)	(41,756)	(38,177)	(42,154)	(42,598)	(43,205)
963	1,179	1,715	2,796	5,006	5,325
32,695	33,419	34,355	36,325	34,451	31,018
7,686	5,398	7,753	5,753	16,626	24,671
8,562	6,090	7,638	3,543	17,720	8,645
(7,447)	(8,058)	(9,891)	(13,498)	(11,278)	(9,540)
(9,014)	(7,773)	(7,684)	(8,031)	(1,890)	(19,678)
33,445	30,255	33,886	26,888	60,635	40,441
(7,054)	(11,501)	(4,291)	(15,266)	18,036	(2,765)
4,841	7,587	10,387	13,924	12,373	13,883
-	-	-	-	-	-
<b>\$ (2,213)</b>	<b>\$ (3,914)</b>	<b>\$ 6,096</b>	<b>\$ (1,342)</b>	<b>\$ 30,409</b>	<b>\$ 11,118</b>
\$518,455	\$522,370	\$515,104	\$516,446	\$472,192	\$476,440
362,673	372,277	377,512	370,516	355,794	330,897
42,798	50,378	63,545	81,418	123,620	66,071
106,357	95,800	81,313	63,170	37,032	75,224
<b>\$ 511,828</b>	<b>\$ 518,455</b>	<b>\$ 522,370</b>	<b>\$ 515,104</b>	<b>\$ 516,446</b>	<b>\$ 472,192</b>

**Operating & Non-Operating Expense Trends**  
**For the Past Ten Fiscal Years**  
**(Dollars in Thousands)**



**INLAND EMPIRE UTILITIES AGENCY**  
**Wastewater Capital Connection Deposits Held**  
**For the Past Ten Fiscal Years**

**Table 1**

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
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
2014/15	7,149,423	11,203,738	2,905,891	6,502,473
2015/16	11,594,817	12,461,412	5,250,644	9,488,546
Percentage	21.0%	22.6%	9.5%	17.3%

***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 .

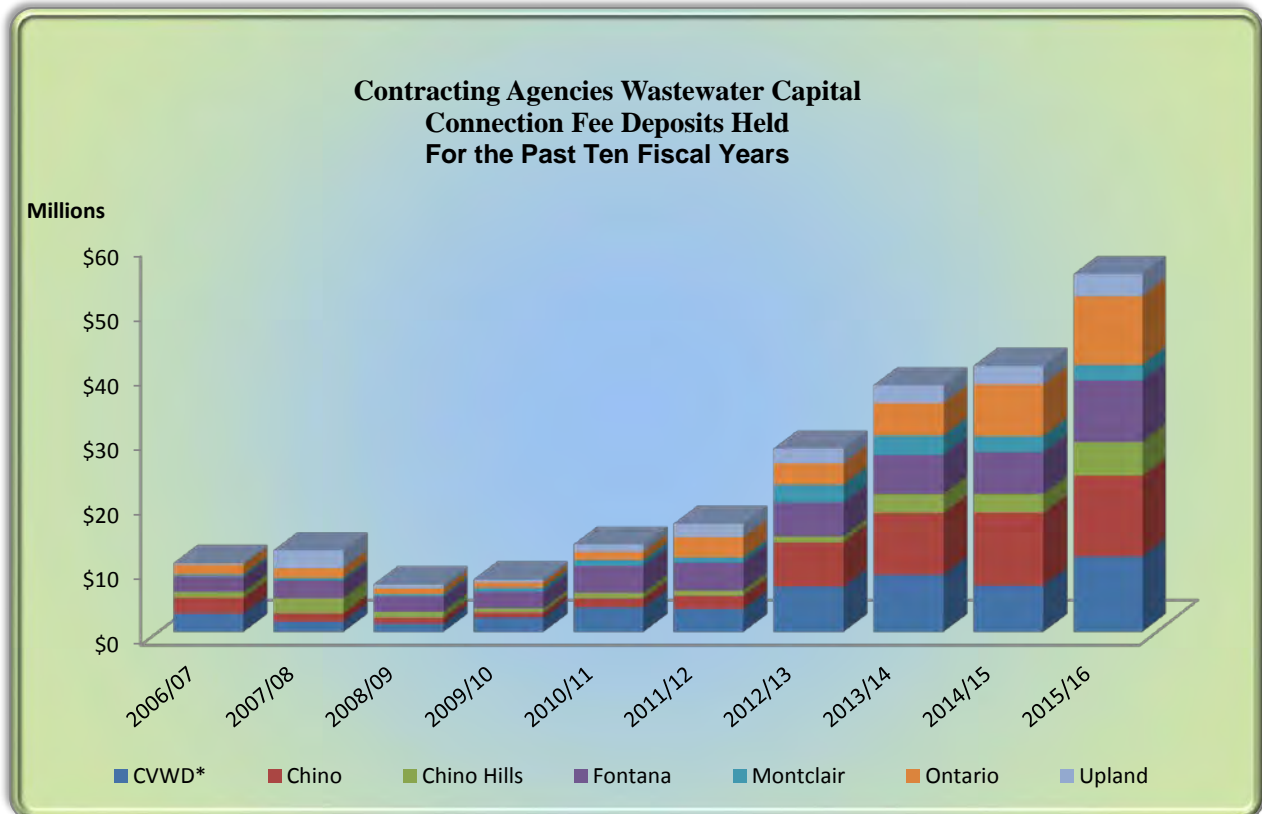
Connection fee payments to IEUA are calculated based on the percentage of each Contracting Agency's Reimbursement Account balance relative to the total balance of all Contracting Agency held funds. That percentage is then utilized to calculate each Contracting Agency's (pro rata) contribution of an IEUA "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 2015/2016 are subject to further adjustment after audit.

\*Cucamonga Valley Water District

**INLAND EMPIRE UTILITIES AGENCY**  
**Wastewater Capital Connection Deposits Held**  
**For the Past Ten Fiscal Years**

**Table 2**

Year	Montclair	Ontario	Upland	Total
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
2014/15	2,450,727	7,945,174	2,865,723	41,023,149
2015/16	2,406,672	10,579,795	3,419,549	55,201,435
Percentage	4.4%	19.2%	6.3%	100.0%





**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Program Capital Requirements**  
**For the Ten Fiscal Years Ending June 30, 2026\***

Project Description	Actual		Projected	
	2015/16	2016/17	2017/18	
<b><u>Replacement Projects</u></b>				
TP-1 Disinfection Pump Improvements	\$ 19,645	\$ 225,000	\$ 969,000	
Agency-wide Pump Efficiencies Improvements		1,260,000	15,000	
Collection System Upgrades 16/17		500,000	500,000	
Regional Wastewater AMP				
RP-1 Headworks Rehab				
Process Automation Controls IT Improvmnt	77,222	500,000	300,000	
RP-1 Filter PLC Upgrade Project		52,500		
RACO Alarm System Replacement Project		61,100		
RP-1 Centrifuge Plant Ethernet Upgrade		59,000		
Philadelphia Lift Station Licensed Radio Upgrade		51,500		
Replace VM Host Server - RP-4		44,800		
Host Servers for Test Environment		44,400		
Replace VM Host Server - RP-1		22,400		
VantagePoint Connectors		15,000		
RP-4 Replace OITS		58,720		
Invensys/ Foxboro RP-5 and RP-2 Upgrades		254,500		
Virtualization Host Server Replacement		100,000		
Various Capital Replacement Projects	1,687,961			
<b>Total Replacement Projects</b>	<b>\$ 1,784,828</b>	<b>\$ 3,248,920</b>	<b>\$ 1,784,000</b>	
<b><u>Equipment Projects</u></b>				
RP-1 Mixed Liquor Return Pumps	\$ 567,463	\$ 2,850,000	\$ 2,835,000	
Major Facilities Repair/Replacements	1,079,144	400,000	600,000	
Various Capital Equipment Projects				
<b>Total Equipment Projects</b>	<b>\$ 1,646,607</b>	<b>\$ 3,250,000</b>	<b>\$ 3,435,000</b>	

\*Source: Projections were derived from the 2016/17 IEUA Ten Year Capital Improvement Plan.

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Program Capital Requirements (continued)**  
For the Ten Fiscal Years Ending June 30, 2026\*

Projected								
2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
								\$ 1,194,000
								1,275,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000		4,500,000
		6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	36,000,000
							500,000	500,000
300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,200,000
								52,500
								61,100
								59,000
								51,500
								44,800
								44,400
								22,400
								15,000
								58,720
								254,500
								100,000
<b>\$ 800,000</b>	<b>\$ 800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 6,800,000</b>	<b>\$ 47,432,920</b>
\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,700,000
600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	5,800,000
								0
<b>\$ 615,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 11,500,000</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Program Capital Requirements**  
**For the Ten Fiscal Years Ending June 30, 2026\***

Project Description	Actual		Projected	
	2015/16	2016/17	2017/18	
<b>Construction Projects</b>				
RP-5 Flow Equalization and Effluent Monitoring	\$ 180,581	\$ 1,465,000	\$ 1,500,000	
SCADA Enterprise System	3,476,753	1,200,000	3,800,000	
Montclair Diversion Structure Improvement		80,000	-	
RP-2 Drying Beds Rehabilitation	268,601	350,000	-	
RP-4 Disinfection Facility Improvements	264,064	1,000,000	1,200,000	
RP-1 Headworks Primary and Secondary Upgrades	239,105	1,500,000	3,425,000	
RP-1 Sludge Thickening Upgrades		-	-	
Water Quality Laboratory	1,481,333	7,000,000	10,000,000	
RP-1 East Primary Effluent Pipe Rehab	11,081	500,000	700,000	
RP-1 TWAS and Primary Effluent Piping Repair	8,809	120,000	395,000	
SBCFCD Sewer Easement	267	275,000	-	
Whispering Lakes Pump Station Rehab		-	150,000	
RP-4 Lighting Improvements - Phase 1	186,129	100,000	-	
RP-1 Expansion PDR	282,393	350,000	-	
RP-5 Expansion PDR	982,524	1,850,000	-	
Headquarters Back Up Generator	48,950	400,000	-	
San Bernardino Avenue Gravity Sewer	203,227	1,300,000	-	
Aeration System Improvements		-	-	
CCWRF Headworks & Odor Control Replacement	6,951	610,000	2,800,000	
RP-4 South Side Sight-Proof Safety Wall		380,000	-	
Agency-wide Lighting Improvements, Phase 2		1,385,000	15,000	
Digester 6 and 7 Roof Repairs		400,000	3,400,000	
RP-4 Primary Clarifier Rehab		400,000	1,500,000	
RP-1 Power Reliability Building Controls Upgrades		350,000	1,150,000	
RP-1 Filter Valve Replacement		-	150,000	
RP-1 Dewatering Silo/Conveyor Safety Repairs		231,000	-	
RP-1 Dewatering Vertical Conveyor Repair		375,000	-	
Septic Conversion PDR		200,000	800,000	
RP-1 and RP-4 Safety Improvements		760,000	-	
RP-4 Process Improvements	63	180,000	1,400,000	
RP-1 IPS System Improvements		-	250,000	
RP-1 Flare Improvements		600,000	2,600,000	
RP-5 Expansion to 30 mgd		1,250,000	1,875,000	
Haven Lift Station Improvements		-	-	
RP-5 Solids Handling Facility		3,125,000	4,375,000	
RP-1 Digester Mixing Upgrade		-	-	
RP-5 Process Improvements		-	-	
Chino Creek Wetlands and Educational Park Upgrades		-	-	
RP-1 Liquid Treatment Expansion		-	-	
RP-1 Solids Treatment Expansion		-	-	
Regional Conveyance AMP		-	-	
RP-4 Tertiary Expansion		-	-	
CEQA Document Impl. of WWFMP,IRP RWPS	274,337	250,000	-	
Headquarters Solar Photovoltaic Power Plants Phase II		1,300,000	100,000	
Purchase Existing Solar Installations		-	-	
Investment In IERCA		500,000		
Various Capital Construction Projects	4,429,112	-	0	
<b>Total Construction Projects</b>	<b>\$ 12,344,280</b>	<b>\$ 29,786,000</b>	<b>\$ 41,585,000</b>	
<b>Total Capital Projects</b>	<b>\$ 15,775,715</b>	<b>\$ 36,284,920</b>	<b>\$ 46,804,000</b>	

\*Source: Projections were derived from the 2016/17 IEUA Ten Year Capital Improvement Plan.

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Program Capital Requirements (continued)**  
For the Ten Fiscal Years Ending June 30, 2026\*

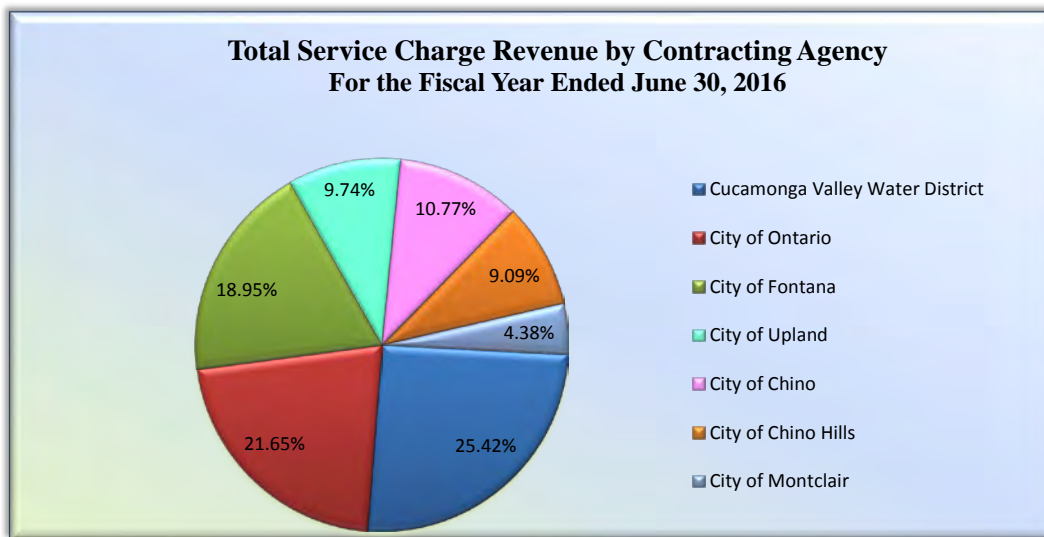
**Projected**

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,975,000
3,060,000	2,900,000	250,000	10,000	-	-	-	-	11,220,000
-	-	-	-	-	-	-	-	80,000
-	-	-	-	-	-	-	-	350,000
15,000	-	-	-	-	-	-	-	2,215,000
-	-	-	-	-	-	-	-	4,925,000
-	-	-	-	-	-	-	500,000	500,000
8,000,000	-	-	-	-	-	-	-	25,000,000
620,000	-	-	-	-	-	-	-	1,820,000
-	-	-	-	-	-	-	-	515,000
-	-	-	-	-	-	-	-	275,000
-	-	-	-	500,000	2,500,000	2,000,000	-	5,150,000
-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	350,000
-	-	-	-	-	-	-	-	1,850,000
-	-	-	-	-	-	-	-	400,000
-	-	-	-	-	-	-	-	1,300,000
-	-	-	-	250,000	3,000,000	3,000,000	-	6,250,000
3,000,000	2,850,000	15,000	-	-	-	-	-	9,275,000
-	-	-	-	-	-	-	-	380,000
-	-	-	-	-	-	-	-	1,400,000
-	-	-	-	-	-	-	-	3,800,000
-	-	-	-	-	-	-	-	1,900,000
-	-	-	-	-	-	-	-	1,500,000
500,000	-	-	-	-	-	-	-	650,000
-	-	-	-	-	-	-	-	231,000
-	-	-	-	-	-	-	-	375,000
-	-	-	-	-	-	-	-	1,000,000
-	-	-	-	-	-	-	-	760,000
3,000,000	585,000	15,000	-	-	-	-	-	5,180,000
750,000	-	-	-	-	-	-	-	1,000,000
800,000	-	-	-	-	-	-	-	4,000,000
12,500,000	28,875,000	28,875,000	40,075,000	11,550,000	-	-	-	125,000,000
-	-	-	-	-	750,000	750,000	-	1,500,000
38,500,000	33,875,000	33,875,000	9,700,000	12,550,000	-	-	-	136,000,000
-	-	-	-	-	250,000	500,000	-	750,000
-	300,000	3,500,000	2,500,000	-	-	-	-	6,300,000
-	-	900,000	958,000	-	-	-	-	1,858,000
-	-	-	-	-	5,700,000	5,700,000	19,650,000	31,050,000
-	-	-	-	-	1,617,500	1,617,500	4,450,000	7,685,000
-	-	-	-	-	-	-	500,000	500,000
-	-	-	-	-	-	-	500,000	500,000
-	-	-	-	-	-	-	-	250,000
-	-	-	-	-	-	-	-	1,400,000
7,500,000	-	-	-	-	-	-	-	7,500,000
500,000	-	-	-	-	-	-	-	1,000,000
-	0	0	0	0	0	0	0	0
<b>\$ 78,755,000</b>	<b>\$ 69,385,000</b>	<b>\$ 67,430,000</b>	<b>\$ 53,243,000</b>	<b>\$ 24,850,000</b>	<b>\$ 13,817,500</b>	<b>\$ 13,567,500</b>	<b>\$ 25,600,000</b>	<b>\$ 418,019,000</b>
<b>\$ 80,170,000</b>	<b>\$ 70,785,000</b>	<b>\$ 74,830,000</b>	<b>\$ 60,643,000</b>	<b>\$ 32,250,000</b>	<b>\$ 21,217,500</b>	<b>\$ 20,967,500</b>	<b>\$ 33,000,000</b>	<b>\$ 476,951,920</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Regional Wastewater Funds**  
**Service Charge Revenue and Rates by Contracting Agency**  
**For the Fiscal Year Ended June 30, 2016**

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 2015/2016.

Contracting Agency	Total EDU's	Rate*	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	815,420	\$ 15.89	\$ 12,660,010	25.42%
City of Ontario	695,548	15.89	10,783,448	21.65%
City of Fontana	610,436	15.89	9,439,990	18.95%
City of Chino	345,778	15.89	5,364,295	10.77%
City of Upland	313,096	15.89	4,852,498	9.74%
City of Chino Hills	291,784	15.89	4,526,250	9.09%
City of Montclair	140,854	15.89	2,182,368	4.38%
<b>Total Contracting Agencies' Service Charge Revenue</b>	<b>3,212,917</b>		<b>\$ 49,808,859</b>	<b>100.00%</b>

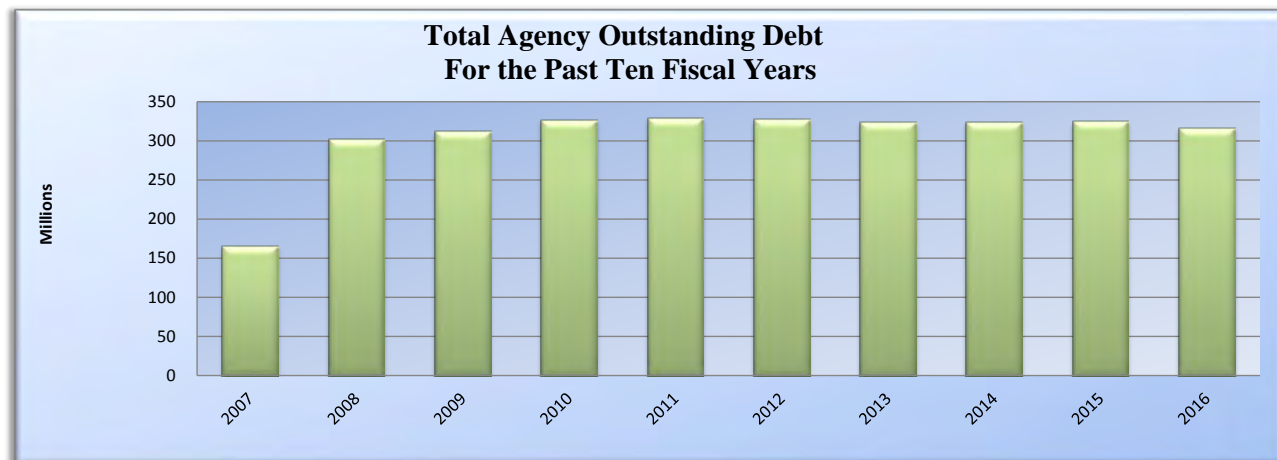


\*Effective October 1, 2015, the total service rate increased from \$14.39 to \$15.89 per equivalent service unit (EDU).

**INLAND EMPIRE UTILITIES AGENCY**  
**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	IEUA Revenue Bonds (2)	State of California Loans (2)	SDLAC Note (2)	SAWPA Note (2)	City of Fontana(2)	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
2007	\$ 143,140,252	\$ 20,490,644	\$ 0	\$ 2,107,273	\$ 0	\$ 165,738,169	\$ 83	0.262%
2008	271,851,506	28,984,381	0	1,966,522	0	302,802,409	150	0.486%
2009	266,575,303	43,887,866	0	1,817,326	0	312,280,495	154	0.503%
2010	259,825,394	56,246,235	0	1,659,178	8,899,580	326,630,387	160	0.528%
2011	247,096,595	72,620,998	0	1,491,542	8,417,002	329,626,137	160	0.530%
2012	240,428,398	77,865,387	0	1,313,848	7,934,424	327,542,057	157	0.513%
2013	236,017,294	78,764,115	0	1,125,493	7,451,846	323,358,748	154	0.495%
2014	228,604,318	88,017,521	0	925,834	6,969,268	324,516,941	155	0.449%
2015	205,937,429	108,453,732	3,446,445	714,196	6,486,690	325,038,493	154	0.424%
2016	199,628,550	107,450,944	2,788,113	489,861	6,004,112	316,361,580	148	0.399%



(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

**INLAND EMPIRE UTILITIES AGENCY**  
**Agency System Total Debt Coverage Ratio**  
**For Fiscal Years Ended June 30, 2016**  
**(With Comparative Total for the Fiscal Year Ended June 2015)**

	<b>2016</b>	<b>2015</b>
<b><u>Revenues:</u></b>		
Wastewater System Service Charges	\$ 50,073,868	\$ 47,022,954
Wastewater Capital Connection Fees	24,910,235	15,073,882
Water Capital Connection Fees	702,055	-
Property Tax	41,335,929	39,446,003
NRW System Service Charges	11,854,847	11,242,300
Interest	624,871	395,668
Recycled Water Sales	13,468,182	12,047,164
Desalter/Composter Services	4,772,780	4,655,432
Other	1,809,078	2,339,576
Total Revenues	<u>\$ 149,551,845</u>	<u>\$ 132,222,977</u>
<b><u>Operation and Maintenance Costs:</u></b>		
Wastewater Treatment	\$ 21,104,320	\$ 19,001,130
Administration and General	22,200,022	28,562,209
Wastewater Disposal	11,148,524	7,996,871
Wastewater Collection	7,510,150	8,088,875
Operations and maintenance	4,788,211	3,262,561
Desalter/Composter Services	4,772,780	4,655,377
Other	3,932,655	1,529,144
Total Operation and Maintenance Costs:	<u>\$ 75,456,662</u>	<u>\$ 73,096,167</u>
<b>Revenues Available to Debt Service</b>	<u>\$ 74,095,183</u>	<u>\$ 59,126,810</u>
<b><u>Parity Obligation Debt Service</u></b>		
2005A Installment Payments	\$ -	\$ 1,873,854
2008A Installment Payments	6,250,000	6,250,000
2008B Installment Payments	1,904,849	1,811,533
2010A Installment Payments	5,291,450	5,292,500
Total Parity Obligation Debt Service	<u>\$ 13,446,299</u>	<u>\$ 15,227,887</u>
<b>Parity Obligation Debt Service Coverage</b>	<u><b>5.51</b></u>	<u><b>3.88</b></u>
<b>Net Revenues</b>	<u>\$ 60,648,884</u>	<u>\$ 43,898,922</u>
<b><u>Subordinate Obligations</u></b>		
State Revolving Fund Loan	\$ 6,642,011	\$ 4,720,863
SAWPA Sari Capacity Purchase	267,188	267,188
City of Fontana	562,402	562,402
CSDLAC Past 4R's	737,600	737,600
Total Subordinate Obligations	<u>\$ 8,209,201</u>	<u>\$ 6,288,053</u>
<b>Other Debt Service Coverage</b>	<u><b>7.39</b></u>	<u><b>6.98</b></u>
<b>Remaining Net Revenue</b>	<u><b>\$ 52,439,682</b></u>	<u><b>\$ 37,610,869</b></u>
Revenues available after O&M expenses	<u><b>\$ 74,095,183</b></u>	<u><b>\$ 59,126,810</b></u>
Total debt service	<u><b>\$ 21,655,500</b></u>	<u><b>\$ 21,515,940</b></u>
<b>Total Debt Coverage Ratio</b>	<u><b>3.42</b></u>	<u><b>2.75</b></u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Agency System Total Debt Coverage Ratio**  
For Fiscal Years Ended June 30, 2016 (continued)  
(With Comparative Totals for the Fiscal Year Ended June 2015)

In July 2003, the Chino Basin Regional Financing Authority (CBRFA) issued Variable Rate Revenue Bonds, Series 2002A. In March 2008, the CBRFA 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. In November 2014, the Revenue Bonds, Series 2005A were redeemed in full.

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 funds are required to maintain operating reserves sufficient to cover four (4) months of budgeted operating and maintenance expenses.

- The amended budget FY 2015/16 for operating and maintenance expenses for four months was \$32,939,000.
- As of the Fiscal Year Ended June 30, 2016, the Agency had designated debt service reserves of \$2,544,729, 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, 2016**

2015/16 Assessed Valuation: \$93,982,428,452

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>Total Debt</u></b>	<b><u>%</u></b>	<b><u>Agency's Share of</u></b>
	<b><u>6/30/16</u></b>	<b><u>Applicable (1)</u></b>	<b><u>Debt 6/30/16</u></b>
Metropolitan Water District	\$ 92,865,000	3.835%	\$ 3,561,373
Chaffey Community College District	149,080,324	98.752	147,219,802
San Bernardino Community College District	463,914,004	1.073	4,977,797
Chino Valley Unified School District	125,701,735	100.	125,701,735
Colton Joint Unified School District	178,332,014	1.118	1,993,752
Fontana Unified School District	206,850,234	91.604	189,483,088
Rialto Unified School District	99,471,263	7.789	7,747,817
Upland Unified School District	100,523,399	99.753	100,275,106
Chaffey Union High School District	309,906,255	99.845	309,425,900
Alta Loma School District	11,644,861	99.814	11,623,202
Central School District	36,860,968	100.	36,860,968
Mountain View School District and School Facilities Improvement District No. 1	12,371,363	100.	12,371,363
Ontario-Montclair School District	48,288,731	100.	48,288,731
<b>Inland Empire Utilities Agency</b>	<b>0</b>	<b>100.</b>	<b>0 (2)</b>
City of Chino Community Facilities Districts	136,080,000	100.	136,080,000
City of Chino Hills Community Facilities Districts	46,240,000	100.	46,240,000
Cucamonga School District Community Facilities District No 97-1	4,780,000	100.	4,780,000
Etiwanda School District Community Facilities Districts	90,825,000	100.	90,825,000
Upland Unified School District Community Facilities Districts	3,700,000	100.	3,700,000
City of Fontana Community Facilities Districts	62,540,000	4.930-100.	44,348,356
Mountain View School District Community Facilities Districts	780,000	100.	780,000
San Bernardino County Community Facilities District No. 2002-1	19,700,000	100.	19,700,000
City of Ontario Community Facilities Districts	5,905,000	100.	5,905,000
City of Rancho Cucamonga Community Facilities Districts	74,577,000	100.	74,577,000
City of Upland Community Facilities Districts	39,865,000	100.	39,865,000
City of Chino Hills 1915 Act Bonds	1,875,000	100.	1,875,000
City of Ontario 1915 Act Bonds	6,825,000	100.	6,825,000
City of Rancho Cucamonga 1915 Act Bonds	1,325,000	100.	1,325,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$1,476,355,990</b>

**OVERLAPPING GENERAL FUND DEBT:**

San Bernardino County General Fund Obligations	\$435,550,000	50.078%	\$ 218,114,729
San Bernardino County Pension Obligation Bonds	419,370,824	50.078	210,012,521
San Bernardino County Flood Control General Fund Obligations	78,165,000	50.078	39,143,469
Chaffey Community College District Certificates of Participation	11,155,666	98.752	11,016,443
Chino Valley Unified School District Certificates of Participation	14,500,000	100.	14,500,000
Colton Joint Unified School District Certificates of Participation	2,853,528	1.118	31,902
Fontana Unified School District Certificates of Participation	36,045,000	91.604	33,018,662
Rialto Unified School District Certificates of Participation	5,640,000	7.789	439,300
Cucamonga School District Certificates of Participation	7,710,000	100.	7,710,000
City of Fontana Certificates of Participation	41,755,000	82.228	34,334,301
City of Montclair General Fund Obligations	44,260,000	100.	44,260,000
City of Ontario General Fund Obligations	69,145,000	100.	69,145,000
City of Rialto General Fund Obligations	2,715,000	11.787	320,017
City of Upland General Fund Obligations	250,000	100.	250,000
West Valley Vector Control District Certificates of Participation	3,040,000	100.	3,040,000
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>\$685,336,344</b>

**OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):**    \$1,025,490,591    18.131-100. %    \$832,757,871

**DIRECT DEBT** **\$0**  
**TOTAL OVERLAPPING DEBT** **\$2,994,450,205**

**NET COMBINED TOTAL DEBT** **\$2,994,450,205 (2)**

**INLAND EMPIRE UTILITIES AGENCY**  
**Computation of Direct and Overlapping Bonded Debt** *(continued)*  
**As of June 30, 2016**

Ratios to 2015-16 Assessed Valuation:

**Direct Debt** ..... **0.00%**

Total Direct and Overlapping Tax and Assessment Debt..... 1.57%

Combined Direct Debt..... 3.19%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$30,388,998,434):

Total Overlapping Tax Increment Debt ..... 2.74%

*Source: California Municipal Statistics, Inc.*

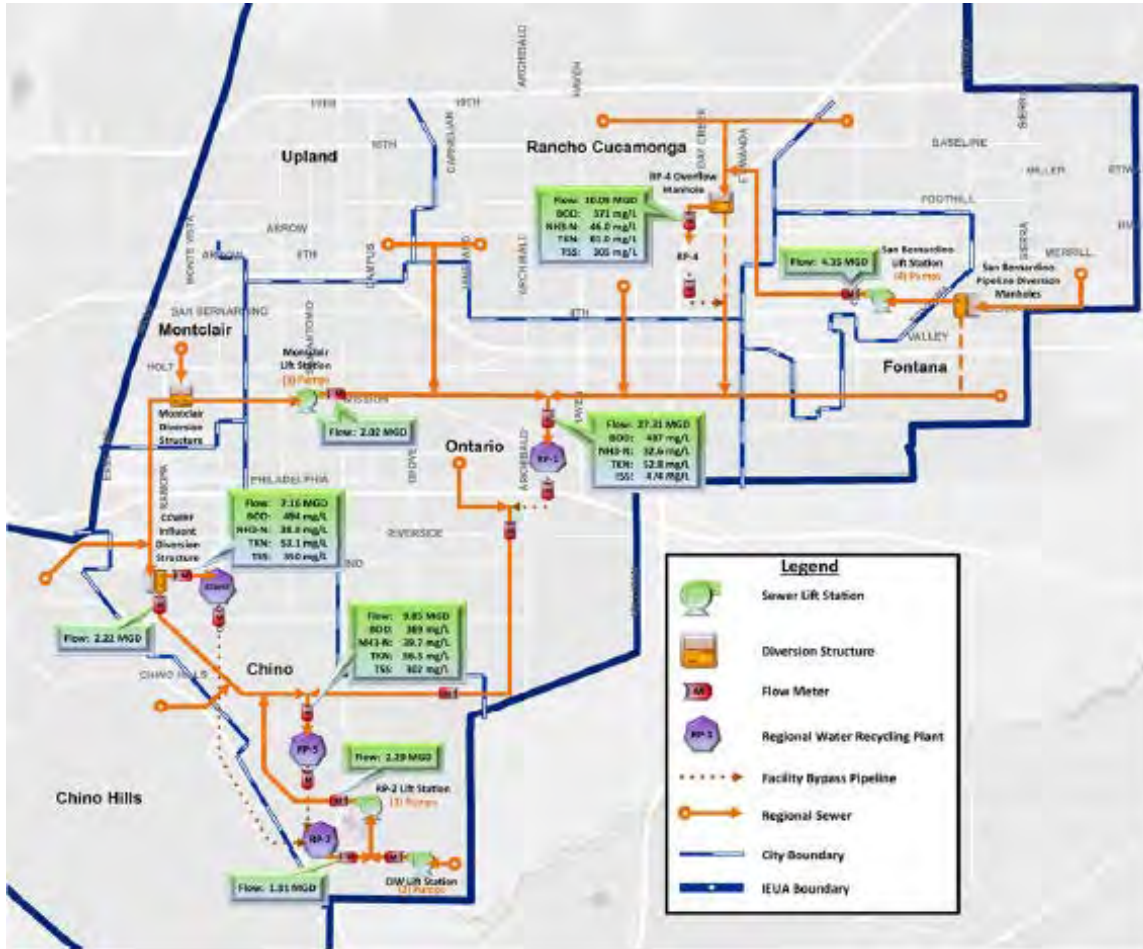
**Footnotes:**

- (1) The percentage of overlapping debt applicable to the agency is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the agency divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators - Wastewater Facilities**  
**Design Capacity and Average Flow**  
**As of June 30, 2016**

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.

**IEUA Wastewater Flows**



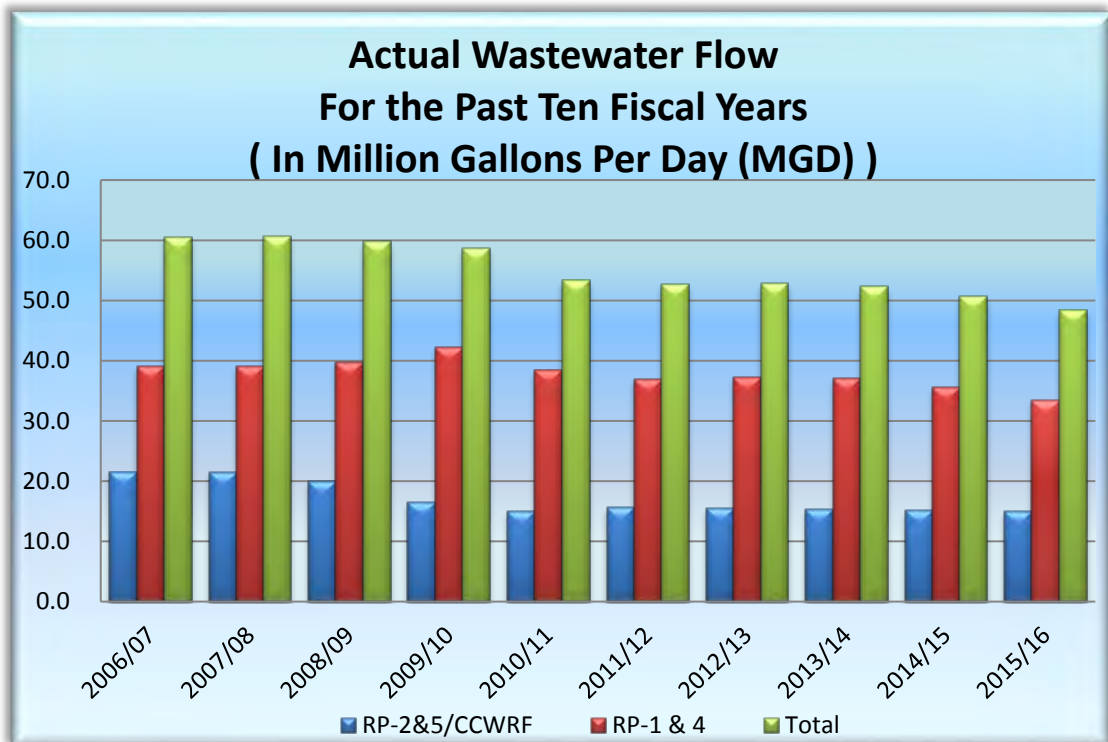
The following table presents the design capacities and average flows of the Agency's water recycling facilities as of June 30, 2016:

Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	23.5	53.4%
RP-4	14.0	10.0	71.4
RP-5	15.0	8.0	53.3
CCWRF	12.0	6.9	57.5
<b>Total</b>	<b>85.0</b>	<b>48.4</b>	<b>56.9%</b>

\*MGD = million gallons per day

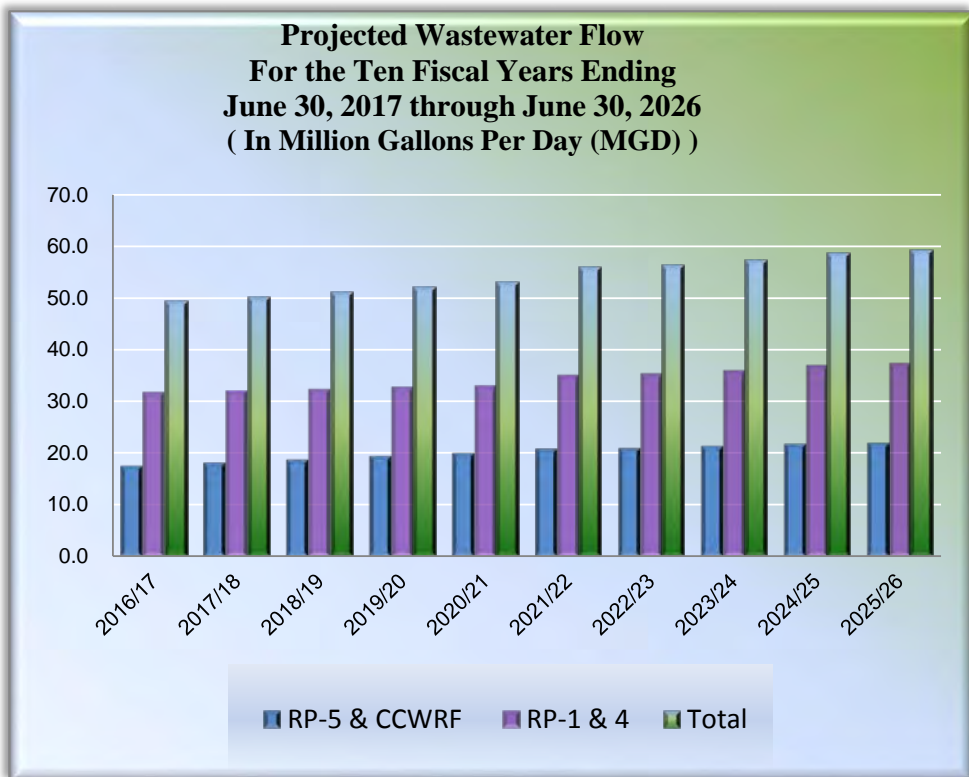
**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators - Actual Wastewater Flow**  
**For the Past Ten Fiscal Years**  
**( In Million Gallons Per Day (MGD) )**

Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
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	52.3
2014/15	35.6	15.1	50.7
2015/16	33.5	14.9	48.4



**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicator - Projected Wastewater Flow**  
**For the Ten Fiscal Years Ending June 30, 2017 through June 30, 2026\***  
**( In Million Gallons Per Day (MGD) )**

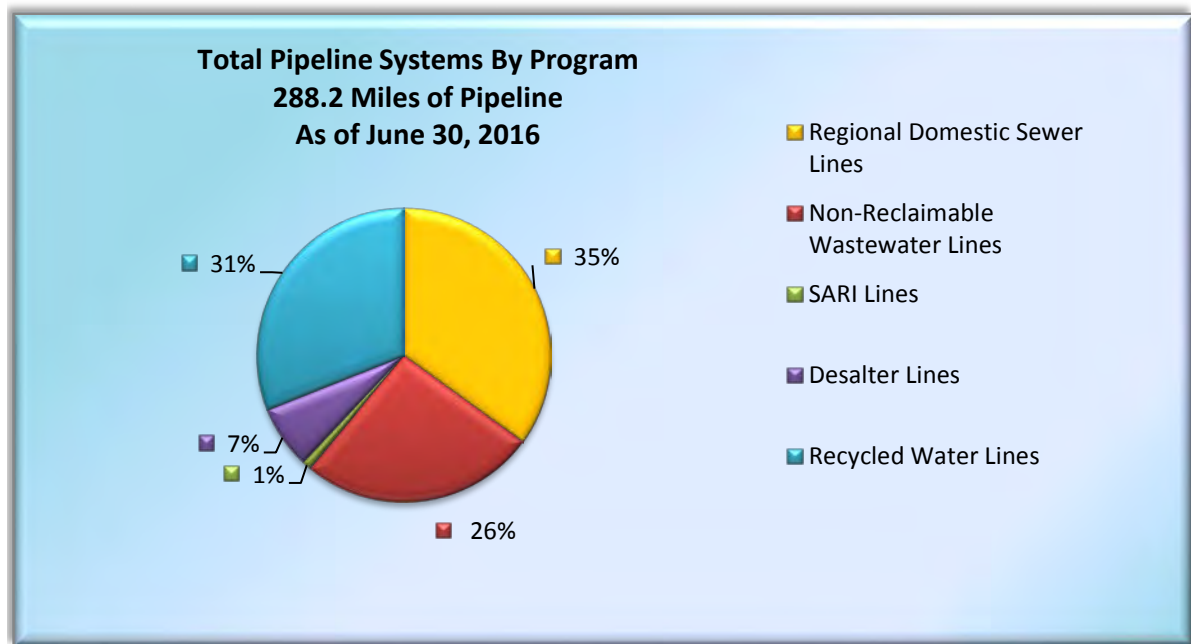
Fiscal Year	RP-5 & CCWRF (MGD)	RP-1 & 4 (MGD)	Total (MGD)
2016/17	17.5	31.8	49.3
2017/18	18.1	32.1	50.2
2018/19	18.7	32.4	51.1
2019/20	19.4	32.8	52.2
2020/21	20.0	33.1	53.1
2021/22	20.8	35.1	55.9
2022/23	20.9	35.4	56.3
2023/24	21.3	36.0	57.3
2024/25	21.7	37.0	58.7
2025/26	21.9	37.4	59.3



\* Source: Statistics were Provided by IEUA Planning and Environmental Compliance Department.

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating and Capacity Indicators - Pipeline Systems By Program**  
**As of June 30, 2016**

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	100.4	35%
Non-Reclaimable Wastewater Lines	75.2	26%
SARI Lines	4.3	1%
Desalter Lines	19.6	7%
Recycled Water Lines	88.8	31%
<b>Total Miles of Pipeline</b>	<b>288.2</b>	<b>100%</b>



Source: IEUA Business Information Services Dept.  
No data available prior to most recent information.

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators - FY 2015/16 Staffing Allocations**  
**As of June 30, 2016**

**Actual staffing allocation by Program**

**\*FTE**

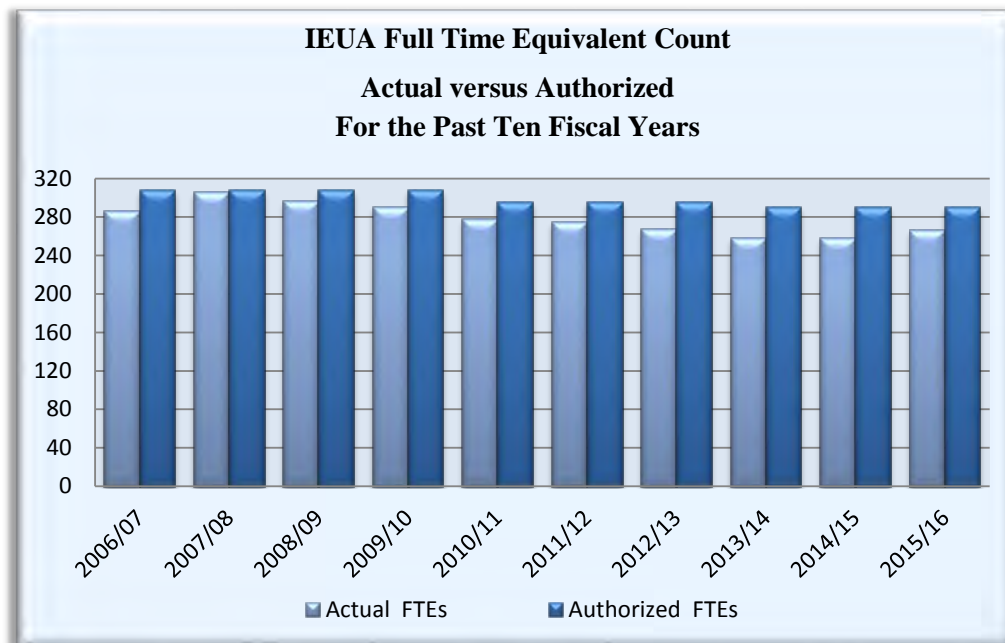
Regional Wastewater Operations	160.5
Regional Wastewater Capital Programs	20.2
Recycled Water Programs	21.1
Inland Empire Regional Composting Authority Operations	22.0
Non-reclaimable Wastewater System Programs	12.8
Chino Basin Desalter Operations & Capital Programs	9.2
Recharge Water Programs	4.6
Water Related Activities & Conservation Programs	11.0
General Administration	4.6
<b>Total FTE Count</b>	<b>266</b>
<b>Total Authorized FTE</b>	<b>290</b>
<b>Vacancy Factor Percentage</b>	<b>8.3%</b>

*Source: IEUA June 2016 Position Control Report*

*\*FTE- Full Time Equivalent*

**INLAND EMPIRE UTILITIES AGENCY**  
**Operating Indicators - Budgeted Positions versus Staffing Actuals**  
**For the Past Ten Fiscal Years**

Fiscal Year	Actual FTEs	Authorized FTEs
2006/07	286	308
2007/08	306	308
2008/09	296	308
2009/10	290	308
2010/11	278	295
2011/12	275	295
2012/13	267	295
2013/14	258	290
2014/15	258	290
2015/16	266	290

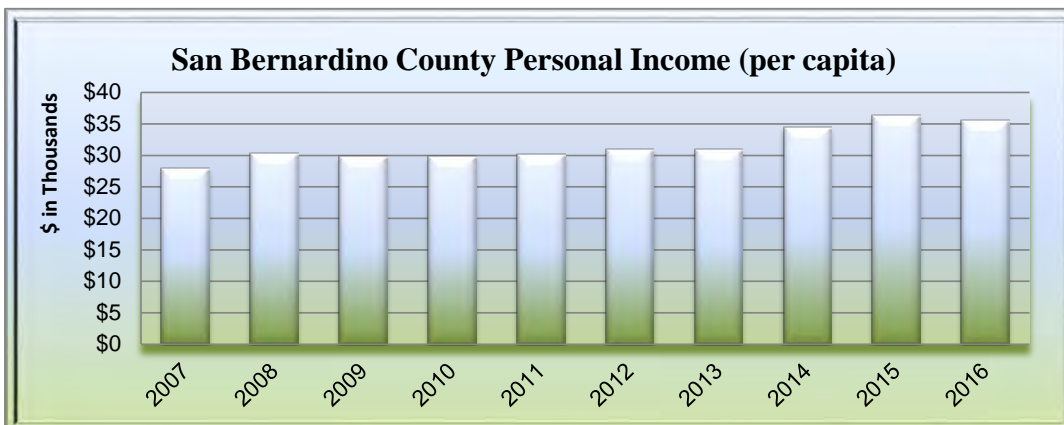
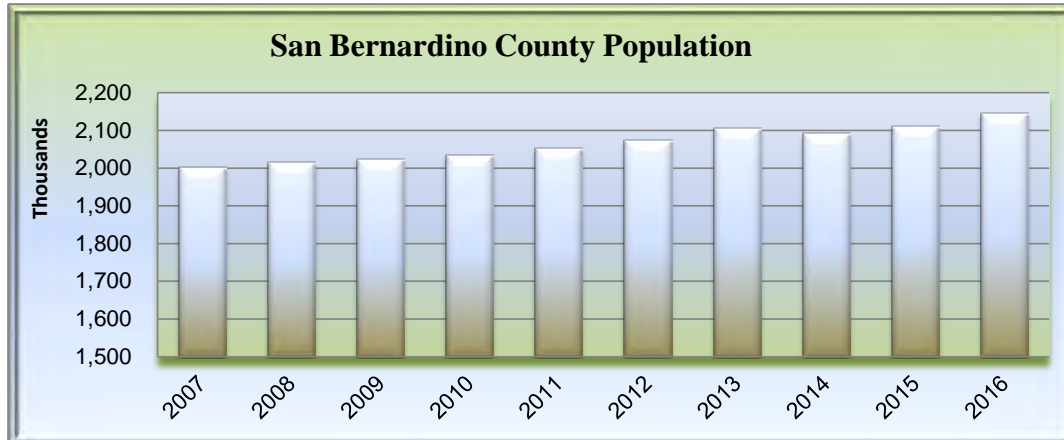


The chart and table above reflect the number of authorized full time equivalent (FTE) positions versus actual employees at fiscal year for the past ten fiscal years.



**INLAND EMPIRE UTILITIES AGENCY**  
**Demographic and Economic Statistics**  
**For the Past Ten Fiscal Years**

<b>San Bernardino County (1)</b>			
<b>Year</b>	<b>Population</b>	<b>Personal Income (billions)</b>	<b>Personal Income (per capita)</b>
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
2015	2,110,557	77.4	36,335
2016	2,146,798	77.9	35,645



**Footnotes:**

- (1) Source: San Bernardino County Economic Forecast 2016.
- (2) The County data is representative of the conditions and experience of the Agency's service area.
- (3) Data for Year 2016 has been estimated.

# INLAND EMPIRE UTILITIES AGENCY

## Demographic and Economic Statistics

### Area's Largest Public and Private Employers

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,695
Kaiser Permanente Fontana Medical Center	Fontana	6,000
Fontana Unified School District	Fontana	3,790
San Antonio Community Hospital	Upland	2,020
California Institution for Men	Chino	1,654
Chino Valley Unified School District	Chino	1,425
Chaffey Community College District	Rancho Cucamonga	1,229
City of Fontana	Fontana	1,216
Etiwanda School District	Rancho Cucamonga	1,058
California Institution for Women	Chino	1,051
Inland Empire Health Plan	Rancho Cucamonga	1,000

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**  
**Appropriation Limits**  
**Fiscal Years Ended June 30, 2012 through 2016\***

<b>Fiscal Year</b>	<b>Annual Appropriations Limit</b>	<b>Proceeds of Taxes (Appropriations)</b>
2011/12	\$ 134,634,452	\$ 32,965,008
2012/13	\$ 140,911,109	\$ 32,607,254
2013/14	\$ 149,385,503	\$ 33,351,677
2014/15	\$ 152,041,486	\$ 40,203,474
2015/16	\$ 159,570,580	\$ 41,156,629

\* Source: IEUA FY2015\_16 and FY2016/17 Operating and Capital Program Budget



INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON  
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

To the Board of Directors  
Of the Inland Empire Utilities Agency  
Chino, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 (or other alternative computation) of the Inland Empire Utilities Agency (the "Agency"), for the year ended June 30, 2016. These procedures, which were agreed to by the Agency and the League of California Cities (as presented in the publication entitled Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the Agency in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The Agency's management is responsible for the Appropriations Limit Worksheet No. 6 (or other alternative computation).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheets No. 1 through No. 7 (or other alternative computations) and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors.

**Finding:** No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet No. 6, we multiplied line A, last year's limit, by line D, ratio of change, and agreed the resulting amount to line E, this year's limit.

**Finding:** No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet No. 6 to the other worksheets described in No. 1 above.

**Finding:** No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the Board of Directors for the prior year.

**Finding:** No exceptions were noted as a result of our procedures.







To the Board of Directors  
Of the Inland Empire Utilities Agency  
Chino, California

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled Article XIII B Appropriations Limitation Uniform Guidelines.

This report is intended solely for the use of the Inland Empire Utilities Agency and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Lance, Soll & Lughard, LLP*

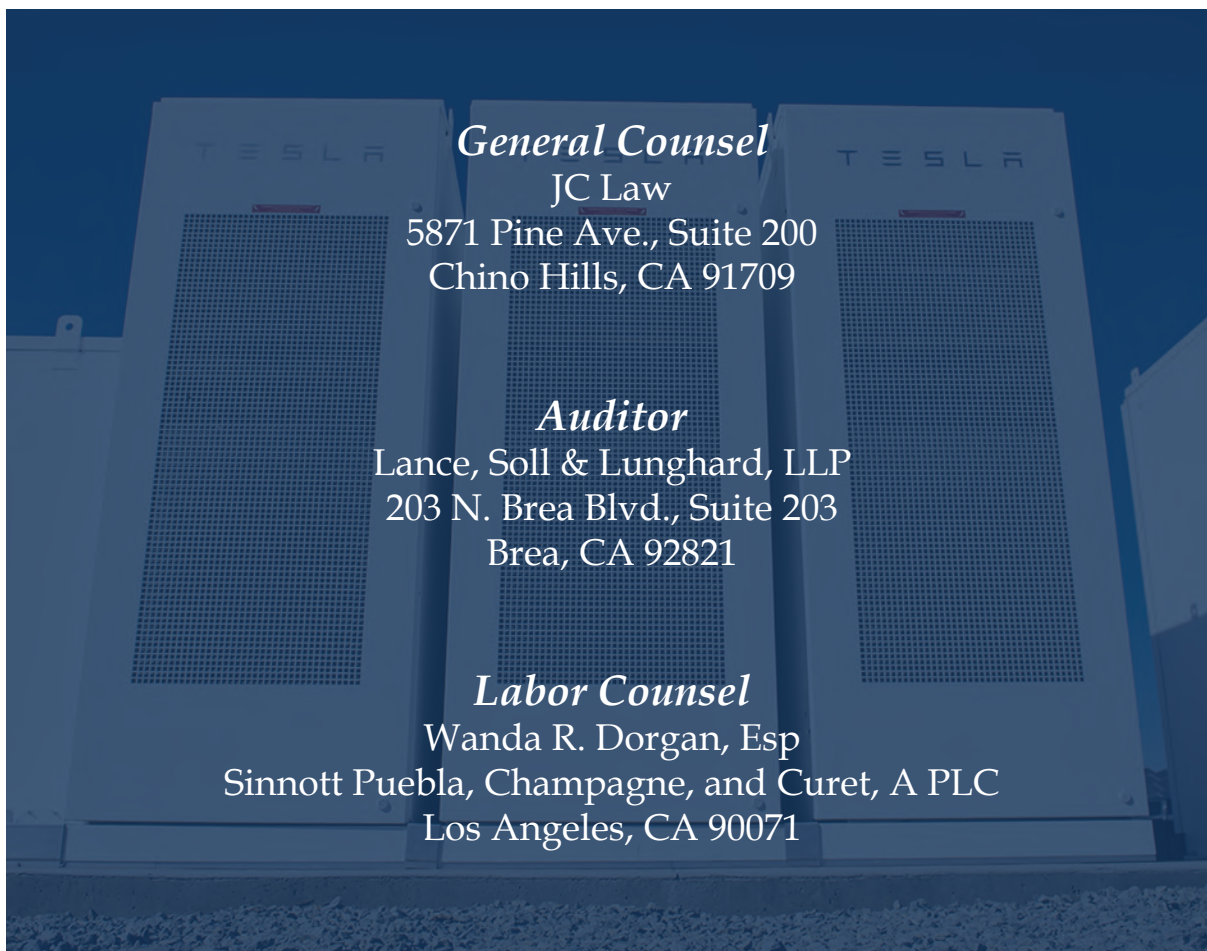
Brea, California  
May 20, 2016

INLAND EMPIRE UTILITIES AGENCY  
2015-2016  
APPROPRIATIONS LIMIT CALCULATION

A.	2014-2015 APPROPRIATIONS LIMIT:	\$ 152,041,486
B.	2015-2016 CHANGE IN PER CAPITA PERSONAL INCOME:	1.03820
C.	2015-2016 CHANGE IN POPULATION:	1.01090
D.	RATIO OF CHANGE (1.03820 X 1.01090):	<u>1.04952</u>
E.	2015-2016 APPROPRIATIONS LIMIT: (\$152,041,486 X 1.04952)	<u>\$ 159,570,580</u>



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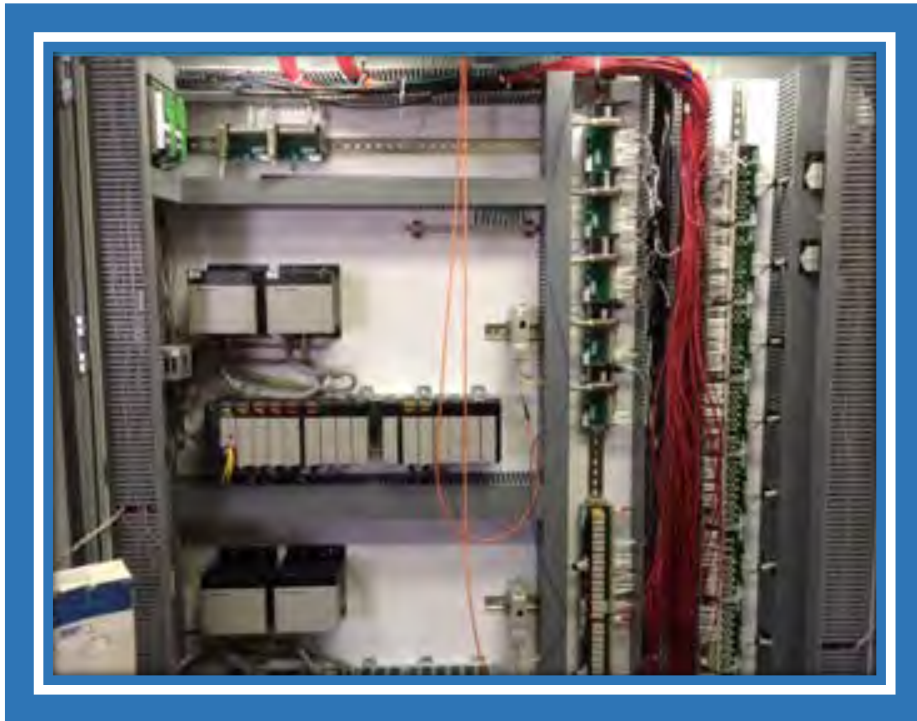
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***Acknowledgements***

Special thanks to the IEUA employees who contributed  
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Comprehensive Annual Financial Report

# SCADA Enterprise System - CCWRF



## Headworks Control Panel





## Water Smart - Thinking in Terms of Tomorrow



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