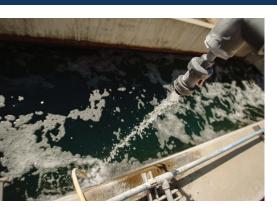


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Inland Empire Utilities Agency
A Municipal Water District

Chino, California









Chino Creek Wetlands Park





Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Inland Empire Utilities Agency
A Municipal Water District

Chino, California



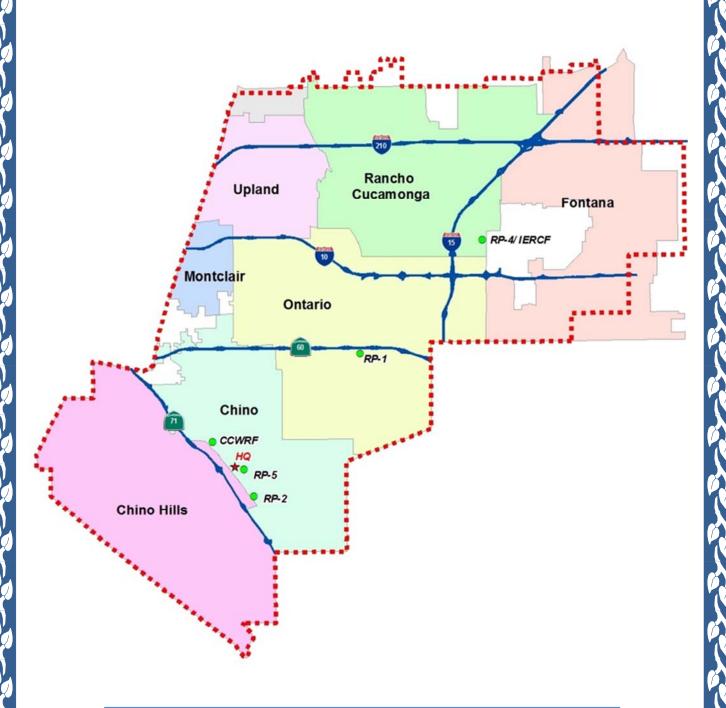






INLAND EMPIRE UTILITIES AGENCY

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, 2017

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December 20, 2017

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, 2017.

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, 2017, 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, 2017 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

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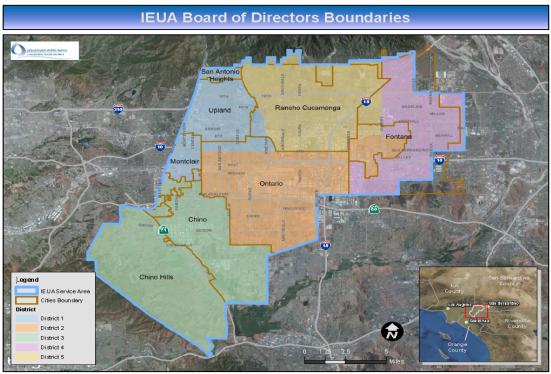
INLAND EMPIRE UTILITIES AGENCY PROFILE

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 require 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.

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.



Up to the Present (continued):

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.

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 22.2 million gallons per day (mgd) of wastewater.







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.

Up to the Present (continued):

Carbon Canyon Water Recycling Facility (CCWRF)

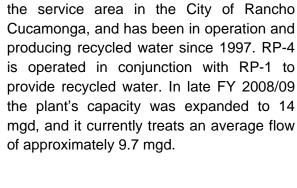
CCWRF is located near the intersection of Central Avenue and Chino Hills Parkway in the City of Chino, and has been in operation since May 1992. Liquids are treated at CCWRF, while the solids removed from the waste flow are treated at RP-2. CCWRF treats an average flow of approximately 8.0 mgd.



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

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 7.8 mgd. RP-5 uses several treatment processes that contribute to providing quality recycled water pursuant to the State of California Title 22 regulations.



RP-4 is located in the northeastern section of



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.

Up to the Present (continued):

Non-Reclaimable Wastewater System

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).

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.

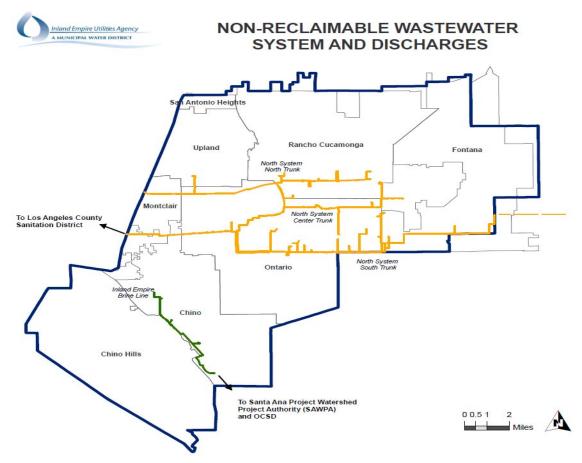
In addition to the pipeline and treatment capacity owned by the NRWS, the Regional Wastewater System also owns 1.98 mgd of SARI capacity, and 0.1 mgd of treatment capacity, used to divert wastewater flows in emergency situations and heavy rain related peak flows at our Regional water recycling plants.

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

Up to the Present (continued):

Non-Reclaimable Wastewater System (continued):

approximately 15,000 capacity units per year. The assigned capacity will be adjusted annually through June 30, 2018.



As of June 30, 2017, approximately 50 industries (40 in the North NRWS and 10 in the South IEBL) discharged the brine wastewater generated from their process. Some of the largest industries in the North NRWS are California Steel Industries, New-Indy Ontario, Niagara II, Frito Lay Inc., Ventura Foods, Niagara I, James Hardie Building Products, Crothall Health Services, and GE Mobile Water; and for the South IEBL, Mission Uniform and Linen Services, CIW, and CIM. These industries are directly connected to the Agency's NRWS. The NRWS also serve approximately 7 industrial customers that truck their wastewater to the Agency's dump discharge stations.

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.

Up to the Present (continued):

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

Renewable Energy Portfolio

Agency wide – 3.5 MW Photovoltaic System

In 2008, IEUA entered into a Power Purchase Agreement (PPA) 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 represents approximately 35 percent of the combined Agency's peak load (10 MW), and approximately 9 percent of the Agency's combined energy usage (6,800 MWh solar generation, compared to 80,000 MWh electric energy usage).





Tilted single-axis tracker, installed at RP-5

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 percent more energy than fixed-tilt technology.

Battery Storage

The Agency 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.

In mid-2016, IEUA's Regional Plane No. 5 (RP-5) began operation of the first of four



Battery Storage installed at RP-5

Up to the Present (continued):

Battery Storage (continued):

battery systems that will total 4 MW of energy storage across the Agency wastewater treatment facilities. The objective of the energy storage is to enhance load management, optimize renewable power systems, and provide cost savings for facilities by reducing demand charges during on-peak hours. IEUA submitted the Regional Water Recycling Plan No. 5 Battery Storage Project in three categories based on its practices: environmental sustainability, operations/management, and planning. The American Academy of Environmental Engineers and Scientists (AAEES) presented the Agency its grand prize award in all three categories.

Joint Powers Authority

Chino Basin Desalter Authority

The Agency is ex-officio member of the Chino Basin Desalter Authority (CDA), a joint power authority (JPA), formed in 2001, to acquire all assets and liabilities of the Chino Basin Desalter and its operations from the Santa Ana Watershed Project Authority (SAWPA).



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.

The CDA is comprised of the cities of Chino.

Inland Empire Regional Composting Authority

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 re-purposed from a former IKEA warehouse.

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.



Up to the Present (continued):

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 49,700 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 is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.
- Recycled Water Revenues an estimated \$16 million per year (wholesale rate revenue plus Metropolitan Water District of Southern California (MWD) rebate). A key policy objective is for program costs to be fully recovered from recycled water sales.

Since 2010, the rate of connection for direct use customers to the regional recycled water system has been stagnant primarily due to the economic recession, and changes in land use from agriculture to residential and commercial. 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.

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 implemented the amendment to the 2010 Recharge Master Plan (2013 Recharge Master Plan Update or RMPU). Under the RMPU are 8 capital projects which will yield total 4,700 acre feet per year (AFY) of additional storm water and 7,100 AFT of additional recycled water for groundwater recharge. The 8 RMPU projects are included in the Ten-Year

Up to the Present (continued):

Groundwater Recharge Basins (continued):

Capital Improvement Plan (TYCIP) where 7 projects are in design and one is in construction. The San Sevaine Basin improvement project is 100 percent funded by state and federal grants and an SRF loan. The Lower Day Basin, Wineville Basin, Jurupa Basin, RP-3 Basin, and the Stormwater Force Main improvements are partial funded by state and federal grants. IEUA is actively seeking additional grants for the remaining project and applying for further low-cost financing with SRF on the remaining projects costs.

The RMPU's total project capital cost is \$29.1 million where CBMW will fully fund five of the projects and IEUA and Watermaster equally cost share 3 projects.

ECONOMIC CONDITION AND OUTLOOK

The Agency's service area, located in the Inland Empire (IE), is considered one of the fastest growing regions in the United States. According to the forecasting center at University of California Riverside's School of Business, the major sectors are transportation (logistics), government, education, health services, and construction.

A recent highpoint for the region, anticipated to drive local economic activity was the City of Ontario's recovery of local control of the Ontario International Airport after decades under Los Angeles jurisdiction. According to John Husing, an economist for the Inland Empire Economic Partnership, the IE economy is expected to gain 46,600 jobs (3.3 percent) in 2017, after adding 47,500 in 2016 (3.5 percent). The job expansion will continue partly because of the area's traditional advantages, including available land, modestly priced labor, growing population, as well as continued growth in health care, and a small addition of jobs in higher paying private and public sectors such as management and professions, government, colleges, and utilities. The IE population continued to grow even throughout the recession at an average rate of 1 percent between 2008 and 2017. The Agency's service area population is projected to surpass 875,000 in FY 2017/18.

Housing Market – The Inland Empire's housing market appears to be slowly moving into expansion mode, as the region's residential prices have increased in 2017 significantly, up 101.5 percent (existing) and 59.0 percent (new) from the all-time lows in 2009. Existing median home prices (\$324,000) remain 19.7 percent below their highest price, but many of the homes sold at that high price have long since been lost to foreclosures. Looking ahead, with the lack of supply of homes to sell, this translates into the demand of more new home construction. The low median home prices for Inland Empire makes it affordable and is a key incentive for expected growth.

ECONOMIC CONDITION AND OUTLOOK (continued):

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



Source: John Husing, April 2017 Inland Empire Quarterly Economic Report

Employment – California posted the nation's second biggest year-over-year employment gain in May 2017 and the state's unemployment rate dropped to 4.2 percent, its lowest since 2001, according to data released by the Employment Development Department in June 2017. The unemployment rate in the IE was 4.5 percent, down from 4.7 percent in April 2017, and below the year ago estimate of 5.4 percent. The unemployment rate in the region is getting closer to meeting the state average.

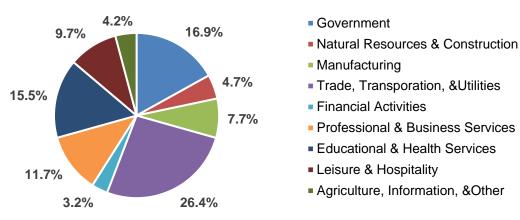
As the IE economy continues to improve, not only has it recovered all the job losses compared to the pre-recession level in 2007, it has added some at an accelerated pace. The economic recovery has also altered the industrial and employment composition in the IE. The construction and manufacturing industries, which were traditionally a driving force within the IE economy, have barely recovered half of the jobs lost since the onset of the recession. The Transportation and Warehousing (logistics) industry has come out as one of the winners from the recession. As shown below, the three largest employers by industry are logistics, government, and educational and health services, which represent nearly 60 percent of the labor market in San Bernardino County. The value of the US dollar continues to remain strong, leading to a record high volume of imports through Southern California ports. This, combined with an increase in the demand for larger warehouses and fulfillment centers by conventional and online retailers, has resulted in a surge of logistics related jobs in the region.

As the lower housing prices in the region continue to entice people to move out of the more expensive areas of Southern California, the need for educators and health care professionals continues to grow to support the moving population. This sector already supplies over 15 percent of the county's jobs. IE has one health care worker for every 34.0 residents but is still lagging the state average of one per every 26.8 residents. This factor points to likely continued growth in this sector in the future.

ECONOMIC CONDITION AND OUTLOOK (continued):

Employment (continued)



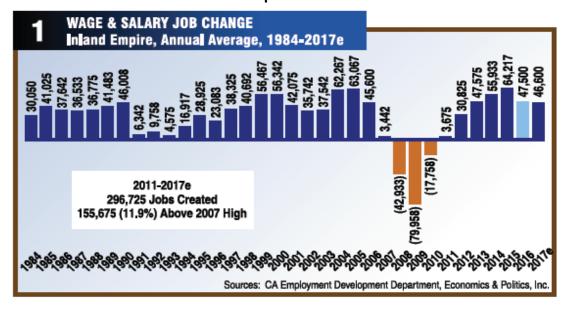


Source: Department of Finance Demographic Reports – www.dof.ca.gov/research

In 2017, the Inland Empire will continue the expansion that has been underway since 2011. Through 2016, 249,725 jobs were created. The 2017 gain is forecasted to add another 46,600 jobs, up 3.3 percent. The expansion will continue partly because of the area's traditional advantages for blue collar/technical sectors (available land, modestly priced labor, growing population), as well as continued growth in health care, and a small addition of jobs in higher paying sectors.

The following table, reported by the California Employment Development Department (EDD), shows the region's job trend from 1984 through a projected estimate for 2017.

Inland Empire's Job Trend



ECONOMIC CONDITION AND OUTLOOK (continued):

Median Income – Median annual income is estimated to be \$69,745 in the Agency's service area, \$56,337 in San Bernardino County, and \$67,739 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	\$ 68,666
Chino Hills	\$ 99,324
Fontana	\$ 66,073
Montclair	\$ 51,308
Ontario	\$ 55,982
Rancho Cucamonga	\$ 81,286
Upland	\$ 65,578
Service Area Average	\$ 69,745
San Bernardino County Average	\$ 56,337
State of California Average	\$ 67,739

Source: www.dof.ca.gov/research - American Community Survey (2016)

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Major Initiatives for FY 2016/17

During fiscal year 2016/17 the Agency accomplished many significant milestones. All IEUA's accomplishments are possible due to the collaboration of our member agencies, stakeholders, and dedicated Agency staff. Most 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.

Fiscal year 2016/2017 was another successful year for the Agency, its member agencies, and key stakeholders in the region. In addition to meeting the Governor's mandate to reduce water use by 25 percent and increasing the amount of water stored in the Chino Basin by nearly 100,000 AF during one of the worst drought periods in history; hydraulic control in the Chino Basin was officially achieved in February 2016.

Major Initiatives for FY 2016/17 (continued):

After 15 years of collaboration, planning and investing for Chino Basin Watermaster (Watermaster) Parties and the IEUA, and many other regional stakeholders, achieved a long-standing initiative to Improve the quality of the Chino Basin's groundwater and outflow to Orange County.

Significant milestones reached in FY 2016/17 include:

A recycled water rate survey was conducted during FY 2016/17, and indicated the Agency's FY 2016/17 recycled water rate ranks amongst the lowest wholesale rate in Southern California.

Wholesale Agencies								
Agency	Type	Notes	Rate \$/AF					
Central Basin Municipal Water District	Wholesale	Tiered Rates	507- 556					
Inland Empire Utilities Agency	Wholesale	Base Rate	470 - 530					
Calleguas Municipal Water District	Wholesale	Base Rate	1,006					
West Basin Municipal Water District	Wholesale	Tiered Rates	1029 -1,069					

Retail Agencies							
Agency	Туре	Notes	Rate \$/AF				
Irvine Ranch Water District	Retail	Base Rate	636				
Long Beach Water Department	Retail	Average Rate	717				
Inland Empire Utilities Agency's Member Agencies	Retail	Average Base Rate	746				
Monte Vista Water District	Retail	Base Rate	854				
Otay Water District	Retail	Base Rate	1,337				
Santa Fe Irrigation District	Retail	Base Rate	1,390				
City of Encinitas	Retail	Base Rate	1,816				

Major Initiatives for FY 2016/17 (continued):

Significant milestones reached in FY 2016/17 (continued):

- Changes in the imported water rate structure were implemented to more sustainably support the Water Resources program costs and provide for a more equitable recovery of these costs.
 - o Metropolitan Water District (MWD) bills Readiness-to-Serve (RTS) based on water use over a ten-year rolling average. The Agency adopted this methodology as of October 2016, which shifted recovery of RTS pass through fees amongst the water member agencies. To mitigate the fiscal impact, the IEUA Board approved the member agencies request to phase-in the RTS recovery in alignment with the implementation of the recycled water surcharge for use over entitlement. Readiness-to-Serve Ten Year Rolling Average (RTS TYRA) pass-through will be charged to the water member agencies to recover their share of total RTS charge imposed by MWD, and will be phased-in over a seven (7) year period.
- The IEUA Long-Term Use Efficiency Business Plan will continue to guide water use efficiency programs over the next three years by implementing core initiatives that will ensure a sustainable reduction in water use to meet and exceed the goals and targets set forth under SBX77 and the State's new framework of "Making Water Conservation a California Way of Life". In 2015, IEUA, in partnership with the members, regionally exceeded the requirements of SBX77 by achieving more than 20 percent reduction per capita water use before 2020. Based on the Plan, the five-year reduction goal for IEUA's service area is 16,095 AF by the year 2020 and 31,446 AF lifetime savings from new programmatic activities. An additional 3,150 AF is projected to be achieved through passive water conservation savings.
- Distribution of recycled water for IEUA projects Projects such as, but not limited to, the San Bernardino Lift Station packing water system, and the RP-1 Centrifuge cooling water system have been identified to switch processes from potable water to recycled water. Operations is working with Maintenance and Engineering departments to complete these projects.
- Agency commitment to addressing critical drought issues:
 - Through a collaborative process, the IEUA and the retail water service providers developed the first Integrated Water Resources Plan (IRP) for the Chino Basin region. This is the first time the combined planning efforts went beyond the development of individual and regional Urban Water Management Plans. The goals of the IRP were to integrate and update past water resource planning efforts in a focused and holistic manner with the collective goal of improving the long-term management of water resources within the region.

Major Initiatives for FY 2016/17 (continued):

- Agency commitment to addressing critical drought issues, (continued):
 - o In August 2016, a Cost Sharing Agreement was entered between IEUA, Cucamonga Valley Water District, City of Ontario, and Monte Vista Water District (CBWB Parties) to fund the initial steps in the formation of the Chino Basin Water Bank (CBWB). The agreement is consistent with the Agency's Business Goal of increasing Water Reliability by meeting the region's need to develop reliable, drought-proof and diverse local water resources to reduce dependence on imported water supplies.
 - Santa Ana Watershed Project Authority (SAWPA) Planning Initiatives During the development of the IRP, the region, along with other retail and wholesale water agencies within the larger Santa Ana River Watershed, collaborated to develop its first watershed-wide conjunctive use program. The Santa Ana River Conservation and Conjunctive Use Project (SARCCUP) is a watershed-wide program that will improve the Santa Ana River Watershed's water supply resiliency through development of additional dry-year yield supply. The primary goal of the conjunctive use element is to maximize the development and use of imported water supply and to conjunctively manage local and imported water supplies in such a way to increase reliability and resilience. IEUA is very involved in assisting SAWPA with education on rates, expertise in aerial imaging and advisement on technology-based conservation products.
 - Further advancement to improve water quality in the Chino Basin was achieved following years of collaborative efforts between IEUA, three public agencies, four private companies, and the U.S. Department of Defense regarding historical use of an industrial cleaning solvent that seeped into the area's groundwater, creating the South Archibald Plume. IEUA led discussions to plan the implementation of a permanent cleanup solution, which resulted in the development of several agreements and actions between the parties in September 2016 that include cleanup of this longstanding contaminated groundwater.

The Agency was a key participant in the crafting of the Sustainable Groundwater Management Act (SGMA) which required local agencies to form sustainable groundwater management agencies by June 2017 and adopt sustainability plans by 2022. In partnership with its member agencies, IEUA continues to invest in a wide



range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency.

Major Initiatives for FY 2016/17 (continued):

Agency commitment to addressing critical drought issues, (continued):

Included in the FY's 2017/18–2018/19 biennial budget is an expansion of the Agency's regional conservation program, including:

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



IEUA as a key SAWPA member/stakeholder, participated in the development of a SAWPA sponsored, Prop 84 grant application. The grant was successfully awarded by the Department of Water Resources in the fall of 2014. The grant funds were allocated and member agencies provide matching funds for the following projects:

- Turf removal rebates,
- Technology-based conservation tools,
- Efficiency-based water rate assistance,
- Aerial imaging to calculate landscape square footage



Major Initiatives for FY 2016/17 (continued):

Major capital construction projects underway in FY 2016/17 included construction of the Water Quality Laboratory, design of the RP-5 Liquids Treatment and Solids Expansion, RP-1 Headworks Primary and Secondary Upgrades, RP-4 Process Improvements and SCADA Enterprise System Phase 4.

Water Quality Laboratory

The Water Quality Laboratory project includes the construction of a 16,000-sq. ft. state-of-the-art laboratory located at the IEUA Headquarters Campus, in the city of Chino. The new lab is being constructed in accordance with the *Leadership in Energy and Environmental Design* (L.E.E.D) Silver rating for energy efficiency, inclusive of solar panel integration into roof joists. 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.

RP-5 Liquids Treatment and Solids Expansion

As part of IEUA's Wastewater Facilities Master Plan (WFMP), an analysis of the influent wastewater flow and quality data for IEUA's Regional Water Recycling Plants (RWRP's) was performed to establish current average and peak flow influent flows, concentrations, and loads for the purpose of developing flow and load projections for the 2035 planning year. The analysis confirmed the following treatment needs:

- 1. Expand the RP-5 Liquids Treatment system to meet service area growth;
- 2. Relocate and expand Solids Treatment from RP-2 to RP-5.

Improvements at RP-5 are expected to increase the treatment capacity of RP-5 from 15 to 30 million gallons per day (MGD). The relocation of the RP-2 Solids treatment Facility to RP-5 is required due to the facility being located on United States Army Corps of Engineers (USACE) property, which upon completion of the USACE project to raise the Prado Dam Spillway, will be located in a future flood plain. The RP-5 Solids Treatment Facility will be able to treat all solids generated from RP-5 and Carbon Canyon Water Reclamation Facility (CCWRF), producing public health benefits by treating domestic wastewater to the Clean Water Act (CWA) required levels. The Project will also provide food waste treatment capacity, expected to be 50,000 gallons per day (GPD) to address statewide landfill diversion targets.

Major Initiatives for FY 2016/17 (continued):

RP-1 Headworks Primary and Secondary Upgrades

The WFMP analysis also confirmed the need for the *RP-1 Liquids Treatment Expansion*, *RP-1 Solids Treatment Expansion*, to accommodate the projected influent wastewater flows by 2030. Due to the similarities in the nature of work for the RP-1 Plant 3 Scum Well Upgrade, the RP-1 Headworks Rehabilitation, and the RP-1 Aeration Basin System C Flowmeter Bypass, the scope of work of the aforementioned projects was combined, and the RP-1 Headworks, Primary and Secondary Upgrades project was developed.

RP-4 Process Improvements

RP-4 began operation in July of 1997 with an average daily liquid treatment capacity of seven million gallon per day (MGD). In September 2009, the average daily liquid treatment capacity was expanded to 14 MGD. RP-4 is entirely a liquids wastewater treatment plant including the following treatment processes: preliminary, primary, secondary (activated sludge), and tertiary treatment. Solids are diverted to the Etiwanda Sewer and treated at RP-1. All wastewater is treated to Title 22 Recycled Water Standards and is pumped directly into the recycled water distribution system.

Since the 14 MGD liquids expansion, there are areas in need of process improvements to enhance operational flexibility, and deterioration of existing facilities has occurred. Proposed improvements will extend the service life of facilities.

SCADA Enterprise System Phase 4

The Facilities and Recycled Water Supervisory Control and Data Acquisition (SCADA) Master Plans identified the critical need for an Agency-wide SCADA Enterprise System. IEUA relies heavily on SCADA for operation and compliance of the various facilities. The project will convert the existing control and workrooms into new server and control rooms to be utilized in the migration of the SCADA system to a more uniform platform for all facilities. The server and control rooms will serve the long-term needs of the facility. The project will provide the infrastructure, tools, and information to enable Operations to maintain regulatory compliance and meet their levels of service in a more efficient manner. 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 System will minimize system delivery risk, reduce system variability, enhance system quality, and ensure that Agency staff have the support to maintain the system post-commissioning.

Major Initiatives for FY 2016/17 (continued):

Recycled Water Program Highlights

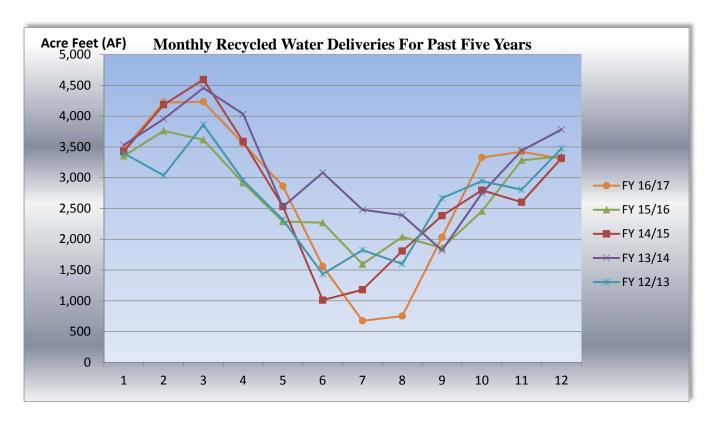
Recycled Water Deliveries by Acre Foot

Type		Ex	xisting	Projected			
Туре	2013/14	2014/15	2015/16	2016/17	2017/18	2018/2019	2019/2020
Direct	24,659	22,580	19,397	19,477	22,580	22,059	21,372
GW	13,593	10,840	13,222	13,934	10,840	12,320	12,365
Total	38,251	33,420	32,619	33,411	33,420	34,379	33,737

New connections to the recycled water system decreased by approximately 19 percent in FY 2016/17, with 119 new connections vs the prior fiscal year total of 148. New connected demand of 1,724 AFY decreased approximately 11 percent from the prior fiscal year total of 1,936 AFY. The decrease is primarily due to land use conversion from agricultural use to residential and commercial, as well as more emphasis on groundwater recharge.

- Total member Agency connected meters to-date 1,113
- Total connected demand to-date 49,776 AF.

Annual Recycled Water Connected Demand Summary (AFY)



Major Accomplishments for FY 2016/17 (continued):

Grants

The highlights of major activities and accomplishments are as follows:

Since the year 2000, the Grants Administration has secured approximately \$442 million grants and SRF loan funding accumulatively for IEUA, Chino Basin Desalter Authority (CDA), Chino Basin Watermaster (CBWM), and IEUA's member agencies.

The grant and loan funding supports IEUA's Ten-Year Capital Improvement Plan (TYCIP), which outlines a strategy for the rehabilitation, replacement, and expansion of facilities owned or operated by the Agency.

Grant and SRF loan funding helps to finance IEUA's essential water and wastewater capital programs. The Agency's grant program reinforces the Agency's role as a regional supportive financial partner to secure low-cost financing for critical infrastructure projects.

In FY 2016/17, federal, state, and local grants and loans provided \$20 million to support Agency's capital projects, and \$33 million for CDA capital projects for combined funding of \$53 million, as illustrated in the table below.

Inland Empire Utilities Agency Active Grant and SRF Loan Summary As of June 30, 2017

IEUA Active Grants and SRF Loans	Award Amount		Invoiced Through (6/30/16)		Invoiced FY16/17 (07/01/16 6/30/17)	Award Balance
Federal Grants	\$	17,819,434	\$	2,333,458	\$ 10,504,255	\$ 4,981,721
State and Local Grants	\$	18,342,523	\$	12,363,639	\$ 1,716,348	\$ 4,262,536
Subtotal IEUA Grants	\$	36,161,957	\$	14,697,097	\$ 12,220,603	\$ 9,244,257
SRF Loans	\$	73,459,688	\$	48,178,570	\$ 8,008,247	\$ 17,272,871
Subtotal IEUA Grants and SRF Loans	\$	109,621,645	\$	62,875,667	\$ 20,228,850	\$ 26,517,128
		CDA GRA	\N1	rs		
CDA Grants	\$	67,151,363	\$	34,238,889	\$ 32,905,183	\$ 7,291
GRAND TOTAL ACTIVE GRANTS & LOANS	\$	176,773,008	\$	97,114,556	\$ 53,134,033	\$ 26,524,419
Active Grants & Loans	\$	176,773,008	\$	97,114,556	\$ 53,134,033	\$ 26,524,419
Closed Grants	\$	179,604,064				
Closed SRF loans	\$	86,107,654		·	·	
Closed grants and SRF loans	\$	265,711,718				
Total Active and Closed Grants & Loans since 2000	\$	442,484,726		Duagagada		

^{*}Includes FY 2016/17 Accrued Grant Receipts and Loan Proceeds

Major Accomplishments for FY 2016/17 (continued):

Funding Developments

In FY 2016/17 the Agency received notification of awards from the State Water Resources Control Board (SWRCB) and the United States Bureau of Reclamation (USBR) of \$48.3 million, comprised of \$33.6 million grants and \$14.7 million SRF Loans, as illustrated in the table below.

Programs FY 2016/17 Awards					
Recycled Water	Grants	Loans	Total		
SWRCB San Sevaine Basin Improvements	\$2,500,000	\$3,900,000	\$6,400,000		
SWRCB Napa RW Lateral Project	\$2,500,000	\$3,500,000	\$6,000,000		
Subtotal Recycled Water	\$5,000,000	\$7,400,000	\$12,400,000		
Groundwater Management					
SWRCB Proposition 1 IEUA-CBWM RMPU Update Storm Water Project	\$10,000,000		\$10,000,000		
Subtotal Groundwater Management	\$10,000,000	\$0	\$10,000,000		
Wastewater Treatment					
SWRCB Water Quality Lab - Additional Funding	\$210,998	\$7,334,002	\$7,545,000		
Subtotal Wastewater Treatment	\$210,998	\$7,334,002	\$7,545,000		
Safe Drinking Water					
USBR Title XVI CDA II - Additional Funding	\$5,200,000		\$5,200,000		
SWRCB Proposition 1 - Chino Basin Improvement and Cleanup Project	\$11,400,000		\$11,400,000		
SWRCB Proposition 50 - Grant CDA II Expansion - Additional Funding	\$1,800,000		\$1,800,000		
Subtotal Safe Drinking Water	\$18,400,000	\$0	\$18,400,000		
Grand Total	\$33,610,998	\$14,734,002	\$48,345,000		

Major Accomplishments for FY 2016/17 (continued):

Funding Developments (continued):

New Water Quality Laboratory

Funding Secured: \$24.6 Million SRF Loan including a \$1.3 Million Principal Forgiveness

New Water Quality Laboratory building concrete foundation pour and steel columns and beams.



The new
Laboratory is a
single story, steel
framed, and fully
sprinklered
structure with
LEED Silver



Major Accomplishments for FY 2016/17 (continued):

Other Agency accomplishments included:

Rates

Implementation 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;

- A new water connection fee was established to support capital investments intended to enhance and expand the regional water distribution system and groundwater recharge facilities. The water connection fee was implemented at \$693 per meter equivalent unit (MEU) for 5/8" and 3/4" meter sizes effective January 1, 2016; and, increased to \$1,455 per MEU effective January 1, 2017.
- In FY 2015/16 the Agency completed the first-ever engineering study analysis of the regional wastewater connection fee. The study revealed an increase for new connections was needed to support capital investment over the next 20 years. As a result of the 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. Phased implementation over 5 years began in FY16/17 with rates set at \$5,415 July 1, 2016 through December 31, 2016, increasing to \$6,009 January 1, 2017 through June 30, 2017.
- Wastewater EDU volumetric monthly rates were originally designed to provide for full cost of service by FY 2018/19 based on the original assumptions in the implementation rates analysis. Since then, the Agency has identified additional investment needs for repair and rehabilitation projects, that most likely will postpone the achievement of full cost of service. The impact of these projects in the cost of service will be evaluated in a new rate study that will support the rates for fiscal year 2020/21 and thereafter.
- Recycled water rates were originally designed to provide for full cost of service by FY 2017/18 based on the original assumptions in the implementation rates analysis. Since then, the Agency has identified additional investment needs for repair and rehabilitation projects, that most likely will postpone the achievement of full cost of service. The impact of these projects in the cost of service will be evaluated in a new rate study that will support the rates for fiscal year 2020/21 and thereafter.

Fiscal Responsibility

- The Agency refinanced the 2008A Revenue Bonds in January 2017, resulting in a savings of \$37 million over the life of the bonds, net of \$50 million principal repayment.
- Also in January 2017, Standard & Poors (S&P) upgraded the Agency's long-term credit rating from AA to AA+. Moody's rating was maintained at Aa2.

Major Accomplishments for FY 2016/17 (continued):

Other Agency accomplishments included (continued):

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 fourth installment of \$2 million in June 2017. The cumulative payments of \$11 million have been funded. (Refer to Note 1 of the Notes to the Basic Financial Statements for detailed information)
- Processed the third 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. (Refer to Note 5 of the Notes to the Basic Financial Statements for detailed information)

Cost Containment / Efficiencies:

- The Agency currently employs 21 limited term (LT) employees, compared to the adopted staffing plan of 17 LT positions. The cost of these additional LT positions is partially offset by a higher than anticipated vacancy factor of 7.9 percent, equivalent to 24 full-time equivalent (FTE) positions, compared to budgeted vacancy rate of 2 percent (6 FTE's). Recruitment of key positions as part of the Agency's succession planning effort will lower the vacancy factor going forward.
- The Agency Laboratory is a full-service laboratory certified by the State of California ELAP for wastewater and drinking water testing. The Laboratory follows the strict guidelines for the production of quality results required by the Environmental Protection Agency (EPA) and State Water Resources Control Board, Department of Drinking Water. In FY 2016/17 the Laboratory certification was renewed, adding certification for their methods of testing surfactants, eliminating the cost of contracting out surfactant testing. The Laboratory analyzed approximately 18,000 samples and performed approximately 64,000 various tests.

Workplace Environment:

Developed a written disaster plan for all critical technology systems. Conducted offsite SAP and computer lab testing successfully. Implemented the recommended disaster plan per the Technology Master Plan (TMP).

Major Accomplishments for FY 2016/17 (continued):

Other Agency accomplishments included (continued):

Workplace Environment (continued):

Executed a major SAP upgrade from Enhancement Pack 5 (EHP5) to EHP8. The upgrade allows for future improvements in all modules of SAP. Key enhancements made in FY2016/17 included single sign-on to SAP ESS/MSS (Employee Self Service/Manager Self Service), SAP GUI (Graphical User Interface), and SAP reports in BI Launchpad (the Agency's internal reporting tool): implemented U.S. Bank Payment Plus program; and improved data entry processes for Water Connection Fee applications.

FUTURE YEARS

Making water conservation a way of life and establishing long term water use efficiency standards is a key objective of the Governor. The Agency, in partnership with its member agencies, will continue to invest in a wide range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency in alignment with the Governor's long-term objective. Many of these projects are part of the Agency's Integrated Water Resources Plan (IRP) completed in 2015. The 2015 IRP is intended to anticipate future water supply challenges and to ensure that continued investments in water resources and water use efficiency meet the future water needs of the region.

Following unprecedented water conservation and plentiful winter rain and snow, on April 7, 2017 Governor Edmund G. Brown Jr. ended the drought State of Emergency in most of California, while maintaining future water reporting requirements and prohibitions on wasteful practices such as watering during or right after rainfall.

While Executive Order B-40-17 lifts the drought emergency in all California counties except Fresno, Kings, Tulare, and Tuolumme, where emergency drinking water projects will continue to help address diminished groundwater supplies, it builds on actions taken in Executive Order B-37-16 which remains in effect. Pursuant to and in compliance with the Governor's *Water Action Plan*, state agencies released a long-term plan to better prepare the state for future droughts. And as per the Governor's plan, the State Water Resources Control Board will separately take action to make reporting and wasteful water practices permanent.

The California State Water Board stated "... Though our water picture is significantly improved in most of California, we have to maintain our drought memory and shift to planning an action to prepare for the long term. From transitioning to California-friendly landscapes and smart irrigation systems, to reducing leaks and increasing use of recycled water and other measures – we need to keep in motion to face a future with longer and more severe droughts under climate change."

FUTURE YEARS (continued):

Central to the "Making Water Conservation a California Way of Life" plan is a requirement that the state's 410 urban water suppliers meet new water use targets. Suppliers would calculate their unique water efficiency targets based on a common methodology that takes into account the diverse climatic, demographic and land-use characteristics of each agency's service area. Urban water suppliers would set new targets by 2021 with a full compliance deadline of 2025.

Other key elements of the plan include:

- Technical assistance, financial incentives and standards to guide water suppliers' efforts to detect and repair leaks.
- Requiring urban water suppliers to prepare water shortage contingency plans, including a drought risk assessment every five years.
- Requiring more agricultural water suppliers to submit plans that quantify measures to increase water use efficiency and develop adequate drought plans.
- Monthly reporting by urban water suppliers on water usage, conservation achieved and enforcement efforts.
- Improved drought planning for small water suppliers and rural communities.

Some of the actions described in the report will require new legislation and expanded state authority, while others can be implemented under existing authorities. All aim to achieve the four main objectives of the Governor's Executive Order B-37-16: use water more wisely, eliminate water waste, strengthen local drought resilience, and improve agricultural water use efficiency and drought planning. The IEUA recognizes the need for long-term sustainability of water supplies and the importance of collaboration beyond its service area while always considering the future. IEUA continues to work with its member agencies, the Santa Ana Watershed Project Authority (SAWPA), the Metropolitan Water District of Southern California, and others to safeguard and enhance the quality of life in the Inland Empire and achieve sustainability in a cost-effective manner.

For any organization to remain relevant and effective, its ability to adapt and prepare for change is essential. 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*:



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 have been 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.

Opportunities and Challenges

Over the next 5 years, nearly 45% of Agency employees will be eligible to retire. Timely recruitment of skilled personnel is crucial to ensure effective transfer of knowledge and skills to the next generation of Agency employees. Included in the FY's 2017/18 & 2018/19 budget will be a succession pool of revolving positions to support timely recruitment of critical positions throughout the organization. Timely upkeep of Agency facilities and equipment is another key objective. The biennial budget will include support for the Agency's maintenance department ongoing transition from a corrective to a reliability centered (RCM) maintenance strategy. Over time, the benefit of this proactive approach will result in lower maintenance costs.

An important part of the transition is continual investment in training personnel to develop the necessary skills to implement and support this maintenance strategy.

After five years of epic drought, California experienced one of the wettest winter seasons in nearly a century of record-keeping. The final reading of the snow level in the Sierra Nevada mountains on May 1, 2017, reported the snowpack at 190 percent of the historic average; an unprecedented improvement from zero snow pack reported just two years earlier in May 2015. The damage to the Oroville Dam in northern California in early February 2017 brought to the light the State's aging infrastructure and its ability to handle the vast amount of water expected from the unprecedented rainfall and impending snowmelt as temperatures begin to warm. Since the year 2000, California has experienced four waves of drought; however, no drought in the last 100 years was as severe as the last one. Experts and State water officials expect these extreme cycles of dry and wet weather to continue as global temperatures continue to rise.

Water Reliability

The Sierra Nevada mountain range is a key source of water supply. The ample supply of water expected from the snow melt coupled with the statewide water savings achieved through conservation is anticipated to provide sufficient supplies of water throughout the State. This is good news for IEUA and its retail water agencies. All of the water IEUA imports from the Metropolitan Water District of Southern California (MWD) is delivered through the State Water Project (SWP) system. To mitigate the uncertainty of the SWP water supplies, over the past 15 years, more than \$500 million was invested by IEUA and its retail agencies to drought-proof the region by expanding groundwater, storm-water, recycled water and conservation programs and facilities. These investments also leveraged the region's ability to secure hundreds of millions of dollars in state and federal grants and loans. As a result, when the record-breaking drought of 2012 began the region was prepared. Throughout this unprecedented time, sufficient water supply

FUTURE YEARS (continued):

was available to meet the water needs of the region without constraining new development or economic growth.

Optimizing beneficial use is also the goal of the Recycled Water Program Strategy (RWPS), one of the Agency's master plans, and a major part of the Agency's integrated water resource management program. Over the next two years, in partnership with Chino Basin Watermaster, Chino Basin Water Conservation District and its member agencies, the Agency is investing approximately \$40 million to improve the Agency's regional recycled water distribution system (RRWDS) and expand capacity of groundwater basins. The additional water supply is essential in supporting future growth and economic development for the region. IEUA remains committed to providing reliable and cost-effective water supplies, and promoting sustainable water use efficiency.

Environmental Stewardship

Making water conservation a way of life and establishing long term water use efficiency standards is a key objective of the Governor. The Agency, in partnership with its member agencies, will continue to invest in a wide range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency in alignment with the Governor's long-term objective. Many of these projects are part of the Agency's Integrated Water Resources Plan (IRP) completed in 2015. The 2015 IRP is intended to anticipate future water supply challenges and to ensure that continued investments in water resources and water use efficiency meet the future water needs of the region.

As one of ten agencies participating in the Santa Ana River Multiple Species Habitat Conservation Plan (HCP), led by the San Bernardino Valley Municipal Water District (SBVMWD), IEUA 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. 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 to benefit the entire Santa Ana Watershed.

One such project is the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). IEUA, along with SBVMWD, Eastern Municipal Water District, Western Municipal Water District, and Orange County Water District, comprise the Santa Ana River Watermaster Action Team (Action Team). The primary objective of SARCCUP is to maximize development of local and imported water supplies as equitable partners and not to compete for grants or imported water supplies that can be used to benefit the Santa Ana River Watershed.

These projects were the basis for the 2015 One Water One Watershed (OWOW) grant application for \$60 million from the Department of Water Resources (DWR) Proposition 84 grant funding. The Action Team will also work collaboratively on regional water use efficiency programs and habitat restoration/Arundo removal programs.

Additionally, the Chino Basin Conjunctive Use Environmental Water Storage / Exchange Program project is the basis for the pending grant application for \$480 million from the Proposition 1

FUTURE YEARS (continued):

Environmental Stewardship (continued):

California Water Commission (CWC) – Water Storage Investment Program (WSIP). This project will construct an advanced water treatment facility and distribution facilities that will store up to 15,000 acre-feet per year of unused new local water supply into the Chino Basin Water Bank (CBWB). The bank will be operated in a way that dedicates blocks of water of up to 50,000 acrefeet per year (AFY) towards ecosystem benefits north of the Delta.

Capital cost estimates for the project are shown in the following table:

	TABLE 1 -	CAPITAL	COST ESTI	MATE			
		Design Cost	Con- struction	Sub- Total	Con- tingency	Capital Cost	
Project Component	Quantity	\$M	\$M	\$M	30%	Unit Cost (\$M)	Total (\$M)
Baseline Feeder Extension #1 to CVWD/FWC	LS	4.6	18.5	23.1	6.9	\$30	\$30
Baseline Feeder Extension #2 to WFA	LS	3.1	12.3	15.4	4.6	\$20	\$20
Pipelines from Wells to Baseline Feeder	2	3.1	12.3	30.8	9.2	\$20	\$40
Pump Station	LS	2.3	9.2	11.5	3.5	\$15	\$15
New Production Wells (10)	10	0.3	1.2	15.4	4.6	\$2	\$20
Existing Production Wells (10)	10	-	-	-	-	-	-
New Treatment for (10) Wells	10	0.6	2.5	30.8	9.2	\$4	\$40
Pipeline and Connections for (20) Wells	20	0.3	1.2	30.8	9.2	\$2	\$40
Water Supply Commitment	LS	-	15	75	-	\$95	\$95
Advanced Water Treatment of IEUA's Recycled Water	LS	12.3	49.2	61.5	18.5	\$80	\$80
Advanced Water Treatment of RW w/Pomona & MVWD	LS	15.4	61.5	76.9	23.1	\$100	\$100
Total Capital Cost							\$480

The Agency is committed to protection of the environment through conservation and sustainable practices implemented on a regional and watershed basis.

Wastewater Management

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 systems are managed and constructed so that 90 % of capacity is never exceeded. The acquisition, construction, improvement, and expansion of the Agency's regional wastewater system are supported by the regional wastewater connection fee. Included in the biennial budget and FY's 2018-2027 Ten Year Capital Improvement Plan (TYCIP) will be the continued pace of new development of 4,500 new wastewater connections over the next two years.

Member agencies' forecast 5,500 new equivalent dwelling units (EDU) connections per year over the next ten years. Most of the new development is anticipated in the cities of Chino, Fontana and Ontario. The most current forecast provided by member agencies in November 2016 estimates almost 36,500 new connections through 2027.

FUTURE YEARS (continued):

Fiscal Responsibility

The Operating Budget for FY's 2017/18 – 2018/19 will be the Agency's second biennial budget. An important policy principle of the multi-year rates was the establishment of rates and fees that fully recover the cost of providing the service, as well ensuring rates are reasonable and equitable by establishing a clear nexus between what a customer pays, and the benefit of the services received, as legally mandated. Establishing a new regional water connection fee and adjusting the regional wastewater connection fee to adequately fund future capacity expansion and enhancement of existing facilities is consistent with the principle of having "growth pay for growth." Based on actual and projected expenditures through FY 2016/17, and assumptions to be included in the biennial budget, the Agency is on track to achieving full cost of service rates by FY 2019/20. No adjustment to the adopted multi-year rates and fees will be made for FYs 2017/18 and 2018/19.

The Agency continues to be committed to sustainable cost containment. The number of authorized full-time equivalent (FTEs) of 290 has been maintained over the two-year budget period, and is projected to be sustained over the ensuing three years. Included in the FY's 2017/18 & 2018/19 biennial budget will be a succession pool of 10 positions to support timely recruitment of critical positions throughout the organization.

The State Revolving Fund (SRF) loan program is an important source of funding for the RP-5 Expansion and RP-1 Rehabilitation projects. Additionally, the Agency submitted a letter of interest to the U.S. Environmental Protection Agency (EPA) for a Water Infrastructure Finance and Innovation Act (WIFIA) loan. The Agency will continue to aggressively pursue federal, state and regional grants and incentives, including low interest SRF loans and grants, and rebates offered by MWD to support its regional water use efficiency projects. Optimizing low interest loans and grant funding will help reduce the cost of executing the planned programs and projects that will be included in the FY's 2017/18 and 2018/19 biennial budget and FY's 2018-2027 TYCIP.

FINANCIAL INFORMATION

Internal Controls

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

FINANCIAL INFORMATION (continued):

Internal Controls (continued):

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 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 perform test on compliance with applicable laws and regulations related to all financial activities conducted by the Agency although they express no opinion on compliance. 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, 2016. This was the eighteenth consecutive year the Agency has received this prestigious award.

OTHER INFORMATION (continued):

Awards (continued):

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.

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,

Halla Razak General Manager

Christina Valencia

Executive Manager of Finance

and Administration/AGM

Intregrated Regional Water Management



Drought Solicitation Implementation Program



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

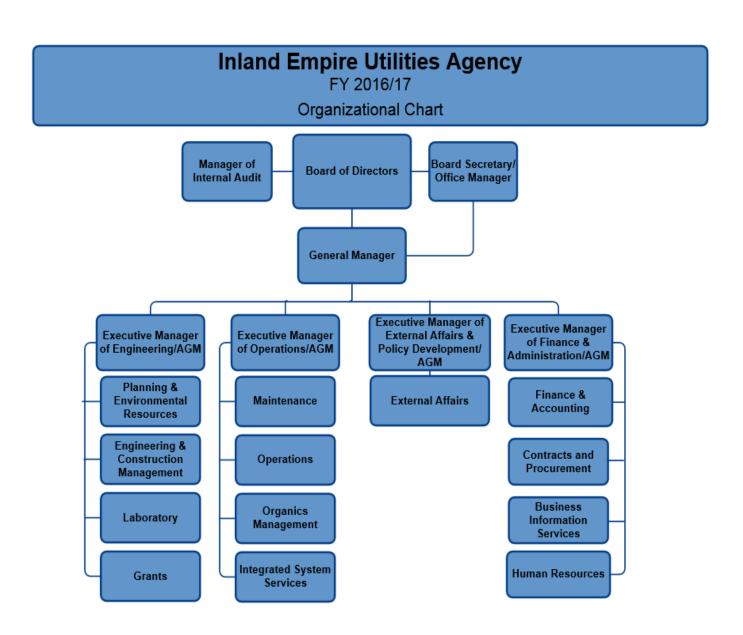
Presented to

Inland Empire Utilities Agency A Municipal Water District California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



INLAND EMPIRE UTILITIES AGENCY

Principal Officials

BOARD OF DIRECTORS

Steven J. Elie President

Michael E. Camacho Vice President

Jasmin A. Hall Secretary/Treasurer

Paul Hofer Director Kati Parker Director

EXECUTIVE STAFF

Halla Razak General Manager

Chris Berch Executive Manager - Engineering/AGM

Kathy Besser Executive Manager - External Affairs & Policy

Development/AGM

Randy Lee Executive Manager - Operations/AGM

Christina Valencia Executive Manager - Finance & Administration/AGM

MANAGEMENT STAFF

Sharmeen Bhojani Manager - Human Resources

Warren Green Manager - Contracts & Procurement

Nelletje Groenveld Manager – Laboratories

Javier Chagoyen-Lazaro Manager - Finance and Accounting

Sylvie Lee Manager - Planning and Environmental Resources

Chander Letulle Manager - Operations & Maintenance, South

Rick Mykitta Manager - Operations & Maintenance, North

Kanes Pantayatiwong Manager - Business Information Services

Shaun Stone Manager – Engineering
Teresa Velarde Manager – Internal Audit

April Woodruff Board Secretary/Office Manager

Jeff Ziegenbein Manager of Organics Management - IERCA

Suresh Malkani Principal Accountant

Tina Cheng Budget Officer
Jason Gu Grants Officer

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 2016/17:

First Half FY 2016/17

Second Half FY 2016/17

Finance/Administration
Matthew Hanson

Finance/Administration Sharon Acosta-Grijalva

Engineering/Planning
Niki Becker

Engineering/Planning
James Spears

Operations
Garrett Bell

Operations
Steven Watts

Employee of the Year

For FY 2016/17, Sharon Acosta-Grijalva was chosen by the Selection Committee as the Employee of the Year.





IEUA STAR AWARD RECIPIENT EMPLOYEE OF THE YEAR 2016/17

Sharon Acosta-Grijalva, Human Resources Analyst II, has been a valued and respected member of the Human Resources team for a little over two years. Her role in the HR team and the Agency is immensely significant, and at times could be taken for granted. She's the first person you interact with as a potential new employee, the one to help you throughout your career as you undergo life events, and the one who walks you through the process of leaving the Agency. This is all part of her role as the main person responsible for the day-to-day administration of the various benefit programs for the entire Agency. This year alone, she's assisted with the onboarding of 49 new hires, separating 34 employees, assisted 31 employees with leave administration, processed 91 open enrollment changes, processed 140 wellness reimbursements, and reviewed hundreds of fact sheets.

Sharon demonstrates her dedication to the Agency every day. Despite her workload, she maintains an upbeat attitude and a great sense of humor, regardless of how many hours she may have to work to get the job done. Sharon takes pride in what she does, is always willing to help, has an incredible work ethic, genuinely cares about the well-being of all our employees, and is a valued member of the HR team since she joined the Agency. Her efforts are truly appreciated and commendable. Sharon is very deserving of the STAR Award.

Winexille 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, 2017, 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.

Auditor's 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. 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, 2017, 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 schedule of funding progress 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, 2016, from which such partial information was derived.

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, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

The combining and individual nonmajor fund financial 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 8, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Brea, California December 8, 2017

Lance, Soll & Lunghard, LLP

RP-5 Lawn Conversion



Examples of Turf Removal

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of 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, 2017. 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 percent of fund category and 2) Exceeds 5 percent of the total of Assets, Liabilities, Revenues, and Expense; or a Non-major fund group. Because of the nature of the Agency's business, all funds are classified as "Proprietary" funds, using the 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 local water resources and conservation programs; 2) production and sale of recycled water and management of the regional recycled water distribution system; 3) collection and treatment of domestic wastewater and the acquisition, construction, expansion and maintenance 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 \$221,221,372 for Fiscal Year (FY) 2016/17 reported an increase of \$28,955,134 compared to \$192,266,238 recorded for FY 2015/16. The net increase was primarily due to: 1) \$11,243,156 increase in imported water sales due to higher water deliveries; 2) \$6,140,868 increase in service charges due to rate adjustments; 3) \$5,597,956 increase in wastewater capital connection fees as a result of an additional 1,013 units of new connections; 4) \$4,764,425 increase in capital grants; 5) \$4,417,925 increase in water capital connection fees in effect January 1, 2016; 6) \$2,916,423 increase in recycled water sales due to rate adjustments; and 7) \$637,396 increase in interest income. These increases were partially offset by a decrease of \$6,805,933 in other non-operating revenue primarily due to the one-time forgiveness of \$4,308,104 interfund loan in FY 2015/16.

Total expenses of \$166,099,684 for FY 2016/17 reported an increase of \$11,137,855 compared to \$154,961,829 recorded in FY 2015/16. The overall increase includes a higher operating expense of \$15,583,208 offset by a decrease in non-operating expenses of \$4,445,353. The increase in operating expenses was primarily due to: 1) an increase of \$11,243,156 in imported water purchases mainly due to higher deliveries; 2) an increase of \$4,923,928 in wastewater collection, treatment, and disposal; and 3) an increase of \$1,218,742 administration and general; 4) an increase of \$257,942 in depreciation and amortization. These increases were partially offset by 1) a cumulative decrease of \$3,250,248 in other non-operating expenses; 2) a decrease of

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued):

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

\$2,060,560 in operation and maintenance expenses; and 3) a decrease of \$1,195,105 in interest on long-term debt.

The decrease in non-operating expenses of \$4,445,353 is primarily due to the one-time forgiveness of a \$4,308,104 interfund loan in FY 2015/16 from the Administrative Services to Water Resources Fund to support regional conservation initiative including the turf rebate program.

FINANCIAL HIGHLIGHTS

Cash and Investment Management

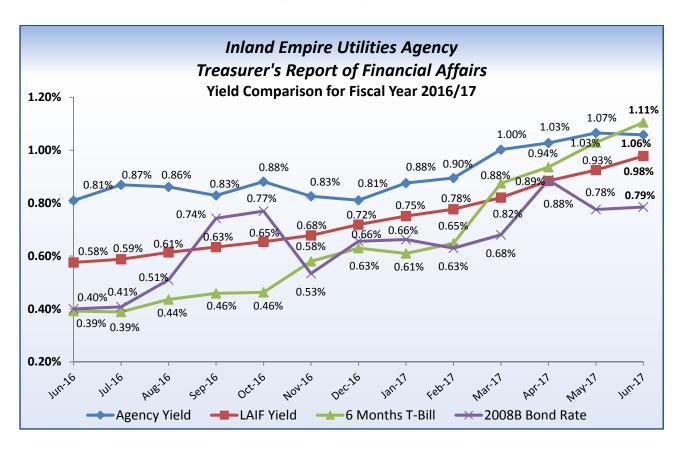
The Agency has a comprehensive cash and investment program subject to California State Government Code (CSG) and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution which identify the authorized investment types and any restrictions. Consistent with the CSG, the Agency annually adopts an investment policy that is intended to safeguard the principal investment and minimize credit and market risks, remain sufficiently liquid to meet all operating requirements reasonably anticipated for six months, 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, 2017, 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 pooled investment funds.

Investment Portfolio Performance

The continued pace of 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 0.810 percent in June 2016 to 1.060 percent by June 30, 2017.

Total interest income for FY 2016/17 of \$1,399,274 increased 84 percent compared to \$761,878 in FY 2015/16. The increase in interest income is primarily due to the increase in the investment funds held by the Agency and higher interest yield in Government-Sponsored Enterprise and pooled investments such as Local Agency Investment Fund (LAIF), California Asset Management Program (CAMP) and CalTRUST.

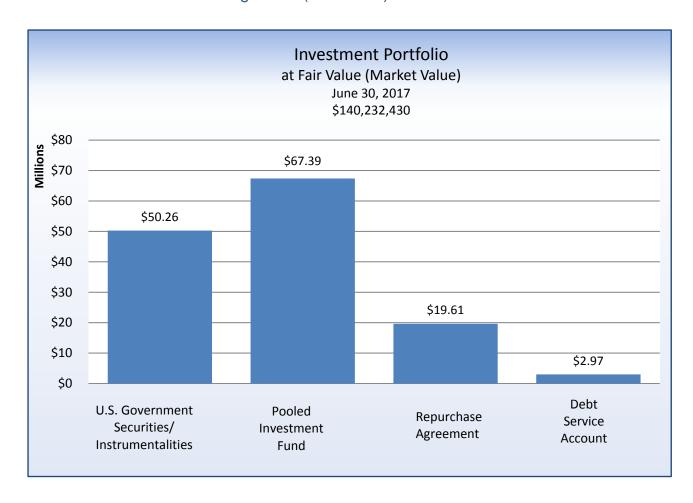
Investment Portfolio Performance (continued):



Cash and Investment Management

The Agency has followed a conservative approach in conducting its investment activities 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 order of priority: safety, liquidity, and yield.

Cash and Investment Management (continued):



The Agency's portfolio fund balance for the fiscal years ended June 30, 2017 and June 30, 2016 were \$140,232,430 and \$119,382,015 respectively. Not included are restricted funds held in trust or by member agencies, such as deposits held by CalPERS to support the Agency's OPEB unfunded accrued liability and wastewater connection fees held by member agencies in Capital Construction Reimbursement Accounts (CCRA's).

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 provided the appropriate personnel to manage the production, treatment and distribution of the water produced by the Chino I desalination facility (Chino I Desalter).

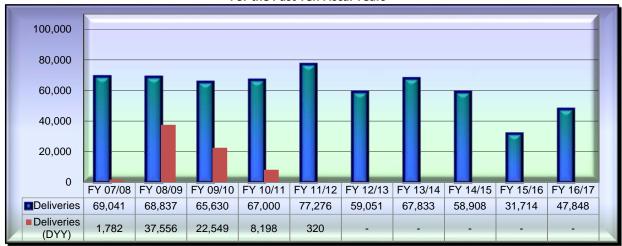
All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Services Fund. These expenses are billed to the CDA monthly. In FY 2016/17, the total amount billed was \$1,180,577 and reported as non-operating revenue.

Imported Water Deliveries

Imported water deliveries for FY 2016/17 were 47,848-acre feet (AF) compared to 31,714 AF reported in FY 2015/16, an increase of 16,134 AF. Following unprecedented water conservation and plentiful winter rain and snow, in May 2016 MWD lifted the Water Supply Allocation restrictions and penalty rates put in place in response to the unprecedented drought and response to the Governor's Executive Order calling for statewide mandatory water reductions to reduce water usage across the State by 25 percent from 2013 levels. Governor Brown ended the drought state of emergency in April 2017. Higher imported water deliveries were also partly due to the purchase of 6,000 AF of replenishment water for groundwater recharge. No replenishment water was purchased in the prior fiscal year. Overall imported water purchases are still 63% below purchases in FY 2013/14.

A comparative of imported water deliveries for the past ten fiscal years shows a decline in imported water deliveries beginning in FY 2007/08. The downward trend is a result of water conservation measures, and state legislative and regulatory requirements designed to improve water use efficiencies to help sustain and meet future water supply needs.





The total operating revenue in the Water Resources Fund increased by \$10,723,632 in FY 2016/17 to \$34,691,844 from \$23,968,212 in FY 2015/16, primarily due to increased imported water deliveries, which was partially offset by a decrease in service charges.

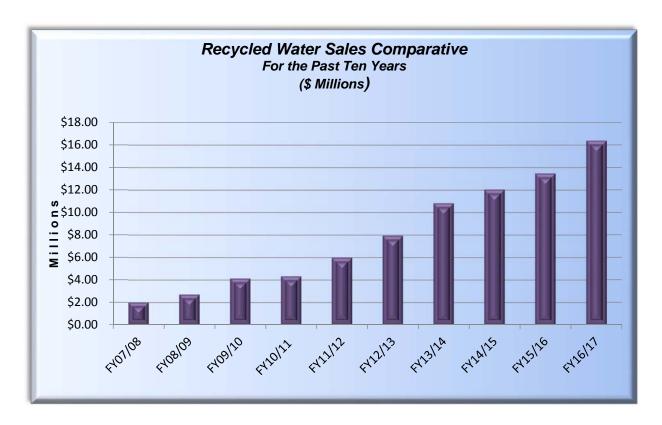
The decrease in service charges is due to the implementation of a new rate structure effective October 1st, 2016 to more appropriately recover costs from rate payers receiving the service. Also restructured was the recovery of the MWD readiness-to-serve (RTS) fees previously supported by meter account charges. Full pass-through recovery is consistent with MWD's ten year rolling average (TYRA). As requested by member agencies, the RTS TYRA will be phased in over a seven-year period. The new rate structure includes Meter Equivalent Unit (MEU) charge, based on meter size, to support the Agency's water resource program.

Imported Water Deliveries (continued):

The total operating expenses increased from \$25,949,069 in FY 2015/16 to \$36,198,210 in FY 2016/17, this increase was primarily due to higher imported water purchases from MWD.

Recycled Water Sales

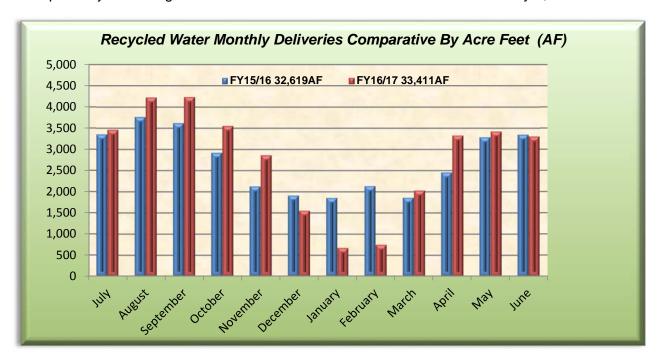
Total recycled water sales increased by \$2,916,423 to \$16,384,605 in FY 2016/17, compared to \$13,468,182 in FY 2015/16.



The 22 percent increase in revenues was primarily driven by an increase in recycled water rates for direct deliveries from \$350 to \$410 per acre foot (AF) and groundwater deliveries from \$410 to \$470 per AF, effective July 1, 2016. Included in total operating revenues was \$2,079,000 from 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 LPP rebate expired on June 30th, 2017. Grants receipts totaled \$372,208. Total operating expenses decreased by \$191,305, or 1 percent, to \$16,299,192 as a result of a decrease in other operating expenses by \$613,736 partially offset by an increase in depreciation expense of \$422,431.

Recycled Water Sales (continued):

Total net position at June 30, 2017 was \$69,388,856, an increase of \$4,019,741. The increase was primarily due to higher water connection fees which took effect on January 1, 2016.



A total of 33,411 AF was registered for direct and recharged recycled water deliveries, compared to 32,619 AF for last fiscal year; an increase of 2 percent.

Regional Wastewater Program Activities

The Regional Wastewater program, comprised of the Regional Wastewater Capital Improvement (Wastewater Capital) and Regional Wastewater Operations and Maintenance (Wastewater Operations) funds, reported combined total revenue before grants and transfers of \$131,578,357 in FY 2016/17, an increase of \$14,595,309, or 12 percent over last fiscal year.

Regional Wastewater Program Activities (continued):

Revenues by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for the Fiscal Year Ended June 30, 2016)

Revenue Category		2016/17			2015/16		Increase/ <decrease> from 2015/16</decrease>		
nevenue category		AMOUNT	%OF TOTAL		AMOUNT	%OF TOTAL	AMOUNT	% OF CHANGE	
Service Charges	\$	56,641,193	43%	\$	50,073,868	43%	\$ 6,567,325	13%	
Property Tax Receipts		39,236,720	30%		37,231,448	32%	2,005,272	5%	
Wastewater Connection Fees		30,508,191	23%		24,910,235	21%	5,597,956	22%	
Other Non-operating Revenues		4,414,189	3%		4,348,713	4%	65,476	2%	
Interest Income		778,064	1%		418,784	0%	359,280	86%	
Total Revenues	\$	131,578,357	100%	\$	116,983,048	100%	\$ 14,595,309	12%	

The Agency's FY 2016/17 service charges were \$56,641,193, 13 percent higher, compared to FY 2015/16 total of \$50,073,868. The increase is primarily due to an equivalent dwelling unit (EDU) rate adjustment from \$15.89 to \$17.14 per EDU (effective July 1, 2016) plus an increase in the number of billable EDU's of 2.5 percent. Rate adjustments were adopted by the Agency Board of Directors in 2016 through FY 2019/20 to establish rates which over time will recover the full cost of service.

Property tax receipts allocated to the Regional Wastewater Program increased from \$37,231,448 in FY 2015/16 to \$39,236,720 in FY 2016/17, reporting a 5 percent increase. The primary reason for the increase is the continuing recovery of the real estate market and improvement of assessed property values, and new development.

New EDU connection fees reported by the contracting agencies in FY 2016/17 were 5,189 units compared to 4,176 units reported in FY 2015/16, an increase of approximately 1,013 units at \$6,009 per unit (effective January 1, 2017). The Cities of Chino, Chino Hills, Fontana, and Ontario accounted for approximately 84 percent of the total number of new connections. This growth pace is expected to continue triggering the planned expansion of the Agency's RP-5 facility located in the city of Chino. Construction is set to begin in 2019.

Other Non-Operating Revenues were \$4,414,189 in FY 2016/17 compared to \$4,348,713 in FY 2015/16. The increase is primarily due to an adjustment for Fontana Extra Territorial charges from FY 2013/14 to FY 2016/17. Interest income increased from \$418,784 in FY 2015/16 to \$778,064 in FY 2016/17 due to higher fund reserves.

Regional Wastewater Program Activities (continued):

Expenses by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for the Fiscal Year Ended June 30, 2016)

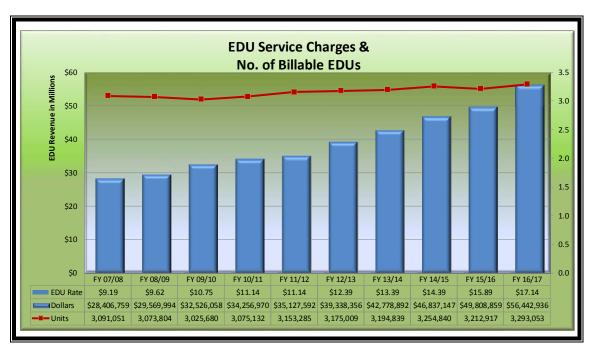
Expense Category		2016/17			2015/16		Inc	Increase/ <decrease> from 2015/16</decrease>	
Expense dategory	AMOUNT		% OF TOTAL	AMOUNT		% OF TOTAL	AMOUNT		% OF CHANGE
Wastewater Collection	\$	1,575,505	2%	\$	1,377,333	2%	\$	198,172	14%
Wastewater Treatment		24,242,516	26%		21,104,320	26%		3,138,196	15%
Wastewater Disposal	11,687,784		13%		11,148,524	13%		539,260	5%
Total Wastewater Expenses		37,505,805	41%		33,630,177	41%		3,875,628	12%
Administration & General		15,067,114	16%		14,801,870	17%		265,244	2%
Depreciation & Amortization		23,795,754	26%		24,071,692	28%		(275,938)	(1)%
Interest on long-term debt		4,912,696	5%		6,049,290	7%		(1,136,594)	(19)%
Other nonoperating exp		10,720,551	12%		6,371,221	7%		4,349,330	68%
Total Expenses		92,001,920	100%		84,924,250	100%		7,077,670	8%

Total expenses for FY 2016/17 were \$92,001,920 or an 8 percent increase compared to FY 2015/16 actual of \$84,924,250. Total wastewater collection, treatment, and disposal costs increased by \$3,875,628, primarily the result of an increase in work orders assigned to operations and maintenance to maintain processes in good condition. The \$265,244 increase in administration and general costs was primarily due to an increase in labor.

Total other non-operating expenses of \$10,720,551 represent a 68 percent increase compared to FY 2015/16 actual of \$6,371,221. The increase in this category is primarily due to an increase for Contributions in Aid for the clean-up of the South Archibald Trichloroethylene Plume Project.

Regional Wastewater Program Activities (continued):

Comparative EDU Service Charges



Non-Reclaimable Wastewater Treatment

The Non-Reclaimable Wastewater 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 system, the quality of the recycled water produced from the treatment of municipal wastewater is improved for local use and also helps ensure that the Agency complies with final effluent permit requirements. The NRW system is operated by the Agency and is comprised of two sectors; the North and the 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 operated by the Santa Ana Watershed Project Authority (SAWPA) to the County Sanitation Districts of Orange County (CSDOC) facility. Both systems ultimately discharge to the Pacific Ocean.

Pass through rates are adopted annually for volumetric, capacity, and excessive strength charges to allow the Agency to recover costs from SDLAC (North) and SAWPA (South). As a result, North and South systems have different rate structures. Agency program costs to operate and manage the NRW system are recovered as follows:

Non-Reclaimable Wastewater Treatment (continued):

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

The Agency and SDLAC entered into a new NRWS Wastewater Disposal agreement (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 2016/17 for the North and South systems increased \$93,067 to \$11,947,914, compared to \$11,854,847 reported in FY 2015/16. The increase in revenues is primarily due an additional Operations & Maintenance Charge of \$19.13 which was partially offset by a decrease in the monthly volumetric fees for the North system customers from \$948.00 to \$915.00 per million gallons of discharge.

Total operating expenses in FY 2016/17 increased \$1,067,867 to \$9,818,313 compared to \$8,750,446 in FY 2015/16. The increase in operating expenses is mainly due to higher strength costs included in wastewater collection expenses. The net position balance at June 30, 2017, increased \$2,108,651 to \$26,998,887.

NRW Pass through Rates For the Fiscal Year Ended June 30, 2017

Rate Description	2015/16	2016/17
North System		
Monthly Capital Improvement Fee	\$90.00	\$ 7.41
Operation & Maintenance Charge		\$19.13
Monthly Volumetric Fee	\$948.00	\$915.00
Total Suspended Solids (TSS)	\$433.00	\$436.00
Chemical Oxygen Demand (COD)	\$210.00	\$180.00
Peak Flow Fee	\$360.00	\$348.00
4R Capital Fee	\$212.60	
South System		
Monthly Capital Improvement Fee	\$90.00	\$90.00
Monthly Capacity Unit Fee	\$351.17	\$368.76
Monthly Volumetric Fee	\$817.00	\$858.00
Total Suspended Solids (TSS)	\$420.00	\$429.00
Biochemical Oxygen Demand (BOD)	\$301.00	\$307.00

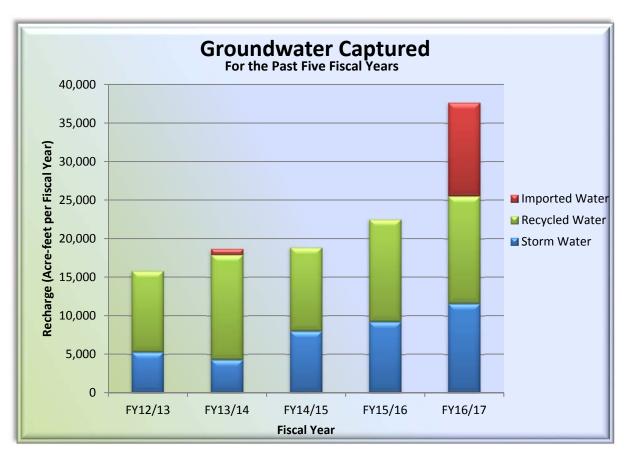
Non-Reclaimable Wastewater Treatment (continued):

A total of 50 users were connected to the NRW System (North and South) during FY 2016/17, with a total flow of 1,791 million gallons.

Recharge Water Fund

The Recharge Water Fund records the activities related to the operation and maintenance of the 19 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 operates and maintains the basins and facilities. FY 2016/17 saw a record year of 13,934 AF of recycled water allocated to Groundwater Recharge. 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.

Total operating expenses recorded in FY 2016/17 were \$3,300,340 compared to \$2,673,208 in FY 2015/16, resulting in an increase of \$627,132. The increase was due to higher expenses for professional and contract services. At June 30, 2017, total net position was \$32,251,089, a decrease of \$35,223 over the prior fiscal year.



Revenues

Combined revenues and other funding sources for the fiscal year totaled \$221,221,372, an increase of \$28,955,134, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2016/17 and 2015/16.

Combined Revenues and Other Funding Sources by Category - All Funds For the Fiscal Year Ended June 30, 2017

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

Revenue &	2016/17		2015/16		Increase/ <decrease> from 2015/16</decrease>		
Other Funding Sources	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	4	AMOUNT	% OF CHANGE
Service Charges	\$ 73,384,002	33%	\$ 67,243,134	35%	\$	6,140,868	9%
Water Sales	29,896,949	14%	18,653,793	10%		11,243,156	60%
Recycled Water Sales	16,384,605	7%	13,468,182	7%		2,916,423	22%
Interest Income	1,399,274	1%	761,878	1%		637,396	84%
Property Tax Receipts	45,674,031	21%	45,631,113	23%		42,918	0%
Water Capital Connection Fees	5,414,935	2%	997,010	1%		4,417,925	443%
Wastewater Connection Fees	30,508,191	14%	24,910,235	13%		5,597,956	22%
Other Non-operating Revenues	6,264,512	2%	13,070,445	6%		(6,805,933)	(52)%
Capital Grants	12,294,873	6%	7,530,448	4%	4,764,425		63%
Total Revenues & Contributions	\$ 221,221,372	100%	\$ 192,266,238	100%	\$	28,955,134	15%

Water Sales

Increase is due to a 51 percent increase in deliveries from 31,714 AF to 47,848 AF primarily due to the purchase of 6,000 AF of replenishment water, no replenishment was purchased in FY 2015/16.

Wastewater Connection Fees

Increase is primarily due to a 20 percent increase in new connections from 4,176 units to 5,189 units and a fee adjustment from \$5,415 to \$6,009 per connection.

Water Connection Fees

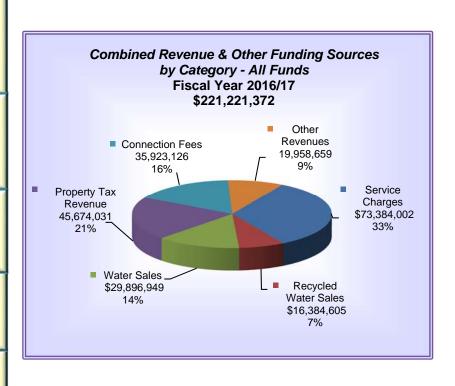
Increase in water connection fees is primarily due to increase in connections. FY16/17 is the first full year the new fees were in place.

Service Charges

Increase is primarily due to a volumetric fee increase from \$15.89 to \$17.14 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.



Expenses

Combined expenses for the fiscal year totaled \$166,099,684, an increase of \$11,137,855, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2016/17 and 2015/16.

For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for the Fiscal Year Ended June 30, 2016)

Expense Category		2016/17			2015/16			Increase/ <decrease> from 2015/16</decrease>		
Expense Category	AMOUNT		AMOUNT % OF TOTAL		AMOUNT	% OF TOTAL	AMOUNT		% OF CHANGE	
Water Purchases	\$	29,896,949	18%	\$	18,653,793	12%	\$	11,243,156	60%	
Wastewater Collection		8,756,622	5%		7,510,150	5%		1,246,472	17%	
Wastewater Treatment		24,242,516	15%		21,104,320	14%		3,138,196	15%	
Wastewater Disposal		11,687,784	7%		11,148,524	7%		539,260	5%	
Operations and Maintenance		4,139,199	2%		6,199,759	4%		(2,060,560)	(33)%	
Administration and General		30,084,800	19%		28,866,058	18%		1,218,742	4%	
Depreciation and Amortization		37,113,834	22%		36,855,892	24%		257,942	1%	
Interest on Long-Term Debt		7,947,114	5%		9,142,219	6%		(1,195,105)	(13)%	
Other Non-Operating Expenses		12,230,866	7%		15,481,114	10%		(3,250,248)	(21)%	
Total Expenses	\$	166,099,684	100%	\$	154,961,829	100%	\$	11,137,855	7%	

Water Purchases

Increase is due to the lifting of MWD's Water Supply Allocation (WSAP) rationing plan which restricted water purchases by 15 percent and the purchase of 6,000 AF of replenishment water.

Wastewater Collection/Treatment

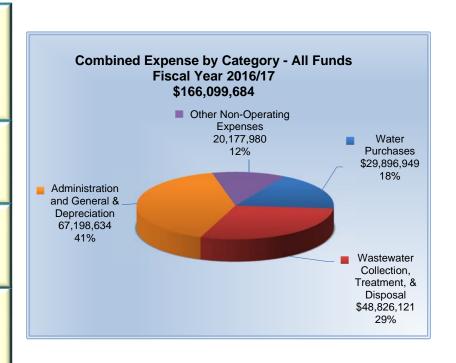
Increase is due to higher work orders in operation and maintenance to maintain processes in good condition.

Interest on Long-Term Debt

The decrease is due to the refunding of the higher interest rate 2008A Bonds to the lower interest rate 2017A Bonds.

Non-operating Expenses

Decrease is due to the one-time forgiveness of an interfund loan from the Administrative Services Fund to the Water Resources Fund in FY 2015/16.



Changes in Financial Conditions of the Agency

Combined Net Position-All Funds For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for the Fiscal Year Ended June 30, 2016)

		FY 2016/17 FY 2015/16			Increase/ <decrea< th=""><th>se></th></decrea<>	se>	
		1 1 2010/17		1 1 2013/10		from FY 2015/1	6
Assets							
Current assets	\$	191,126,906	\$	156,914,352	\$	34,212,554	22%
Restricted assets		34,573,205		57,746,164		(23,172,959)	(40)%
Capital assets		631,578,532		639,223,080		(7,644,548)	(1)%
Other assets		79,779,666		81,400,317		(1,620,651)	(2)%
Total Assets		937,058,309		935,283,913		1,774,396	0%
Deferred Outflows of Resources							
Deferred outflow-debt refunding		4,629,690		946,974		3,682,716	389%
Deferred outflow-net pension liability	17,563,578			10,678,084		6,885,494	65%
Total deferred outflows	22,193,268		11,625,058			10,568,210	91%
Liabilities							
Current liabilities		52,217,556		39,342,446		12,875,110	33%
Non-current liabilities		317,275,361		373,920,094		(56,644,733)	(15)%
Total liabilities		369,492,917		413,262,540		(43,769,623)	(11)%
Deferred Inflows of Resources							
Deferred inflow-net pension liability		4,042,608		3,052,067		990,541	33%
Total deferred inflows		4,042,608		3,052,067		990,541	33%
Net Position							
Net investment in							
capital assets		371,802,435		325,406,227		46,396,208	14%
Restricted	61,446,127			82,064,270		(20,618,143)	(25)%
Unrestricted		152,467,490		123,123,867		29,343,623	24%
TOTAL NET POSITION	\$	585,716,052	\$	530,594,364	\$	55,121,688	10%

Changes in FY 2016/17 compared to the FY 2015/16 were:

- The \$34.2 million increase in Current Assets is primarily due to the \$19.4 million increase in Cash and Investments and the \$12.0 million increase in Accounts Receivable. The major contributor to the increase in Cash and Investments are higher service charge revenues recorded in the Regional Wastewater Program. The major contributor to the Accounts Receivable increase is the Administrative Services Fund for the accrual of the prop 50 grant proceeds from the State Water Resource Control Board (SWRCB) for the Chino Basin Desalter Expansion Phase III project.
- The Restricted Assets decreased \$23.2 million due to a reduction in wastewater capital connection deposits held by contracting Agencies. The reduction was due to a \$45 million capital call to support the partial refunding of the 2008A Revenue Bonds, partially offset by new connection fees in the amount of \$30.5 million.

Changes in Financial Conditions of the Agency (continued):

- The Deferred Outflows of Resources related debt refunding increased \$3.7 million due to refunding of the 2008A Revenue Bonds by the 2017A Refunding Bonds.
- Current liabilities increased \$12.9 million primarily due to \$6.2 million in accrued payables due to the CDA for the Chino Basin Desalter Expansion Phase III project, \$3.0 million for the current portion of principal and interest due on the 2017A Bonds, \$1.8 million in water replenishment due to purchases from MWD, and \$1.4 million in SDLAC for quarter ending June 30, 2017.
- Non-current liabilities decreased \$56.6 million due to the partial refunding of the 2008A Revenue Bonds with the 2017A Refunding Bonds.

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds
For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)

Item Category	FY 2016	/17	FY 2015	/16	Increase/ <decrease> from FY 2015/16</decrease>		
item category	Amount	% of Total	Amount	% of Total	Amount	% of Change	
Total Revenue	\$ 208,926,499	36%	\$ 184,735,790	35%	\$ 24,190,709	13%	
Total Expenses	166,099,684	28%	154,961,829	29%	11,137,855	7%	
Excess (deficiency) before contrib.	42,826,815	7%	29,773,961	6%	13,052,854	44%	
Capital Grants	12,294,873	2%	7,530,448	1%	4,764,425	63%	
Change in Net Position	55,121,688	9%	37,304,409	7%	17,817,279	48%	
Beginning Net Position	530,594,364 91%		493,289,955	93%	37,304,409	8%	
Ending Net Position	\$ 585,716,052	100%	\$ 530,594,364	100%	\$ 55,121,688	10%	

Capital Assets

The Agency had total net capital assets of \$631,578,532 in FY 2016/17, compared to \$639,223,080 in FY 2015/16. The \$7,644,548 decrease is due to an increase in accumulated depreciation, partially offset by \$29,301,379 in new capital assets and jobs in progress.

Capital Assets (continued):

Capital Asset Summary – All Funds For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for the Fiscal Year Ended June 30, 2016)

Asset Category	2016/17	2015/16	Increase/ <decrease> from 2015/16</decrease>	%of Change
Land	\$ 14,067,874	\$ 14,067,874	\$ -	0%
Land Improvements	30,147,850	29,871,098	276,752	1%
Structures and Improvements	734,933,072	731,587,505	3,345,567	0%
Equipment	228,757,398	221,258,923	7,498,475	3%
Capacity Rights	14,960,237	14,826,587	133,650	1%
Water Rights	94,950	133,650	(38,700)	(29)%
Computer Software	12,515,741	11,165,450	1,350,291	12%
Jobs in Progress	34,367,541	17,632,197	16,735,344	95%
Sub-total	1,069,844,663	1,040,543,284	29,301,379	3%
Less: Accumulated				
Depreciation & Amortization	(438,266,131)	(401,320,204)	(36,945,927)	9%
Net Capital Assets	\$ 631,578,532	\$ 639,223,080	\$ (7,644,548)	(1)%

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

Debt Management

At June 30, 2017, the Agency had outstanding principal bond debt of \$130,800,000.

Bond Issue	Principal			Premium (discount)	Outstanding on 06/30/17		
2008B Variable Rate	\$	40,285,000	\$	-	\$	40,285,000	
2010A Revenue Bonds		22,900,000		1,371,649		24,271,649	
2017A Revenue Bonds		67,615,000		11,399,659		79,014,659	
TOTAL	\$	130,800,000	\$	12,771,308	\$	143,571,308	

(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, 2017:

1) A note from the Santa Ana Watershed Project Authority (SAWPA) pertaining to the purchases of pipeline capacity, with an outstanding balance of \$252,063. Final payment is due on July 1, 2017.

Debt Management (continued):

- 2) Various State Revolving Fund (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of \$110,195,651.
- 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 \$5,521,534.
- 4) A reimbursement agreement with SDLAC for the Agency's proportionate share of Relocation, Reconstruction, Repair or Replacement (4R's) capital charges, funded by SRF loans with an outstanding balance of \$2,114,640.
- 5) An On-Bill Financing loan from Southern California Edison for installation of energy efficient lighting at Agency facilities with an outstanding balance of \$230,963.

In June 2017, 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+

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.



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, 2017, 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 position of the Agency.
- 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, 2017

(With Comparative Totals for June 30, 2016)

	Enterpris	ise Funds		
	Regional	Recycled		
ASSETS	Wastewater	Water		
Current assets				
Cash and investments (note 3)	\$ 84,361,478	\$ 22,227,347		
Accounts receivable	12,653,780	5,684,890		
Interest receivable	407,809	58,934		
Taxes receivable	318,891	18,244		
Other receivables	113,190	86,889		
Inventory	110,100	-		
Water inventory (note 17)				
	2 602	2 500		
Prepaid items	3,683	3,500		
Net OPEB (note 1d)				
Total current assets	97,858,831	28,079,804		
Restricted assets (note 3)				
Deposits held by governmental agencies	31,709,626	_		
Assets held with trustee/fiscal agent	2,000,631	2,619		
Assets field with trustee/fiscal agent	2,000,001	2,013		
Total restricted assets	33,710,257	2,619		
Noncurrent assets				
Capital assets (note 7)				
Land	14,047,045	_		
Jobs in progress	26,983,997	4,077,735		
	20,300,337	4,077,733		
Capital assets, net of	206 760 244	170 202 005		
accumulated depreciation	326,760,341	178,203,985		
Intangible assets, net of				
accumulated amortization	6,417,658	557,581		
Total capital assets	374,209,041	182,839,301		
Other assets				
Long-term agreements (note 11)	44,435,019	_		
		1 007 619		
Long-term receivables (note 10)	3,889,599	1,007,618		
Advances to other funds (note 14)	13,500,000	-		
Prepaid bond insurance	-	-		
Prepaid interest -SRF loans	883,784	1,063,646		
Total other assets	62,708,402	2,071,264		
Total noncurrent assets	436,917,443	184,910,565		
Total assets	568,486,531	212,992,988		
DEFERRED OUTFLOWS OF RESOURCES				
	0.705.500	4 400 070		
Deferred outflow related to debt refunding	2,765,528	1,498,873		
Deferred outflow related to net pension liability	13,152,372	1,516,798		
Total deferred outflows of resources	15,917,900	3,015,671		

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

Water		Totals			
Resources	Non-Major	2017	2016		
		.			
\$ 3,414,777	\$ 27,443,972	\$ 137,447,574	\$ 117,961,301		
9,945,977	17,673,414	45,958,061	34,011,014		
5,864	694,500	1,167,107	874,043		
16,407	16,538	370,080	401,642		
-	78,393	278,472	402,013		
-	1,553,721	1,553,721	1,558,521		
2,261,731	-	2,261,731	1,350,043		
-	94,339	101,522	108,616		
-	1,988,639	1,988,639	247,159		
15,644,756	49,543,516	191,126,907	156,914,352		
-	-	31,709,626	55,201,435		
-	860,328	2,863,578	2,544,729		
-	860,328	34,573,204	57,746,164		
-	20,829	14,067,874	14,067,874		
-	3,305,809	34,367,541	17,632,197		
18,836	66,954,797	571,937,959	596,302,803		
15,187	4,214,732	11,205,158	11,220,206		
34,023	74,496,167	631,578,532	639,223,080		
-	-	44,435,019	45,167,514		
-	-	4,897,217	5,041,787		
-	15,000,000	28,500,000	28,500,000		
-	-	-	573,246		
-	<u> </u>	1,947,430	2,117,770		
-	15,000,000	79,779,666	81,400,317		
24.022	00 A06 467	711 250 100	720 622 207		
34,023	89,496,167	711,358,198	720,623,397		
15,678,779	139,900,011	937,058,309	935,283,913		
,,					
-	365,289	4,629,690	946,974		
	0.400.044	17 562 570	10 670 004		
757,794 757,794	2,136,614	17,563,578	10,678,084		

(continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Net Position (Continued from previous page) June 30, 2017

(With Comparative Totals for June 30, 2016)

	Enterprise Fund Types			
	Regional		Recycled	
LIABILITIES	V	Vastewater		Water
Current liabilities				
	c	4 400 776	Ф	226 210
Accounts payable	\$	4,400,776	\$	336,218
Accrued liabilities		32,058		10,143
Compensated absences (note 1)		-		-
Retentions payable		356,959		46,776
Notes payable, due within one year (note 12)		1,947,587		3,983,294
Long-term debt, due within one year (note 12)		7,045,093		1,175,404
Interest payable		788,242		1,569,372
Retention deposits and escrows		311,004		<u> </u>
Total current liabilities		14,881,719		7,121,207
Noncurrent liabilities				
Compensated absences (note 1)		-		_
Long-term debt, due in more than one year (note 12)		84,494,592		29,679,800
Notes payable, due in more than one year (note 12)		33,200,638		76,900,512
Advances from other funds (note 14)		-		28,500,000
Other noncurrent liabilities		_		472,994
Net pension liability (note 5)		29,198,165		3,586,721
Total noncurrent liabilities		146,893,395		139,140,027
Total liabilities		161,775,114		146,261,234
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to net pension liability		3,012,869		358,569
Total deferred inflows of resources		3,012,869		358,569
NET POSITION				
Net Investment in capital assets		249,441,721		71,102,909
Restricted for:				
Capital construction		31,709,626		_
SRF Loan debt service		1,447,479		7,157,101
Bond operating contingency requirement		17,524,306		-
		, , , , , , , , , , , , , , , , , , , ,	-	
Total restricted		50,681,411		7,157,101
Unrestricted		119,493,316		(8,871,154)
Total net position	\$	419,616,448	\$	69,388,856

Water		Totals			
Resources	Non-Major	2017	2016		
\$ 6,418,524	\$ 17,033,129	\$ 28,188,647	\$ 18,800,195		
625,338	2,284,268	2,951,807	2,758,001		
, =	1,877,836	1,877,836	1,939,639		
=	43,563	447,298	299,717		
-	857,004	6,787,885	6,657,388		
-	969,503	9,190,000	6,015,000		
-	105,465	2,463,079	2,872,506		
-	-	311,004	-		
7,043,862	23,170,768	52,217,556	39,342,446		
-	3,198,600	3,198,600	2,978,684		
-	20,206,916	134,381,308	193,613,551		
=	1,425,816	111,526,966	110,075,642		
=	-	28,500,000	28,500,000		
=	=	472,994	355,771		
1,381,596	5,029,011	39,195,493	38,396,446		
1,381,596	29,860,343	317,275,361	373,920,094		
8,425,458	53,031,111	369,492,917	413,262,540		
165,176	505,994	4,042,608	3,052,067		
165,176	505,994	4,042,608	3,052,067		
34,023	51,223,782	371,802,435	325,406,227		
-	-	31,709,626	55,201,435		
-	-	8,604,580	7,712,646		
	3,607,615	21,131,921	19,150,189		
	3,607,615	61,446,127	82,064,270		
7,811,916	34,033,412	152,467,490	123,123,867		
\$ 7,845,939	\$ 88,864,809	\$ 585,716,052	\$ 530,594,364		

	Enterprise Fund Types			
	Regional	Recycled		
	Wastewater	Water		
OPERATING REVENUES				
Service charges	\$ 56,641,193	\$ -		
Water Sales	-	-		
Recycled water sales	<u> </u>	16,384,605		
Total operating revenues	56,641,193	16,384,605		
OPERATING EXPENSES				
Water purchases	-	-		
Wastewater collection	1,575,505	-		
Wastewater treatment	24,242,516	-		
Wastewater disposal	11,687,784	-		
Operations and maintenance	-	3,056,482		
Administration and general	15,067,114	4,329,012		
Depreciation and amortization	23,795,754	8,913,698		
Total operating expenses	76,368,673	16,299,192		
Operating income (loss)	(19,727,480)	85,413		
NONOPERATING REVENUES (EXPENSES)				
Interest income	778,064	235,182		
Property tax revenue	39,236,720	2,170,100		
Water capital connection fees	-	5,414,935		
Wastewater capital connection fees	30,508,191	-		
Gain on interfund loan forgiveness	-	-		
Other nonoperating revenues	4,414,189	(1,479,557)		
Interest on long-term debt	(4,912,696)	(2,538,304)		
Loss on interfund loan forgiveness	-	-		
Other nonoperating expenses	(10,720,551)	321,962		
Total nonoperating revenues (expenses)	59,303,917	4,124,318		
Income (loss) before capital contributions and transfers	39,576,437	4,209,731		
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in (note 15)	181,160	509,313		
Transfers out (note 15)	(2,538,964)	(1,071,511)		
Capital grants	11,776,539	372,208		
Change in net position	48,995,172	4,019,741		
Total net position - beginning	370,621,276	65,369,115		
Total net position - ending	\$ 419,616,448	\$ 69,388,856		

Water		 Totals			
Resources	Non-Major		2017		2016
\$ 4,794,895	\$ 11,947,914	\$	73,384,002	\$	67,243,134
29,896,949	-		29,896,949		18,653,793
-	 <u>-</u>		16,384,605		13,468,182
34,691,844	 11,947,914		119,665,556		99,365,109
20.806.040			20.806.040		10 652 702
29,896,949	- 7,181,117		29,896,949 8,756,622		18,653,793 7,510,150
-	7,101,117		24,242,516		21,104,320
-	-				
1 000 717	-		11,687,784 4,139,199		11,148,524 6,199,759
1,082,717	- 5 475 407		30,084,800		
5,213,177 5,367	5,475,497 4,399,015		37,113,834		28,866,058 36,855,892
36,198,210	17,055,629		145,921,704		130,338,496
00,100,210	 17,000,020		110,021,701		100,000,100
(1,506,366)	 (5,107,715)		(26,256,148)		(30,973,387)
50.500	000 500		4 000 074		704.070
52,520	333,508		1,399,274		761,878
2,295,011	1,972,200		45,674,031		45,631,113
-	-		5,414,935		997,010
-	-		30,508,191		24,910,235
-	2 264 249		6 264 542		4,308,104
68,632	3,261,248		6,264,512		8,762,341
-	(496,114)		(7,947,114)		(9,142,219) (4,308,104)
(580,954)	(1,251,323)		(12,230,866)		(11,173,010)
		-	<u></u>		
1,835,209	 3,819,519		69,082,963	-	60,747,348
328,843	(1,288,196)		42,826,815		29,773,961
58,976	2,878,668		3,628,117		11,935,051
	(17,642)		(3,628,117)		(11,935,051)
150,443	 (4,317)		12,294,873		7,530,448
538,262	 1,568,513		55,121,688		37,304,409
7,307,677	 87,296,296		530,594,364		493,289,955
\$ 7,845,939	\$ 88,864,809	\$	585,716,052	\$	530,594,364

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2017

(With Comparative Totals for June 30, 2016)

	Enterprise	Funds	
	Regional	Recycled	
	Wastewater	Water	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 54,715,125	\$ 20,398,383	
Cash received from interfund services provided	· · · · · · · · · · · · · · · · · · ·	-	
Cash payments to suppliers for goods and services	(22,322,361)	(3,717,211)	
Cash payments to employees for services	(13,867,272)	(1,113,135)	
Cash payments for interfund services used	(19,008,581)	(3,154,860)	
Net cash provided by (used for) operating activities	(483,089)	12,413,177	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	181,160	509,313	
Transfers out	(2,538,964)	(1,071,511)	
Contract reimbursement from others	4,414,189	(1,479,557)	
Tax revenues	39,266,632	2,172,080	
Collection of long-term receivable	57,680	86,890	
Cash paid to others	(7,770,945)	(383,725)	
Investment in IERCA	732,495		
Net cash provided by (used for) noncapital financing	•		
activities	34,342,247	(166,510)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(24,048,268)	(2,927,968)	
Proceeds from State Revolving Funds	6,267,931	1,740,316	
Connection fees on deposit held by members	30,508,191	- E 444 02E	
Water Connection Fees	14 776 520	5,414,935	
Capital grants received	11,776,539	372,208	
Principal paid on capital debt	(56,587,382)	- (4 004 040)	
Interest paid on capital debt	(6,780,425)	(1,684,042)	
Payments on State Revolving Funds	(1,344,997)	(3,918,543)	
Bond administration fees	(2,949,606)	(578,169)	
Contractor deposits collected	- _		
Net cash provided by (used for) capital and related	,	/A === == ·	
financing activities	(43,158,017)	(1,581,263)	

Water		Totals			
Resources	Non-Major	2017	2016		
\$ 29,190,560	\$ 1,952,071	\$ 106,256,139	\$115,123,463		
-	29,333,995	29,333,995	26,372,772		
(32,589,368)	(8,101,634)	(66,730,574)	(71,513,239)		
(702,183)	(27,448,519)	(43,131,109)	(37,778,765)		
(1,352,701)	(1,316,914)	(24,833,056)	(25,309,545)		
(5,453,692)	(5,581,001)	895,395	6,894,686		
58,976	2,878,668	3,628,117	11,935,051		
-	(17,642)	(3,628,117)	(11,935,051)		
68,632	4,007,858	7,011,122	7,652,448		
2,278,604	1,988,277	45,705,593	45,575,630		
-	-	144,570	(1,227,207)		
(580,953)	(1,259,049)	(9,994,672)	(10,429,237)		
<u> </u>	<u> </u>	732,495	409,985		
1,825,259	7,598,112	43,599,108	41,981,619		
-	(2,493,053)	(29,469,289)	(20,904,874)		
-	-	8,008,247	4,298,077		
-	-	30,508,191	24,910,235		
-	-	5,414,935	997,010		
150,443	(4,317)	12,294,873	7,530,448		
-	(1,328,622)	(57,916,004)	(7,626,635)		
-	(511,191)	(8,975,658)	(8,753,361)		
-	-	(5,263,540)	(5,300,865)		
-	(332,558)	(3,860,333)	(706,170)		
-	43,563	43,563	(72,324)		
150,443	(4,626,178)	(49,215,015)	(5,628,459)		
			(Continued)		

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows (Continued from previous page) For the Fiscal Year ended June 30, 2017

(With Comparative Totals for June 30, 2016)

	Enterprise Funds			
	Regional Wastewater		Recycled Water	
CASH FLOWS FROM INVESTING ACTIVITIES Interest on investments Purchase of investments	\$	641,022 	\$	191,808 <u>-</u>
Net cash provided by (used for) investing activities		641,022		191,808
Net increase (decrease) in cash and cash equivalents		(8,657,837)		10,857,212
Cash and cash equivalents - beginning		126,729,572		11,372,754
Cash and cash equivalents - ending	\$	118,071,735	\$	22,229,966
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$	(19,727,480)	\$	85,413
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities Depreciation and amortization		23,795,754		8,913,698
Changes in assets and liabilities				
(Increase) decrease in Accounts receivable Water inventory		(2,066,918)		4,014,932
Short-term receivable Inventory		140,850 -		(1,154) -
Prepaid items Increase (decrease) in		(2,483)		-
Deferred outflow related to net pension liability Accounts payable Accrued liabilities Net pension liability Deferred inflow related to net pension liability Other liabilities Change in contractor deposits Compensated absences		(5,236,196) 631,307 975 678,939 735,097 - 567,066		(562,383) (114,930) (12,485) 56,369 58,241 117,224 (141,748)
Net cash provided by (used for) operating activities	\$	(483,089)	\$	12,413,177

	Water			Totals			
ı	Resources	1	Non-Major		2017		2016
	_		_	,	<u> </u>		
c	E0 004	Φ.	222 440	æ	4.400.040	æ	E7E C40
\$	50,231	\$	223,149	\$	1,106,210	\$	575,619
	-		(72,385)		(72,385)		581,991
	50,231		150,764		1,033,825		1,157,610
	(3,427,759)		(2,458,303)		(3,686,687)		44,405,456
-	, , ,				<u>, , , , , , , , , , , , , , , , , , , </u>	-	· · · · · ·
	6,842,536		30,762,603		175,707,465		131,302,009
\$	3,414,777	\$	28,304,300	\$	172,020,778	\$	175,707,465
Φ.	(4.500.000)	Φ.	(5.407.74.4)	Φ	(00.050.447)	Φ	(00.070.007)
\$	(1,506,366)	\$	(5,107,714)	\$	(26,256,147)	\$	(30,973,387)
	F 007		4 000 040		07.440.005		20 055 000
	5,367		4,399,016		37,113,835		36,855,892
	(4,589,595)		(9,979,689)		(12,621,270)		17,287,069
	(911,688)		-		(911,688)		(1,350,043)
	-		(16,155)		123,541		(178,672)
	-		4,800		4,800		101,608
	-		9,577		7,094		17,401
	(306,301)		(805,130)		(6,910,010)		(2,298,866)
	1,824,635		7,047,439		9,388,451		(6,755,976)
	(66,336)		271,652		193,806		(966,495)
	2,434		117,265		855,007		857,424
	104,454		61,305		959,097		(4,070,291)
	-		(1,741,480)		(1,624,256)		(1,450,096)
	(10,296)		-		415,022		(760,085)
			158,113		158,113		579,203
\$	(5,453,692)	\$	(5,581,001)	\$	895,395	\$	6,894,686
							(Continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2017

(With Comparative Totals for June 30, 2016)

	Enterprise Funds			nds	
		Regional		Recycled	
		Wastewater		Water	
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and short-term investments	\$	84,361,478	\$	22,227,347	
Restricted assets		33,710,257		2,619	
Cash & cash equivalents at end of year	\$	118,071,735	\$	22,229,966	

	Water		 Totals				
F	Resources	 Non-Major	 2017		2016		
\$	3,414,777	\$ 27,443,972	\$ 137,447,574	\$	117,961,301		
	-	860,328	34,573,204		57,746,164		
\$	3,414,777	\$ 28,304,300	\$ 172,020,778	\$	175,707,465		

Chino Creek Invert Repair



Flow Diversion Set-up

INLAND EMPIRE UTILITIES AGENCY

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June 30, 2017

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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 as a joint powers authority pursuant to California Government Code, Section 6500. The Authority was established to provide, through the issuance of debt, financing necessary for the acquisition, construction, and public capital improvements, working capital requirements, or insurance programs for JPA members, or other local agencies. 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, identified as a Division, within the Agency's boundaries. As of June 30, 2017, 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 Executive Manager of Finance and Administration/AGM. The Agency's staff consisted of 290 regular authorized positions, of which 267 were filled as of June 30, 2017. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

a. <u>Description of the Reporting Entity (continued):</u>

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

b. Fund Financial Statements

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

For financial reporting purposes, the Agency has the following major funds: Regional Wastewater, 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, meter equivalent unit (MEU) charge for the Agency's administrative and operational cost associated with water resource planning and readiness-to-serve (RTS) obligation pass through charge based on a ten year rolling average (TYRA) of imported water consumption to recover RTS fees from MWD. The Agency's principal operating expenses include the costs associated with the connection of 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, purchase of water from MWD, biosolids recycling, and direct and recharged deliveries of recycled water, and water use efficiency and conservation program costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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 the statement of net position. The reported fund equity (net fund 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 total net position.

Enterprise Funds

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

The Regional Wastewater Capital Improvement Fund

The Regional Wastewater Capital Improvement 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 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.

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

Recycled Water Fund

The Recycled Water 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. The RWBP was updated in 2015 with the Recycled Water Program Strategy (RWPS). The primary objective of the RWPS is to update supply and demand forecasts and prioritize projects to maximize the beneficial use of recycled water throughout the year. The RWPS planning period is through 2035. 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.

Water Resources Fund

The Water Resources 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.

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

Use of Estimates

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

Recognition of Revenues and Expenses

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.

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 meter equipment unit charges for domestic water service. 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 collection 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 Executive Manager of Finance and Administration 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.

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

Budgetary Policy and Control (continued):

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

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, 2017, 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.

Receivables and Payables

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

The San Bernardino County Tax Assessor (The County) attaches liens on property as of January 1 and property taxes are levied annually on July 1; and, are payable to the County in two installments on December 10 and April 10. 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. 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

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

Receivables and Payables (continued):

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.

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.

Restricted Assets

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

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

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

Capital Assets

Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation, installation 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, 2017, total interest of \$1,065 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds. All this interest was recorded in the Regional Wastewater Capital Improvement Fund.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets, donated works of art and similar items, and capital assets in a service concession arrangement are recorded at acquisition value.

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.

nd equipment 3 - 15 years
15 years
and plants 5 - 50 years
hts 50 years
3 years
9

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

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, and the difference between the amount placed in escrow to repay the refunded bonds and the carrying amounts of the refunded bonds. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt in this case, the 2017A bonds. 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 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.

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 Agency'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.

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

Compensated Absences (continued):

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, 2016 was \$2,226,009 with additions and deletions during the year of \$2,792,430, and \$2,714,156 respectively, resulting in an ending June 30, 2017 balance of \$2,304,283. There was a net increase of \$78,274 over the previous fiscal year.

The sick and compensatory leave balance at July 1, 2016 was \$2,692,314 with additions and deletions during the year of \$3,496,809 and \$3,416,970 respectively, resulting in an ending June 30, 2017 balance of \$2,772,153. There was a net increase of \$79,839 over the previous fiscal year.

The compensated absences liability has been recorded in the Administrative Service Non-Major Fund as a combined total of \$5,076,436. The current year liability is estimated to be \$1,877,836.

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 \$128.00, whichever is greater. Each retiree who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55), as shown in the chart below.

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

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

Other Post - Employment Benefits (continued):

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, 2017.

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 30-year closed period. The remaining amortization period at June 30, 2017 is 20 years. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.

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, 2017, the Agency has funded \$11,000,000 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 2016/17.

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

Other Post - Employment Benefits (continued):

	FY 2016/17
Annual Required Contribution (ARC)	\$ 837,414
Interest on Net OPEB Obilgation	(14,830)
Adjustment to ARC	16,013
Annual OPEB Costs	\$ 838,597
IEUA Contribution	(2,580,077)
Percentage Contributed	307%
Increase or Decrease in Net OPEB	\$ (1,741,480)
Net OPEB Obligation - Beginning of Year	(247,159)
Net OPEB Obligation - End of Year	(1,988,639)
Annual Covered Payroll	\$ 24,375,306

Three-year trend information for OPEB

Fiscal Year Ending	IEUA Contribution	Annual OPEB Costs	% of OPEB Contributed	Net OPEB Obligation
6/30/2015	\$ (4,002,000)	\$ 938,202	426%	\$ 1,291,254
6/30/2016	\$ (2,501,893)	\$ 963,210	259%	\$ (247,159)
6/30/2017	\$ (2,580,077)	\$ 838,597	307%	\$ (1,988,639)

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 71 percent funded. The actuarial accrued liability (AAL) for benefits was \$16,574,885 and the actuarial value of assets was \$11,685,987, resulting in unfunded actuarial accrued liabilities (UAAL) of \$4,888,898. The covered-employee payroll (annual total payroll of active employees covered by the plan) was \$24,375,306, and the ratio of the UAAL to the covered-employee payrolls was 20.06 percent.

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

Other Post - Employment Benefits (continued):

Funded Status and Funding Progress (continued):

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.

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.

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

Other Post - Employment Benefits (continued):

Actuarial Methods and Assumptions (continued):

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, 2017 valuation were:

Actuarial report makes use of the following assumptions:

Discount Rate – 6% per annum

Inflation Rate – 2.75% per annum

Payroll Increases – 3% per annum

Asset Return Rate – 6% 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>	PPO	HMO
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.

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

Other Post - Employment Benefits (continued):

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, 2017 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 137,447,574
Restricted deposits held by governmental agencies	31,709,626
Restricted assets held with trustee/fiscal agent	 2,863,578
Total cash and investments	\$ 172,020,778
Cash and investments as of June 30, 2017 consist of the following:	
Cash on hand (Petty Cash)	\$ 2,175
Deposits with financial institutions	76,547
Deposits held by other governmental agencies	31,709,626
Investments	 140,232,430
Total cash and investments	\$ 172,020,778

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.

<u>Investments Authorized by the California Government Code and the Agency's Investment Policy</u>

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

<u>Investments Authorized by the California Government Code and the Agency's Investment Policy (continued):</u>

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.

Authorized <u>Investment Type</u>	Maximum <u>Maturity</u>	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of De	posits 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	\$65M	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 table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address quality of risk, interest rate risk, credit risk, and concentration of credit risk.

<u>Investments Authorized by Debt Agreements</u> (continued):

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

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 Pool Oversight

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 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 in 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, 2017, the carrying amount of the Agency's deposits was \$76,547 and the bank balance was \$1,301,250. The \$1,224,703 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 percent 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 percent of the Agency'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.

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 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, 2017 for each investment type:

		Minimum	um Moody's Rating as of June 30, 2017					
Investment Type	Amount	Legal Rating	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated		
Repurchase Agreement	\$ 19,613,265	5 N/A	\$ 19,613,265	\$ -	\$ -	\$ -		
U.S. Agency Securities	28,335,773	B N/A	28,335,773	-	-	-		
Medium Term Notes	13,551,039) A	11,551,669	1,999,370	-	-		
US Treasury	1,990,700) A	1,990,700	-	-	-		
Municipal Bonds	992,900) N/A				992,900		
Commercial Paper	1,995,435	5 N/A				1,995,435		
LAIF	33,073,59	N/A	-	-	-	33,073,591		
Cal Trust	16,145,336	S N/A	-	-	-	16,145,336		
CAMP	18,169,486	S N/A	-	-	-	18,169,486		
Brokered Certificate of Deposit	3,389,272	2 N/A	-	-	-	3,389,272		
Held by Bond Trustee:								
Money Market Mutual Funds	2,975,633	B N/A	-	-	-	2,975,633		
Total	\$ 140,232,430	_) _	\$ 61,491,407	\$ 1,999,370	\$ -	\$ 76,741,653		

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 percent or more of the total Agency's investments are as follows:

<u>lssuer</u>	Investment Type	Reported Amount	<u>Percentage</u>
Citizens Business Bank	Repurchase Agreement	\$ 19,613,265	13.99%
Federal National Mortgage Association	US Agency Securities	\$ 11,453,615	2.65%
Federal Home Loan Mortgage Association	US Agency Securities	\$ 3,714,317	8.17%
Federal Farm Credit	US Agency Securities	\$ 13,167,841	9.39%

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 percent 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 102 percent of the secured public deposits.

As of June 30, 2017, 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 unless the Board of Directors has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to that investment. 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 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.

Interest Rate Risk (continued):

As of June 30, 2017, the Agency had the following investments and original maturities:

	Remaining Maturity (in Months)									
Investment Type	1	2 Months or Less		13 to 24 Months		25 to 60 Months	More Than 60 Months	-	F	air Value
Repurchase Agreement	\$	19,613,265	\$	-	\$	-			\$	19,613,265
U.S Agency Securities		5,192,091		13,969,050		9,174,632		-		28,335,773
Medium Term Notes		5,485,870		8,065,169				-		13,551,039
US Treasury Note		-		1,990,700		-		-		1,990,700
Municipal Bonds						992,900				992,900
Commercial Paper		1,995,435								1,995,435
Cal Trust		16,145,336		-		-		-		16,145,336
State Investment Pool		33,073,591								33,073,591
CAMP		18,169,486								18,169,486
Brokered Certificate of Deposit		1,936,881		965,335		487,056		-		3,389,272
Held by Bond Trustee:										
Money Market Mutual Fund		2,975,633		-		-		-		2,975,633
Total	\$	104,587,588	\$	24,990,254	\$	10,654,588	\$		\$	140,232,430

Fair Value Measurement (GASB 72)

The information on the following page shows the Agency's investments fair value measurements (market approach) as of June 30, 2017. 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.

(3) Cash and Investments (continued):

Fair Value Measurement (GASB 72) (continued):

Investments by Fair Value Level	Jı	une 30, 2017	Ţ	_evel 1 ^(A)	Level 2 (B)	Level 3 (C)
Repurchase Agreement	\$	19,613,265			\$ 19,613,265	
U.S. Agency Securities		28,335,773			28,335,773	
Medium Term Notes		13,551,039			13,551,039	
US Treasury Notes		1,990,700		1,990,700		
Municipal Bonds		992,900			992,900	
Commercial Paper		1,995,435			1,995,435	
State Investment Pool		33,073,591			33,073,591	
Cal Trust		16,145,336			16,145,336	
CAMP		18,169,486			18,169,486	
Brokered Certificate of Deposit		3,389,272		3,389,272		
Money Market Mutual Fund		2,975,633		2,975,633		
Total	\$	140,232,430	\$	8,355,605	\$ 131,876,825	\$ -

⁽A) Level 1 - Quoted prices in active markets for identical assets

(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 \$54,000 for 2017. 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.

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

⁽C) Level 3 - Quoted prices in active markets for significant unobservable inputs

(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.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Prior to	On or After	After
Hire date	January 1, 2012 ⁺	January 1, 2012 ⁺	January 1, 2013
Benefit formula	2.5%@55	2%@55	2%@62
Final average compensation period	1 year	3 years	3 years
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%
FY2015/16 required employee contribution rates*	8%	7%	6.25%
FY2015/16 required employer contribution rates	18.018%	18.018%	18.018%

⁺ 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:

	Hired Prior to	Hired On or After	Hired After
Fiscal Year	January 1, 2012	January 1, 2012	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%
Employee contribution rates thereafter	8.0%	7.0%	6.25%

Employees Covered

At June 30, 2017, the following employees were covered by the Plans' terms:

Retired members and beneficiaries	220
Active employees	282
Total	502

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date June 30, 2015 Measurement Date June 30, 2016

Actuarial Cost Method Entry-Age Normal Cost Method

Actuarial Assumptions:

Mortality

Discount Rate 7.65% Inflation 2.75% Payroll Growth 3.00%

Projected Salary Increases Varies by Entry Age and Service

Investment Rate of Return 7.50% (net of pension plan investment and

administration expenses; includes inflation)
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

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.

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, 2015 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 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 percent 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 percent 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 percent 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. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. 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.

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.

Discount Rate (continued):

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	Strategic Allocation Real Return Years 1-10 (a)	
Global Entity	51.90%	5.25%	5.71%
Global Fixed Income	20.30%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	9.00%	6.83%	6.95%
Real Estate	10.80%	4.50%	5.13%
Infrastructure and Forestland	0.50%	4.50%	5.09%
Liquidity	1.50%	(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

Changes in the Net Pension Liability

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

	Increase (Decrease)						
	Т	otal Pension	Pla	n Fudiciary Net	Net I	Pension Liability	
		Liability		Position	(Asset)		
Balances at June 30, 2015		162,982,785	\$	124,586,341	\$	38,396,444	
Changes in the Year:							
Service cost		3,749,410		-		3,749,410	
Interest on the total pension liability		12,103,023		-		12,103,023	
Differences between actual and expected experience		(3,516,255)		-		(3,516,255)	
Changes in assumptions		-		-		-	
Changes in benfit terms		=				-	
Contribution - employer		-		9,014,122		(9,014,122)	
Contribution - employee		-		1,949,174		(1,949,174)	
Net investment income		-		649,762		(649,762)	
Administrative expenses		-		(75,929)		75,929	
Benefit payments, including refunds of employee contributions		(6,263,541)		(6,263,541)		-	
Net Changes	\$	6,072,637	\$	5,273,588	\$	799,049	
Balance at June 30, 2016	\$	169,055,422	\$	129,859,929	\$	39,195,493	

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:

	scount Rate 1% (6.65%)	rent Discount ate (7.65%)	Discount Rate + 1% (8.65%)			
Net Pension Liability	\$ 62,700,856	\$ 39,195,493	\$	19,785,902		

Pension Plan Fiduciary Net Position

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

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, 2016, the Agency recognized pension expense of \$4,251,369. As of June 30, 2016, the Agency has deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Def	erred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$	9,486,891	-
Differences between actual and expected experience		998,708	(2,590,925)
Change in assumptions		-	(1,451,683)
Net differences between projected and actual earnings on plan investments		7,077,979	-
Total	\$	17,563,578	\$ (4,042,608)

Deferred outflows of resources related to contributions subsequent to the measurement date of \$9,486,891 will be recognized as a reduction of net pension liability in the year ending June 30, 2018.

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
2017	\$ (65,974)
2018	(42,133)
2019	2,339,768
2020	1,802,418
2021	-
Thereafter	-

Payable to the Pension Plan

As of June 30, 2017, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

(6) Risk Management

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. During fiscal year 1985/86, the Agency chose to establish a risk management program for risks associated with all liability losses except workers' compensation losses. These risks are covered by commercial insurance purchased from independent third parties.

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

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

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

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

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

- Employee dishonesty coverage up to \$50,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$1,000 per occurrence.
- Property damage 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.

(6) Risk Management (continued):

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

Insurance premiums are paid into the Administrative Services 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, 2017, 2016, and 2015. 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.

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			
	2	2016/17	2	2015/16	2	2016/17	2	2015/16
Unpaid Claims, beginning of fiscal year	\$	357,619	\$	249,879	\$	500,000	\$	500,000
Incurred claims (including IBNRs)		35,105		234,689		5,749		51,569
Claim payments		(50, 154)		(126,949)		(5,749)		(51,569)
Unpaid claims, end of fiscal year	\$	342,570	\$	357,619	\$	500,000	\$	500,000

(7) Changes in Capital Assets

Jobs in Progress

At the Fiscal Year ended June 30, 2017, the Agency had several jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the Recycled Water Program Strategy (RWPS). 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.

(7) Changes in Capital Assets (continued):

<u>Jobs in Progress</u> (continued):

Other Projects (less than \$500,000 each)	\$ 6,470,522
Water Quality Laboratory	10,161,311
RP-1 Mixed Liquor Return Pumps	5,226,875
RP-5 Expansion Preliminary Design Report (PDR)	2,335,977
RP-5 Flow Equalization and Effluent Monitoring	1,287,595
Recharge Master Plan Update (Softcost)	1,203,808
RP-4 Procees Improvements	1,153,445
Agencywide Lighting Improvements - Phase 2	1,071,627
RP-1 Headworks Gate Replacement	963,058
RP-1 Expansion Preliminary Design Report (PDR)	808,581
Conference Rooms Audio Visual Upgrades	766,503
San Sevaine Basin Improvements	759,139
SBCFCD Recycled Water Easement	571,159
GWR and RW SCADA Control Upgrades	558,966
East Avenue 1630 E. Recyled Water Pipeline Relocation	518,983
Document/Records Management System	509,992
Total Jobs in Progress	\$ 34,367,541

(7) Changes in Capital Assets (continued):

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2017:

Capital Assets

Capital Assets	Bala	ance at 6/30/16			Transfers & Retirements Balance at		alance at 6/30/17	•		Net Book Value at 6/30/17		
Capital Assets-not being depreciated:												
Land	\$	14,067,874	\$	=	\$	-	\$	14,067,874	\$	-	\$	14,067,874
Jobs in Progress		17,632,197		29,499,765		(12,764,422)		34,367,541		-		34,367,541
Total Capital Assets, not being depreciated	\$	31,700,071	\$	29,499,765	\$	(12,764,422)	\$	48,435,415	\$	-	\$	48,435,415
Capital Assets-being depreciated:												
Interceptors, trunk lines and inter-ties	\$	36,721,245	\$	-	\$	-	\$	36,721,245	\$	(11,676,757)	\$	25,044,488
Office facilities		12,076,619		450,615		-		12,527,234		(3,192,544)		9,334,690
Collection, outfall, and transmission lines		124,605,360		1,325,293		-		125,930,653		(75,312,701)		50,617,952
Reservoirs, setting basins, ponds, and chlorination station		118,377,583		315,616		(30,108)		118,663,091		(32,343,697)		86,319,394
Recycled water distribution system		164,327,132		237,997		-		164,565,129		(25,288,373)		139,276,756
Treatment plants, pump stations and office buildings		275,479,566		1,046,154		-		276,525,720		(129,858,511)		146,667,209
Equipment		221,258,923		7,666,756		(168,281)		228,757,398		(131,352,098)		97,405,300
Land improvement		29,871,098		276,752		-		30,147,850		(12,875,679)		17,272,171
Total capital assets, being depreciated	\$	982,717,526	\$	11,319,183	\$	(198,389)	\$	993,838,320	\$	(421,900,359)	\$	571,937,961
Less accumulated depreciation for:												
Interceptors, trunk lines and inter-ties	\$	(10,822,897)	\$	(853,860)	\$	-	\$	(11,676,757)				
Office facilities		(2,947,876)		(244,668)				(3,192,544)				
Collection, outfall, and transmission lines		(72,353,266)		(2,959,435)		-		(75,312,701)				
Reservoirs, setting basins, ponds, and chlorination station		(29,627,987)		(2,718,219)		2,509		(32,343,697)				
Recycled water distribution system		(21,449,409)		(3,838,964)				(25,288,373)				
Treatment plants, pump stations and office buildings		(123,690,588)		(6,167,923)		-		(129,858,511)				
Equipment		(113,972,494)		(17,545,004)		165,400		(131,352,098)				
Land improvement		(11,550,206)		(1,325,473)				(12,875,679)				
Total accumulated depreciation	\$	(386,414,723)	\$	(35,653,545)	\$	167,909	\$	(421,900,359)	,			
Total capital assets, being depreciated, net	\$	596,302,803	\$	(24,334,362)	\$	(30,480)	\$	571,937,961				
Total capital assets- Enterprise Funds, Net	\$	628,002,874	\$	5,165,403	\$	(12,794,902)	\$	620,373,376				

(7) Changes in Capital Assets (continued):

Intangible Assets

Intangible Assets	1	Balance at 6/30/16 Additions		Additions	Transfers & Retirements			Balance at 6/30/17	Accumlated Amortization at 6/30/17		Net Book Value at 6/30/17
Intangible assets-being amortized:											
Computer softw are	\$	11,165,450	\$	1,350,291	\$	-	\$	12,515,741	\$	(8,391,468)	\$ 4,124,273
Contributed capital-lease		129,324		-		-		129,324		(22,631)	106,693
Metropolitan Water District connections		198,891		-		-		198,891		(184,969)	13,922
Corps of Engineers-Cucamonga Creek		43,489		-		-		43,489		(28,186)	15,303
California Auto Club Speedw ay Water Rights		133,650		94,950		-		228,600		-	228,600
San Bernardino Conty Flood Control-Chino Road Barrier		48,076		-		-		48,076		(21,635)	26,441
Santa Ana Watershed Project Authority capacity rights		12,467,002		-		-		12,467,002		(6,989,917)	5,477,085
Organization and master planning		1,939,805		-		-		1,939,805		(726,964)	1,212,841
Total intangible assets being-amortized	\$	26,125,687	\$	1,445,241	\$	-	\$	27,570,928	\$	(16,365,770)	\$ 11,205,158
Less accumulated amortization for:											
Computer software	\$	(7,279,154)	\$	(1,112,314)	\$	-	\$	(8,391,468)			
Contributed capital-lease		(16,165)		(6,466)		-		(22,631)			
Metropolitan Water District connections		(180,991)		(3,978)		-		(184,969)			
Corps of Engineers-Cucamonga Creek		(27,317)		(869)		-		(28,186)			
San Bernardino Conty Flood Control-Chino Road Barrier		(20,032)		(1,603)		-		(21,635)			
Santa Ana Watershed Project Authority capacity rights		(6,692,333)		(297,584)		-		(6,989,917)			
Organization and master planning		(689,489)		(37,475)		-		(726,964)			
Total accumulated amortization	\$	(14,905,481)	\$	(1,460,289)	\$	-	\$	(16,365,770)			
Total intangible assets-Enterprise Funds, Net	\$	11,220,206	\$	(15,048)	\$	-	\$	11,205,158			
Total capital assets-Enterprise Funds, net	\$	639,223,080	\$	5,150,354	\$	(12,794,902)	\$	631,578,532			

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2017 (rounding difference). For the fiscal year ended June 30, 2017, depreciation was \$35,653,545 and amortization expense was \$1,460,289.

(8) Construction Commitments

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$15,456,364. at June 30, 2017. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

- Water Quality Laboratory EN15008. The existing laboratory at the RP-1 facility is crowded, with no room for expansion to meet future analytical needs. This project will replace the existing operations laboratory at RP-1, and expand the Central Chiller Plant. The new Water Quality Laboratory includes the construction of a 16,000-sq. ft. state-of-the-art laboratory located south of the Headquarters Building B on the RP-5 property. The new lab will be constructed in accordance with L.E.E.D. Silver or Gold rating for energy efficiency. Additionally, the expansion of the existing Central Plant will provide the chilled water needed for the New Lab air conditioning and heating system. This project has an outstanding obligation of \$10,833,492.
- RP-1 Mixed Liquor Return Pumps EN16024. In 2005, a project was developed to install mixed liquor pumps in each of RP-1's Aeration Basins, along with piping and electrical, to facilitate reduction in the total inorganic nitrogen (TIN). The project was subsequently deferred. The Agency established a goal for secondary effluent TIN to range from 5 to 8 million gallons per inch. Based on operating data, TIN ranges from 6.0 to 15 mg/l were noted, with an average value of 8.9 mg/l. Mixed liquor (ML) recycle pumps can be used within the aeration process to recycle partially treated flow for additional nitrogen removal. By installing Mixed Liquor return pumps, to recycle flows at 300 percent, nitrogen can be reduced in the most cost-effective manner. This will allow RP-1 to treat flow, while meeting its discharge permit and Title 22 requirements for recycled water, in the most cost-effective manner. This project has an outstanding obligation of \$1,261,493.
- RP-4 Disinfection Facility Improvements EN14018. Following the July 2009 full condition assessment of the headworks gates, 17 gates inspected showed significant visible deficiencies that justified full replacement of the gates, which included the embedded frame. The 17 gates will be replaced with stainless steel gates. In addition, the existing chemical injection system is lacking a back-up and the trident filters currently don't have injections. The buried pipelines are leaking and they are hard to trace and repair. This project will include the design and installation of a new chemical disinfection facility in the center of the RP-4 plant in addition to accessible injection piping. The existing RP-4 disinfection facility will be relocated to a centralized location within the plant; and, the existing chemical building will be rehabilitated to be utilized as a storage / office facility. This project has an outstanding obligation of \$1,243,869.

- RP-1 Aeration Basin Panel Repairs EN17040. The current aeration panel system at the Aeration Basin has been in use for several years. A life cycle analysis was conducted, and a decision was made to perform replacement. A project was begun to install mixed liquor pumps to the six aeration trains at RP-1, providing excellent opportunity to complete the projects concurrently, reducing shut down time. Secondary Treatment at RP-1 is a biological nutrient removal process containing millions of microorganisms that can only survive and multiply in an environment containing oxygen that is dissolved in the water, and a food source. The suspended and dissolved solids from the primary effluent serves as the food source, and oxygen is provided by pumping and diffusing air through aeration panels into large trains containing the microorganisms. Aeration Panels, Train No. 1 through 6, at RP-1 need repair due to increasing performance and loss of efficiency, leading to increased energy consumption from the blowers. The project scope includes replacement of aeration panels to the six aeration trains; the removal, cleaning and replacement of membranes; and reinstallation of 142 aeration panels on each aeration train. This project has an outstanding obligation of \$756,994.
- RP-5 Flow Equalization and Effluent Monitoring EN11031. The existing splitter box contains two gates. The gate that leads to the aeration basin requires actuator upgrade from open/close to modulating. The second gate that leads to the emergency storage basin has two manual gate actuators which need to be replaced with motorized actuators. The outfall gate has an open/close motorized actuator which needs to be upgraded to a modulating actuator with communication to the SCADA. A design will be prepared to address these upgrades to allow for automation of the equalizing process at RP-5. Additionally, the inlet weir structure at the chlorine contact basin will be raised up and a level indicator transmitter will be installed to measure the influent flows to the chlorine contact basin. The sizes of the SBS pumps at the effluent end of the chlorine contact basin will be evaluated, and new smaller SBS pumps may be installed to handle the lower flow scenarios. This project has an outstanding obligation of \$410,472.
- Conference Rooms Audio Visual Upgrades EN16049. The audio-visual equipment in the ten conference rooms and the Board Room at the Agency's Headquarters is aged, and has reached the end of its useful life. New available technologies can provide efficient and effective tools to meet current and future needs of the Agency as appropriate for each individual conference room, leveraging the capabilities for conferencing. The project will design and install the audio-visual upgrades for the Headquarters, as well as assess the need for future audio-visual upgrades at other Water Recycling Facilities, utilizing Design-Build and other project approaches where appropriate to consolidate effort and standardize equipment. This project has an outstanding obligation of \$333,987.

- RP-1 Iron Sponges Installation EN17059. The Agency has procured two new iron sponges to back-up the existing iron sponges located within the RP-1 facility. The purpose of the iron sponge is to scrub and reduce the concentration of the hydrogen sulfide in the digester gas before it goes through the flare, as required by the South Coast Air Quality Manage District (SCAQMD). Currently there is only one iron sponge serving the flare and another serving the acid phase Digester #1 without standby sponges. With the installation of redundant iron sponges at each location, there will be ensured reliable operation and compliance when the iron sponge(s) is down for maintenance or service as regeneration or media replacement. The two new iron sponges will be installed and tie-in to an existing iron sponge parallel configuration with necessary piping, fittings, valves, supports, and appurtenances similar to the existing iron sponges at acid phase Digester #1 and the RP-1 flare. This will ensure the new iron sponges operate satisfactorily and provide full redundancy for the hydrogen sulfide treatment system. This project has an outstanding obligation of \$257,500.
- Agency Wide Lighting Improvements Phase 2 EN17034. An audit of the Agency's lighting systems was completed and a list of lights (interior and exterior) was generated. The project will replace interior and exterior florescent lights with LED lights and add motion sensors at RP-5, RP-1, CCWRF, HQA and HQB to reduce energy consumption, and ongoing energy and maintenance costs. The new LED fixtures will have a much longer service life. Additionally, the project will take advantage of the On-Bill Financing and the SCE incentives. This project has an outstanding obligation of \$193,480.
- Ground Water Recharge (GWR) and Recycled Water (RW) Control and Data Acquisition (SCADA) Control Upgrades EN14047. The SCADA Enterprise system is 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 will provide upgrades to the current groundwater recharge and recycled water SCADA system, to provide support for continued growth of the programs. This project has an outstanding obligation of \$89,148.
- 1630 East & West Recycled Water Pump Station Protection Improvements EN15055. This project encompasses the design and construction of a surge tank to dampen the surges in the 1299 recycled water pipeline. The 1630 W. RW Pump Station has been experiencing severe pressure surges. The potential for customer damage due to these surges will continue without mitigation of the surge tank. The surge pressures may impact thrust restraint along the pipeline and over time may create a potential for the pipeline to pull apart or may cause leaks at the joints of the pipe. Additionally, during a power outage, pump failure, or normal pump cycling, the installed compressor cannot provide the required amount of compressed air without overheating and failing. The project will replace the existing surge tank compressor with a larger compressor that will be capable of providing the required output pressure and volume of air needed for the facility. The compressor will be capable of operating under the current and future system demands and

operating modes. Modifications to the existing surge tank compressor enclosure, control panel, and associated instrumentation and programming will also be necessary for full integration with the new compressor package. This project has an outstanding obligation of \$38,258.

- Headquarters (HQ) Parking Lot Improvements EN16047. The yearly field investigation of the Agency's administrative Headquarters' Parking Lots A and B has determined that many the parking stalls and adjacent trees need to be removed and replaced due to the adjacent trees' roots causing the slabs to lift and fracture. The result had made tripping hazards and the inability to use the parking stalls. Repairs are the third set of a ten-year plan to make repairs and upgrades to the main office parking lot. The project will consist of replacing 42 parking stalls (18' X 18') at building A, 13 parking stalls at building B, removing and replacing 54 Shamal Ash trees at building A, removing and replacing 25 Shamal Ash trees at building B, providing grinding of 252 linier feet of stall repair at building A and 134 feet at building B, installing root barriers, and making miscellaneous other repairs indicated in the site assessment. This project has an outstanding obligation of \$14,259.
- RP-4 Lighting Improvements EN16013. The Agency's Energy Management Plan (EMP) recommends new projects each fiscal year for reducing energy consumption through efficiency and process optimization projects. The scope of this project is to evaluate existing lighting and process equipment systems, and determine a long-term plan to improve efficiencies. It will include design and installation of various efficiency improvements; utilize Design-Build and other project approaches where appropriate to maximize energy savings and conservation; and consolidate efforts between Southern California Edison, California Public Utilities commission, and engineering consultants to leverage existing efficiency opportunities. This project has an outstanding obligation of \$14,035.
- Headquarters Back-up Generator EN16055. The Agency's Headquarters Building A and B are currently supplied with back-up power from Regional Plant No. 5 (RP-5) in case of a Southern California Edison (SCE) power outage. RP-5's electrical connectivity includes SCE, solar power (via Power Purchase Agreement), Renewable Energy Efficiency Project (REEP) system, and back-up engine-generators. SCE's Rule 21 electrical requirements for ground-fault relay and overcurrent protection puts the Agency's Headquarters at risk of experiencing extended shutdowns during either of these scenarios. In either a ground-fault or overcurrent instance, critical SCADA and Business server systems within the Headquarters Buildings will be without back-up power and air conditioning. The scope of the project includes design, construction and startup of a back-up engine-generator system. The scope includes the modifications of the existing electrical switchboard system adjacent to the Headquarters, modifications of the control system, addition of an automatic transfer switch, and installation of the existing pre-certified engine-generator as a stationary unit to supply back-up power to the Agency's Headquarters. The back-up generation system will provide power to the buildings in the event of a grid power

outage, assuring the Headquarters, the SCADA, and the Business System servers are maintained operational. This project has an outstanding obligation of \$9,377.

(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, 2017, 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, 2017, the long-term receivable amount is \$2,417,568 and is recorded in the Regional Wastewater Capital Improvement 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 percent for 20 years. As of June 30, 2017, the long-term receivable amount is \$592,106, and is recorded in the Recycled Water Fund.

Cucamonga Valley Water District

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. 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 percent for 20 years. As of June 30, 2017, the long-term receivable amount is \$415,512, and is recorded in the Recycled Water Fund.

(10) Long-Term Receivables

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 and other related costs 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 wastewater connection costs. 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 450-acre feet to the Agency, leaving and outstanding long-term receivable of \$1,472,031 recorded in the Regional Wastewater Capital 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.

Audited financial information for the operation of SAWPA as of and for the fiscal year ended June 30, 2017 is summarized as follows:

	2017		2016
Total Assets	\$ 178,602,450	\$	175,164,843
Deferred Outflows of Resources	1,017,473		358,101
Total Liabilities	108,958,086		107,830,177
Deferred Inflows of Resources	273,599		525,022
Total Net Position	70,388,238		67,167,745
Total Revenues	21,293,720		17,113,620
Total Expenses	(18,073,227)		(14,980,433)
Net Change in Net Position	\$ 3,220,493	\$	2,133,187

Santa Ana Watershed Project Authority (continued):

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 Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of \$2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
- B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
- C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement 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.

Santa Ana Watershed Project Authority (continued):

- 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 Fund, purchased 0.5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-Reclaimable Capital Improvement Fund. The total cost of the purchase was \$5,625,000, with a 5 percent 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 percent.
- 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 Fund. The agreement called for a 5 percent 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 percent 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 Fund and \$9.52 million going to the Non-Reclaimable Wastewater Fund.

Santa Ana River Conservation and Conjunctive Use Program

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, 2017, Desalter 1 and Desalter 2 delivered a total of 24,654.70 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.

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 Water Recycling 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-five 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 percent 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 fund.

As of June 30, 2017, the Agency's equity share is \$44,435,019 recorded in the Regional Wastewater Capital Improvement Fund. There was an additional write-down of \$732,495 (50 percent of the Agency's equity share) of the JPA's net position at June 30, 2017; this reduction is recorded in the non-operating expenses on the statement of revenues in the Regional Wastewater Capital Improvement Fund. The Agency records the JPA labor costs for operating the facility in the Regional Wastewater Operation and Maintenance 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 judgement 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.

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

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

Financial information reported on a cash basis for the operation of Watermaster as of and for the fiscal year ended June 30, 2016 is summarized as follows:

	2016
Total Assets	\$ 28,039
Fund Balance	\$ 28,039
Total Revenues	16,000
Total Expenses	0
Net Increase/(Decrease) in Equity	\$ 16,000

Santa Ana River Watermaster

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, 2017:

	Beginning Balance	Additions	Ending Additions Reductions Balance		Amounts Due within One Year	Amounts Due after One Year		
Bonds Payable:								
2008A Revenue Bonds	\$ 125,000,000	\$ -	\$ 125,000,000	\$ -	\$ -	\$ -		
2008B Variable Rate (2002A Refinancing)	42,195,000	-	1,910,000	40,285,000	2,015,000	38,270,000		
2010A Revenue Bonds (1994 Refinancing)	27,005,000	-	4,105,000	22,900,000	4,165,000	18,735,000		
2017A Revenue Bonds (2008A Refinancing)		67,615,000	-	67,615,000	3,010,000	64,605,000		
Sub-Total	194,200,000	67,615,000	131,015,000	130,800,000	9,190,000	121,610,000		
Bond Premium	5,428,551	11,690,467	4,347,710	12,771,308		12,771,308		
Revenue Bonds	\$ 199,628,551	\$ 79,305,467	\$135,362,710	\$ 143,571,308	\$ 9,190,000	\$ 134,381,308		

2008A Revenue Bonds

On February 2, 2017, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds Series 2017A for advance refunding of the outstanding Chino Basin Regional Financing Authority Series 2008A. (Refer to note on 2017A Revenue Bonds.)

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.

Long-term Debt (continued):

2008B Variable Rate Demand Revenue Bonds (continued):

• 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 percent per annum. The average rate of interest for FY2016/17 was 0.679 percent and the average rate since these bonds were issued is 0.536 percent. The balance outstanding at June 30, 2017 comprised the principal amount of \$40,285,000.

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 percent to 5.00 percent per annum, payable semi-annually. The balance outstanding on June 30, 2017 is comprised of the principal amount of \$22,900,000, plus unamortized deferred bond premium of \$1,371,649, for a total of \$24,271,649.

2017A Refunding Revenue Bonds

On February 2, 2017, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A in the amount of \$67,615,000.

• The bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 2008A (Inland Empire Utilities Agency Wastewater Facilities Improvement and Replacement Projects), and (ii) pay the costs of issuing the bonds. The agency reduced its aggregate debt service payment by almost \$129,055,863 over the duration of the bonds. Net present value of this economic gain was \$36,803,651 (Net of \$50,000,000 principal payment), and reduced the repayment period by 5 years.

Long-term Debt (continued):

2017A Refunding Revenue Bonds

• The bonds maturing through 2033 are payable in annual installments ranging from \$3,100,000 to \$4,920,000 with an interest rate from 2.00 percent to 5.00 percent per annum, payable semi-annually. The balance outstanding on June 30, 2017 is comprised of the principal amount of \$67,615,000, plus unamortized deferred bond premium of \$11,399,659, for a total of \$79,014,659.

Aggregate Long-Term Debt

As of June 30, 2017, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Prin	cipal Payments	Inte	erest Payments	Total
2018	\$	9,190,000	\$	5,759,181	\$ 14,949,181
2019		9,470,000		5,412,113	14,882,113
2020		10,000,000		4,994,720	14,994,720
2021		10,355,000		4,541,807	14,896,807
2022		10,910,000		4,054,648	14,964,648
2023-2027		34,970,000		15,161,973	50,131,973
2028-2032		36,305,000		7,017,766	43,322,766
2033-2034		9,600,000		486,000	10,086,000
Subtotal		130,800,000		47,428,208	178,228,208
Plus: Net Premium		12,771,308			12,771,308
Total Debt Service Payable	\$	143,571,308	\$	47,428,208	\$ 190,999,516

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

Debt Covenants

In accordance with bond covenants, net revenues comprised of user charges and connection fees (less the operations and maintenance costs), and property tax revenues are pledged to fund bond debt service costs. Property Taxes are distributed by San Bernardino County Property Tax Disbursements Division in November and July 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 reasonably expected to yield net revenue equal to 115 percent of debt service during each fiscal year. Management has determined that the Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2017. (*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, 2017 was as follows:

Notes Payable :	Beginning Balance	Addition	s Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
SARI Pipeline Cap. 1.5mgd	\$ 489,861	\$	- \$ 237,798	\$ 252,063	\$ 252,063	\$ -
State Revolving Fund Loan	107,450,944	8,008,	248 5,263,541	110,195,651	5,334,479	104,861,172
City of Fontana	6,004,112		- 482,578	5,521,534	482,578	5,038,956
CSDLAC Past 4R's	2,788,113		- 673,473	2,114,640	688,963	1,425,677
Southern California Edison	-	235,	151 4,188	230,963	29,802	201,161
Total Notes Payable	\$ 116,733,030	\$ 8,243,	399 \$ 6,661,578	\$ 118,314,851	\$ 6,787,885	\$ 111,526,966

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 percent, to derive a principal balance of \$2,981,310. The final installment is due on July 15, 2017. This is a combined note payable recorded in the Non-Reclaimable Wastewater Capital Improvement and Regional Wastewater Capital Improvement Funds.

As of June 30, 2017, the future payments for the remaining note payable obligation by year is as follows:

Year Ending June 30	Principal Payments	Imputed Interest			Total
2018	\$ 252,063	\$	15,124	\$	267,187
Total SAWPA Note	\$ 252,063	\$	15,124	\$	267,187

Notes Payable (continued):

State Water Resources Control Board

- The Regional Recycled Water Distribution System Phase I-V projects are in part funded by 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 percent. As of June 30, 2017, the outstanding balance is \$6,910,882.
- 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 State Revolving Fund (SRF) loans. 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 percent. The outstanding balance as of June 30, 2017 is \$9,049,022.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by State Revolving Fund (SRF) loan. 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, 2017 of \$6,544,977. 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 State Revolving Fund (SRF) loans. 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 percent to .214 percent. The outstanding balance as of June 30, 2017 is \$10,592,852.
- The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by a State Revolving Fund (SRF) loan. 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 percent. The outstanding balance at June 30, 2017 is \$671,449.
- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by State Revolving Fund (SRF) loan. Principal and interest are paid annually for 20 years at an annual rate of 2.6 percent. As of June 30, 2017, the outstanding balance is \$24,908,575.

Notes Payable (continued):

State Water Resources Control Board (continued):

- The Recycled Water Project (Wineville Area) in Phase X is also partially funded by a State Revolving Fund (SRF) loan. Principal and interest are paid annually for 30 years at an annual rate of 1.0 percent. The outstanding balance at June 30, 2017 is \$22,206,050.
- The RP-1 Dewatering Facility Expansion project is also in part funded by a State Revolving Fund (SRF) loan of \$27,546,972. This project is the first American Recovery and Reinvestment Act (ARRA) funded project in the state and as a "green project", qualified for an annual rate of 0.460 percent. Principal and interest are paid annually for 20 years. The outstanding balance at June 30, 2017 is \$20,933,585.
- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2017, 100 percent of the design and 38.4 percent of construction phase were completed. Payments will commence one year after the completion of construction slated for August 2018, with principal and interest paid annually for 30 years at an annual rate of 2.1 percent.

As of June 30, 2017, the future payments for the remaining loan obligations by year are as follows:

Year Ending June 30	Pri	Principal Payments Interest Payment				Total		
2018	\$	5,334,479	\$	1,136,765	\$	6,471,244		
2019		5,610,314		1,240,182		6,850,496		
2020		5,688,738		1,161,758		6,850,496		
2021		6,407,301		1,303,638		7,710,939		
2022		6,495,665		1,215,274		7,710,939		
2023/2027		31,816,597		4,710,816		36,527,413		
2028/2032		24,634,506		2,807,069		27,441,575		
2033/2037		10,077,009		1,372,603		11,449,612		
2038/2042		5,430,010		768,463		6,198,473		
2043/2047		5,799,032		399,441		6,198,473		
2048/2051		2,902,000		58,579		2,960,579		
Total SRF Loans	\$	110,195,651	\$	16,174,588	\$	126,370,239		

Notes Payable (continued):

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.

As of June 30, 2017, the future payments for the remaining note payable obligation by year are as follows:

Principal			Interest		Total	
Payments			Amortization	Total		
\$	482,578	\$	79,824	\$	562,402	
	482,578		79,824		562,402	
	482,578		79,824		562,402	
	482,578		79,824		562,402	
	482,578		79,824		562,402	
	2,412,890		399,120		2,812,010	
	695,754		85,544		781,298	
\$	5,521,534	\$	883,784	\$	6,405,318	
		\$ 482,578 482,578 482,578 482,578 482,578 482,578 2,412,890 695,754	Payments \$ 482,578 \$ 482,578 482,578 482,578 482,578 482,578 2,412,890 695,754	Payments Amortization \$ 482,578 \$ 79,824 482,578 79,824 482,578 79,824 482,578 79,824 482,578 79,824 2,412,890 399,120 695,754 85,544	Payments Amortization \$ 482,578 \$ 79,824 482,578 79,824 482,578 79,824 482,578 79,824 482,578 79,824 482,578 79,824 2,412,890 399,120 695,754 85,544	

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 funded with State Revolving Fund loans by SDLAC. The Agency has agreed to pay SDLAC the balance in annual installments over a six-year term at an interest rate of 2.3 percent. As of June 30, 2017, the remaining note payable obligation is as follows:

Year Ending	P	Principal		nterest	Total		
June 30	Pa	Payments		yments	Total		
2018	\$	688,963	\$	48,637	\$ 737,600		
2019		704,809		32,791	737,600		
2020		720,868		16,580	737,448		
Total SDLAC Loans	\$	2,114,640	\$	98,008	\$ 2,212,648		

Notes Payable (continued):

Southern California Edison

On January 27,2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting. The Agency received \$235,151 on April 24, 2017 to be paid on 95 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 230,192 kilowatt hours annually which is equivalent to \$29,802 in annual savings. Monthly savings is estimated at \$2,483.

As of June 30, 2017, the remaining note payable obligation is \$230,963.

Year Ending June 30	Princ	ipal Payments
2018	\$	29,802
2019		29,802
2020		29,802
2021		29,802
2022		29,802
2023-2025		81,953
Total SCE Loan	\$	230,963

(13) Arbitrage Rebate Obligation

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

- The 2008A Revenue, 2008B Variable Rate Demand, 2010A Refunding Revenue and 2017A 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 2008A bonds were refunded with the 2017A Refunding Revenue Bonds.
- The initial arbitrage rebate calculation on the 2010A bonds was due in July 2015, resulted in no arbitrage rebate due.
- The initial arbitrage rebate on the 2017A bonds will be due in February 2018.

(14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2017, is as follows:

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

Regional Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2017, the Regional Wastewater Capital Improvement Fund reported an advance to the Recycled Water 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 Program Strategy. Repayment is scheduled over several fiscal years from increased recycled water sales.

Non-Major Funds & Recycled Water Fund & Water Resources Fund

At June 30, 2017, the Non-Reclaimable Wastewater Fund reported an advance to the Recycled Water 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 Program Strategy. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

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

(15) Interfund Transfers

The Regional Wastewater Capital Improvement Fund received capital support from the Regional Wastewater Operations & Maintenance Fund in the amount of \$181,160.

The Recycled Water Fund received transfers in the amount of \$509,313 from the Regional Wastewater Fund for the fund's share of the 2017A debt service payment.

The Water Resources Fund received \$58,976 from the Recycled Water Fund for capital support.

(15) Interfund Transfers (continued):

Non-Major enterprise funds received transfers in the amount of \$2,878,668. These transfers included \$1,444,271 in capital support from various funds to the Administrative Services Fund, \$53,757 to the Non-Reclaimable Wastewater Fund, and \$466,640 to the Recharge Fund. The remaining amount of \$914,000 was in operating and debt service transfers to the Recharge Water Fund.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2017.

	Transfers In:								
Transfers Out:	W	Regional astewater Capital	Recycled Water		Water sources	Non-Major Enterprise Funds		Total	
Regional Wastewater Capital Improvement Fund			\$509,313			\$	1,848,491	\$ 2,357,804	
Regional Wastewater Operations & Maintenance Fund	\$	181,160						181,160	
Recycled Water Fund				\$	58,976		1,012,535	1,071,511	
Non-Major Enterprise Funds							17,642	17,642	
Total Transfers	\$	181,160	\$509,313	\$	58,976	\$	2,878,668	\$ 3,628,117	

(16) Operating Leases

The Agency has two operating leases at June 30, 2017:

- One postage meter lease extending to June 30, 2019.
- One lease for fourteen copiers extending to June 30, 2020.

Total operating lease costs were \$40,773 for the year ended June 30, 2017. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	<u>Amount</u>		
2018	\$	41,997	
2019		43,256	
2020		41,116	
	\$	126,369	

(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, 2017, 3,641.6 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) Subsequent Event

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 1, 2017, the date the financial statements were available to be issued, and found no subsequent events that would affect the 2017 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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*

		2017		2016		2015
Total Pension Liability:			_		_	_
Service cost	\$	3,749,410	\$	3,685,630	\$	3,768,503
Interest on total pension liability		12,103,023		11,654,818		10,818,920
Differences between expected and actual experience		(3,516,255)		2,049,978		-
Changes in assumptions		-		(2,979,771)		-
Changes in benefits		-		-		-
Benefit payments, including refunds of employee contributions		(6,263,541)		(5,730,808)		(5,304,990)
Net Change in Total Pension Liability		6,072,637		8,679,847		9,282,433
Total Pension Liability - Beginning of Year		162,982,785		154,302,938		145,020,505
Total Pension Liability - End of Year (a)	\$	169,055,422	\$	162,982,785	\$	154,302,938
Plan Fiduciary Net Position:						
Contributions - employer	\$	9,014,122	\$	8,330,807	\$	3,733,583
Contributions - employee		1,949,174		1,812,908		2,374,649
Net investment income		649,762		2,718,511		17,346,113
Benefit payments		(6,263,541)		(5,730,808)		(5,304,990)
Administrative Expense	(75,929) (140,237)			-		
Net Change in Plan Fiduciary Net Position	5,273,588 6,991,181			18,149,355		
Plan Fiduciary Net Position - Beginning of Year		124,586,341		117,595,160		99,445,805
Plan Fiduciary Net Position - End of Year (b)	\$	129,859,929	\$	124,586,341	\$	117,595,160
Net Pension Liability - Ending (a)-(b)	\$	39,195,493	\$	38,396,444	\$	36,707,778
Plan fiduciary net position as a percentage of the total pension liability		76.82%		76.44%		76.21%
Covered - employee payroll	\$	24,375,306	\$	23,671,357	\$	23,048,949
Net pension liability as percentage of covered-employee payroll		160.80%		162.21%		159.26%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

^{*-}Fiscal year 2014/15 was the 1st year of GASB 68 implementation, therefore only three years of date is shown.

REQUIRED SUPPLEMENTARY INFORMATION (continued)

CalPERS Miscellaneous Pension Plan Schedule of Contributions As of June 30, 2017 **Last Ten Years***

	2017	2016	2015
Actuarially determined contribution Contributions in relation to the actuarially	\$ 9,486,891	\$ 9,153,741	\$ 8,354,702
determined contributions	(9,486,891)	(9,153,741)	(8,354,702)
Contribution deficiency (excess)	\$ -	\$ -	\$
Covered - employee payroll Contributions as a percentage of covered	\$ 24,375,306	\$ 23,671,357	\$ 23,048,949
- employee payroll	38.92%	38.67%	36.25%

Notes to Schedule:

6/30/2014 Valuation Date

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method Entry age normal

Level percentage of payroll, closed Amortization method Remaining amortization period 30 years

Asset valuation method Market value of assets

Inflation 2.75%

Salary increases Varies by entry age and service

Investment rate of return 7.5%, net of pension plan investment and administrative expense, includes inflation

55 years (2.5%@55, 2%@55, and 2%@62) Retirement age Mortality

The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to

2007. Pre-retirement and post-retirement mortality

rates include 5 years of projected mortality

improvement using Scale AA published by the Society

of Actuaries.

^{* -} Fiscal year 2014/15 was the 1st year of GASB 68 implementation, therefore only three years of data are shown.

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Other Post-Employment Benefit Plan Funding Progress As of June 30, 2017

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL)	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%
06/30/17	16,574,885	11,685,987	4,888,898	71%	24,375,306	20.06%

INLAND EMPIRE UTILITIES AGENCY SUPPLEMENTARY INFORMATION

SUPPLEMENTARY SCHEDULES

Non-Major Enterprise Fund Statements.

Non-Reclaimable Wastewater Fund

The Non-Reclaimable Wastewater 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 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 primarily funded by the Chino Basin Watermaster (CBWM), with the Agency funding a pro-rata share based on the rates of the ratio of recycled water recharged. Revenues include reimbursements from CBWM; the Agency's share is supported by fund transfer from the Recycled Water Fund and Regional Wastewater Capital Improvement Fund, grant proceeds, and interest earnings on the fund 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 Fund. These costs include capital acquisitions for Agency-wide 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, 2017

	Non-Major Er	erprise Funds		
	Non-reclaimable	Recharge		
ASSETS	Wastewater	Water		
Current assets				
Cash and investments	\$ 5,759,610	\$ 2,467,571		
Accounts receivable	2,554,981	37,979		
Interest receivable	673,371	2,286		
Taxes receivable	-	-		
Other receivables	-	-		
Inventory	-	-		
Prepaid items	-	-		
Net OPEB				
Total current assets	8,987,962	2,507,836		
Restricted assets				
Assets held with trustee/fiscal agent	638	859,690		
Accord Hold Will tractor hood agont				
Total restricted assets	638	859,690		
Noncurrent assets				
Capital assets				
Land	-	-		
Jobs in progress	189,768	1,588,600		
Capital assets, net of				
accumulated depreciation	14,131,397	41,867,920		
Intangible assets, net of				
accumulated amortization	1,857,617	4,354		
Total capital assets	16,178,782	43,460,874		
Other assets				
Advances to other funds	15,000,000	_		
Prepaid bond insurance	-	-		
Total other assets	15,000,000			
Total other assets	10,000,000			
Total noncurrent assets	31,178,782	43,460,874		
Total assets	40,167,382	46,828,400		
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding	365,289	-		
Deferred outflow related to net pension liability	759,630	303,974		
Total deferred outflows of resources	1,124,919	303,974		

,	Administrative	Totals				
	Services	2017	2016			
\$	19,216,791	\$ 27,443,972	\$ 29,903,334			
	15,080,454	17,673,414	8,367,949			
	18,843	694,500	584,141			
	16,538	16,538	32,615			
	78,393	78,393	62,238			
	1,553,721	1,553,721	1,558,521			
	94,339	94,339	103,916			
	1,988,639	1,988,639	247,159			
	38,047,718	49,543,516	40,859,873			
	<u>-</u>	860,328	859,269			
		860,328	859,269			
	20,829	20,829	20,829			
	1,527,441	3,305,809	1,527,089			
	10,955,480	66,954,797	69,718,190			
	2,352,761	4,214,732	5,136,022			
	14,856,511	74,496,167	76,402,130			
	-	15,000,000	15,000,000			
			32,732			
	<u>-</u>	15,000,000	15,032,732			
	14,856,511	89,496,167	91,434,862			
	52,904,229	139,900,011	133,154,004			
	-	365,289	-			
	1,073,010	2,136,614	1,356,000			
	1,073,010	2,501,903	1,356,000			
			(continued)			

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Net Position (Continued from previous page)

June 30, 2017 (With Comparative Totals for June 30, 2016)

	Non-Major E				
	Non-reclaimable	Recharge			
LIABILITIES	Wastewater	Water			
Current liabilities					
Accounts payable	\$ 1,886,070	\$ 415,468			
Accrued liabilities	195,000	193			
Compensated absences	-	-			
Retentions payable	-	-			
Notes payable, due within one year	857,004	-			
Long-term debt, due within one year	286,452	683,051			
Interest payable	98,334	7,131			
Total current liabilities	3,322,860	1,105,843			
Noncurrent liabilities					
Compensated absences	-	-			
Long-term debt, due in more than one year	7,233,116	12,973,800			
Notes payable, due in more than one year	1,425,816	-			
Net pension liability	2,117,984	729,811			
Total noncurrent liabilities	10,776,916	13,703,611			
Total liabilities	14,099,776	14,809,454			
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to net pension liability	193,638	71,831			
Total deferred inflows of resources	193,638	71,831			
Total actioned limiting of today access	100,000	7 1,001			
NET POSITION					
Net investment in capital assets	5,703,559	30,663,713			
Restricted for:					
Bond operating contingency requirement	2,917,301				
Total restricted	2,917,301				
Unrestricted	18,378,027	1,587,376			
Total net position	\$26,998,887	\$ 32,251,089			

A	dministrative	Totals			
	Services		2017		2016
\$	14,731,591	\$	17,033,129	\$	9,985,690
	2,089,075		2,284,268		2,012,616
	1,877,836		1,877,836		1,939,639
	43,563		43,563		-
	-		857,004		832,004
	-		969,503		647,458
			105,465	_	128,268
	18,742,065	_	23,170,768		15,545,675
	3,198,600		3,198,600		2,978,684
	-		20,206,916		21,006,820
	-		1,425,816		2,301,578
	2,181,216		5,029,011		4,967,706
	5,379,816		29,860,343		31,254,788
	24,121,881		53,031,111		46,800,463
	240,525		505,994		413,245
	240,525		505,994		413,245
	14,856,510	-	51,223,782		52,473,539
	690,314	_	3,607,615		3,006,173
	690,314	_	3,607,615		3,006,173
	14,068,009		34,033,412		31,816,584
\$	29,614,833	\$	88,864,809	\$	87,296,296

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Revenues, Expenses, and

Changes in Net Position

For the Fiscal Year Ended June 30, 2017

	Non-Major En	terprise Funds
	Non-reclaimable	Recharge
	Wastewater	Water
OPERATING REVENUES		
Service charges	\$ 11,947,914	\$ -
Total operating revenues	11,947,914	
OPERATING EXPENSES		
Wastewater collection	7,181,117	-
Administration and general	1,570,785	1,833,771
Depreciation and amortization	1,066,411	1,466,569
Total operating expenses	9,818,313	3,300,340
Operating income (loss)	2,129,601	(3,300,340)
NONOPERATING REVENUES (EXPENSES)		
Interest income	163,850	16,576
Property tax revenue	-	-
Other nonoperating revenues	8,626	2,054,245
Interest on long-term debt	(401,521)	(94,593)
Loss on interfund loan forgiveness	-	-
Other nonoperating expenses	171,980	(87,434)
Total nonoperating revenues (expenses)	(57,065)	1,888,794
Income (loss) before capital contributions and transfers	2,072,536	(1,411,546)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	53,757	1,380,640
Transfers out	(17,642)	-
Capital grants	-	(4,317)
Change in net position	2,108,651	(35,223)
Total net position - beginning	\$24,890,236	32,286,312
Total net position - ending	\$ 26,998,887	\$ 32,251,089

Administrative	- Totals				
Services	2017	2016			
\$ -	\$ 11,947,914	\$ 11,854,847			
	44.047.044	44.054.047			
-	11,947,914	11,854,847			
-	7,181,117	6,132,817			
2,070,941	5,475,497	4,974,808			
1,866,035	4,399,015	4,287,565			
3,936,976	17,055,629	15,395,190			
(3,936,976)	(5,107,715)	(3,540,343)			
153,082	333,508	196,673			
1,972,200	1,972,200	1,942,972			
1,198,377	3,261,248	3,697,651			
-	(496,114)	(467,353)			
-	-	(4,308,104)			
(1,335,869)	(1,251,323)	(2,533,637)			
1,987,790	3,819,519	(1,471,798)			
	-,,	(1,111,111)			
(1,949,186)	(1,288,196)	(5,012,141)			
1,444,271	2,878,668	3,265,554			
, , . -	(17,642)	(13,072)			
-	(4,317)	-			
(504.045)		(4.750.050)			
(504,915)	1,568,513	(1,759,659)			
30,119,748	87,296,296	89,055,955			
	· · · · ·				
\$ 29,614,833	\$ 88,864,809	\$ 87,296,296			

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2017

	Non-Major Enterprise Funds		
	Non-Reclaimable	Recharge	
	Wastewater	Water	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 11,169,274	\$ -	
Cash received from interfund services provided	-	-	
Cash payments to suppliers for goods and services	(5,871,708)	(1,292,261)	
Cash payments to employees for services	(683,733)	(380,325)	
Cash payments for interfund services used	(1,122,751)	(194,163)	
Net cash provided by (used for) operating activities	3,491,082	(1,866,749)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	53,757	1,380,640	
Transfers out	(17,642)	-	
Contract reimbursment from others	8,627	2,728,469	
Tax revenues	1	-	
Cash paid to others		71,925	
Net cash provided by (used for) noncapital financing activities	44,743	4,181,034	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(186,107)	(864,000)	
Capital grants	-	(4,317)	
Principal paid on capital debt	(681,164)	(647,458)	
Interest paid on capital debt	(254,814)	(251,482)	
Bond administration fees	(332,558)	-	
Contractor deposits collected		<u> </u>	
Net cash provided by (used for) capital and related financing activities	(1,454,643)	(1,767,257)	

Administrative	Totals		
Services	2017	2016	
\$ (9,217,203)	\$ 1,952,071	\$ 17,666,115	
29,333,995	29,333,995	26,372,772	
(937,665)	(8,101,634)	(18,430,434)	
(26,384,461)	(27,448,519)	(24,865,571)	
<u> </u>	(1,316,914)	(1,289,083)	
(7,205,334)	(5,581,001)	(546,201)	
1,444,271	2,878,668	3,265,554	
-	(17,642)	(13,072)	
1,270,762	4,007,858	2,587,758	
1,988,276	1,988,277	1,938,472	
(1,330,974)	(1,259,049)	(2,418,566)	
3,372,335	7,598,112	5,360,146	
(1,442,946)	(2,493,053)	(2,456,882)	
-	(4,317)	-	
<u>-</u>	(1,328,622)	(1,440,092)	
(4,895)	(511,191)	(593,327)	
	(332,558)	(7,882)	
43,563	43,563	(72,324)	
(1,404,278)	(4,626,178)	(4,570,507)	
		(Continued)	

INLAND EMPIRE UTILITIES AGENCY

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

For the Fiscal Year Ended June 30, 2017

	Non-Major Enterprise Funds			se Funds
	Non-Reclaimable Wastewater		Recharge	
				Water
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	\$	41,599	\$	16,916
Sale of investments		-		
Net cash provided by (used for) investing activities		41,599		16,916
Net increase (decrease) in cash and cash equivalents		2,122,781		563,944
Cash and cash equivalents - beginning		3,637,467		2,763,317
Cash and cash equivalents - ending	\$	5,760,248	\$	3,327,261
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$	2,129,602	\$	(3,300,340)
Adjustments to reconcile operating income (loss) to				
net cash provided by (used for) operating activities				
Depreciation and amortization		1,066,411		1,466,569
Changes in assets and liabilities				
(Increase) decrease in				
Accounts receivable		(778,641)		-
Short term receivables		-		-
Inventory		-		-
Prepaid items		-		-
Increase (decrease) in				
Deferred outflow related to net pension liability		(237,904)		(139,631)
Accounts payable		1,116,986		57,882
Accrued liabilities		194,879		193
Other noncurrent liabilities		-		-
Deferred Inflow related to net pension liability		(18,144)		32,642
Net pension liability		17,893		15,936
Compensated absences		<u> </u>		<u> </u>
Net cash provided by (used for) operating activities	\$	3,491,082	\$	(1,866,749)

A	dministrative		Totals			
	Services		2017		2016	
\$	164,634	\$	223,149	\$	125,392	
	(72,385)		(72,385)		581,991	
	92,249		150,764		707,383	
	(5,145,028)		(2,458,303)		950,821	
	(0,110,000)		(=, :::;:::)			
	24,361,819		30,762,603		29,811,782	
\$	19,216,791	\$	28,304,300	\$	30,762,603	
<u> </u>	10,210,701	<u> </u>	20,001,000		00,702,000	
\$	(3,936,976)	\$	(5,107,714)	\$	(3,540,343)	
	1,866,036		4,399,016		4,287,565	
	(9,201,048)		(9,979,689)		5,829,843	
	(16,155)		(16,155)		(18,575)	
	4,800		4,800		101,608	
	9,577		9,577		17,401	
	(427,595)		(805,130)		(243,485)	
	5,872,571		7,047,439		(4,480,198)	
	76,580		271,652		(1,084,091)	
	(1,741,480)		(1,741,480)		(1,538,683)	
	102,767		117,265		(643,845)	
	27,476		61,305		187,399	
	158,113		158,113		579,203	
\$	(7,205,334)	\$	(5,581,001)	\$	(546,201)	
			<u> </u>		(Continued)	
					,	

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2017

		Non-Major Ente	erprise	Funds
	Non-	Reclaimable	ı	Recharge
	W	astewater		Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Cash and short-term investments	\$	5,759,610	\$	2,467,571
Restricted assets		638		859,690
Cash & cash equivalents at end of year	\$	5.760.248	\$	3.327.261

A	dministrative	 -	Totals	
	Services	2017		2016
\$	19,216,791	\$ 27,443,972		\$ 29,903,334
	-	860,328		859,269
\$	19,216,791	\$ 28,304,300	-	\$ 30,762,603

RP-5 Energy Storage



Tesla Powerpack Units

INLAND EMPIRE UTILITIES AGENCY REGIONAL WASTEWATER FUND

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

Regional Wastewater Capital Improvement Fund

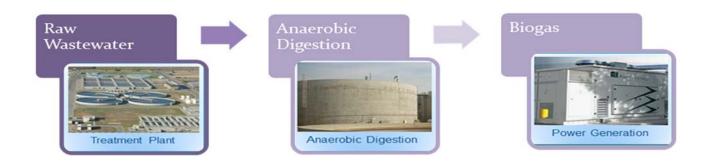
The Regional Wastewater Capital Improvement Fund records the activities associated with the acquisition, construction, replacement, and expansion of the Agency's wastewater treatment facilities, energy cogeneration facilities, solids handling facilities, large sewer interceptors, and appurtenant facilities.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

The Regional Wastewater Capital Improvement 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 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, state loan and grant receipts for select capital projects, 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, 2017

	Regional Capital	Regional Operations &	Tota	als
	Improvement	Maintenance	2017	2016
ASSETS				
Current assets				
Cash and investments	\$ 19,918,848	\$ 64,442,630	\$ 84,361,478	\$ 69,842,677
Accounts receivable	502,267	12,151,513	12,653,780	10,586,862
Interest receivable	292,580	115,229	407,809	270,767
Taxes receivable	238,827	80,064	318,891	348,803
Other receivables	112,731	459	113,190	254,040
Prepaid items	1,200	2,483	3,683	1,200
Total current assets	21,066,453	76,792,378	97,858,831	81,304,349
Restricted assets				
Deposits held by governmental agencies	31,709,626	-	31,709,626	55,201,435
Assets held with trustee/fiscal agents	1,689,244	311,387	2,000,631	1,685,460
Total restricted assets	33,398,870	311,387	33,710,257	56,886,895
Noncurrent assets				
Capital assets				
Land	14,047,045	-	14,047,045	14,047,045
Jobs in progress	13,538,938	13,445,059	26,983,997	13,175,594
Capital assets, net of accumulated depreciation	299,293,662	27,466,679	326,760,341	341,321,221
Intangible assets, net of accumulated amortization	5,143,059	1,274,599	6,417,658	5,412,667
Total capital assets	332,022,704	42,186,337	374,209,041	373,956,527
Other assets				
Long-term investments	44,435,019	-	44,435,019	45,167,514
Advances to other funds	13,500,000	-	13,500,000	13,500,000
Long-term receivables	3,889,599	-	3,889,599	3,947,279
Prepaid bond insurance	-	-	-	406,202
Prepaid Interest -SRF loans	883,784		883,784	963,608
Total other assets	62,708,402		62,708,402	63,984,603
Total noncurrent assets	394,731,106	42,186,337	436,917,443	437,941,130
Total assets	449,196,429	119,290,102	568,486,531	576,132,374
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding	2,546,098	219,430	2,765,528	946,974
Deferred outflow related to net pension liability	1,317,964	11,834,408	13,152,372	7,916,176
Total deferred outflows of resources	3,864,062	12,053,838	15,917,900	8,863,150
			(Continued)	(Continued)

		Regional		Regional				
		Capital	C	perations &		Totals		
	lı	mprovement	_ N	faintenance		2017		2016
LIABILITIES								
Current liabilities								
Accounts payable	\$	1,327,065	\$	3,073,711	\$	4,400,776	\$	3,769,469
Accrued liabilities		21,385		10,673		32,058		31,083
Retentions payable		233,285		123,674		356,959		100,897
Notes payable, due within one year		1,917,785		29,802		1,947,587		1,906,841
Long-term debt, due within one year		6,873,021		172,072		7,045,093		5,367,542
Interest payable		744,469		43,773		788,242		1,323,443
Retention deposits and escrows		-		311,004		311,004		
Total current liabilities		11,117,010		3,764,709		14,881,719		12,499,275
Noncurrent liabilities								
Long-term debt, due in more than one year		80,149,653		4,344,939		84,494,592		142,447,402
Notes payable, due in more than one year		24,621,218		8,579,420		33,200,638		28,630,573
Net pension liability		4,385,006		24,813,159		29,198,165		28,519,226
Total noncurrent liabilities		109,155,877		37,737,518	_	146,893,395		199,597,201
Total liabilities		120,272,887		41,502,227		161,775,114		212,096,476
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow related to net pension liability		357,546		2,655,323		3,012,869		2,277,772
Total deferred inflows of resources	_	357,546		2,655,323		3,012,869		2,277,772
NET POSITION								
Net Investment in capital assets		220,150,271		29,291,450		249,441,721		197,289,629
Restricted for:								
Capital construction		31,709,626		-		31,709,626		55,201,435
SRF Loan debt service		1,447,479		-		1,447,479		1,447,479
Bond operating contingency requirement		1,747,228		15,777,078		17,524,306		16,144,016
Total restricted		34,904,333		15,777,078		50,681,411		72,792,930
Unrestricted	_	77,375,454	_	42,117,862		119,493,316		100,538,717
Total net position	\$	332,430,058	\$	87,186,390	\$	419,616,448	\$	370,621,276

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, 2017 (With Comparative Totals for June 30, 2016)

	Regional	Regional	Tatala	
	Capital	Operations &	Totals	2046
OPERATING REVENUES	Improvement	Maintenance	2017	2016
Service charges	\$ -	\$ 56,641,193	\$ 56,641,193 \$	50,073,868
Total operating revenues	<u> </u>	56,641,193	56,641,193	50,073,868
OPERATING EXPENSES				
Wastewater collection	-	1,575,505	1,575,505	1,377,333
Wastewater treatment	-	24,242,516	24,242,516	21,104,320
Wastewater disposal	-	11,687,784	11,687,784	11,148,524
Administration and general	5,241,683	9,825,431	15,067,114	14,801,870
Depreciation and amortization	21,022,819	2,772,935	23,795,754	24,071,692
Total operating expenses	26,264,502	50,104,171	76,368,673	72,503,739
Operating income (loss)	(26,264,502)	6,537,022	(19,727,480)	(22,429,871)
NONOPERATING REVENUES (EXPENSES)				
Interest income	240,326	537,738	778,064	418,784
Property tax revenue	29,688,120	9,548,600	39,236,720	37,231,448
Wastewater capital connection fees	30,508,191	-	30,508,191	24,910,235
Other nonoperating revenues	101,170	4,313,019	4,414,189	4,348,713
Interest on long-term debt	(4,712,488)	(200,208)	(4,912,696)	(6,049,290)
Other nonoperating expenses	1,268,440	(11,988,991)	(10,720,551)	(6,371,221)
Total nonoperating revenues (expenses)	57,093,759	2,210,158	59,303,917	54,488,669
Income (loss) before capital contributions and transfers	30,829,257	8,747,180	39,576,437	32,058,798
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	181,160	-	181,160	6,984,888
Transfers out	(2,357,804)	(181,160)	(2,538,964)	(6,335,390)
Capital grants	(3,075)	11,779,614	11,776,539	1,766,918
Change in net position	28,649,538	20,345,634	48,995,172	34,475,214
Total net position - beginning	303,780,520	66,840,756	370,621,276	336,146,062
Total net position - ending	\$ 332,430,058	\$ 87,186,390	\$ 419,616,448 \$	370,621,276

INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND

Recycled Water Fund

The Recycled Water 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 Recycled Water 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, 2017

	Totals			
400570		2017	_	2016
ASSETS				
Current assets				
Cash and investments	\$	22,227,347	\$	11,372,754
Accounts receivable		5,684,890		9,699,821
Interest receivable		58,934		15,560
Taxes receivable		18,244		20,224
Other receivable		86,889		85,735
Prepaid items		3,500		3,500
Total current assets		28,079,804		21,197,594
Restricted assets				
Assets held with trustee/fiscal agents		2,619		
Total restricted assets		2,619		
Noncurrent assets				
Capital assets				
Jobs in progress		4,077,735		2,929,514
Capital assets, net of accumulated depreciation		178,203,985		185,244,010
Intangible assets, net of accumulated amortization		557,581		651,509
Total capital assets		182,839,301		188,825,033
Other assets				
Long term receivables		1,007,618		1,094,508
Prepaid bond insurance		-		134,312
Prepaid interest - SRF loans		1,063,646		1,154,162
Total other assets		2,071,264		2,382,982
Total noncurrent assets		184,910,565	_	191,208,015
Total assets		212,992,988	_	212,405,609
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding		1,498,873		-
Deferred outflow related to net pension liability Total deferred outflows of resources		1,516,798 3,015,671		954,415 954,415
Total deletted outliows of resources		5,015,071		Continued)

	Totals			
LIADILITIES		2017		2016
LIABILITIES				
Current liabilities				
Accounts payable	\$	336,218	\$	451,148
Accrued liabilities		10,143		22,628
Retentions payable		46,776		188,524
Long term debt, due within one year		1,175,404		-
Notes payable, due within one year		3,983,294		3,918,543
Interest payable		1,569,372		1,420,795
Total current liabilities		7,121,207		6,001,638
Noncurrent liabilities				
Advances from other funds		28,500,000		28,500,000
Long-term debt, due in more than one year		29,679,800		30,159,329
Notes payable, due in more than one year		76,900,512		79,143,491
Other noncurrent liabilities		472,992		355,771
Net pension liability		3,586,723		3,530,352
Total noncurrent liabilities		139,140,027		141,688,943
Total liabilities		146,261,234		147,690,581
DEFERRED INFLOWS OF RESOURCES		050 500		000 000
Deferred inflow related to net pension liability Total deferred inflows of resources		358,569 358,569		300,328
NET POSITION				
Net Investment in capital assets		71,102,909		75,603,669
Restricted for:				_
SRF Loan debt service		7,157,101		6,265,167
Total restricted		7,157,101		6,265,167
Unrestricted		(8,871,154)		(16,499,721)
Total net position	\$	69,388,856	\$	65,369,115

INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for June 30, 2016)

	Tota	ls
	2017	2016
OPERATING REVENUES		
Recycled water sales	\$ 16,384,605	\$ 13,468,182
Total operating revenue	16,384,605	13,468,182
OPERATING EXPENSES		
Operations and Maintenance	3,056,482	4,788,211
Administration and general	4,329,012	3,211,019
Depreciation and amortization	8,913,698	8,491,268
Total operating expenses	16,299,192	16,490,498
Operating income (loss)	85,413	(3,022,316)
NONOPERATING REVENUES (EXPENSES)		
Interest income	235,182	106,314
Property tax revenue	2,170,100	2,161,509
Water capital connection fees	5,414,935	997,010
Other nonoperating revenues	(1,479,557)	688,741
Other nonoperating expenses	321,962	(307,460)
Interest on long-term debt	(2,538,304)	(2,625,576)
Total nonoperating revenues (expenses)	4,124,318	1,020,538
Income (loss) before capital contributions and transfers	4,209,731	(2,001,778)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	509,313	1,389,654
Transfers out	(1,071,511)	(5,586,589)
Capital grants	372,208	4,370,528
Change in net position	4,019,741	(1,828,185)
Total net position - beginning	65,369,115	67,197,300
Total net position - ending	\$ 69,388,856	\$ 65,369,115

INLAND EMPIRE UTILITIES AGENCY WATER RESOURCES FUND

Water Resources Fund

The Water Resources 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.

On June 15, 2016, changes in the imported water rate structure were adopted to sustainably support the Water Resources program costs and provide for a more equitable recovery of these costs. Some of the significant changes included:

- Monthly meter equivalent unit (MEU) charges to support program costs based on meter size consistent with member water agencies structure.
- Seven-year phased implementation to obtain full recovery of the MWD Readiness-to-Serve (RTS) pass through direct charge to member agencies. The cost recovery will be based in the ten-year average imported water consumption by water agencies.
- Use of property taxes to support the RTS fees not recovered through direct charges during the seven-year implementation period.
- The regional water efficiency programs continue to receive 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, 2017

		Totals	
	2017		2016
ASSETS			
Current assets			
Cash and investments	\$ 3,414,7	77 \$	6,842,536
Accounts receivable	9,945,9	77	5,356,382
Interest receivable	5,8	64	3,575
Taxes receivable	16,4	07	-
Water inventory	2,261,7	31	1,350,043
Total current assets	15,644,7	56	13,552,536
Noncurrent assets			
Capital assets			
Capital assets, net of			
accumulated depreciation Intangible assets, net of accumulated amortization	18,8 15,1		19,382 20,008
Total capital assets	34,0		39,390
Total noncurrent assets	34,0		39,390
Total assets	15,678,7		13,591,926
	13,070,7	<u> </u>	13,391,920
DEFERRED OUTFLOWS OF RESOURCES Deferred outflow related to net pension liability	757,7	94	451,493
Total deferred outflows of resources	757,7		451,493
LIABILITIES			
Current liabilities			
Accounts payable	6,418,5	24	4,593,888
Accrued liabilities	625,3		691,674
Retentions payable Current liabilities	7,043,8	62	10,296 5,295,858
Noncurrent liabilities			
Net pension liability	1,381,5	96	1,379,162
Total noncurrent liabilities	1,381,5		1,379,162
Total liabilities	8,425,4	58	6,675,020
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to net pension liability	165,1		60,722
Total deferred inflows of resources	165,1	76	60,722
NET POSITION			
Net Investment in capital assets	34,0	23	39,390
Unrestricted	7,811,9	16	7,268,287
Total net position	\$ 7,845,9	39 \$	7,307,677

INLAND EMPIRE UTILTIES AGENCY Water Resources Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for June 30, 2016)

	Totals			
		2017		2016
OPERATING REVENUES				
Sales Service charges	\$	29,896,949 4,794,895	\$	18,653,793 5,314,419
Total operating revenues		34,691,844		23,968,212
OPERATING EXPENSES				
Water Purchases Operations and maintenance Administration and general Depreciation and amortization		29,896,949 1,082,717 5,213,177 5,367		18,653,793 1,411,548 5,878,361 5,367
Total operating expenses		36,198,210		25,949,069
Operating income (loss)		(1,506,366)		(1,980,857)
NONOPERATING REVENUES (EXPENSES)				
Interest income Property tax revenue Gain on interfund loan forgiveness Other nonoperating revenues Other nonoperating expenses		52,520 2,295,011 - 68,632 (580,954)		40,107 4,295,184 4,308,104 27,236 (1,960,692)
Total nonoperating revenues (expenses)		1,835,209	-	6,709,939
Income (loss) before capital contributions and transfers		328,843		4,729,082
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in Capital grants		58,976 150,443		294,955 1,393,002
Change in net position		538,262	-	6,417,039
Total net position - beginning		7,307,677		890,638
Total net position - ending	\$	7,845,939	\$	7,307,677

Water Quality Laboratory



Lab Rendering

INLAND EMPIRE UTILITIES AGENCY NON-RECLAIMABLE WASTEWATER FUND

Non-Reclaimable Wastewater Fund

The Non-Reclaimable Wastewater System 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 County (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 agency program charges based on the number of capacity units from the NRW industries in the north system. A 50 percent operating surcharge on the volumetric, capacity and strength charges for non-recycled water users is collected from NRW industries in the south system. The Agency's program charges and operating surcharge support the Agency's program costs.

INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Net Position June 30, 2017

	To	tals		
ASSETS	2017	2016		
Current assets				
Cash and investments	\$ 5,759,610	\$ 3,637,467		
Accounts receivable	2,554,981	1,776,340		
Interest receivable	673,371	551,120		
Taxes receivable	<u> </u>	1		
Total current assets	8,987,962	5,964,928		
Restricted assets				
Assets held with trustee/fiscal agent	638_			
Total restricted assets	638_	<u> </u>		
Noncurrent assets				
Capital assets				
Jobs in progress	189,768	3,662		
Capital assets, net of accumulated depreciation	14,131,397	15,032,736		
Intangible assets, net of accumulated amortization	1,857,617	2,022,688		
Total capital assets	16,178,782	17,059,086		
Other assets				
Advances to other funds	15,000,000	15,000,000		
Prepaid bond insurance		32,732		
Total other assets	15,000,000	15,032,732		
Total noncurrent assets	31,178,782	32,091,818		
Total assets	40,167,382	38,056,746		
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding	365,289	<u>-</u>		
Deferred outflow related to net pension liability Total deferred outflows of resources	759,630 1,124,919	521,726 521,726		
		(Continued)		

	То	tals
LIABILITIES	2017	2016
Current liabilities		
Accounts payable	\$ 1,886,070	\$ 769,084
Accrued liabilities	195,000	121
Long term Debt, due within one year	286,452	
Notes payable, due within one year	857,004	832,00
Interest payable	98,334	123,600
Total current liabilities	3,322,860	1,724,81
Noncurrent liabilities		
Long-term debt, due in more than one year	7,233,116	7,349,97
Notes payable, due in more than one year	1,425,816	2,301,57
Net pension liability	2,117,984	2,100,09
Total noncurrent liabilities	10,776,916	11,751,63
Total liabilities	14,099,776	13,476,45
DEFERRED INFLOWS OF RESOURCES Deferred inflow related to net pension liability Total deferred inflows of resources	193,638 193,638	211,78 211,78
NET POSITION		
Net Investment in capital assets	5,703,559	6,575,53
Restricted for:		
Bond operating contingency requirement	2,917,301	2,600,31
Total restricted	2,917,301	2,600,31
Unrestricted	18,378,027	15,714,38
Total net position	\$ 26,998,887	\$ 24,890,23

INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for June 30, 2016)

	Totals			
		2017		2016
OPERATING REVENUES				
Service charges	\$	11,947,914	\$	11,854,847
Total operating revenues		11,947,914		11,854,847
OPERATING EXPENSES				
Wastewater collection Administration and general Depreciation and amortization		7,181,117 1,570,785 1,066,411		6,132,817 1,668,118 949,511
Total operating expenses		9,818,313		8,750,446
Operating income (loss)		2,129,601		3,104,401
NONOPERATING REVENUES (EXPENSES)				
Interest income Property tax revenue Other nonoperating revenues Interest on long-term debt		163,850 - 8,626 (401,521)		65,316 3 34,489 (449,919)
Other nonoperating expenses		171,980		7,666
Total nonoperating revenues (expenses)		(57,065)	_	(342,445)
Income (loss) before transfers		2,072,536		2,761,956
TRANSFERS				
Transfers in Transfers out		53,757 (17,642)		122,775 (13,072)
Change in net position		2,108,651	_	2,871,659
Total net position - beginning		24,890,236		22,018,577
Total net position - ending	\$	26,998,887	\$	24,890,236

INLAND EMPIRE UTILITIES AGENCY RECHARGE WATER FUND

Recharge Water Fund

The Recharge Water 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 Fund for the Agency's share of project and 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 Fund.

INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Net Position June 30, 2017

	Tot	Totals		
	2017	2016		
ASSETS				
Current assets				
Cash and investments	\$ 2,467,571	\$ 1,904,048		
Accounts receivable	37,979	712,203		
Interest receivable	2,286	2,626		
Total current assets	2,507,836	2,618,877		
Restricted assets				
Assets held with trustee/fiscal agents	859,690	859,269		
Total restricted assets	859,690	859,269		
Noncurrent assets				
Capital assets				
Jobs in progress	1,588,600	827,900		
Capital assets net of accumulated depreciation	41,867,920	43,222,482		
Intangible assets, net of accumulated amortization	4,354	13,061		
Total capital assets	43,460,874	44,063,443		
Total noncurrent assets	43,460,874	44,063,443		
Total assets	46,828,400	47,541,589		
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to net pension liability	303,974	188,859		
Total deferred outflows of resources	303,974	188,859		
		(Continued)		

	Totals			
		2017		2016
LIABILITIES				
Current liabilities				
Accounts payable Accrued liabilities	\$	415,468 193	\$	357,586
Long-term debt, due within one year		683,051		647,458
Interest payable		7,131		4,662
molock payable		7,101		1,002
Total current liabilities		1,105,843		1,009,706
Noncurrent liabilities				
Long-term debt, due in more than one year		12,973,800		13,656,850
Net pension liability		729,811		713,875
Total noncurrent liabilities		13,703,611		14,370,725
Total liabilities		14,809,454		15,380,431
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to net pension liability		71,831		63,705
Total deferred inflows of resources		71,831		63,705
NET POSITION				
NET FOSITION				
Net Investment in capital assets		30,663,713		30,618,403
Unrestricted		1,587,376		1,667,909
Total net position	\$	32,251,089	9	32,286,312

INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2017

	Totals		
	2017	2016	
OPERATING REVENUES			
Recycled water sales	\$ -	\$ -	
Total operating revenues			
OPERATING EXPENSES			
Administration and general Depreciation and amortization	1,833,771 1,466,569	1,301,432 1,371,776	
Total operating expenses	3,300,340	2,673,208	
Operating income (loss)	(3,300,340)	(2,673,208)	
NONOPERATING REVENUES (EXPENSES)			
Interest income	16,576	13,504	
Other nonoperating revenues	2,054,245	1,600,316	
Interest on long-term debt	(94,593)	• • •	
Other nonoperating expenses	(87,434)	(1,030,292)	
Total nonoperating revenues (expenses)	1,888,794	566,094	
Income (loss) before capital contributions and transfers	(1,411,546)	(2,107,114)	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	1,380,640	2,224,986	
Capital grants	(4,317)		
Change in net position	(35,223)	117,872	
Total net position - beginning	32,286,312	32,168,440	
Total net position - ending	\$ 32,251,089	\$ 32,286,312	

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 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 Administrative Services Fund includes 4.3 percent 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, 2017

(With Comparative Totals for June 30, 2016)

	Totals	S	
	2017		2016
ASSETS			
Current assets			
Cash and investments	\$ 19,216,791	\$	24,361,819
Accounts receivable	15,080,454		5,879,406
Interest receivable	18,843		30,395
Taxes receivable	16,538		32,614
Other receivables	78,393		62,238
Inventory	1,553,721		1,558,521
Prepaid items	94,339		103,916
Net OPEB	 1,988,639		247,159
Total current assets	38,047,718		32,276,068
Noncurrent assets			
Capital assets			
Land	20,829		20,829
Jobs in progress	1,527,441		695,527
Capital assets, net of accumulated depreciation	10,955,480		11,462,972
Intangible assets, net of accumulated amortization	 2,352,761		3,100,273
Total capital assets	 14,856,511		15,279,601
Total noncurrent assets	 14,856,511		15,279,601
Total assets	 52,904,229		47,555,669
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to net pension liability	1,073,010		645,415
Total deferred outflows of resources	 1,073,010		645,415
	 	(Continued)

	Total	s	
	 2017		2016
LIABILITIES			
Current liabilities			
Accounts payable Accrued liabilities Compensated absences Retentions payable	\$ 14,731,591 2,089,075 1,877,836 43,563	\$	8,859,020 2,012,495 1,939,639
Current liabilities	 18,742,065		12,811,154
Noncurrent liabilities			
Compensated absences Net pension liability	 3,198,600 2,181,216		2,978,684 2,153,740
Total noncurrent liabilities	 5,379,816		5,132,424
Total liabilities	 24,121,881		17,943,578
DEFERRED INFLOWS OF RESOURCES Deferred inflow related to net pension liability Total deferred inflows of resources	 240,525 240,525	_	137,758 137,758
NET POSITION			
Net Investment in capital assets	 14,856,510		15,279,601
Restricted for:			
Bond operating contingency requirement	 690,314		405,861
Total restricted	 690,314		405,861
Unrestricted	 14,068,009		14,434,286
Total net position	\$ 29,614,833	\$	30,119,748

INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2017 (With Comparative Totals for June 30, 2016)

	Total	S
	2017	2016
OPERATING REVENUES		
Service charges	\$ -	\$ -
Total operating revenues		
OPERATING EXPENSES		
Administration and general Depreciation and amortization	2,070,941 1,866,035	2,005,258 1,966,278
Total operating expenses	3,936,976	3,971,536
Operating income (loss)	(3,936,976)	(3,971,536)
NONOPERATING REVENUES (EXPENSES)		
Interest income Property tax revenue Other nonoperating revenues Loss on interfund loan forgiveness Other nonoperating expenses	153,082 1,972,200 1,198,377 - (1,335,869)	117,853 1,942,969 2,062,846 (4,308,104) (1,511,011)
Total nonoperating revenues (expenses)	1,987,790	(1,695,447)
Income (loss) before capital contributions and transfers	(1,949,186)	(5,666,983)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	1,444,271	917,793
Change in net position	(504,915)	(4,749,190)
Total net position - beginning	30,119,748	34,868,938
Total net position - ending	\$ 29,614,833	\$ 30,119,748

Index of Statistical Section Schedules

June 30, 2017

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

1.	Financial Trends	138
	These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being has changed over time.	
2.	Revenue Capacity	.142
3.	Debt Capacity These schedules present information to help the reader assess the affordability of IEUA's current levels of outstanding debt and ability to issue additional debt in the future.	
4.	Operating Indicators	.155
	These schedules contain service and infrastructure data to help the reader understand the information in IEUA's financial reports and how it relates to the services that IEUA provides and the activities it performs.	
5.	Demographic and Economic Information	.161
	These schedules offer demographic and economic indicators to help the reade understand the environment within which IEUA's financial activities take place	-
6.	Appropriation Limits	.163
	This section shows the trend of the Agency's appropriation limit under the California Constitution Amendment XIIIB. Appropriation limits are adopted every year by Board Resolutions and represent the limit or "upper bound" of tall proceeds that can be spent in a fiscal year.	1

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

Historical Operating Results

Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position (exludes Water Resource Fund) Fiscal Years Ended June 30, 2008 through 2017 (Dollars in Thousands)

	2	2016/17	2	2015/16		2014/15	2	2013/14		2012/13
Operating revenues										
Service charges	\$	68,589	\$	61,929	\$	58,265	\$	51,248	\$	47,891
Recycled Water Sales		16,385		13,468		12,047		10,830		7,952
Total operating revenues		84,974		75,397		70,312		62,078		55,843
Operating expenses										
Wastewater collection		8,757		7,510		8,089		5,623		4,656
Wastewater treatment		24,242		21,104		19,001		20,506		18,908
Wastewater disposal		11,688		11,149		7,997		7,705		8,613
Operations and maintenance		3,056		4,788		3,262		3,765		3,195
Administration and general		24,872		22,988		28,562		30,658		20,714
Depreciation and amortization		37,108		36,851		34,108		32,289		31,928
Total operating expenses		109,723		104,390		101,019		100,546		88,014
Operating income (loss)		(24,749)		(28,993)		(30,707)		(38,468)		(32,171)
Non-operating revenues (expenses)										
Interest income		1,347		722		424		555		809
Property tax revenue		43,379		41,336		39,446		38,487		48,087
Wastewater capital connection fees		30,508		24,910		15,074		9,789		14,614
Water capital connection fees		5,415		997						
Other nonoperating revenues		6,196		8,735		7,405		6,311		7,486
Interest on long-term debt		(7,947)		(9,142)		(9,593)		(7,120)		(8,321)
Other nonoperating expenses		(11,650)		(13,520)		(6,184)		(31,066)		(9,407)
Total nonoperating revenues (expenses)		67,248		54,038		46,572		16,956		53,268
Income (loss) before contributions and transfers		42,499		25,045		15,865		(21,512)		21,097
Capital grants		12,144		6,137		5,353		2,314		2,561
Contribution in aid		-		-		-		-		-
Transfers (to Water Resource Fund)		(59)		(295)		-		100		200
Change in net position	\$	54,584	\$	30,887	\$	21,218	\$	(19,098)	\$	23,858
Total net position - beginning		522,734		493,054		513,805		532,113		512,616
Prior period adjustment		322,1 O-F		(1,207)		(41,969)		790		(4,361)
Total net position - ending	\$	577,318	\$	522,734	\$	493,054	\$	513,805	\$	532,113
Total hot position onding	<u> </u>	377,010	Ψ	322,10 1	<u> </u>	+00,00-	<u> </u>	310,000	<u> </u>	302,110

Historical Operating Results

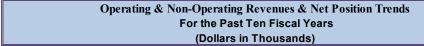
Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position Fiscal Years Ended June 30, 2008 through 2017 (Dollars in Thousands)

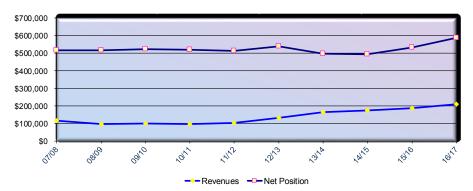
	2011/12		2010/11		2009/10	2	2008/09	2007/08				
\$	42,209	\$	41,544	\$	42,108	\$	41,575	\$	38,021			
Ť	6,009	•	4,353	•	4,162	•	2,715	•	-			
-	48,218		45,897	-	46,270		44,290		38,021			
	<u> </u>		<u> </u>									
	5,629		6,517		7,338		5,939		5,361			
	17,377		17,208		19,016		20,049		22,430			
	11,316		10,664		10,030		12,885		12,722			
	2,987		2,600		· -		, -		2,135			
	21,398		20,465		22,018		25,685		12,728			
	30,168		29,993		26,168		22,179		17,289			
	88,875		87,447		84,570		86,737		72,665			
	(40,657)		(41,550)		(38,300)		(42,447)		(34,644)			
	951		1,159		1,684		2,742		4,659			
	32,695		33,419		34,355		36,325		34,451			
	7,686		5,398		7,753		5,753		16,626			
	8,160		6,008		7,566		3,098		15,280			
	(7,447)		(7,803)		(9,891)		(13,498)		(10,101)			
	(8,907)		(7,626)		(7,283)		(3,268)		(1,224)			
	33,138		30,555		34,184		31,152		59,691			
	(7,519)		(10,995)		(4,116)		(11,295)		25,047			
	4,263		6,852		10,163		12,275		1,095			
	200		300		200		200		- (4 E46)			
\$	300 (2,956)	\$	(3,843)	\$	300 6,347	\$	300 1,280	\$	(4,546) 21,596			
	() 7		(272-27				,		,====			
	515,572		518,244		511,897		434,393		412,797			
			1,171				76,224					
\$	512,616	\$	515,572	\$	518,244	\$	511,897	\$	434,393			

Combined Schedule of Revenues, Expenses and Changes in Net Position

- All Funds -For The Past Ten Fiscal Years (Dollars in Thousands)

	 2016/17	:	2015/16	:	2014/15		2013/14
Operating revenues	 						
Service charges	\$ 73,384	\$	67,243	\$	63,956	\$	56,171
Potable Water sales	29,897		18,654		34,147		40,225
Recycled water sales	16,385		13,468		12,047		10,831
Total operating revenues	 119,666		99,365		110,150	_	107,227
Operating expenses							
Potable Water purchases	29,897		18,654		34,147		40,225
Wastewater collection	8,757		7,510		8,089		5,623
Wastewater treatment	24,242		21,104		19,001		20,506
Wastewater disposal	11,688		11,148		7.997		7,705
Administration and general	4,139		6,200		4,393		4,255
Depreciation and amortization	30,085		28,866		33,426		35,191
Operations and maintenance	37,114		36,856		34,113		32,295
Total operating expenses	 145,922		130,338		141,166		145,800
Operating income (loss)	 (26,256)		(30,973)		(31,016)		(38,573)
Non-Operating revenues (expenses)							
Interest income	1.399		762		436		564
Property tax revenue	45,674		45,631		40.946		38,487
Wastewater capital connection fees	30,508		24,910		15,074		9,789
Water capital connection fees	5,415		997		-,-		.,
Other non-operating revenues	6,265		13,070		7,543		6,337
Interest on long-term debt	(7,947)		(9,142)		(9,593)		(8,565)
Other non-operating expenses	(12,231)		(15,481)		(7,180)		(29,841)
Total non-operating revenues (expenses)	69,083		60,747		47,226		16,771
Income (loss) before contributions and transfers	42,827		29,774		16,210		(21,802)
Capital grants	12,295		7,530		5,917		2,663
Contributions in aid	-		- ,000		-		-,000
Change in net position	\$ 55,122	\$	37,304	\$	22,127	\$	(19,139)
Total net position - beginning	\$ 530,594	\$	493,290	\$	472,581		\$536,561
Prior Period Adjustment	-		-		(1,418)		(44,841)
Total net position - beginning, as restated	\$ 530,594	\$	493,290	\$	471,163	\$	491,720
Net position by component:							
Net Investment in capital assets	373,886		325,406		331,856		315,293
Restricted for Debt service & Capital construction	61,446		82,064		67,081		63,073
Unrestricted	150,384		123,124		94,353		94,215
Total net position - ending	\$ 585,716	\$	530,594	\$	493,290	\$	472,581
-							





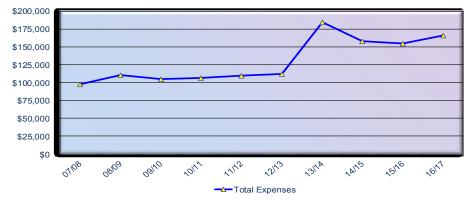
Combined Schedule of Revenues, Expenses and Changes in Net Position

- All Funds -

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

	2012/13	:	2011/12	:	2010/11		2009/10	:	2008/09	 2007/08
\$	52,153	\$	46,468	\$	44,776	\$	44,545	\$	43,832	\$ 39,459
	7,952		6,009		4,352		4,162		2,716	 2,007
	60,105		52,477		49,128		48,707		46,548	 41,466
	4,656		5,629		6,517		7,338		2,351	5,361
	18,908		17,378		17,208		19,016		23,640	22,429
	8,613		11,316		10,664		10,030		9,885	12,723
	3,868		24,755		23,266		21,567		25,101	22,322
	24,473		30,173		29,999		26,173		22,185	19,054
	31,933		3,725		3,230		2,760		5,539	 2,175
	92,451		92,976		90,884		86,884		88,701	 84,064
-	(32,346)		(40,499)		(41,756)		(38,177)		(42,154)	 (42,598)
	819		963		1,179		1,715		2,796	5,006
	48.087		32,695		33,419		34,355		36,325	34,451
	14,614		7,686		5,398		7,753		5,753	16,626
	7,510		8,562		6,090		7,638		3,543	17,720
	(9,805)		(7,447)		(8,058)		(9,891)		(13,498)	(11,278)
	(8,088)		(9,014)		(7,773)		(7,684)		(8,031)	 (1,890)
	53,137	-	33,445		30,255		33,886		26,888	 60,635
	20,791		(7,054)		(11,501)		(4,291)		(15,266)	18,036
	3,152		4,841		7,587		10,387		13,924	12,373
\$	23,943	\$	(2,213)	\$	(3,914)	\$	6,096	\$	(1,342)	\$ 30,409
\$	511,828	\$	518,455	\$	522,370	\$	515,104	\$	516.446	 \$486,036
Ψ	790	Ψ	(4,414)	Ψ	522,570	Ψ	1,170	Ψ	-	φ-100,000
\$	512,618	\$	514,041	\$	522,370	\$	516,274	\$	516,446	\$ 486,036
			•							·
	354,124		362,673		372,277		377,512		370,516	355,794
	50,036		42,798		50,378		63,545		81,418	123,620
	132,401		106,357		95,800		81,313		63,170	 37,032
\$	536,561	\$	511,828	\$	518,455	\$	522,370	\$	515,104	\$ 516,446

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



Wastewater Capital Connection Deposits Held

For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
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
2016/17	3,305,358	4,095,005	6,136,173	4,703,455
Percentage	10.4%	12.9%	19.4%	14.9%

Wastewater Capital Connection Fee Agreement

On April 12, 1984, an amendment was made to the Chino Basin Regional Sewage Service Contract (Regional Contract), wherein each contracting member agency agreed to contribute funds to Inland Empire Utilities Agency (IEUA) for the improvement and expansion of the regional wastewater system. While the source of these funds is left to the discretion of the individual agencies, it is generally obtained by a connection fee assessment against new construction when connecting to the regional sewer system. Connection fees are restricted to finance capital acquisition, construction, equipment, and process improvement costs for the IEUA regional wastewater system.

Pursuant to the Regional Contract, new connection fees are collected by each of the contracting member agencies and held in trust in a Capital Capacity Reimbursement Account (CCRA) until requested, or "called", by IEUA. Each contracting member agency must report monthly building (permit) activity and the ending monthly balance of funds in each respective CCRA to IEUA. IEUA must provide each contracting member agency: a) a quarterly report concerning the level of CCRA reserves, b) regional wastewater capital improvement expenditures and, c) the identified and projected capital needs of the Agency over the ensuing nine months to call for funds from each contracting member agency. Capital calls are calculated based on the percentage of each contracting member agency's CCRA account balance relative to the aggregate amount.

Table 1 & 2 represent the connection fee balances reported in the respective contracting member agency's annual financial reports. Balances reported for FY 2016/17 are subject to further adjustment after audit.

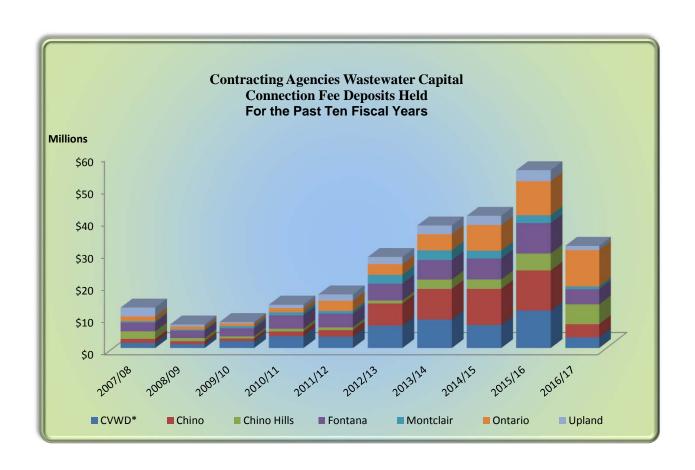
^{*}Cucamonga Valley Water District

Wastewater Capital Connection Deposits Held

For the Past Ten Fiscal Years

Table 2

Year	Montclair	Ontario	Upland	Total
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
2016/17	846,653	11,331,273	1,291,709	31,709,626
Percentage	2.7%	35.7%	4.2%	100.0%



Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2027*

Project Description 2016/17 2017/18 2018/19 Re-placement Projects RP-1 Disinfection Pump Improvements \$ 323,341 \$ 1,197,000 \$ 2,086,000 Monticair Diversion Structure Improvement 135,768 \$ 0.0 \$ 0.0 Collection System Upgrades 16/17 34,105 \$ 0.0 \$ 0.0 RP-4 Anoxic Splitter Box Gates 40,993 \$ 0.0 165,000 RP-1 Lighting Pole Replacement \$ 70,000 165,000 \$ 150,000 RP-1 Lighting Pole Replacement \$ 220,000 \$ 0.0 \$ 150,000 \$ 195,000 RP-1 Givil Restoration and Upgrades \$ 0.0 \$ 105,000 \$ 245,000 \$ 195,000 \$ 245,000 \$ 195,000 \$ 0.0			Actual		Proje	ecte	d
RP-1 Disinfection Pump Improvements \$ 323,341 \$ 1,197,000 \$ 2,086,000 Monticair Diversion Structure Improvemen 135,768 - - Collection System Upgrades 16/17 34,105 - - RP-4 Anoxic Spittler Box Gates 40,993 - - - TP-1 Electrical Distribution Panel Replacement - - 20,000 - - RP-1 Lighting Pole Replacement - - 20,000 - - RP-1 Lighting Pole Replacement - - 20,000 - - RP-1 Griff Restoration and Upgrades - - 105,000 245,000 - RP-1 Guller Bestoration and Upgrades - - 500,000 -	Project Description		2016/17		2017/18		2018/19
Monticair Diversion Structure Improvemen 135,768 - - Collection System Upgrades 16/17 34,105 - - RP-4 Anoxic Splitter Box Gates 40,993 - - TP-1 Electrical Distribution Panel Replacement - 220,000 - RP-1 Uighting Pole Replacement - 455,000 195,000 RP-1 Twill Restoration and Upgrades - 105,000 245,000 RP-5 Regional Wastewater AMP - - - - Collection System Upgrades - 500,000 500,000 Process Automation Controls IT Improvmnt - - - - Replace UPS 499 - - - R-1 Filter PLC Upgrade Project - - - - RACO Alarm System Replacement Proj - - - - RP-1 Electrifuge Plant Ethernet Upgrade 58,943 - - - - - - - - - - - - - - -	Replacement Projects	-					
Monticair Diversion Structure Improvemen 135,768 - - Collection System Upgrades 16/17 34,105 - - RP-4 Anoxic Splitter Box Gates 40,993 - - TP-1 Electrical Distribution Panel Replacement - 220,000 - RP-1 Uighting Pole Replacement - 455,000 195,000 RP-1 Twill Restoration and Upgrades - 105,000 245,000 RP-5 Regional Wastewater AMP - - - - Collection System Upgrades - 500,000 500,000 Process Automation Controls IT Improvmnt - - - - Replace UPS 499 - - - R-1 Filter PLC Upgrade Project - - - - RACO Alarm System Replacement Proj - - - - RP-1 Electrifuge Plant Ethernet Upgrade 58,943 - - - - - - - - - - - - - - -	RP-1 Disinfection Pump Improvements	Ś	323.341	Ś	1.197.000	Ś	2.086.000
Collection System Upgrades 16/17 34,105 - - RP-4 Anoxic Splitter Box Gates 40,993 - - 70,000 165,000 RP-1 Lighting Pole Replacement - 70,000 165,000 - RP-1 Lighting Pole Replacement - 220,000 - - RP-1 Lighting Pole Replacement - 105,000 245,000 - - 155,000 245,000 -	· ·	•	•	•	-	•	-
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RACO Alarm System Replacement Proj -	·				_		_
RP-1 Centrifuge Plant Ethernet Upgrade Philadelphia Lift Station Lic Radio Upgr 58,943			_		_		_
Philadelphia Lift Station Lic Radio Upgr 46,668 - - Replace VM Host Server - RP4 - - - Replace VM Host Server - RP1 22,357 - - VantagePoint Connectors 5,044 - - RP4 Replace OITs 13,269 - - Invensys/Foxboro RP5 and RP2 Upgrades - 85,000 - SCADA Network Infrastructure Replacement - 85,000 \$ 3,191,000 Total Replacement Projects - 860,986 \$ 2,322,000 \$ 3,191,000 Equipment Projects - 860,986 \$ 2,172,434 \$ - RP-1 Mixed Liquor Return Pumps \$ 4,659,412 \$ 2,172,434 \$ - Major Facilities Repairs/Replacements 110,607 - - Major Facilities Repairs/Replacements (South) - 913,539 - Major Facilities Repairs/Replacements - 913,539 - Major Facilities Repairs/Replacements - 913,539 - - Major Facilities Repairs/Replacements - 11,08	·		58 0/13		_		_
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Replace VM Host Server - RP1 22,357 - - VantagePoint Connectors 5,044 - - RP4 Replace OITs 13,269 - - Invensys/Foxboro RP5 and RP2 Upgrades - 85,000 - SCADA Network Infrastructure Replacement - 85,000 \$ 3,191,000 Equipment Projects ** 680,986 \$ 2,632,000 \$ 3,191,000 Equipment Projects ** 680,986 \$ 2,172,434 \$ - RP-1 Mixed Liquor Return Pumps ** 4,659,412 \$ 2,172,434 \$ - Major Facilities Repairs/Replacements 110,607 - - Major Facilities Repairs/Replacements 295,941 - - Major Facilities Repairs/Replacements 11,0892 600,000 Host Servers for Test Environment 31,982 - - 3PAR Storage Area Network for So. SCADA 106,672 - - Server for Cyber Security Svs 11,272 - - SCDA Newtwork Firewall 4,579 - - </td <td></td> <td></td> <td></td> <td></td> <td>_</td> <td></td> <td>_</td>					_		_
VantagePoint Connectors 5,044 - - RP4 Replace OITs 13,269 - - Invensys/Foxboro RP5 and RP2 Upgrades - - - - SCADA Network Infrastructure Replacement - 85,000 \$ 3,191,000 Total Replacement Projects - - 85,000 \$ 3,191,000 RP-1 Mixed Liquor Return Pumps \$ 4,659,412 \$ 2,172,434 \$ - - Major Facilities Repairs/Replacements 110,607 - - - Major Facilities Repairs/Replacements 295,941 - - - Major Facilities Repairs/Replacements (South) - 913,539 - - Major Facilities Repairs/Replacements - 1,108,920 600,000 - Major Facilities Repairs/Replacements 31,982 - - - Major Facilities Repairs/Replacements - 1,108,920 600,000 - Host Servers for Test Environment 31,982 - - - - Server for Cyber Security Svs	·		22 357		_		_
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SCADA Network Infrastructure Replacement Total Replacement Projects RP-1 Mixed Liquor Return Pumps RP-1 Mixed Liquor Return Pumps Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacements Major Facilities Repairs/Replacement Microwave Security Svs 11,108,920 108,000 108,000 108,000 108,000 109,000 109,000 109,000 109,000 100,000	·		-		_		_
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RP-1 Mixed Liquor Return Pumps Major Facilities Repairs/Replacements (South) Major Facilities Repairs/Replacements (South) Major Facilities Repairs/Replacements Major Facilities Repairs/Replacement Major Facilities Repairs/Replacements Major Facilities Repairs/Replace	•	\$	680,986	\$		\$	3,191,000
RP-1 Mixed Liquor Return Pumps Major Facilities Repairs/Replacements (South) Major Facilities Repairs/Replacements (South) Major Facilities Repairs/Replacements Major Facilities Repairs/Replacement Major Facilities Repairs/Replacements Major Facilities Repairs/Replace	Familian and Brain ata						
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Major Facilities Repairs/Replacements - 1,108,920 600,000 Host Servers for Test Environment 31,982 - - 3PAR Storage Area Network for So. SCADA 106,672 - - Server for Cyber Security Svs 11,272 - - SCDA Newtwork Firewall 4,579 - - SCADA Network Switch Replacement 4,746 - - Microwave Communications Power Reliabili 47,843 - - FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - 30,000	· · · ·		233,311		913 539		_
Host Servers for Test Environment 31,982 - - 3PAR Storage Area Network for So. SCADA 106,672 - - Server for Cyber Security Svs 11,272 - - SCDA Newtwork Firewall 4,579 - - SCADA Network Switch Replacement 4,746 - - Microwave Communications Power Reliabili 47,843 - - FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - - 30,000			_		•		600 000
3PAR Storage Area Network for So. SCADA 106,672 - - Server for Cyber Security Svs 11,272 - - SCDA Newtwork Firewall 4,579 - - SCADA Network Switch Replacement 4,746 - - Microwave Communications Power Reliabili 47,843 - - FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - - 30,000	· · · ·		31.982		-		-
Server for Cyber Security Svs 11,272 - - SCDA Newtwork Firewall 4,579 - - SCADA Network Switch Replacement 4,746 - - Microwave Communications Power Reliabili 47,843 - - FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - - 30,000			•		_		_
SCDA Newtwork Firewall 4,579 - - SCADA Network Switch Replacement 4,746 - - Microwave Communications Power Reliabili 47,843 - - FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - - 30,000	5		•		_		_
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FY 1718 SCADA Energy Monitoring Project - 75,000 - IDEXX Colilert 8,991 - - TOC Combustion Instrument - - 30,000	•		•		_		_
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TOC Combustion Instrument 30,000	· · · · · · · · · · · · · · · · · · ·		8,991				_
			-,332		_		30,000
	Total Equipment Projects	\$	5,282.044	\$	4,269,893	\$	

^{*}Source: Projections were derived from the 2017/18 IEUA Ten Year Capital Improvement Plan.

Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2027*

Projected

2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
\$ 1,184,000	\$ 875,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,342,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
_	-	_	-	-	-	-	-	235,000
-	-	_	-	-	-	-	-	220,000
-	-	-	-	-	-	-	-	650,000
150,000	-	-	-	-	-	-	-	500,000
-	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	42,000,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,000,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	_	-	-	-	-	0
_	_	-	_	-	_	_	-	0
_	_	_	_	_	_	_	_	0
_	_	-	_	-	_	-	-	0
_	-	_	_	_	_	_	_	0
_	_	_	_	_	_	_	_	85,000
\$ 1,834,000	\$ 7,375,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 54,032,000
\$ -	\$ 2,172,434							
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
			-	-	-	-	-	913,539
600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	6,508,920
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
_	-		-	-	-	-	-	0
_	-	-	-	-	-	-		75,000
_	-	_	_	-	-	-	_	73,000
-	-	-	_	-	-	-	-	30,000
\$ 600,000	\$ 9,699,893							

Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2027*

	Actual	Proje	Projected			
Project Description	2016/17	2017/18	2018/19			
nstruction Projects	\$ 865,421	ć 1F.000	ć			
RP-5 Flow Equalization and Effluent Moni SCADA Enterprise System	\$ 865,421 856,082	\$ 15,000 1,680,000	2,632,000			
Agency-Wide HVAC Improvments- Pckg No. 2	238,756	1,080,000	2,032,000			
RP-2 Drying Beds Rehabilitation	278,396	_	-			
RP-4 Disinfection Facility Improvements	761,546	1,620,000	195,000			
RP-1 Headworks Primary and Secondary Upg	719,143	5,290,256	587,806			
Water Quality Laboratory	8,008,856	11,300,000	4,000,000			
RP-1 Primary Effluent Conveyance Improve	208,127	186,900	1,727,611			
RP-1 TWAS and Primary Effluent Piping Re	213,090	355,500	39,500			
Agency-Wide HVAC Improvements- Pckg No.	4,912	-	-			
SBCFCD Sewer Easement	2,493	280,000	-			
Whispering Lakes Pump Station Rehab	-	-	-			
RP-4 Lighting Improvements - Phase 1	(13,732)	-	-			
RP-1 Expansion PDR	526,188	_	-			
RP-5 Expansion PDR	1,353,454	_	_			
RC Planning Documents	(1,020)	_	_			
Headquarters Back Up Generator	346,025	_				
		-	-			
RP-1 DAFs Plug Valve Replacement	1,737	15.000	-			
Agencywide Pumps Efficiencies Improvemen	140,768	15,000	-			
San Bernardino Avenue Gravity Sewer	1,402,986	-	-			
Energy Efficiency Improvements	4,561	-	-			
CCWRF Assets Management and Improvements	174,209	2,700,000	1,020,000			
RP-4 South Side Sight-Proof Safety Wall	3,311	-	-			
Agencywide Lighting Improvements - Phase	1,071,627	15,000	-			
Digester 6 and 7 Roof Repairs	-	1,350,000	1,350,000			
RP4 Primary Clarifier Rehab	53,532	750,750	2,841,720			
RP-1 Power Reliability Generator Control	141,005	1,260,000	140,000			
RP-1 Filter Valve Replacement	-	135,000	515,000			
RP-1 Dewatering Silo/Conveyor Safety Imp	23,782	135,050	15,005			
RP-1 Dewatering Vertical Conveyor Repair	29,382	-	-			
Septic Conversion PDR	· -	35,000	765,000			
RP-1 and RP-4 Safety Improvements	192,223	665,100	73,900			
RP-1 Iron Sponges Installation	97,170	315,000	35,000			
Microturbine Design-Build	55,002	150,000	150,000			
CCWRF Airduct Modifications	17,140	130,000	-			
RP-1 Mechanical Restoration and Upgrades	15,039	350,000	700,000			
RP-4 Process Improvements	221,224	3,087,350	6,251,580			
•	221,224					
RP-1 IPS System Improvements	200.003	175,000	525,000			
RP-1 Flare Improvements	200,002	1,050,000	2,380,000			
RP-1 Secondary System Rehabilitations	-	700,000	2,940,000			
RP-1 Septage Dump Station and Bulk Material Storage	-	210,000	1,190,000			
RP-1 Solids Thickening Expansion	-	350,000	1,120,000			
RP-5 Facilities Improvements	-	245,000	105,000			
CCWRF Asset Management and Improvements - Pckg III	-	105,000	213,500			
CCWRF Asset Management and Improvements - Pckg II	-	77,000	479,500			
RP-4 Disinfection Facility Tenant Improvements	-	108,500	196,000			
RP-5 Expansion to 30 mgd	48,424	2,450,000	3,360,000			
Haven LS SCADA Improvements	-	-	-			
RP-5 SHF	32,919	2,450,000	3,430,000			
RP-1 Digester Mixing Upgrade	-	-	-			
Chino Creek Wetlands & Educational Park	-	-	-			
RP-1 Liquid Treatment Capacity Recovery	-	2,000,000	-			
RP-1 Solids Treatment Expansion	_	2,000,000	_			
Regional Conveyance AMP	_	_,000,000	-			
RP-4 Tertiary Expansion	-	_	_			
CEQA Document Impl. of WWFMP,IRP RWPS	(274,337)	-	-			
·	(274,337)	-	-			
HQ Solar Photovoltaic Power Plants Ph. 2	-	-	7 500 000			
Purchase Existing Solar Installation	-	-	7,500,000			
RP-1 Advanced Water Treatment Facility		-	-			
	\$ 18,019,442	\$ 43,611,406	\$ 46,478,122			
Total Construction Projects	3 10,013,442	y 	7 40,470,122			

^{*}Source: Projections were derived from the 2017/18 IEUA Ten Year Capital Improvement Plan.

Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2027*

Projected

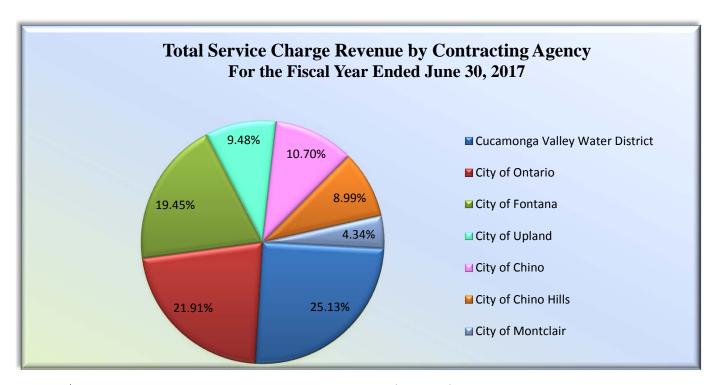
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
\$ -			- \$	-	\$ -	\$ -	\$ -	\$ 15,000
4,848,000	850,000	10,000	-	-	-	-	-	10,020,000 0
-	- -	- -	- -	-	- -	-	- -	0
-	-	-	-	-	-	-	-	1,815,000
-	-	-	-	-	-	-	-	5,878,062
-	-	-	-	-	-	-	-	15,300,000
820,505	-	-	-	-	-	-	-	2,735,016
-	-	-	-	-	-	-	-	395,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	500,000	280,000 500,000
_	_	-	_	_	_	_	500,000	0
_	_	_	_	_	_	_	_	0
-	-	-	-	-	-	-	-	0
-	-	_	-	-	_	_	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	15,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
7,700,000	10,800,000	1,000,000	-	-	-	-	-	23,220,000
-	-	-	-	-	-	-	-	0
300,000	-	-	-	-	-	-	-	15,000
300,000		-	-	-	-	-	-	3,000,000
2,868,280		-	-	_	_	-	-	6,460,750 1,400,000
_	_	_	_	_	_		_	650,000
-	-	- -	- -		_	_	-	150,055
-	-	-	_	-	_	_	-	0
-	-	-	-	-	_	-	-	800,000
-	-	-	-	-	-	-	-	739,000
-	-	-	-	-	-	-	-	350,000
150,000	150,000	150,000	150,000	150,000	150,000	150,000	-	1,350,000
-	-	-	-	-	-	-	-	0
450,000		-	-	-	-	-	-	1,500,000
7,915,320		-	-	-	-	-	-	17,254,250
300,000		-	-	-	-	-	-	1,000,000
1,470,000 1,560,000		-	-	-	-	-	-	4,900,000 5,200,000
600,000		-	_	_	_	_	_	2,000,000
2,000,000		3,000,000	3,000,000	3,000,000	3,000,000	1,530,000	_	20,000,000
-	-	-	-	-	-	-	-	350,000
2,086,500	15,000	-	-	-	_	-	_	2,420,000
378,500		-	-	-	-	-	-	950,000
145,500	-	-	-	-	-	-	-	450,000
34,740,000	77,250,000	53,250,000	3,085,000	-	-	-	-	174,135,000
-	-	-	-	-	-	-	750,000	750,000
30,770,000	74,500,000	49,750,000	3,235,000	-	-	-	-	164,135,000
-	-	-	-	250,000		-	-	750,000
-	900,000	958,000	-	4 000 000		4.750.000	20.050.000	1,858,000
-	-	-	-	1,000,000		4,750,000	29,050,000	43,300,000
-	-	-	-	250,000	1,750,000	1,250,000 500,000	6,300,000	11,550,000 500,000
-	-	-	-	-	-	500,000	-	500,000
-	-	- -	- -	-	- -	-	- -	0
-	-	-	300,000	1,100,000	-	-	-	1,400,000
-	-	-	,	-	-	-	-	7,500,000
-	-	-	-	-	-	500,000	2,500,000	3,000,000
\$ 99,102,605	\$ 167,480,000	\$ 108,118,000 \$	9,770,000 \$	5,750,000	\$ 11,900,000			\$ 540,490,133
\$ 101 526 605	\$ 17E AEE 000	\$ 115,218,000 \$	16,870,000 \$	12,850,000	\$ 19,000,000	\$ 16,280,000	\$ 46,200,000	\$ 604,222,026
\$ 101,330,005	÷ 1/3,435,000	\$ 11 <i>3,</i> 210,000 \$	10,070,000 \$	12,030,000	÷ 15,000,000	10,280,000 ب	y 40,200,000	004,222,020 ب

Regional Wastewater Funds
Service Charge Revenue and Rates by Contracting Agency

For the Fiscal Year Ended June 30, 2017

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 2016/2017.

Contracting Agency	Total EDU's	Rate*	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	827,680	\$ 17.14	\$ 14,186,444	25.13%
City of Ontario	721,477	17.14	, ,	21.91%
City of Fontana	640,523	17.14	10,978,566	19.45%
City of Chino	352,470	17.14	6,041,328	10.70%
City of Upland	312,119	17.14	5,349,714	9.48%
City of Chino Hills	296,004	17.14	5,073,507	8.99%
City of Montclair	142,780	17.14	2,447,256	4.34%
Total Contracting Agencys' Service Charge Revenue	3,293,053		\$ 56,442,936	100.00%



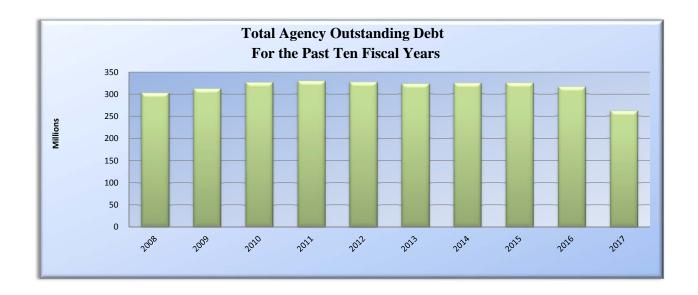
^{*} Effective July 1, 2016, the total service rate increased from \$15.89 to \$17.14 per equivalent service unit (EDU).

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)
2000	Ф 074 054 50C	¢ 20 004 204	¢.	\$	4 000 F00	r.	¢	202 002 400	150	0.4969/
2008	\$ 271,851,506	\$ 28,984,381	\$ -	Ф	1,966,522	\$ -	\$	302,802,409	150	0.486%
2009	266,575,303	43,887,866	-		1,817,326	-		312,280,495	154	0.503%
2010	259,825,394	56,246,235	-		1,659,178	8,899,580		326,630,387	160	0.528%
2011	247,096,595	72,620,998	-		1,491,542	8,417,002		329,626,137	160	0.530%
2012	240,428,398	77,865,387	-		1,313,848	7,934,424		327,542,057	157	0.513%
2013	236,017,294	78,764,115	-		1,125,493	7,451,846		323,358,748	154	0.495%
2014	228,604,318	88,017,521	-		925,834	6,969,268		324,516,941	155	0.449%
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%
2017	143,571,309	110,195,651	2,114,640		252,064	5,521,535		261,655,197	121	0.314%



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

Agency System Total Debt Coverage Ratio

For Fiscal Years Ended June 30, 2017 (With Comparative Total for the Fiscal Year Ended June 2016)

		2017		2016
Revenues: Wastewater System Service Charges	\$	56,641,193	\$	50,073,868
Wastewater Capital Connection Fees	Ψ	30,508,191	Ψ	24,910,235
Water Capital Connection Fees		5,355,959		702,055
Property Tax		43,379,020		41,335,929
NRW System Service Charges		11,947,914		11,854,847
Interest		1,133,004		624,871
Recycled Water Sales		16,384,605		13,468,182
Desalter/Composter Services		4,855,962		4,772,780
Other		2,143,952		1,809,078
Total Revenues	\$	172,349,800	\$	149,551,845
Operation and Maintenance Costs:				
Wastewater Treatment	\$	24,242,516	\$	21,104,320
Administration and General		24,871,623		22,200,022
Wastewater Disposal		11,687,784		11,148,524
Wastewater Collection		8,756,622		7,510,150
Operations and maintenance		3,056,482		4,788,211
Desalter/Composter Services		4,855,962		4,772,780
Other		6,229,966		3,932,655
Total Operation and Maintenance Costs:	\$	83,700,954	\$	75,456,662
Revenues Available to Debt Service	\$	88,648,846	\$	74,095,183
Parity Obligation Debt Service				
2008A Installment Payments	\$	4,704,861	\$	6,250,000
2008B Installment Payments		2,283,855		1,904,849
2010A Installment Payments		5,350,450		5,291,450
2017 Installment Payments		3,792,050		
Total Parity Obligation Debt Service	\$	16,131,217	\$	13,446,299
Parity Obligation Debt Service Coverage		5.50		5.51
Net Revenues	\$	72,517,629	\$	60,648,884
Subordinate Obligations				
State Revolving Fund Loan	\$	6,471,244	\$	6,642,011
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	\$	8,038,434	\$	8,209,201
Other Debt Service Coverage		9.02		7.39
Remaining Net Revenue	\$	64,479,195	\$	52,439,682
Davidana available often OOM avarage		00.010.015		74.005.405
Revenues available after O&M expenses	\$	88,648,846	\$	74,095,183
Total debt service	\$	24,169,651	\$	21,655,500
Total Debt Coverage Ratio		3.67		3.42

Agency System Total Debt Coverage Ratio For Fiscal Years Ended June 30, 2017 (continued)

(With Comparative Totals for the Fiscal Year Ended June 2016)

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 Refunding Revenue Bonds, Series 2008B to refund all of the outstanding 2002A Bonds.

In February 2008, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2008A. The Bonds were primarily used for improvements to the wastewater, recycled water, and non-reclaimable wastewater facilities. In February 2017, the Chino Basin Regional Financing Authority issued Refunding Revenue Bonds, Series 2017A to refund all of the outstanding 2008A Bonds.

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 2016/17 for operating and maintenance expenses for four months was \$32,013,000.
- As of the Fiscal Year Ended June 30, 2017, the Agency had designated debt service reserves of \$2,552,575, which has been included in Net Investment in Capital Assets, and SRF Loan debt service of \$8,604,850 included in Restricted Net Position.

	2010A Bond	2017A Bond	FY16/17 CAFR Section	
Audited Financial Statements	Ye	20277720110	Introductory Section	
Debt Service Reserve Fund			Statistical Section: Agency System Total Debt Coverage Ratio	
"The Agency will fix and prescriberates and charges with respect to the Agency System. These rates are reasonably				
NRW Rates and Charges: North System: Volumetric Fee Chemical Oxygen Demand (COD) Total Suspended Solids (TSS) South System: Capacity Fee Volumetric Fee Biochemical Oxygen Demand (BOD) Total Suspended Solids (TSS)			MD & A: Financial Highlights/Non-reclaimable wastewater treatment states: NRW Pass through Rates table	
NRW Revenues	\$11,94	17,914	MD & A: Financial Highlights/Non-reclaimable wastewater treatment Individual Funds: Non-reclaimable wastewater Fund Schedule of Revenue, Expenses and Changes in Net Position Statistical Section: Agency System Total Debt Coverage Ratio	
Principal Amount of Bonds Outstanding	\$22,900,000	\$67,615,000	MD & A: Financial Highlights/Debt Management Note 12: Long-term Debt and Notes Payable	
Recycled Water Rates:				
Direct Delivery	\$410	0/af	MD & A: Financial Highlights/Recycle Water Sales	
Groundwater Recharge	\$470	0/af	Major Initiatives and Accomplishments: Other Agency	
MWD Rebates	\$154	4/af	accomplishments	
Connection Fee	\$1,455	5/meu		
Recycled Water Revenues (AF, Sales, Conn Fee,		-		
MWD Rebates):				
Acre Feet (AF)	33 /1	11 af		
Acie reet (Ar)	33,4.	11 81	MD 9 A. Financial Highlights/Bosycle Water Sales	
D 1 194 - C1	4442	n= co=	MD & A: Financial Highlights/Recycle Water Sales	
Recycled Water Sales	\$ 14,30	•	Individual Funds: Recycled Water Fund Schedule of Revenue,	
MWD Rebates	\$ 2,07		Expenses and Changes in Net Position	
Water Connection Fee	\$ 5,41	•	Statistical Section: Agency System Total Debt Coverage Ratio	
Less Conn. Fee Alloted to Water Fund	<u>\$ 5</u>	5 <u>8,976</u>		
Total	\$ 21,74	40,564		
Assessed Valuation and Propety Tax: Assessed Value of Service Area Property Tax Revenue Less Allocation to Water Fund Net Property Tax Revenue	Yes \$ 45,674,031 \$ 2,295,011 \$ 43,379,020		GM Letter to Board: pg. viii - "Inland Empire is an area of tremendou ongoing expansionA surge in new development is also a positive sign throughout the region, particularly in the Agency's service area" but no total assessed value noted. MD & A: Financial Highlights/Revenues Statistical Section: Combined Schedule of Revenue, Expenses and Changes in Net Position Statistical Section: Agency System Total Debt Coverage Ratio	
Wastewater Program Capital Requirements - Regional	Not Required	\$23,982,472	Statistical Section: Regional Wastewater Program Capital Requirements	
Wastewater System Rates and Charges:			Activities	
Volumetric Fee per Month	\$17.14	4/edu	Statistical Section: Regional Wastewater Funds Service Charge	
Wastewater Connection Fee	\$6,009	9/edu	Revenue and Rates by Contracting Agency	
Wastewater System Revenues:			MD & A: Financial Highlights/Regional Wastewater Program	
Service Charge	\$56,64	11,193	Activities	
Wastewater Capital Connection Fee	\$30,50	08,191	Individual Funds: Regional Wastewater Fund	
Total	\$87,14	19,384	Statistical Section: Agency System Total Debt Coverage Ratio	
Wastewater Facility Total EDU Usage:	3,293	3,053	Statistical Section: Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency	
Wastewater Production/Flow within the Agency's services area:	47.7/	/mgd	Statistical Section: Operating Indicators -Wastewater Facility Statistical Section: Operating Indicators - Actual Wastewater Flow	

Computation of Direct and Overlapping Bonded Debt As of June 30, 2017

2016/17 Assessed Valuation: \$97,966,209,364

2016/17 Assessed Valuation: \$97,966,209,364			
	Total Debt	<u>%</u>	ency's Share of
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	6/30/17	Applicable (1)	Debt 6/30/17
Metropolitan Water District	\$ 74,905,000	3.792%	\$ 2,840,398
Chaffey Community College District	144,865,000	98.748	143,051,290
San Bernardino Community College District	453,884,720	1.101	4,997,271
Chino Valley Unified School District	337,122,546	100.	337,122,546
Colton Joint Unified School District	198,769,828	1.115	2,216,284
Fontana Unified School District	198,269,059	91.537	181,489,549
Rialto Unified School District	94,854,319	7.982	7,571,272
Upland Unified School District	97,098,399	99.760	96,865,363
Chaffey Union High School District	398,097,765	99.848	397,492,656
Alta Loma School District	30,358,906	99.821	30,304,564
Central School District	36,305,633	100.	36,305,633
Etiwanda School District	45,995,326	99.794	45,900,576
Mountain View School District and School Facilities Improvement District No. 1	12,106,240	100.	12,106,240
Ontario-Montclair School District	81,440,066	100.	81,440,066
Inland Empire Utilities Agency	0	100.	0 (2)
City of Chino Community Facilities Districts	133,135,000	100.	133,135,000
City of Chino Hills Community Facilities Districts	42,125,000	100.	42,125,000
Cucamonga School District Community Facilities District No 97-1	4,780,000	100.	4,780,000
Etiwanda School District Community Facilities Districts	88,285,000	100.	88,285,000
		100.	
Upland Unified School District Community Facilities Districts	3,525,000		3,525,000
City of Fontana Community Facilities Districts	56,440,000	4.930-100.	39,142,014
Mountain View School District Community Facilities Districts	726,000	100.	726,000
San Bernardino County Community Facilities District No. 2002-1	19,175,000	100.	19,175,000
City of Ontario Community Facilities Districts	30,090,000	100.	30,090,000
City of Rancho Cucamonga Community Facilities Districts	72,049,000	100.	72,049,000
City of Upland Community Facilities Districts	38,705,000	100.	38,705,000
City of Chino Hills 1915 Act Bonds	1,780,000	100.	1,780,000
City of Ontario 1915 Act Bonds	5,645,000	100.	5,645,000
	0,010,000	100.	5,0 4 5,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT	1,170,000	100.	1,170,000
City of Rancho Cucamonga 1915 Act Bonds	1,170,000		
City of Rancho Cucamonga 1915 Act Bonds	1,170,000		1,170,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT	1,170,000		1,170,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT:	1,170,000 T DEBT		1,170,000 \$1,860,035,722
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations	1,170,000 T DEBT \$399,400,000	100. 50.104%	1,170,000 \$1,860,035,722 \$ 200,115,376
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds	1,170,000 T DEBT \$399,400,000 379,612,328	100. 50.104% 50.104	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000	50.104% 50.104 50.104 50.104	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666	50.104% 50.104 50.104 50.104 98.748	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000	50.104% 50.104 50.104 50.104 98.748 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566	50.104% 50.104 50.104 50.104 98.748 100. 1.115	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Rialto General Fund Obligations City of Rialto General Fund Obligations	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Rialto General Fund Obligations City of Rialto General Fund Obligations	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100.	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000
OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Flood Control General Fund Obligations San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation TOTAL OVERLAPPING GENERAL FUND DEBT	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000 2,950,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100. 12.953	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000 \$636,693,410
OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Flood Control General Fund Obligations San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation TOTAL OVERLAPPING GENERAL FUND DEBT	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000 2,950,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100. 12.953	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000 \$636,693,410
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation TOTAL OVERLAPPING GENERAL FUND DEBT OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000 2,950,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100. 12.953	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000 \$636,693,410 \$794,288,362
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation TOTAL OVERLAPPING GENERAL FUND DEBT OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): DIRECT DEBT	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000 2,950,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100. 12.953	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000 \$636,693,410 \$794,288,362
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT OVERLAPPING GENERAL FUND DEBT: San Bernardino County General Fund Obligations San Bernardino County Pension Obligation Bonds San Bernardino County Flood Control General Fund Obligations Chaffey Community College District Certificates of Participation Chino Valley Unified School District Certificates of Participation Colton Joint Unified School District Certificates of Participation Fontana Unified School District Certificates of Participation Rialto Unified School District Certificates of Participation Cucamonga School District Certificates of Participation City of Fontana Certificates of Participation City of Montclair General Fund Obligations City of Ontario General Fund Obligations City of Rialto General Fund Obligations West Valley Vector Control District Certificates of Participation TOTAL OVERLAPPING GENERAL FUND DEBT OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): DIRECT DEBT	1,170,000 T DEBT \$399,400,000 379,612,328 73,680,000 10,725,666 12,325,000 2,313,566 34,200,000 4,995,000 7,060,000 40,740,000 43,500,000 67,590,000 1,245,000 2,950,000	50.104% 50.104 50.104 98.748 100. 1.115 91.537 7.982 100. 82.358 100. 100. 12.953	1,170,000 \$1,860,035,722 \$ 200,115,376 190,200,961 36,916,627 10,591,381 12,325,000 25,796 31,305,654 398,701 7,060,000 33,552,649 43,500,000 67,590,000 161,265 2,950,000 \$636,693,410 \$794,288,362

Computation of Direct and Overlapping Bonded Debt (continued)
As of June 30, 2017

Ratios to 2016-17 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessn	nent Debt 1.90%
Combined Direct Debt	3.36%
Ratios to Redevelopment Successor Agencies Inc	remental Valuation (\$31,547,231,659):
Total Overlapping Tax Increment Debt	2.52%

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.

Operating Indicators - Wastewater Facilities

Design Capacity and Average Flow

As of June 30, 2017

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.

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IEUA Wastewater Flows

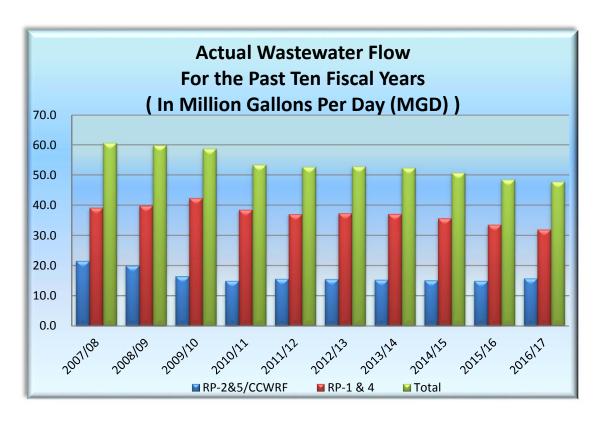
The following table presents the design capacities and average flows of the Agency's water recycling facilities as of June 30, 2017:

Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	22.2	50.5%
RP-4	14.0	9.7	69.3%
RP-5	16.3	7.8	47.9%
CCWRF	12.0	8.0	66.7%
Total	86.3	47.7	55.3%

^{*}MGD = million gallons per day

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

		Total
(MGD)	(MGD)	(MGD)
39.1	21.4	60.5
39.1	21.5	60.6
39.8	20.0	59.8
42.3	16.4	58.7
38.4	14.9	53.3
37.0	15.6	52.6
37.3	15.5	52.8
37.0	15.3	52.3
35.6	15.1	50.7
33.5	14.9	48.4
31.9	15.8	47.7
	39.1 39.8 42.3 38.4 37.0 37.3 37.0 35.6 33.5	(MGD) (MGD) 39.1 21.4 39.1 21.5 39.8 20.0 42.3 16.4 38.4 14.9 37.0 15.6 37.3 15.5 37.0 15.3 35.6 15.1 33.5 14.9



Operating Indicator - Projected Wastewater Flow For the Ten Fiscal Years Ending June 30, 2018 through June 30, 2027* (In Million Gallons Per Day (MGD))

Fiscal Year	Total (MGD)
2017/18	49.7
2018/19	51.5
2019/20	53.3
2020/21	54.2
2021/22	55.1
2022/23	56.0
2023/24	56.9
2024/25	57.8
2025/26	58.7
2026/27	59.6



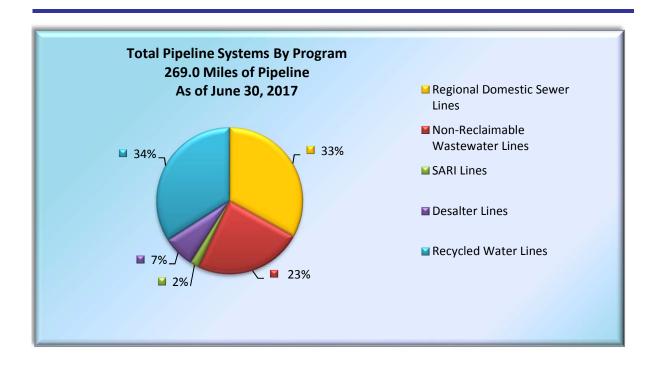
^{*} Source: Statistics were Provided by IEUA Planning and Environmental Compliance Department.

The Agency owns and operates four interconnected wastewater reclamation plants. These plants function as a whole, and Agency staff use influent bypass and diversion facilities to route flows between regional plants in order to optimize capacity utilization, and minimize overall pumping and treatment costs. The Agency's aggregate designed treatment capacity is 85 million gallons per day (mgd). Although historically wastewater reclamation plant capacity has been limited by hydraulic capacity (mgd), the volume of wastewater flows are expected to decrease as a result of indoor water use efficiency, new plumbing codes, and appliance standards. The Agency is currently evaluating other limiting wastewater treatment capacity factors such as strength loading (BOD, TSS, Ammonia).

Operating and Capacity Indicators - Pipeline Systems By Program

As of June 30, 2017

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	88.9	33%
Non-Reclaimable Wastewater Lines	63.0	24%
SARI Lines	5.9	2%
Desalter Lines	19.6	7%
Recycled Water Lines	91.6	34%
Total Miles of Pipeline	269.0	100%



Source: IEUA Business Information Services Dept.

No data available prior to most recent information.

Operating Indicators - FY 2016/17 Staffing Allocations

As of June 30, 2017

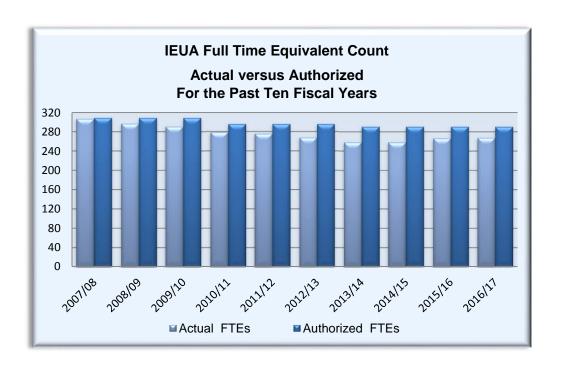
Actual staffing allocation by Agency Program	*FTE
Regional Wastewater Operations	157.3
Regional Wastewater Capital Programs	23.0
Recycled Water Programs	21.2
Inland Empire Regional Composting Authority Operations	25.0
Non-reclaimable Wastewater System Programs	12.9
Chino Basin Desalter Operations & Capital Programs	8.3
Recharge Water Programs	3.7
Water Related Activities & Conservation Programs	13.8
General Administration	1.8
Total FTE Count	267
Total Authorized FTE	290
Vacancy Factor Percentage	7.9%

Source: IEUA June 2017 Position Control Report

*FTE- Full Time Equivalent

Operating Indicators - Budgeted Positions versus Staffing Actuals For the Past Ten Fiscal Years

Fiscal Year	Actual FTEs	Authorized FTEs
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
2016/17	267	290



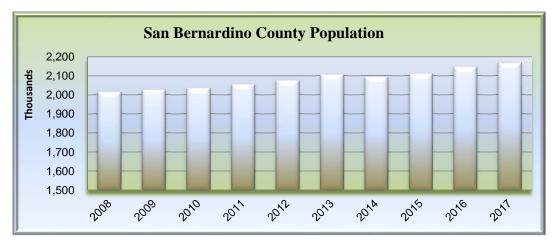
The chart and table above reflect the number of authorized full time equivalent (FTE) positions versus actual employees at fiscal year for the past ten fiscal years.

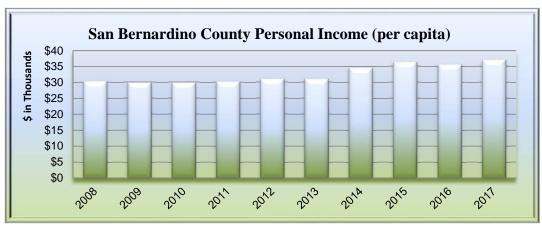
Demographic and Economic Statistics

For the Past Ten Fiscal Years

San Bernardino County (1)

		Personal Income	Personal Income
Year	Population	(billions)	(per capita)
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
2017	2,166,777	82.3	37,091





Footnotes:

- (1) Source: San Bernardino County Economic Forecast 2017.
- (2) The County data is representative of the conditions and experience of the Agency's service area.
- (3) Data for Year 2017 has been estimated.

Demographic and Economic Statistics

Agency Service Area's Largest Public and Private Employers

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,510
Kaiser Hospital & Medical Group	Fontana	5,682
Fontana Unified School District	Fontana	3,953
Chino Valley Unified School District	Chino	3,200
California Institution for Men	Chino	2,327
San Antonio Community Hospital	Upland	1,900
Chaffey Community College District	Rancho Cucamonga	1,385
North American Medical Management	Ontario	1,304
City of Ontario	Ontario	1,075
California Steel Industries	Fontana	956

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



Kaiser Hospital & Medical Group



San Antonio Community Hospital



Chaffey Community College District



Ontario International Airport

Footnote: No data available prior to most recent information.

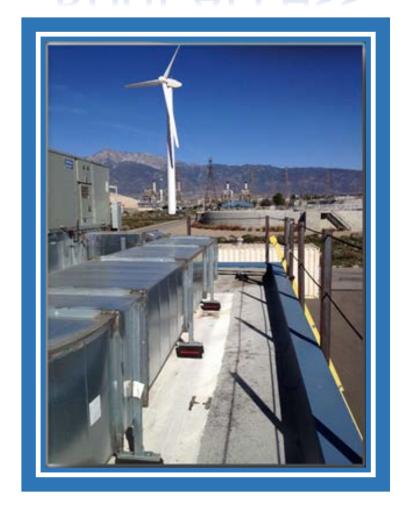
Appropriation Limits

Fiscal Years Ended June 30, 2013 through 2017*

Fiscal Year	Annual Appropriations Limit		oceeds of Taxes propriations)
2012/13	\$	140,911,109	\$ 32,607,254
2013/14	\$	149,385,503	\$ 33,351,677
2014/15	\$	150,204,136	\$ 40,203,474
2015/16	\$	159,570,580	\$ 41,156,629
2016/17	\$	169,703,311	\$ 44,704,800

^{*} Source: IEUA FY2017_18 and FY2018/19 Operating and Capital Program Budget

RP-4 Power Center Roof Access



Power Center Five Duct and A/C Access



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, 2017. 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

Lance, Soll & Lunghard, LLP

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 XIIIB 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.

Brea, California May 25, 2017

INLAND EMPIRE UTILITIES AGENCY FISCAL YEAR 2016-2017 APPROPRIATIONS LIMIT CALCULATION

2015-2016 APPROPRIATIONS LIMIT: \$ 159,570,580 A. 2016-2017 CHANGE IN PER CAPITA B. PERSONAL INCOME: 1.0537 C. 2016-2017 CHANGE IN POPULATION: 1.0093 D. RATIO OF CHANGE (1.0537 X 1.0093): 1.06350 E. 2016-2017 APPROPRIATIONS LIMIT: \$ 169,703,311 (\$159,570,580 X 1.06350)



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Wanda Dorgan Dorgan Legal Services, LLP Pasadena, CA 91101



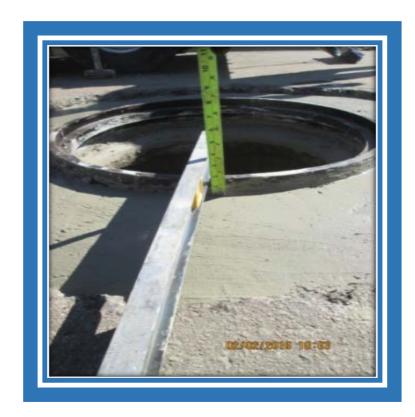




Acknowledgements

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

Collection/NRW System



Manhole Upgrades

Installation of New Cast Iron Manhole Frame and Cover



Water Smart - Thinking in Terms of Tomorrow

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