Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2018

Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Carbon Canyon Water Recycling Facility Asset Management and Improvements Project

Corroded Isolation Gates at the Filters

Surface Cracks and Drainage Issues

Stewardship
Innovation
Efficiency

Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2018

Inland Empire Utilities Agency
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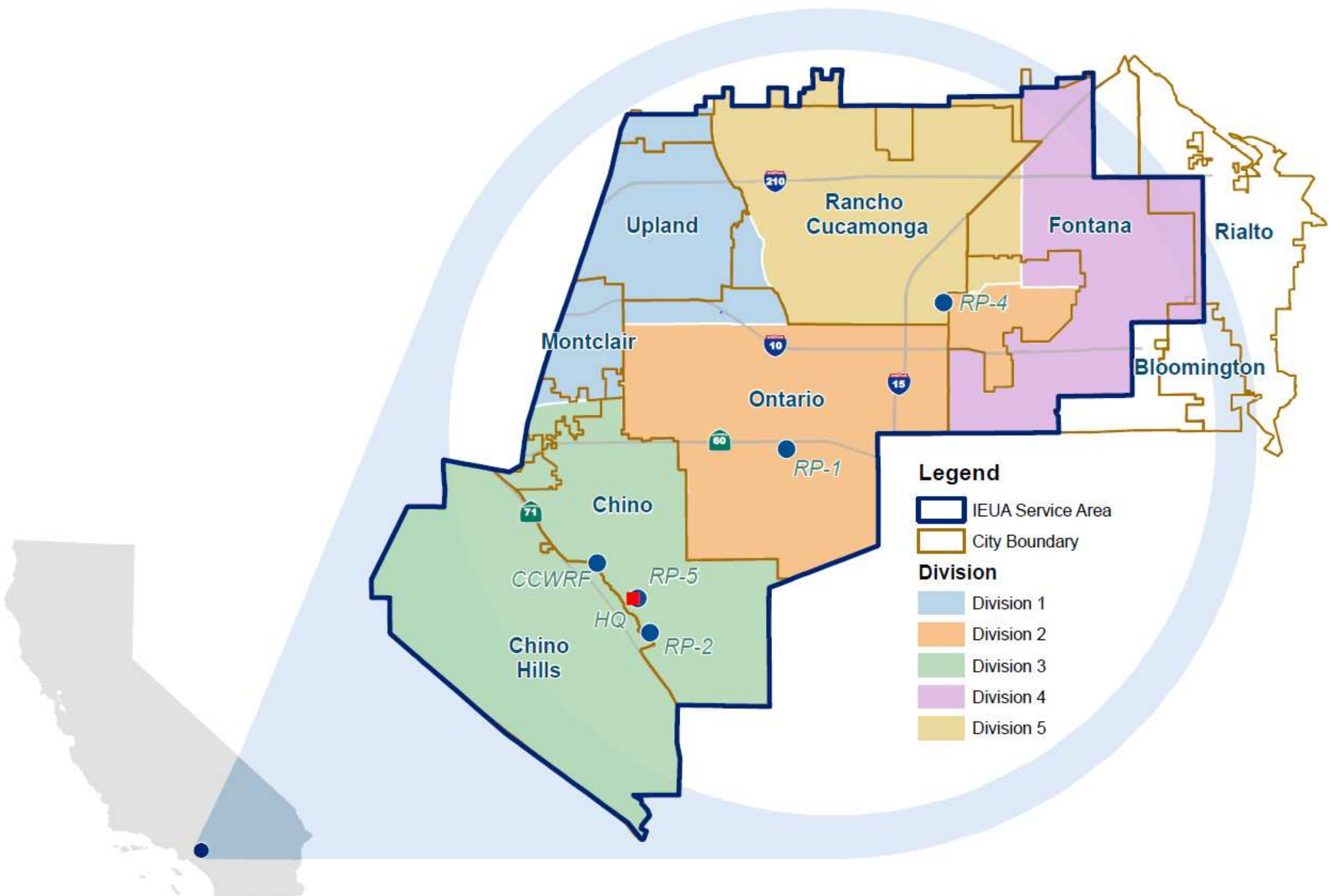
INLAND EMPIRE UTILITIES AGENCY

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.

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

6075 Kimball Avenue • Chino, CA 91708
P.O. Box 9020 • Chino Hills, CA 91709
TEL (909) 993-1600 • FAX (909) 993-1985
www.ieua.org

December 19, 2018

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, 2018.

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 enough 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, 2018, 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, 2018 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

These reports are available in the Inland Empire Utilities Agency's separately issued Single Audit Report.

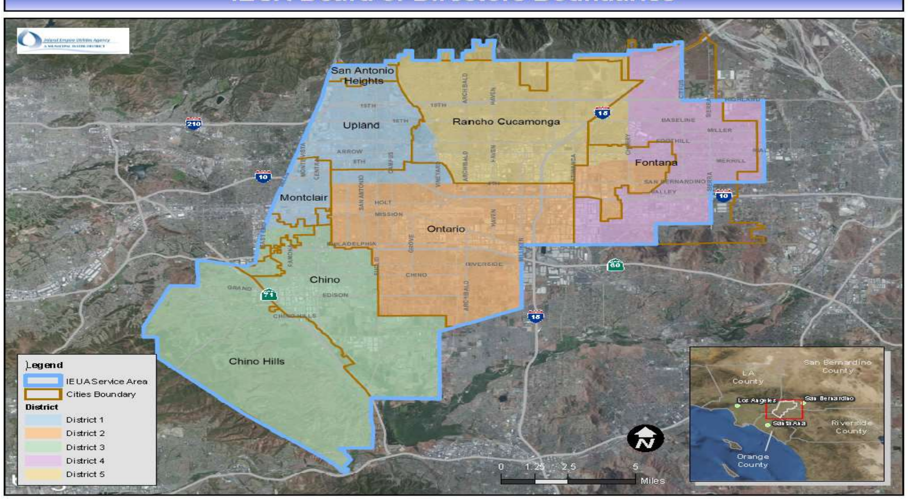
Accounting principles generally accepted in the United States of America requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement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

INLAND EMPIRE UTILITIES AGENCY PROFILE

UP TO THE PRESENT

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

IEUA Board of Directors Boundaries



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.

REGIONAL WATER RECYCLING PLANT NO. 2 (RP-2)

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

CARBON CANYON WATER RECYCLING FACILITY (CCWRF)

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

REGIONAL WATER RECYCLING PLANT NO. 4 (RP-4)

RP-4 is in the northeastern section of the service area in the City of Rancho Cucamonga and has been in operation and producing recycled water since 1997. RP-4 is operated in conjunction with RP-1 to provide recycled water. In late FY 2008/09 the plant capacity was expanded to 14 mgd, and it currently treats an average flow of approximately 9.7 mgd.

REGIONAL WATER RECYCLING PLANT NO. 5 (RP-5)

RP-5 is 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.

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

NON-RECLAIMABLE WASTEWATER SYSTEM

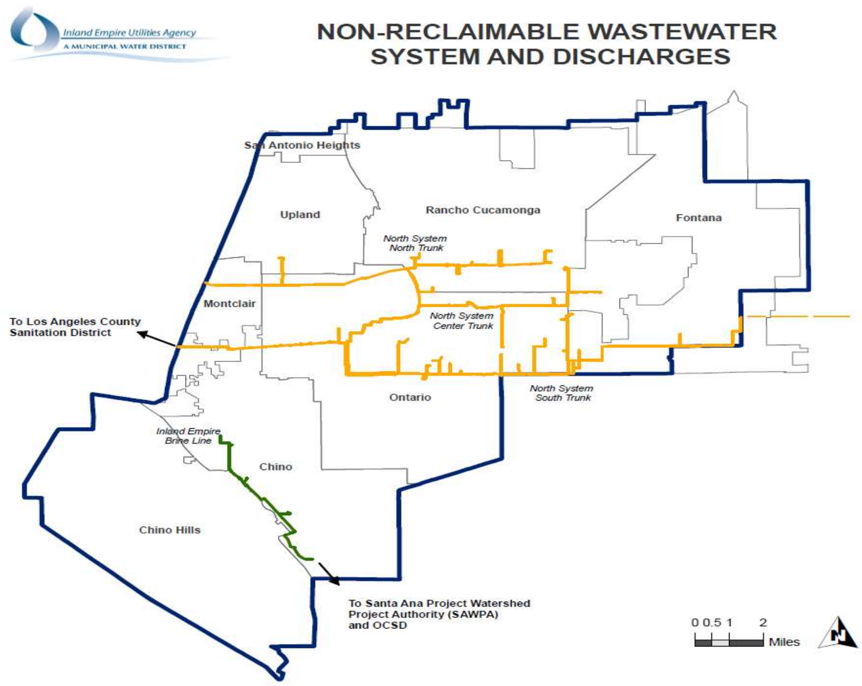
The Agency operates the Non-Reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts, for discharge into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of 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 Inland Empire Brine Line (IEBL) formerly called 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 IEBL 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 IEBL 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 thirty 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. As of June 30, 2018, the Agency has been assigned with 15,286 capacity units per year.



As of June 30, 2018, approximately fifty industries (forty in the North NRWS and ten 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, Crothall Health Services, Frito Lay Inc., GE Mobile Water, James Hardie Building Products, New-Indy Ontario, Niagara I, Niagara II, and Ventura Foods; and for the South IEBL they are California Institution for Men (CIM), California Institution for Women (CIW), and Mission Uniform and Linen Services. These industries are directly connected to the Agency's NRWS. The NRWS also serves approximately seven 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.

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 (Ten MW), and approximately nine percent of the Agency's combined energy usage (6,800 MWh solar generation, compared to 80,000 MWh electric energy usage).

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 thirty percent more energy than fixed-tilt technology.

Tilted single-axis tracker, installed at RP-5

BATTERY STORAGE

The Agency's use of advanced energy storage systems to integrate renewable power, reduce demand on the electric grid, and lower the cost. An advanced energy storage of 3.65 MWh was installed at the regional water recycling facilities to complement and integrate the Agency's renewable resources.

Battery Storage installed at RP-5

In mid-2016, IEUA's Regional Plant No. 5 (RP-5) began operation of the first of four battery systems that will total four MW of energy storage across the Agency's 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 Plant No. 5 Battery Storage Project in three categories based on its practices: environmental sustainability, operations/management, and planning. The America Academy of Environmental Engineers and Scientists (AAEES) presented the Agency grand prize award in all three categories.

JOINT POWERS AUTHORITY

CHINO BASIN DESALTER AUTHORITY

The Agency is an 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).

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

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

In February 2002, the Agency entered into a Joint Powers Agreement with the 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 and focuses on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program. The facility processes over 200,000 wet tons of waste products per year, composting into usable products used locally that save water and protect water resources.

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 connections for direct use customers to the regional recycled water system has been stagnant in part due to 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 and expansion of the San Sevaine Basin slated for completion in May 2019. The next phase of projects and priorities is currently under development, with the evaluation of the Chino Basin Project.

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 the Chino Basin, greater quantities of high-quality water can be captured and stored during wet years. Subsequently, the stored water can be drawn from the basin during droughts and shortages of imported water. Annual recharge varies due to weather patterns and the availability of imported water and recycled water supplies.

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). Following section 8.1 of the Peace II Agreement, CBWM and IEUA must update and obtain Court approval of its RMPU no less than every five years. Since February 2018, the RMPU Steering Committee has been working with different pools toward the development of the updated recharge master plan. The updated RMPU was approved concurrently by IEUA and CBWM in September 2018 to meet the required Court filing deadline, and no new stormwater or supplemental water projects are planned at this time.

ECONOMIC CONDITION AND OUTLOOK

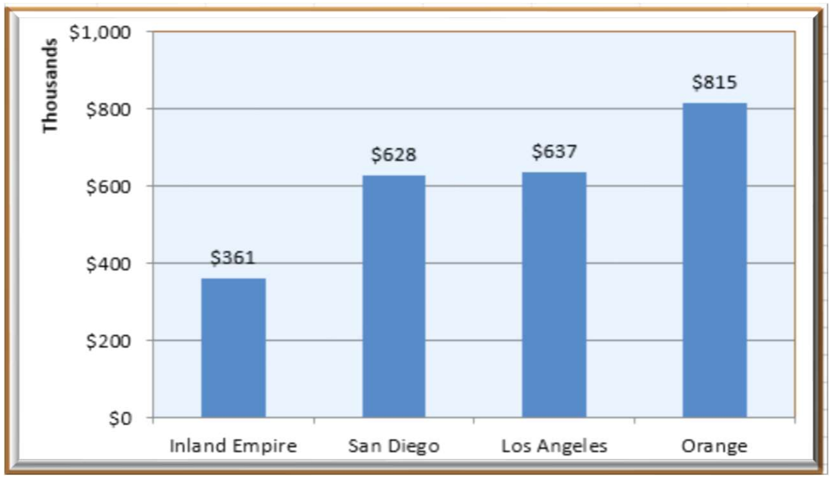
Ten years after the great recession, the California Inland Empire (IE) is a changed region. The IE, comprised of Riverside and San Bernardino counties, is considered one of the fastest growing regions in the United States. The Agency's service area is located in the IE, nestled in the southwest corner of San Bernardino County, approximately 35 miles east of Los Angeles.

The IE is an area of tremendous on-going expansion. Already the second largest metropolitan area in California, it has expanded more quickly than other major regions in the state. The University of California Riverside School of Business reported in their *2018 Inland Empire Economic Forecast the IE* is home to 4.6 million people in 2018, an increase of 1.2 percent from 2017. Population growth for the region was one of the greatest in California and the largest for any metropolitan area with more than 1 million inhabitants. The Agency's service area population is projected to surpass 893,000 in FY 2018/19.

According to John Husing, an economist for the Inland Empire Economic Partnership, the IE economy is expected to gain 50,728 jobs (3.5 percent) in 2018, after adding 49,433 in 2017. This would mark the sixth year in a row that local employment will have increased by over 45,000 putting the inland area's job base at 210,402 above its peak in 2017 or 16.1 percent higher than the pre-recession level. The recession cost the area 140,650 jobs between 2008-2010 but the gain between 2011-2018 has more than doubled the loss by up to 351,052. The job expansion will continue partly because of the area's traditional advantages, including available land to support new development, modestly priced labor, and a growing population.

Housing Market –Migration to the IE has picked up in recent years, putting upward pressure on home prices and rents. Homes in the IE are more affordable than in Los Angeles, Orange and San Diego counties but are still 50 percent higher than the national average. The region's residential prices increased slightly in 2018, up 12.9 percent (existing homes) and 11.0 percent (new construction) from 2017. The low median home prices for IE continues to make the region affordable and is a key driver for expected growth.

Southern California Median Home Prices by County ($ Thousands)



Source: John Husing, Second Quarter 2018 Inland Empire Quarterly Economic Report

Employment – California's unemployment rate was 4.1 percent, its lowest since 2001, according to data released by the Employment Development Department in June 2018. The unemployment rate in the IE was 4.7 percent, down from 5.3 percent in June 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.

INLAND EMPIRE EMPLOYMENT INFORMATION 2017-2018

Sector	Jun-2018	Jun-2017	Change	Percent
Higher Education	21,500	18,700	2,800	15.0%
Mgmt & Professions	48,600	47,100	1,500	3.2%
Local Government	81,600	79,400	2,200	2.8%
Utilities	5,100	5,000	100	2.0%
Health Care	137,500	134,900	2,600	1.9%
Federal & State	38,400	38,100	300	0.8%
Mining	900	900	0	0.0%
Information	11,100	11,200	(100)	-0.9%
Clean Work, Good Pay	**344,700**	**335,300**	**9,400**	**2.8%**
K-12 Education	138,200	134,700	3,500	2.6%
Financial Activities	45,000	44,300	700	1.6%
Clean Work, Moderate Pay	**183,200**	**179,000**	**4,200**	**2.3%**
Logistics	187,700	175,300	12,400	7.1%
Construction	101,900	98,600	3,300	3.3%
Manufacturing	99,800	99,600	200	0.2%
Dirty Work, Moderate Pay	**389,400**	**373,500**	**15,900**	**4.3%**
Employment Agcy	46,400	42,400	4,000	9.4%
Amusement	19,800	18,700	1,100	5.9%
Admin. Support	56,900	54,500	2,400	4.4%
Social Assistance	72,600	69,700	2,900	4.2%
Other Services	47,000	45,900	1,100	2.4%
Retail Trade	182,600	178,700	3,900	2.2%
Eating & Drinking	130,900	129,400	1,500	1.2%
Accommodation	18,100	18,700	(600)	-3.2%
Agriculture	16,500	18,900	(2,400)	-12.7%
Lower Paying Jobs	**590,800**	**576,900**	**13,900**	**2.4%**
Total, All Industries	**1,508,100**	**1,464,700**	**43,400**	**3.0%**
Civilian Labor Force	2,031,600	2,011,900	19,700	1.0%
Employment	1,936,400	1,904,800	31,600	1.7%
Unemployment	95,200	107,000	(11,800)	-11.0%
Unemployment Rate	**4.7%**	**5.3%**	**-0.8%**	**-11.9%**

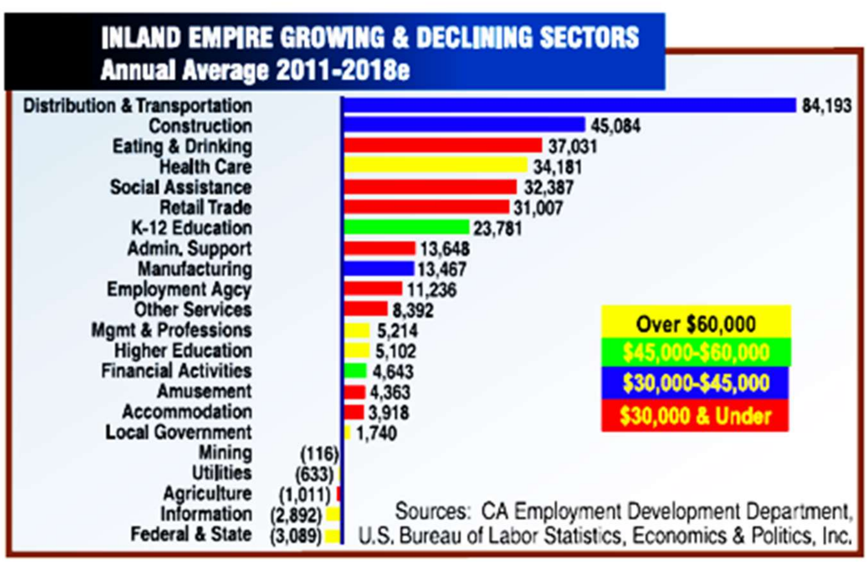
Source: CA Employment Development Department

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. As shown in the following table, the two largest employers by industry are distribution and transportation (logistics), and construction, together these industries represent nearly 37 percent of the labor market in San Bernardino County. However, 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 health care professionals, social workers, and educators continues to grow to support the growing population.

The *Inland Empire Quarterly Economic Report – A Mid-Year Look at Inland Empire Economic Drivers*, stated "there is a great deal of change in the forces impacting the potential future of the Inland Empire's economy. Much of this is coming from the national level where the current behavior of the economy is strong, propelled by the massive $1.3 trillion tax cut and decreases in federal regulations.

These policy changes have raised the second quarter 2018 gross domestic product (GDP) by 4.1 percent, which has contributed to strong local growth. However, the use of tariffs to impact international trade raises the possibility of significant local economic disruptions. Given the Inland Empire's employment heavy reliance on handling imported goods through its logistics sector which added 84,193 new jobs between 2011-2018. This source of local job growth may be adversely affected if a trade war ensues.

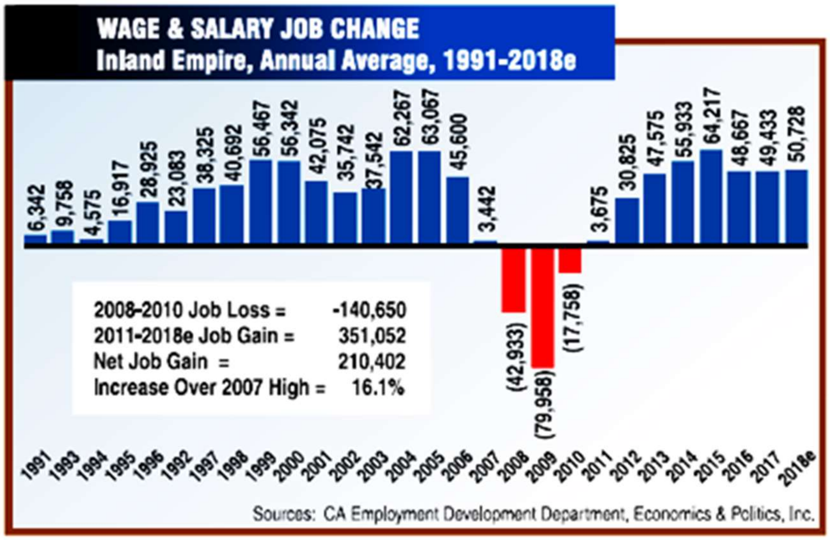
San Bernardino County Jobs by Industry



As jobs have grown throughout Southern California in recent years, so have the absolute number of out-of-area commuters. Ideally, the IE will continue to develop job opportunities in order to retain those workers. Through higher affordability than other metropolitan areas in Southern California, the IE has managed to bring in a young demographic that, with the right business development, could allow for a more diverse local workforce.

The following table, reported by the California Employment Development Department (EDD), shows the region's job trend from 1991 through a projected estimate for 2018.

Inland Empire's Job Trend



Median Income – Median annual income is estimated to be $73,730 in the Agency's service area, $60,745 in San Bernardino County, and $71,805 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	$ 72,396
Chino Hills	$ 99,763
Fontana	$ 67,067
Montclair	$56,005
Ontario	$ 60,086
Rancho Cucamonga	$ 90,034
Upland	$ 70,760
Service Area Average	**$ 73,730**
San Bernardino County Average	$ 60,420
State of California Average	$ 71,805

Source: www.dof.ca.gov/research - American Community Survey (2017)

MAJOR INITIATIVES AND ACCOMPLISHMENTS

MAJOR INITIATIVES FOR FY 2017/18

Over the past twelve months, the Agency accomplished many significant milestones; none of which could have been possible without 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 2017/18 was another successful year for the Agency, its member agencies, and key stakeholders in the region. 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, promote reasonable use, and enhance regional water resiliency in alignment with the Governor's long-term objective.

Agency commitment to addressing critical drought issues:

- The Chino Basin Groundwater Aquifer is a major water supply source for the communities in the Santa Ana Watershed. In IEUA's service area alone, Chino Basin accounts for up to seventy percent of the drinking water supply. Because of development, natural groundwater recharge that would occur during rain events has diminished. It is estimated that today, approximately 30,000 AF per year–or the equivalent of half of IEUA's imported water supplies from the State Water Project–are lost to stormwater runoff.

  To counteract this, IEUA is working with its partners in the Chino Basin Groundwater Recharge programs and local agencies to capture and store as much stormwater as possible. This helps protect local water supplies and the environment by decreasing polluted runoff and reducing the risk of flooding.

- IEUA is a member of the Metropolitan Water District of Southern California (MWD) and thus acts as a supplemental water provider. Thirty percent of the water used in the region is imported from MWD through the State Water Project. Changes in the Agency's imported water rate structure were implemented to more sustainably support the Water Resources program costs and provide for a more equitable recovery of program costs.

- Over the last several years, imported water deliveries from Northern California have declined primarily due to drought conditions and water conservation. IEUA strives to increase regional sustainability through the development of reliable local water supplies. These efforts include using water more efficiently, eliminating waste and unreasonable use, and drought proofing the region through increasing the use of recycled water. IEUA delivers the recycled water to be used for agriculture, municipal irrigation, industrial uses, and for groundwater replenishment. IEUA has invested in water use efficiency efforts and is on track to reduce water use.

- The *IEUA Long-Term Use Efficiency Business Plan 2015-2020* addresses regional water use efficiency legislation and regulations mandated by the State. 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. Additionally, the State AB1668/SB606 "*Making Water Conservation a California Way of Life;* and the *Model Water Efficient Landscape Ordinance* AB1881-MWELO mandates a new framework of compliance:

  - Actual water use must be less than the Efficient Water Use objective;
  - Strengthen local drought resilience; requires water suppliers to set annual budgets and implement drought planning;
  - State Board can impose fines on water agencies from $1,000 to $10,000 per day.

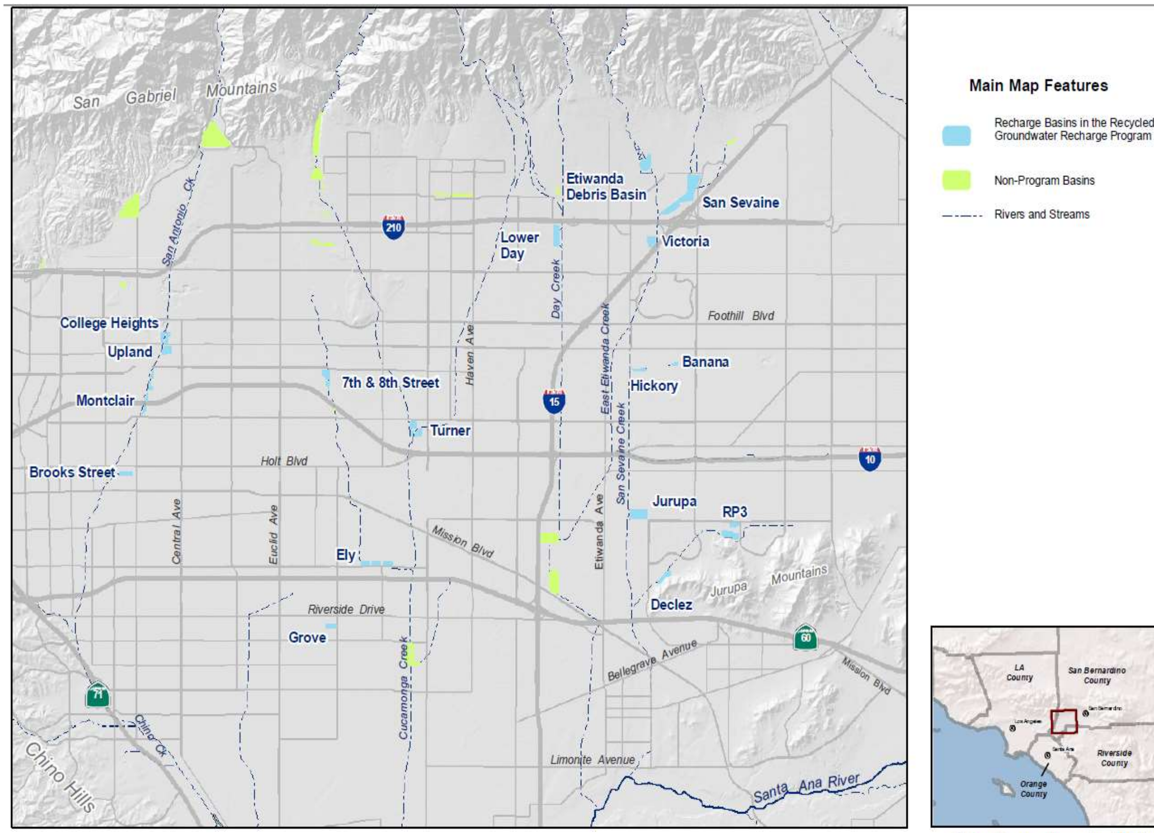
  Based on the *Plan*, the five-year reduction goal for IEUA's service area is 16,095 AF by the year 2020 and 31,446 AF lifetime savings from new programmatic activities. IEUA will continue to guide water use efficiency programs over the remaining two years by continuing core initiatives that will ensure a sustainable reduction in water use to meet and exceed the goals and targets set forth

- The Inland Empire Utilities Agency (IEUA), the Chino Basin Watermaster (CBWM); the Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD) jointly sponsor the Chino Basin Recycled Water Groundwater Recharge Program that is an integral part of the CBWM Optimum Basin Management Plan. This program was put in place to enhance water supply reliability and to improve drinking water quality throughout the greater Chino Basin.

  - The GWR infrastructure consists of a network of pipelines that direct stormwater run-off, imported water from the State of California Water Project and IEUA recycled water to 19 recharge sites most of which consist of multiple recharge basins. These recharge basins are located throughout the IEUA service area (approximately 242 square miles) and are designed to hold the water so that it can percolate into the ground and replenish the alluvial aquifers and groundwater supply.

  - Annually, IEUA currently recharges between 40,000 and 50,000 AF of imported water from northern California; between 15,000 and 25,000 AF of stormwater; and 13,000 AF of recycled water. An AF of water is equal to 325,900 gallons of water or equivalent to filling a one-acre site that is one foot deep with water, sufficient to supply one household for one year.

The Chino Basin Recycled Water Groundwater Recharge Program will assist in mitigating future water shortages in California caused by future limitations for importing water supplies from the California State Water Project and provides a subsurface reserve of groundwater for local use. This enhances the current reliability of local groundwater supplies for a rapidly growing population and is an integral part of the local water supply planning.



Chino Basin Recycled Water Groundwater Recharge Program

- o The IEUA – GWR Program is an important part of the overall basin program and serves as a long-term solution to the water supply and water quality issues facing the greater Chino Basin. The production of IEUA's recycled water has been captured and recharged by downstream water agencies for decades. It is now being utilized by the IEUA member agencies and is in accordance with requirements of court-approved basin management plans and peace agreements. The Chino Basin Recycled Water Groundwater Recharge Program has become a nationally acclaimed, award-winning program because it relies on local resources, natural organic cycles, innovative treatment techniques and energy-saving methods.

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. 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.

Included in the FY's 2018/19– 2020/21 biennial budget is an expansion of the Agency's regional conservation program, including:

- Messaging to heighten public awareness on the urgency to preserve our regional water supplies.

Kick the Habit is a public awareness campaign to increase awareness about the drought and promote changes in water use that will ensure the sustainability of our water supply for future generations.

- The Agency currently offers a suite of regional Water Use Efficiency (WUE) programs that are designed to positively impact individual long-term behavior regarding efficient use of water. Regional WUE Programs conducted during FY 2017/18 included the following:
    - Educational Water Use Efficiency Programs (WUE): IEUA Residential Landscape Training Workshops
        - 11 residential courses conducted throughout IEUA's service area

- Educational Water Use Efficiency programs
  - National Theater for Children

➢ 83 Theater Performances – 21,278 K-6 students, teachers and parents reached.

  - Shows that Teach

    ➢ 13 Theater Performances – 10,616 K-6 students, teachers and parents reached.

  - Garden-In-Every School Program

➢ 12 Mini-grants awarded ($1,000 each) to existing IEUA sponsored gardens - (Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland).

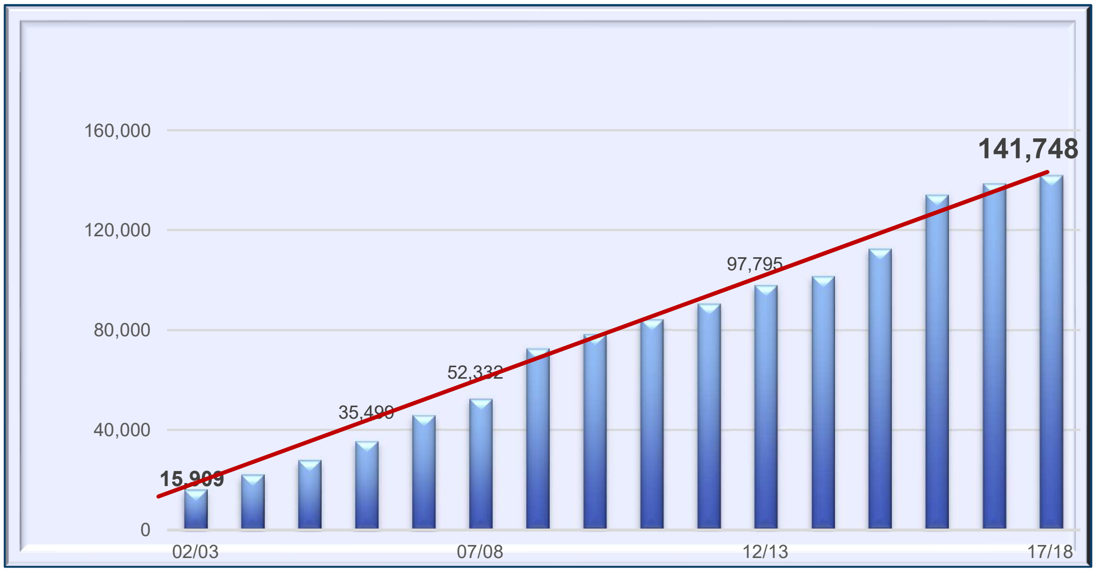
- Programmatic WUE:

IEUA Locally Implemented WUE Programs	Activity	Savings (AFY)
Residential Landscape Retrofit Program	108 sites (159 controllers; 2,421 Nozzles)	17
Residential Controller Upgrade Program	145 Workshop Attendees 145 controllers Installed	7
Freesprinklernozzles.com Voucher Program	157 vouchers (16,576 nozzles – Res/CII)	71
Residential Pressure Regulation Program	397 site visits, 297 PRVs replaced	47
Regional Landscape Evaluation and Audit Program	68 residential / 38 CII	30
SoCalWater$mart.com: Residential and CII Rebates	32,462 rebates	211
	Total	**383**

LIFETIME SAVINGS: 3,135 AF

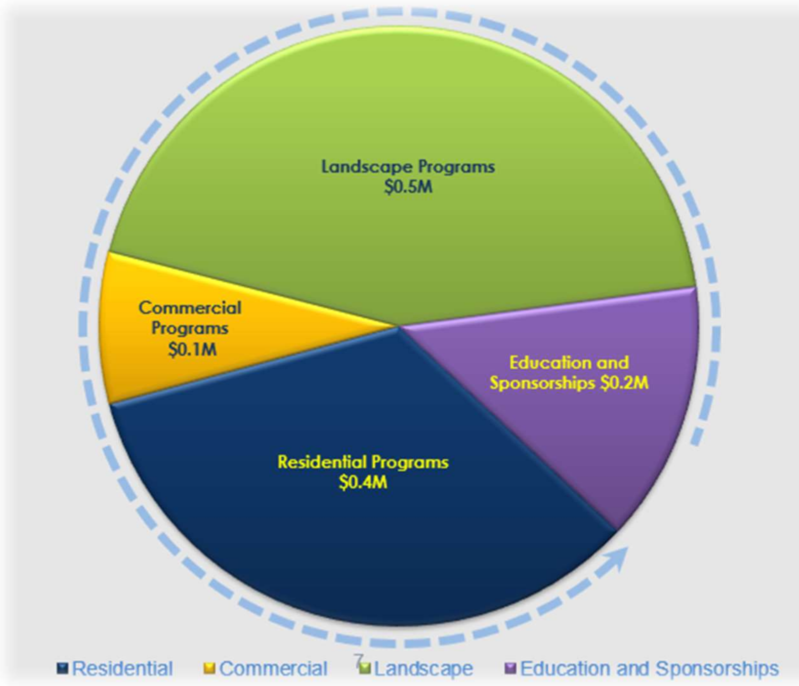
- Annual WUE Programs Summary:

Since 1992 141,748 AF of water has been conserved through IEUA's water use efficiency programs.



Over the last fiscal year, there were approximately 49,793 water saving technologies/services deployed throughout the service area year representing an estimated annual water savings of 383 acre-feet and a lifetime savings of 3,135 acre-feet.

WUE Core Programs
$1.2M
Funding: 60% IEUA – 40% External
Program Cost per AF: $243



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 (DWR) in the fall of 2014. Additional funding came from the United States Bureau of Reclamation (USBR) from the FY2011/12 grant; and Metropolitan Water District (MWD) 50/50 cost sharing. Those funds were allocated, and member agencies provided matching funds for the following continuing projects:

- Aerial imaging to calculate landscape square footage for Smartscape Landscape care and maintenance,
    - Residential Lot size must be a quarter acre or larger
    - Participants must have an automated controller
        - Total Sites Upgraded: 1,478
        - Smart controllers installed: 2,297
        - High Efficiency (HE) Nozzles installed: 3,775

- Landscape Transformation Rebate Classes

- Efficiency-based water rate assistance,
- Technology-based conservation tools,

- Rotating Sprinkler Nozzles
- Rebate: $5 per nozzle

- Rain Barrels and Cisterns
- Rebate: $35 per barrel
- Maximum of two per household
- Rebate: $250-350 for cisterns
- Maximum of one per household

- Soil Moisture Sensor Systems
- Rebate: $160 per station less than one irrigated acre, or
- $45 per irrigation sensor more than one irrigated acre.

- Turf removal rebates, and
- Water Softener Rebates.

Protecting our local water supply is critical. Residential self-regenerating water softeners – the kind that uses rock salt or potassium chloride pellets – pose a serious water quality problem for our communities. On average, a single self-regenerating water softener contributes up to 30 pounds of salt each month into our community's water treatment system. That salt ultimately ends up in our groundwater and recycled water supplies. Salt is the single most important constraint on our future ability to use groundwater and recycled water, our most reliable and drought-proof local water supply.

That is why the Inland Empire Utilities Agency, with support from residents, businesses, environmentalists, local cities and other water and wastewater agencies, approved a regional ordinance prohibiting the new installation or replacement of self-regenerating water softeners.

MAJOR INITIATIVES FOR FY 2017/18 - PROJECTS

Major capital construction projects underway in FY 2017/18 included construction of the Water Quality Laboratory, San Sevaine Basin improvements, SCADA Enterprise System Phase 4, RP-1 Headworks Primary and Secondary Upgrades, RP-4 Process Improvements, and design of the RP-5 Liquids Treatment and Solids Expansion.

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. The Water Quality Laboratory, when constructed, will provide numerous benefits to the Agency as well as stakeholders within the Agency's Service Area. Benefits include costs and energy savings, environmental compliance, adaptation to future complex analytical needs, enhanced performance and safety, public educational tours, solar power generation, etc.

SAN SEVAINE BASIN IMPROVEMENTS

As part of the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), the San Sevaine Basin Improvements Project will construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaine Basins.

The project consists of a new pipeline that will extend from the existing 1630 East recycled water pipeline located adjacent to the Etiwanda Channel along existing maintenance roads to the north side of Basin 1, totaling approximately 4,600 lineal feet. Three turnouts (inlet/outlet structures) will be provided, one into each of the Basins 1, 2 and 3; a new Basin 5 Pump Station with the capacity to move 7,400 gallons of stormwater capture per minute; construction of a new electrical service to power the pump(s); construction of a wet well/intake structure; and, a control system to operate the facility.

Interconnection between the San Sevaine Basins is essential to achieve the full basin capacity. Currently, the pipeline and turnout is provided only to Basin 5. Without interconnection, recycled water cannot be served to Basin 1, 2, and 3. At present about 500 acre-feet per year of recycled water has been recharged at San Sevaine. This project will strive to increase the recycled water recharge at the Basins by providing interconnection between basins. The project will also transfer any stormwater captured within Basin 5 to the upper Basins which have historically a higher infiltration rate than Basin 5. This will allow the recharge basin to add over 642 acre-feet per year of stormwater, and 4,100 acre-feet per year of recycled water for groundwater recharge.

Funding for this project has been provided in full or in part through an agreement with the State Water Resources Control Board. California's Clean Water State Revolving Fund is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds.

SCADA ENTERPRISE SYSTEM PHASE 4

IEUA relies heavily on Supervisory Control and Data Acquisition (SCADA) for operation and compliance of the various facilities. The Facilities and Recycled Water SCADA Master Plans identified the critical need for an *Agency-wide* SCADA Enterprise System. 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. 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 an 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 members have the support to maintain the system post-commissioning.

RP-1 HEADWORKS PRIMARY AND SECONDARY UPGRADES

The IEUA's Wastewater Facilities Master Plan (WFMP) analysis confirmed the need for the *RP-1 Liquids Treatment Expansion*, and *RP-1 Solids Treatment Expansion*, to accommodate the projected influent wastewater flows by 2030. Due to the similarities of the 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 for the projects were 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 and provide enhanced operational flexibility.

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 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.

Based on the background of the project, the new solids treatment facility at RP-5 will be sized to process future solids production at RP-5 and CCWRF. The principal solids treatment processes will consist of thickening, digestion, dewatering, and digester gas treatment and use.

Improvements at RP-5 will increase the treatment capacity from 15 to 30 million gallons per day (MGD), the projected 2,035 flows for both Carbon Canyon Water Reclamation Facility (CCWRF) plus RP-5. The facility infrastructure will be sized to accommodate future expansion to 40 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.

RECYCLED WATER PROJECTS

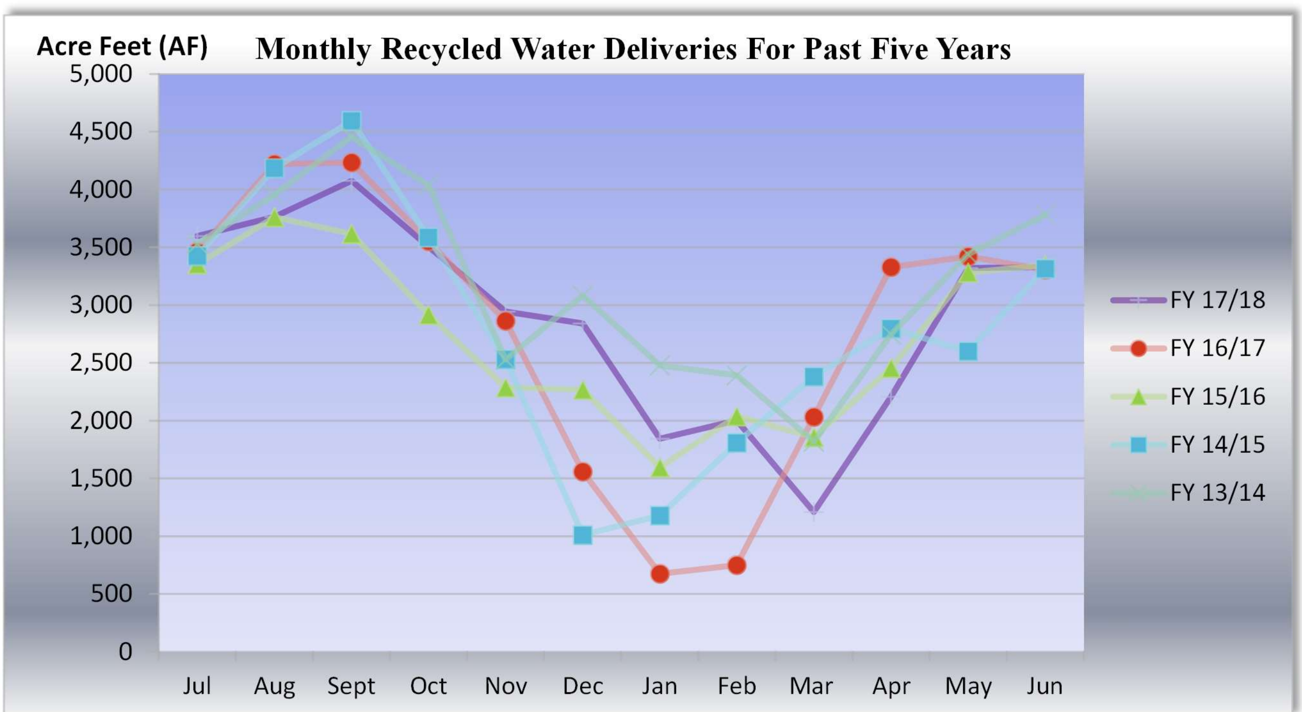
Recycled Water Deliveries by Acre Foot

Type	Existing				Projected		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Direct Use	22,580	19,397	19,477	21,132	23,000	24,000	25,000
GW Recharge	10,840	13,222	13,934	13,510	13,700	13,800	14,000
Total	33,420	32,619	33,411	34,642	36,700	37,800	39,000

New connections to the recycled water system decreased by approximately 40 percent in FY 2017/18, with seventy-one new connections versus the prior fiscal year total of 119. New connected demand of 318 AFY decreased approximately eighty-one percent from the prior fiscal year total of 1,724 AFY. The decrease is primarily due to land use conversion from agricultural use to residential and commercial use, as well as more emphasis on groundwater recharge.

- Total member Agency connected meters to-date – 1,184
- Total connected demand to-date – 50,094 AF.

Annual Recycled Water Connected Demand Summary (AFY)



MAJOR ACCOMPLISHMENTS

MAJOR ACCOMPLISHMENTS FOR FY 2017/18

GRANTS/STATE LOANS

The highlights of major activities and accomplishments are as follows:

Grant and State Revolving Fund (SRF) loan funding help 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 May 2018, the first Grants Strategic Plan was developed to bring transparency to IEUA's grant management process and future strategy.

The Grants Strategic Plan outlines the stages of the grant management process and identifies opportunities to support IEUA's programs and business objectives by securing grants and low-cost financing loans. The Grants Department has successfully secured $473.3 million in grants and loans from the year 2000 to present. The $165.8 million in low-cost financing SRF Loans included in this total provides the Agency with an estimated interest savings of $63.8 million compared to traditional bond financing. The establishment of the Grants Strategic Plan allows the Grants Department and the Agency to continue to supplement the Agency's mission statement while saving millions of dollars for the distant future.

FUNDING DEVELOPMENTS

Grants and loans currently support more than half of IEUA's annual funding for capital improvement programs and provide the crucial link between the region's growing water demands, wastewater needs, and IEUA's ability to deliver high-quality, reliable services in a cost-effective manner. IEUA's timely implementation of capital improvement projects is essential for achieving its regional commitments. The grant and loan funding supports IEUA's Ten-Year Capital Improvement Plan (TYCIP), which includes the rehabilitation, replacement, and expansion of facilities owned or operated by the Agency. The adopted FY 2017/18 TYCIP plan in June 2017 was estimated at $716.8 million dollars; of which approximately fifty-eight percent was projected to be financed by a combination of grants, SRF loans, and bonds.

In FY 2017/18 the Agency received a conditional determination of eligibility to receive up to $206.9 million in Proposition 1 Water Storage Program grant funding from the California Water Commission. The Agency also received $21.7 million grant awards from the State Water Resources Control Board (SWRCB), and $750,000 from the United States Bureau of Reclamation (USBR).

FY 2017/18 AWARDS				
Agency	Pre-award Grants	Grants	Loans	Total
SWRCB				
SWRCB Joint IEUA-CBWM RMPU- Wineville, Jurupa & RP-3		$9,803,381		$9,803,381
SWRCB 100% Principal Forgiveness RP-1/RP-5 PDR			$500,000	$500,000
SWRCB Proposition 1 - Chino Basin Improvement and TCE Plume Cleanup Project		$11,377,018		$11,377,018
Subtotal SWRCB	**$0**	**$21,180,399**	**$500,000**	**$21,680,399**
USBR				
USBR Wineville Basin, Jurupa Basin	$750,000			$750,000
Subtotal USBR	**$750,000**	**$0**	**$0**	**$750,000**
CWC				
CWC Water Storage Investment Program	$206,900,000			$206,900,000
Subtotal CWC	**$206,900,000**	**$0**	**$0**	**$206,900,000**
Grand Total	**$207,650,000**	**$21,180,399**	**$500,000**	**$229,330,399**

In FY 2017/18 the Agency also submitted several grant and loan applications to SWRCB, USBR, and the US Environmental Protection Agency (EPA) for a total of $406.9 million, comprised of $11.1 million in grants and $395.8 million in loans. The SWRCB SRF Loan applications are listed on the State of California's Intended Use Plan (IUP) Comprehensive List for FY 2018/19.

Applications Submitted			
FY 2017/18 Programs	Grants	Loans	Total
Recycled Water			
SWRCB IEUA-Pomona-MVWD Recycled Water Intertie Project	$2,500,000	$75,103,000	$77,603,000
USBR Title XVI IEUA-JCSD Recycled Water Intertie Project	$2,987,165		$2,987,165
USBR Title XVI IEUA-Pomona-MVWD Recycled Water Intertie Project	$2,813,208		$2,813,208
Subtotal Recycled Water	**$8,300,373**	**$75,103,000**	**$83,403,373**
Groundwater Management			
SWRCB RMPU Wineville/Jurupa/RP-3 Recharge Improvements		$11,742,550	$11,742,550
SWRCB RMPU Lower Day Basin Improvement Project	$1,427,666	$1,427,666	$2,855,332
SWRCB RMPU Montclair Basin Improvement Project	$636,928	$636,928	$1,273,856
USBR Montclair and Victoria Basins Improvement Project	$750,000		$750,000
Subtotal Groundwater Management	**$2,814,594**	**$13,807,144**	**$16,621,738**
Wastewater Treatment			
SWRCB Carbon Canyon Water Recycling Facility Improvements		$27,370,000	$27,370,000
SWRCB RP-5 Expansion Project		$147,971,250	$147,971,250
WIFIA RP-5 Expansion Project		$131,530,000	$131,530,000
Subtotal Wastewater Treatment	**$0**	**$306,871,250**	**$306,871,250**
Grand Total	**$11,114,967**	**$395,781,394**	**$406,896,361**

The Agency also has several SWRCB SRF Loan applications in process that are being negotiated. The total amount of the contracts in process is $50.9 million and are expected to be awarded by early 2019. The SWRCB SRF Loan applications are listed on the California's IUP Fundable List for FY 2018/19.

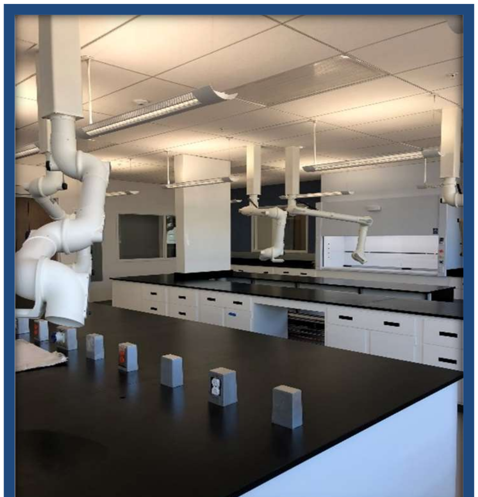
Contracts In Negotiation Stage			
FY 2017/18 Programs	Grants	Loans	Total
Recycled Water			
SWRCB IEUA-JCSD Regional Water Recycling Program	$2,500,000	$30,610,000	$33,110,000
SWRCB RP-1 1158 Pump Station Upgrades	$2,500,000	$7,100,000	$9,600,000
SWRCB RP-5 Recycled Water Pipeline Bottleneck	$1,377,500	$1,377,500	$2,755,000
SWRCB Baseline Extension Project	$2,500,000	$2,917,417	$5,417,417
Subtotal Recycled Water	**$8,877,500**	**$42,004,917**	**$50,882,417**
Grand Total	**$8,877,500**	**$42,004,917**	**$50,882,417**

THE SIGNIFICANT IMPACT OF AGENCY GRANTS AND LOANS ON THE FUNDING OF PROJECTS:

New Water Quality Laboratory

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

New Water Quality Lab Construction Complete



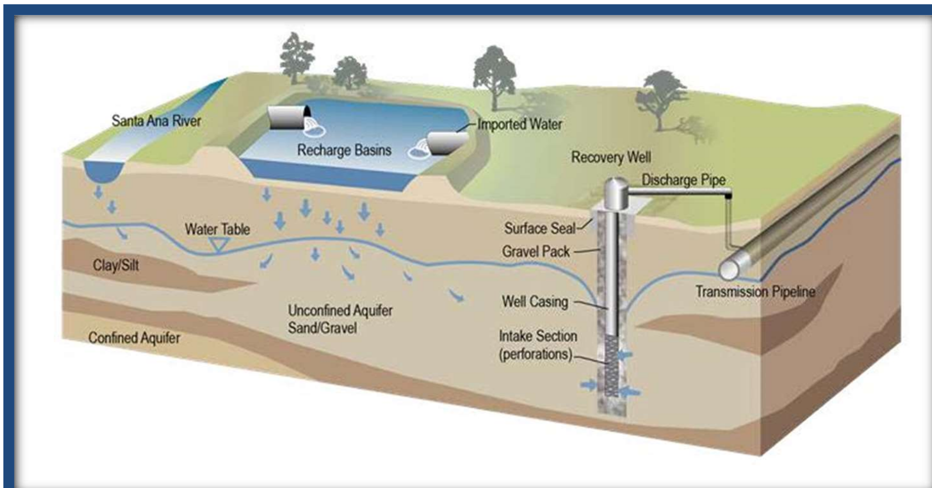
New Water Quality Lab – Metal Lab Room

ASCE Award

The Water Quality Laboratory construction was completed in July 2018 and is a LEED™ gold-certified building for energy efficiency and for the use of eco-friendly materials. The project was recognized as the American Society of Civil Engineers Inland Empire Branch's Outstanding Civil Engineering Water/Wastewater Project of the Year award.

Funding Secured: DWR Prop 84 Integrated Regional Water Management Implementation Grant: $10.9M for Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)

The Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) project will implement a collaborative program that improves the Santa Ana River Watershed's water supply resiliency through development of additional dry-year yield (DYY). The project is estimated at $87.7 million and will construct recharge ponds and extraction wells to store wet-year water and pump that water during droughts. The Department of Water Resources (DWR) has awarded the grant to Santa Ana Watershed Project Authority (SAWPA) and IEUA as a subgrantee to SAWPA will receive approximately $10.9 million in grant funding for the project.



Ground Water Banking: Put and Take Conjunctive Use Facilities

The project is expected to create approximately 180,000 acre-feet of DYY over a ten-year period. The project has currently revised the California Environmental Quality Act (CEQA) strategy and is transitioning from a Program Environmental Impact Report to a more project specific Environmental Impact Report. The CEQA is expected to be completed by February 2019 and the executed subgrantee agreement between IEUA and SAWPA will follow.

Conditional Maximum Eligibility Funding Determination:

California Water Commission (CWC) Water Storage Investment Program: $206.9M

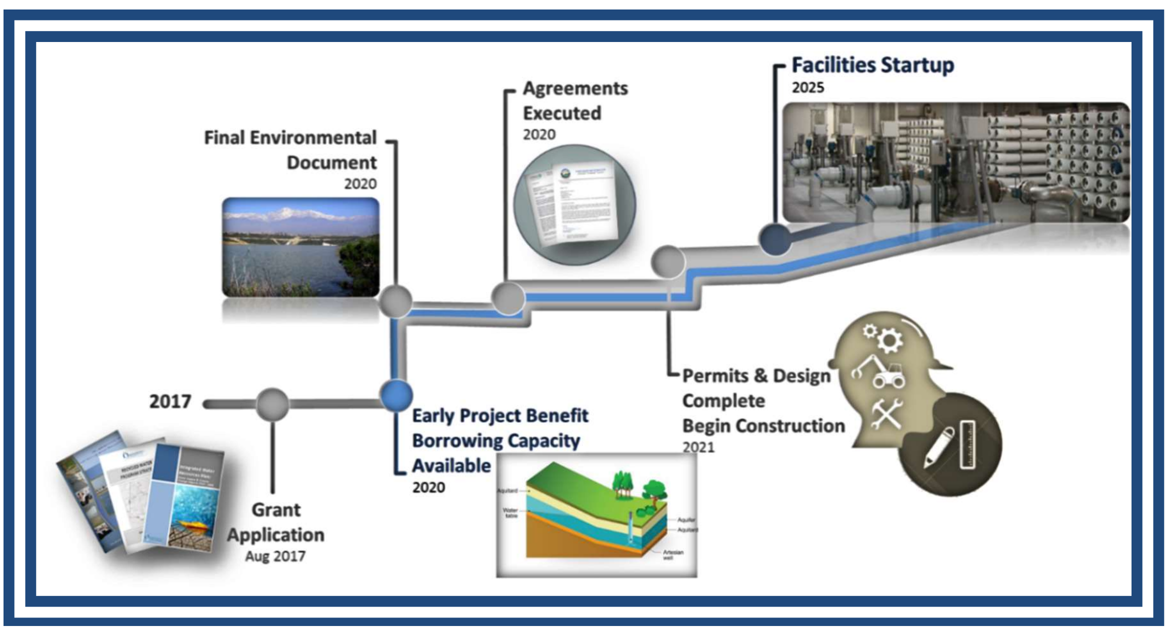
For the Chino Basin Conjunctive Use Environmental Water Storage/Exchange

The Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program is a $385 million project and will construct an advanced water treatment facility and distribution system. The CWC has issued a preliminary, conditional eligibility determination to IEUA for $206.9 million in grant funding for the project. The Chino Basin Conjunctive Use Environmental Water Storage/Exchange produce and store 15,000 acre-feet per year of recycled water in the Chino Basin Water Bank (CBWB), creating a new local water supply. Through agreements with the California Department of Water Resources (DWR) and other project partners, the water bank would be operated in a way that dedicates blocks of water of up to 50,000 acre-feet per year towards ecosystem benefits north of the delta.

The Chino Basin Project Components consist of:

- Advanced water treatment facility
- Wells and treatment system
- Pipelines and interconnection
- Secure supply for Santa Ana River discharges
- Local agencies pay for operations and maintenance costs, while 100 percent supply is dedicated to Delta.

Chino Basin Project Timeline & Milestones



Funding Secured: SAWPA/DWR $750,000 Grant and USBR $375,000 Grant
SWRCB - $3.9 Million SRF Loan and $2.5 Million Principal Forgiveness Grant

San Sevaine Project – Developing forms for the inlet structure for pump station.

San Sevaine Project – Finished inlet structure for pump station at Basin 5

The project will also transfer any stormwater captured within Basin 5 to the upper Basins which have historically a higher infiltration rate than Basin 5. This will allow the recharge basin to add over 642 acre-feet per year of stormwater, and 4,100 acre-feet per year of recycled water for groundwater recharge.

RATES

Implementation of the third year of the five-year rates for the Agency's Regional Wastewater and Recycled Water Programs (FYs 2015/16 – 2019/20). A key Board policy objective for the multi-year rate was to establish rates that fully recover the cost of service.

The FY2015/16 engineering study of the Agency's regional wastewater connection fee determined an increase was needed to support capital investment over the next 20 years. Phased implementation of the adjusted connection fees began in FY 2016/17 with fees set at $5,415 July 1, 2016 through December 31, 2016, increasing to $6,009 January 1, 2017 through June 30, 2017. The FY 2017/18 fees increased to $6,309 for the period July 1, 2017 through June 30, 2018.

A 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 is applicable to all potable and recycled water connections and upgrades and is based on meter size as reflected in the following table.

WATER CONNECTION FEE FOR FISCAL YEARS 2015/16 THROUGH 2017/18

Fiscal Year	2015/16	2016/17		2017/18
Effective Date	1/1/2016	7/1/2016	1/1/2017	7/1/2017
5/8"	$693	$693	$1,455	**$1,527**
3/4"	$693	$693	$1,455	**$1,527**
1"	$1,733	$1,733	$3,638	**$3,818**
1.5"	$3,465	$3,465	$7,275	**$7,635**
2"	$5,544	$5,544	$11,640	**$12,216**
3"	$12,128	$12,128	$25,463	**$26,723**
4"	$21,830	$21,830	$45,833	**$48,101**
6"	$48,510	$48,510	$101,850	**$106,890**
8"	$83,160	$83,160	$174,600	**$183,240**
10"	$103,950	$103,950	$218,250	**$229,050**
12"	$121,275	$121,275	$254,625	**$267,225**

- Recycled water rates were originally designed to achieve full cost of service by FY 2017/18 based on the original assumptions of the 2015 rate study.

RECYCLED WATER PROGRAM FOR FISCAL YEARS 2016/17 THROUGH 2017/18

Fiscal Year		2016/17	2017/18
Wholesale Rates		Effective 7/1/16	Effective 7/1/17
Direct Sale (All Tertiary Plants)	per million gallons (MG)	$1,258.44	**$1,442.60**
	per acre foot (AF)	$410.00	**$470.00**
Groundwater Recharge Sale (All Tertiary Plants)	Per MG	$1,442.60	**$1,626.76**
	Per AF	$470.00	**$530.00**

Subsequently, additional investment needs for repair and rehabilitation projects to maintain the regional recycled water distribution system in good condition have been identified. The impact of these projects to the cost of service will be evaluated in a new rate study that will support the recycled water rates for fiscal year 2020/21 and thereafter.

- Wastewater monthly sewer rates were originally designed to provide for full cost of service by FY 2018/19 based on the original assumptions of the 2015 rate study. Similar to the recycled water program, additional investment needs for repair and rehabilitation projects have been identified to keep the system in good condition. The impact of these projects in the cost of service will also be evaluated in a new rate study that will support the rates for fiscal year 2020/21 and thereafter.

FISCAL RESPONSIBILITY

- 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.

LONG TERM PLANNING:

- Pursuant to the Board's objective to achieve fully funded status of the Agency's Other Post-Employment Benefit (OPEB) liability, the Agency processed the fifth annual installment in the amount of $2 million in June 2018. To date, cumulative payments of $13 million have been funded as of June 30th, 2018. (*Refer to Note 1 of the Notes to the Basic Financial Statements for detailed information*).

- In FY 2017/18 the fourth annual installment of $4.5 million against the Agency's unfunded pension liability was made, these annual payments align with 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:

- California Public Utilities Commission authorized Southern California Edison (SCE) and the Agency to enter into five separate "Energy Management Solution Incentives" (On-Bill Financing Agreements) zero-percent interest financing ranging from 73 to 120 months, for the installation of energy efficient lighting and equipment. (*Refer to Note 12 of the Notes to the Basic Financial Statements for detailed information*).

- At the end of the fourth quarter FY 2017/18, total regular filled positions were 262 compared to the 274 budgeted positions and 290 authorized positions, resulting in a vacancy factor of 10 percent. The Agency currently employs 12 limited term (LT) employees, compared to the adopted staffing plan of 18 LT positions. Recruitment of key positions as part of the Agency's succession planning effort is expected to lower the vacancy factor going forward.

WORKPLACE ENVIRONMENT:

- In support of the Agency's Disaster Preparedness Plan for all critical technology systems, the Agency successfully conducted the second offsite SAP and computer lab testing.

- NIMS training was conducted and completed.

- The Agency's Emergency Response Plan was prepared by the safety department.

FUTURE YEARS

ENVIRONMENTAL STEWARDSHIP

Included in the Agency's 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.

IEUA, along with Eastern Municipal Water District, SBVMWD, Orange County Water District, and Western Municipal Water District, comprise the Santa Ana River Watermaster Action Team (Action Team). One such project is the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). 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. Another such project is the Santa Ana River Multiple Species Habitat Conservation Plan (HCP). IEUA is one of ten agencies participating in the HCP, led by the San Bernardino Valley Municipal Water District (SBVMWD). Working closely with the U. S. Fish and Wildlife Service, the HCP is intended to mitigate potential impact to federally-listed endangered, threatened, or special status species from future water projects in the Upper Santa Ana River region.

The Agency is committed to continual evaluation of cutting-edge projects that benefit customers, water supplies, and environmental stewardship. The Agency maintains relationships with industries to identify and participate in opportunities that will advance technologies and efficiencies, such as the California Data Collaborative to be developing dashboards and research projects to support local agencies in meeting statewide efficiency mandates. IEUA is dedicated to implementing programs across all sectors, residential, commercial and agricultural, to reduce outdoor water use, help maintain groundwater levels, eliminate waste, and promote efficient use of water to meet and exceed state regulatory requirements and long-term Urban Water Use Efficiency Regulations.

In support of IEUA's landscape programming and member agencies, IEUA will collaborate with the City of Corona, Eastern Municipal Water District (EMWD), Elsinore Valley Municipal Water District (EVMWD), and Cucamonga Valley Water District (CVWD) to complete a residential landscape guidebook in FY 2018/19.

ASSET MANAGEMENT

As a regional wastewater service provider, the Agency is required to maintain capacity and service within systems and facilities to meet essential service demands to protect public health and the environment. Focusing on ensuring the efficient rehabilitation, repair, or replacement of physical assets, a dedicated team of staff are developing an Assets Management Needs Assessment in order to develop an efficient and workable Asset Management Program. An important part of the Asset Management Program will be the evaluation of the condition data as it relates to optimal risk. By assessment every two-year budget cycle, staff will ensure that probability of failure and consequence of failure are evaluated in the process of developing priority projects that are designed to extend the service life of most critical assets. The IEUA overall goal of the Asset Management Program is to manage a broad spectrum of risks while at the same time optimizing spending.

FISCAL RESPONSIBILITY

The Agency will strive to enhance its long-term credit rating by monitoring, improving, and maintaining the Agency's debt coverage ratio and credit rating metrics and ensure the Agency is on track to meet this goal. Collaboration with the financial advisor in developing financing strategies for supporting the Agency's Ten-Year Capital Improvement Plan (TYCIP) is underway.

In support of the Long Range Plan of Finance(LRPF), the Agency will integrate projects identified in that plan, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, and 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. Additionally, the Agency submitted a financial application to state and Environmental Protection Agency (EPA) to support the design and construction of RP-5 expansion project. 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 2019/20 and 2020/21 biennial budget and FY's 2020-2029 TYCIP. Preparation of the LRFP is projected to commence upon the adoption of the multi-year rates for FY2020/21.

FINANCIAL INFORMATION

INTERNAL CONTROLS

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

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the calculation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

The Agency maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the 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) by individual fund. The Agency maintains an encumbrance accounting system as an additional method of maintaining budgetary control. Encumbered amounts lapse at the end of the fiscal year. However, outstanding encumbrances are generally re-appropriated as part of the following fiscal year's budget following Board approval.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The Agency's Board of Directors appointed the firm of Lance, Soll & Lunghard, LLP to perform the annual audit. In their opinion, the financial statements are presented fairly in all material aspects, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Agency. Government Auditing Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements, supplementary, and statistical schedules is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the nineteenth consecutive year the Agency has received this prestigious award.

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

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, 2017

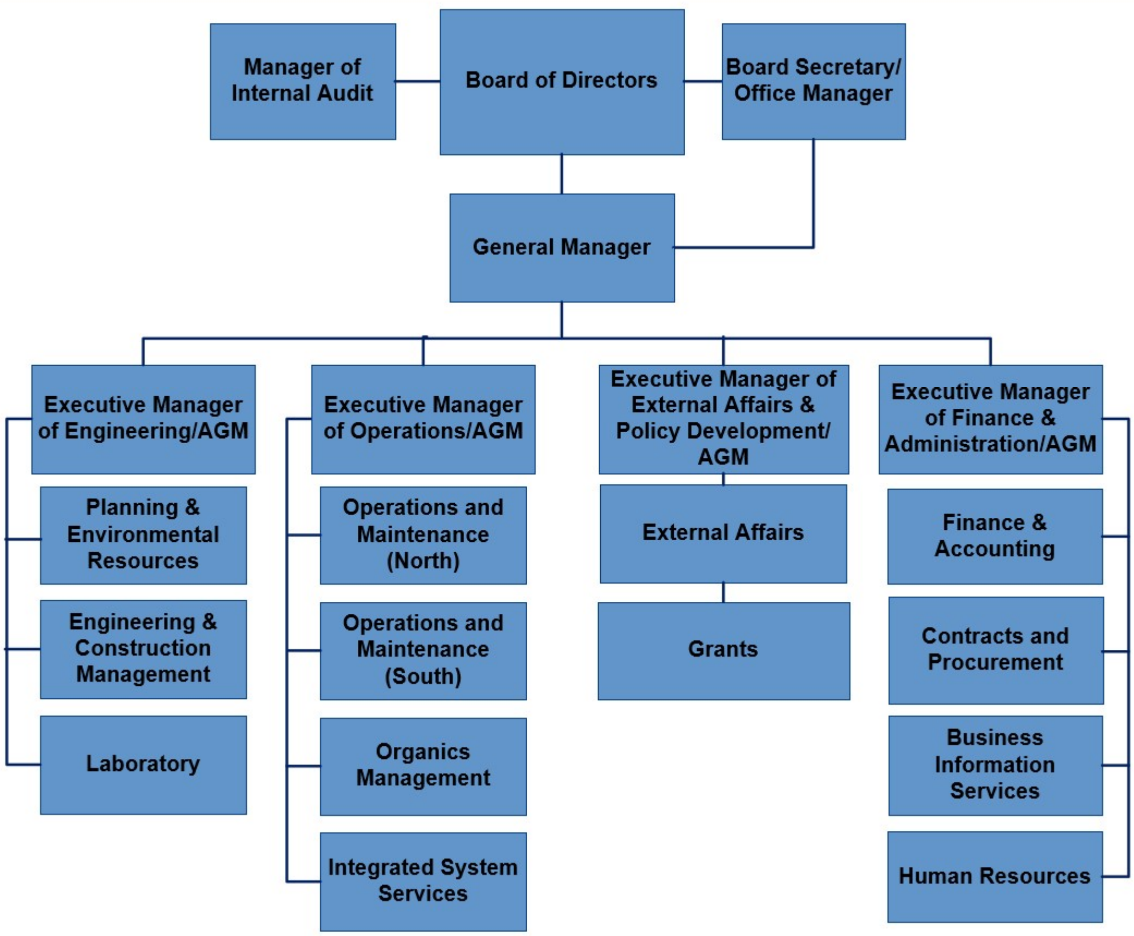
Christopher P. Morrill

Executive Director/CEO

Inland Empire Utilities Agency

FY 2017/18

Organizational Chart



INLAND EMPIRE UTILITIES AGENCY

Principal Officials

June 30, 2018

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

Vacant	Manager - Human Resources
Warren Green	Manager - Contracts & Procurement
Nelletje Groenveld	Manager – Laboratories
Jason Gu	Manager - Grants
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

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 2017/2018:

First Half FY 2017/2018

Finance/Administration
Gary Te

Engineering/Planning
Gary Dix

Operations
Arin Boughan

Second Half FY 2017/2018

Finance/Administration
Sunny Yue Sun

Engineering/Planning
Neetu Gupta

Operations
Jason Racz

Employee of the Year

For FY 2017/18, Gary Te was chosen by the Selection Committee as the Employee of the Year.

IEUA STAR AWARD RECIPIENT
EMPLOYEE OF THE YEAR 2017/18

Gary's talent, skills, optimism, and welcoming attitude are why Gary received the STAR Award. He comes to work every day with a smile and goes out of his way to help staff with projects. As the GIS expert, Gary jumped at the opportunity to take on the support role for SharePoint and was responsible for the website (AIM) upgrade. He enhanced its functionality by cleaning up online forms and redesigning the support ticket with logical categories while improving the behind-the-scenes workflow that routes tickets to various departments.

In addition, he implemented third-party tool analytics and charts, that resulted in the dashboard for Operations, Maintenance and the Warehouse. He created a progress tracker of the NRW manhole and pipeline inspection for Operations, and a dashboard for Maintenance showing various KPIs. Furthermore, Gary coordinated, tested, and deployed the new SharePoint site Ambieta, and was tasked with leading the development of the GIS roadmap.

Another accomplishment was creating the ESRI Story Map – an online tool that combines various media types. The ESRI Story Map helped the Safety Officer by providing easy access to employees for submitting safety related reports capturing key information for the Safety Officer to monitor the submittals and analyze the data for improved safety practices.

Gary works very well with his teammates and brings moral up in the BIS department by always having fun. He created "Why not Wednesday" where he bakes cookies for everyone. He encourages staff to go out to lunch together on Thursdays. He calls it "Treat Yourself Thursday," to build team camaraderie. He also volunteered his time for the Annual Employees' Picnic, Holiday Luncheon, and the Earth Day event for the past 2 years. Aside from providing excellent customer service to all GIS and SharePoint users Gary is creative with his work. He continuously searches for newer and better ways to apply GIS capability to address the Agency's needs.

RP-5 Flow Equalization Project

New Control Panel

New Chemical Pumps

LSL
CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
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, 2018, 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 and the State Controller minimum audit requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

To the Board of Directors of the
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 the each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the Agency adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 schedules of plan contributions, and the schedule of changes in net OPEB liability and related ratios 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 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, 2017, 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 City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the 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 of the
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 13, 2018 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 City'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.

Lance, Soll & Lunghard, LLP

Brea, California
December 13, 2018

RP-1 Iron Sponge Installation

Before

After

INLAND EMPIRE UTILITIES AGENCY

Management 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, 2018. 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 either part of a major fund group or a non-major fund group. Funds that exceed ten percent of fund category and exceed five percent of the sum of Assets, Liabilities, Revenues, and Expenses are classified as a major fund group. Funds that do not meet these criteria are classified as non-major fund group.

Due to the nature of the Agency's business, all funds are classified as "Proprietary" funds using the full accrual method of accounting. The full accrual method 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 and wind

Total revenues, including grants and subsidies, of $251,739,645 for Fiscal Year (FY) 2017/18 reported an increase of $30,518,273 compared to $221,221,372 recorded for FY 2016/17. The overall increase includes a higher operating revenue of $23,660,366 and a higher non-operating revenue of $13,045,248. These increases were partially offset by a decrease of $6,187,341 in capital grants secured to support the capital investments. The net increase was primarily due to: 1) $16,101,870 increase in imported water sales due to higher water deliveries; 2) $7,065,344 increase in service charges due to a combination of higher number of billable units and non-redeemable pass through service charge rate adjustments; 3) $4,487,489 increase in other nonoperating revenue due to an increase in contract reimbursement for capital related projects; 4) $2,739,412 increase in property tax revenue due to the new development, and an increase in assessed property values; 5) $2,474,343 increase in water capital connection fees in effect January 1, 2017; 6) $2,341,721 increase in wastewater capital connection fees; 7) $1,002,283 increase in interest income; and 8) $493,152 increase in recycled water sales.

Total expenses of $184,494,665 for FY 2017/18 reported an increase of $18,394,981 compared to $166,099,684 recorded in FY 2016/17. The overall increase includes a higher operating expense of $21,915,838 offset by a decrease in non-operating expense of $3,520,857. The increase in operating expenses was primarily due to: 1) an increase of $16,101,870 in imported water purchases mainly due to higher deliveries; 2) an increase of $4,482,619 in administration and general; 3) an increase of $2,157,383 in wastewater collection, treatment, and disposal; 4) an increase of $584,221 operations and maintenance. These increases were partially offset by a decrease of $1,410,255 in depreciation and amortization.

The decrease in non-operating expenses of $3,520,857 is primarily due to 1) a decrease of $1,948,439 due to the refunding of the higher interest rate 2008A Bonds to the lower interest rate 2017A Bonds; and 2) a decrease of $1,572,418 due to a decrease in contributions in aid for the clean-up of the South Archibald Trichloroethylene Plume (TCE) Project.

FINANCIAL HIGHLIGHTS

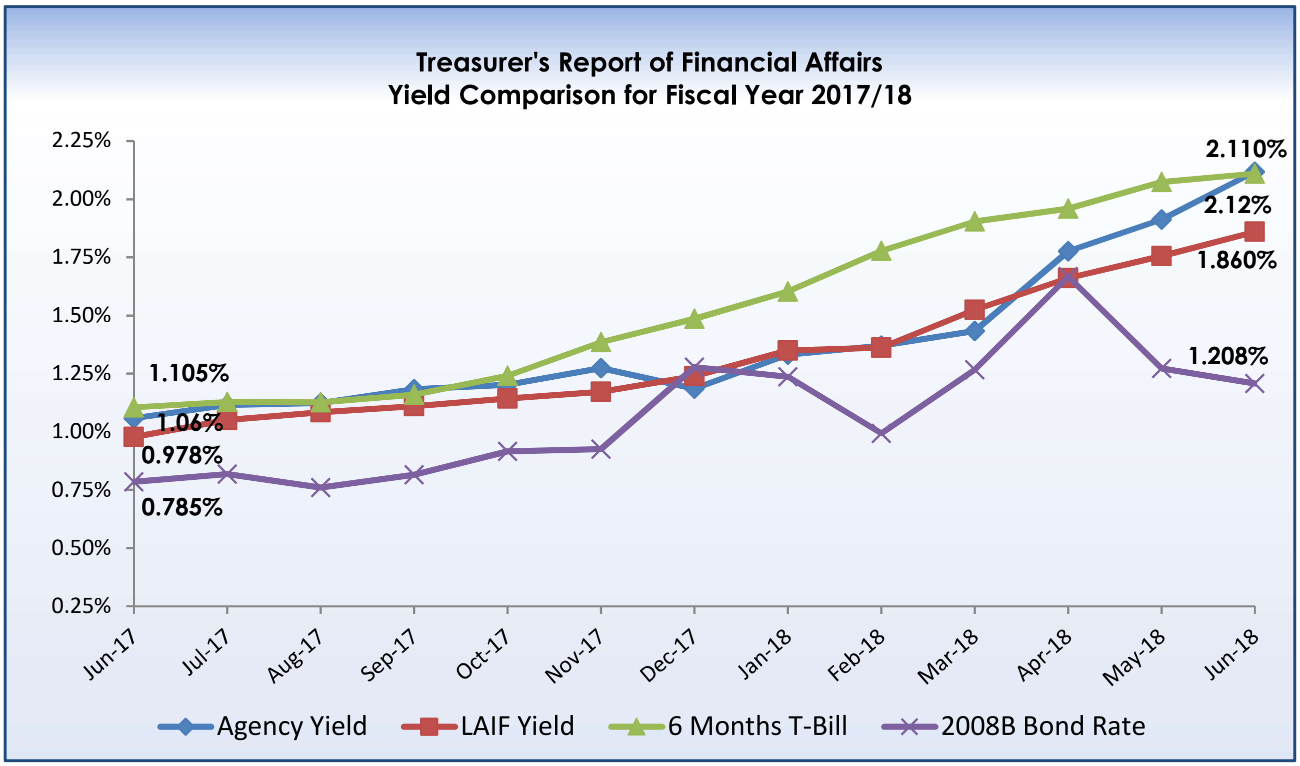
CASH AND INVESTMENT MANAGEMENT

The Agency has a comprehensive cash and investment program subject to the 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 adopts an investment policy annually that is intended to safeguard the principal investment and minimize credit and market risks, remain sufficiently liquid to meet all reasonably anticipated operating requirements 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, 2018, 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.

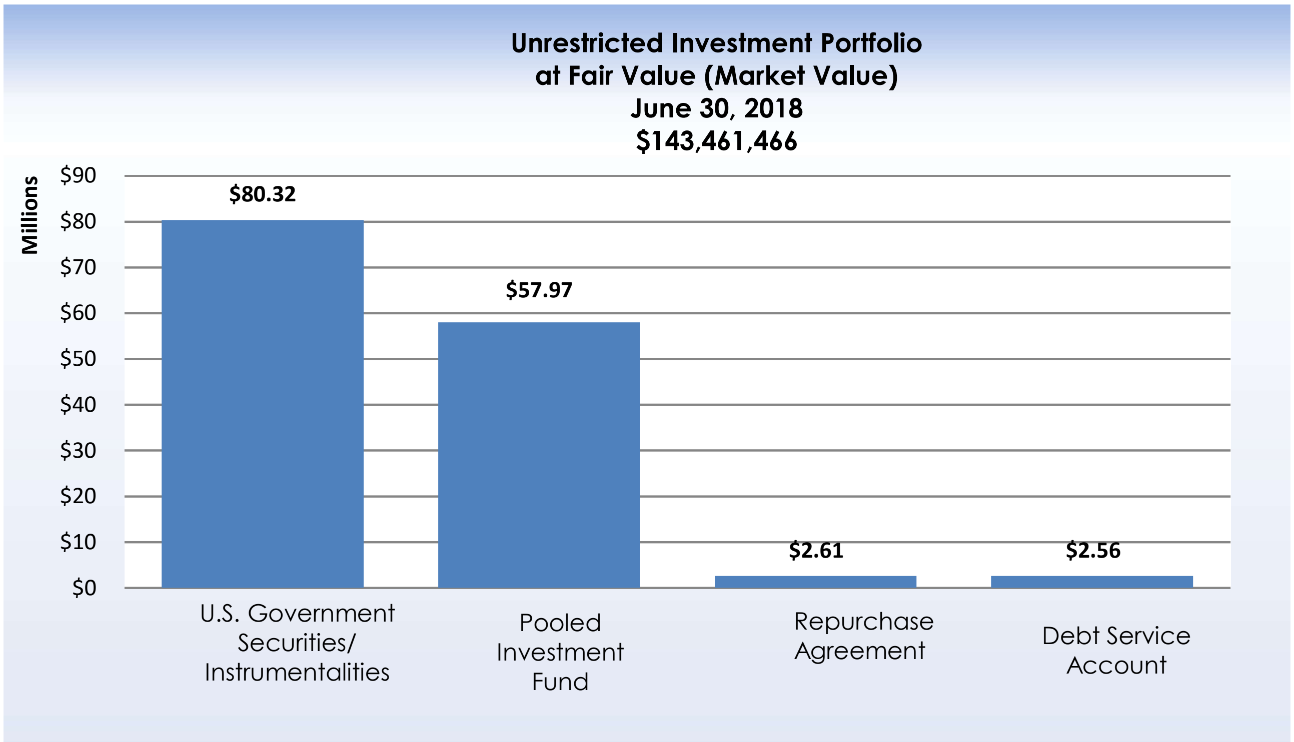
INVESTMENT PORTFOLIO PERFORMANCE

The Agency's overall portfolio rate of return increased from 1.06 percent in June 2017 to 2.12 percent by June 30, 2018.

Total interest income for FY 2017/18 of $2,401,557 increased seventy two percent compared to $1,399,274 in FY 2016/17. The increase in interest income is primarily due to higher interest yield in the investment funds that are actively managed by PFM Asset Management LLC and in the pooled investment accounts, such as Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) merged by the Agency.



The Agency follows a conservative approach when 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.



The Agency's portfolio market value for the fiscal years ended June 30, 2018 and June 30, 2017 were $143,461,466 and $140,232,430 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, water connection reserves, 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).

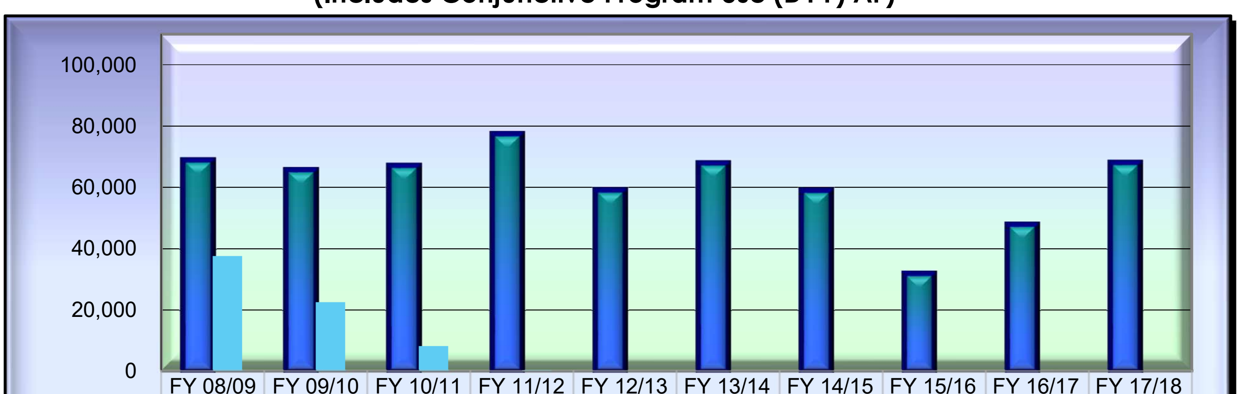
All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Services Fund. These expenses are billed to the CDA monthly. In FY 2017/18, the total amount billed was $1,362,205 and reported as non-operating revenue.

IMPORTED WATER DELIVERIES

Imported water deliveries for FY 2017/18 were 67,977-acre feet (AF) compared to 47,848 AF in FY 2016/17, an increase of 20,129 AF. The increase is due to changes in water quality restrictions, primarily on 1,2,3-Tricholropropane (TCP) that limits the use of Chino Basin groundwater by affected member agencies. TCP has been used as an industrial solvent, cleaning and degreasing agent, and paint remover, is persistent in the environment. It is mainly found in groundwater and is a known human carcinogen. The California State Water Resources Control Board (SWRCB) finalized the maximum contaminant level of 0.000005 mg/L (5 ppt) in December 2017. Drinking water agencies began quarterly monitoring in January 2018. As a result, member agencies unable to use local suppliers have increased imported water purchases to meet demand.

A comparative of imported water deliveries for the past ten fiscal years shows an overall decline in imported water deliveries beginning in FY 2008/09, followed by an upwards swing in the last two years as a result of the end of drought and water quality restrictions.

Comparative Acre Feet (AF) Deliveries
(Includes Conjunctive Program Use (DYY) AF)



	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Deliveries	68,837	65,630	67,000	77,276	59,051	67,833	58,908	31,714	47,848	67,977
Deliveries (DYY)	37,556	22,549	8,198	320	-	-	-	-	-	-

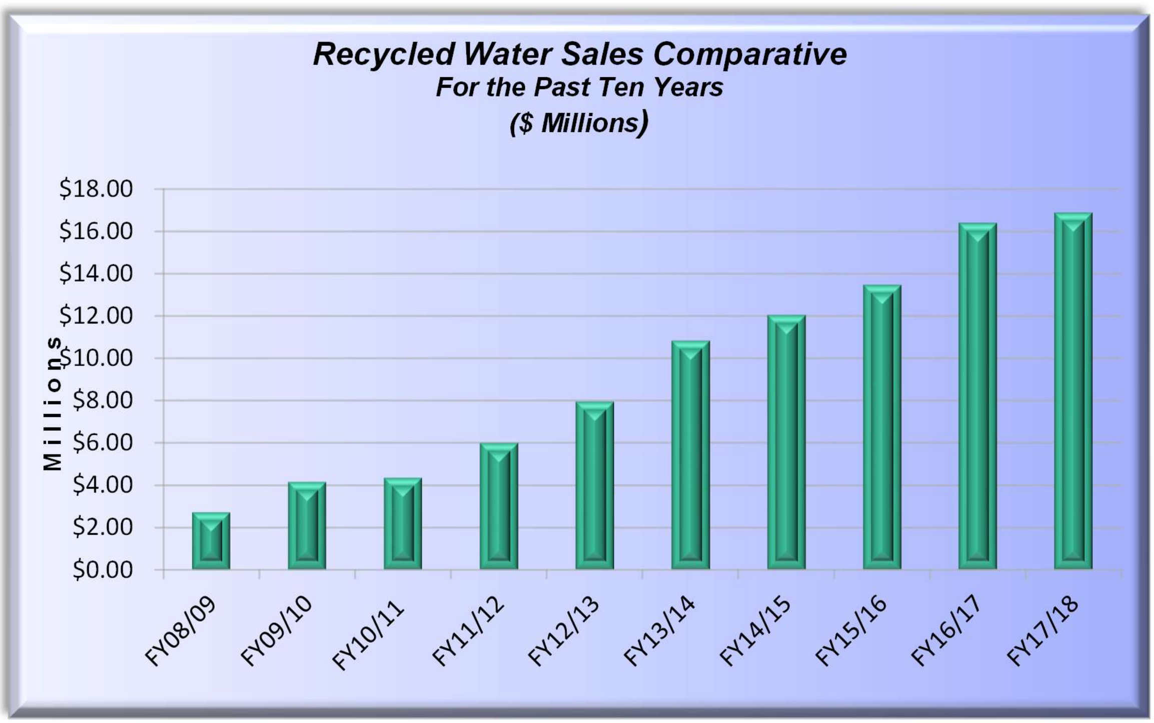
The total operating revenue in the Water Resources Fund increased by $16,651,368 in FY 2017/18 to $51,343,212 from $34,691,844 in FY 2016/17, primarily due to increased imported water deliveries.

Meter Equivalent Unit (MEU) service charge is increased to $4,417,489 in FY 2017/18 from $2,961,976 in FY 2016/17, due to higher number of MEUs; 387,499 units in FY2017/18 versus 365,676 units in FY 2016/17, and a price adjustment to $0.95 per MEU in FY 2017/18 from $0.90 per MEU in FY 2016/17. With the implementation of MEU charges in October 2016, the Agency also restructured the recovery of MWD readiness-to-serve (RTS) fees. Previously, these fees were supported by meter account service charges. Under the new fee structure RTS fees are fully pass-through to those customers receiving the service, consistent with MWD's ten year rolling average (TYRA) calculations. As requested by member agencies, recovery of the pass-through rate will be phased in over a seven-year period beginning in FY 2016/17.

The total operating expenses increased to $52,285,750 in FY 2017/18 from $36,198,210 in FY 2016/17. This increase was primarily due to higher imported water purchases from MWD.

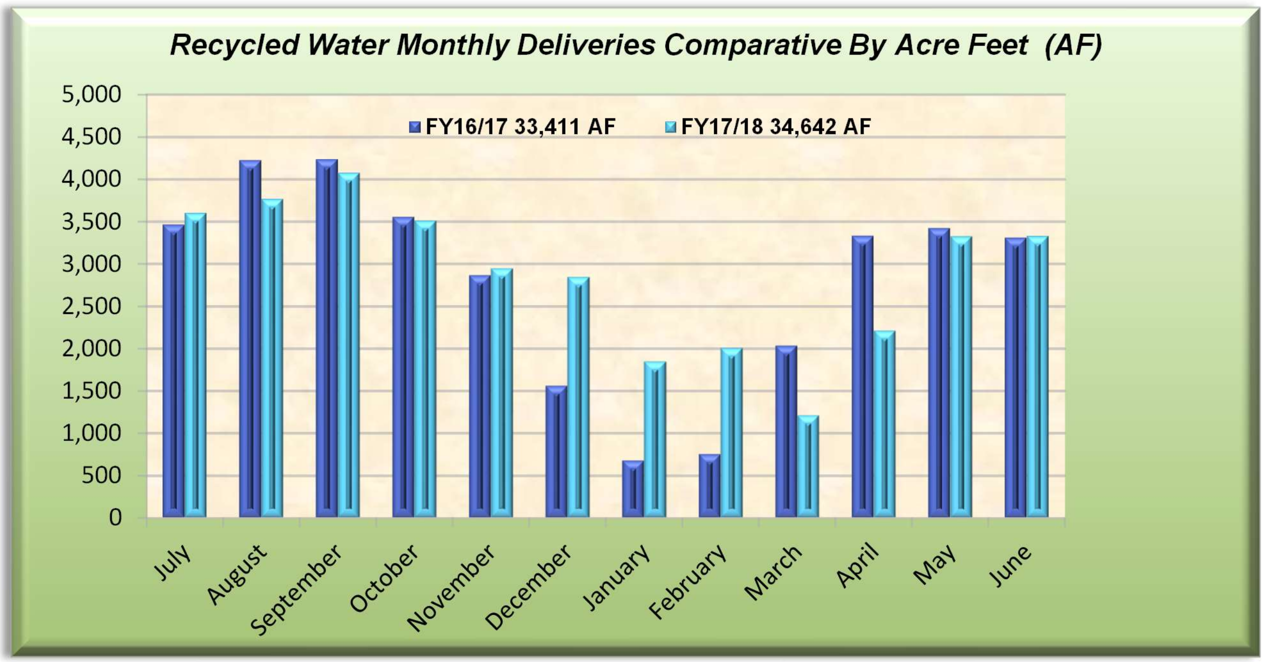
RECYCLED WATER SALES

Total recycled water sales increased by $493,152 to $16,877,757 in FY 2017/18, compared to $16,384,605 in FY 2016/17.



The three percent increase in revenues was primarily due to an increase in recycled water rates for direct deliveries from $410 to $470 per acre foot (AF) and groundwater deliveries from $470 to $530 per AF, effective July 1, 2017. Grants receipts totaled $2,163,585 from Federal and State including funds from proposition 50 for Water Security and Clean Drinking Water, and proposition 1 to improve water infrastructure and regional water self-reliance. Grants are used to support the Regional Recycled Water Expansion capital construction programs. Major projects in FY 2017/18 include groundwater recharge yield enhancement conjunctive use for stormwater capture and the San Sevaine Basin Improvement. Total operating expenses increased by $16,457 to $16,315,649 in FY 2017/18 from $16,299,192 in FY 2016/17, due to an increase in expenses for general administration, operations and maintenance, partially offset by a decrease in depreciation and amortization expenses.

Total net position at June 30, 2018 was $80,700,234, an increase of $11,630,271. The increase was primarily due to a higher water rate which took effect on July 1, 2017, increased water connection fee revenue, more grants from Federal and State to improve water infrastructure, and transfers from the Capital Improvement Fund to support debt service expenses.



A total of 34,642 AF was registered for direct and recharged recycled water deliveries, compared to 33,411 AF for last fiscal year, an increase of 3.69 percent primarily due to higher agriculture and landscape use.

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 $143,065,303 in FY 2017/18, an increase of $11,486,946, or nine percent over last fiscal year.

Revenues by Category – Regional Wastewater Program

For the Fiscal Year Ended June 30, 2018

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

Revenue Category	2017/18		2016/17		Increase/<Decrease> from 2016/17	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	$ 62,144,346	43%	$ 56,641,193	43%	$ 5,503,153	10%
Property Tax Receipts	41,017,338	29%	39,236,720	30%	1,780,618	5%
Wastewater Connection Fees	32,849,912	23%	30,508,191	23%	2,341,721	8%
Other Non-operating Revenues	5,632,415	4%	4,414,189	3%	1,218,226	28%
Interest Income	1,421,292	1%	778,064	1%	643,228	83%
Total Revenues	**$ 143,065,303**	**100%**	**$ 131,578,357**	**100%**	**$ 11,486,946**	**9%**

The Agency's FY 2017/18 service charges were $62,144,346, which was ten percent higher compared to FY 2016/17 total of $56,641,193. The increase is primarily due to an equivalent dwelling unit (EDU) rate adjustment from $17.14 to $18.39 per EDU (effective July 1, 2017), plus an increase of 2.19 percent or 77,345 in the number of billable EDU's to 3,370,397 in FY2017/18 from 3,293,053 in FY 2016/17. Rate adjustments were adopted by the Agency Board of Directors in 2015 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 $1,780,618, or five percent from $39,236,720 in FY 2016/17 to $41,017,338 in FY 2017/18. The primary reason for the increase is the continuing recovery of the real estate market, new development, and improvement of assessed property values.

Wastewater connection fees increased $2,341,721, or eight percent in FY 2017/18 to $32,849,912 from $30,508,191 in FY 2016/17, primarily due to the increased number of connections and a rate adjustment. The EDU connection fee increased to $6,309 per equivalent dwelling unit (EDU) in FY 2017/18 compared to $6,009 per EDU in in January 2017, an increase of $300 per EDU. Total number of EDUs reported by the contracting agencies in FY 2017/18 were 5,223 units compared to 5,189 units reported in FY 2016/17. Cucamonga Valley Water District, Cities of Chino, Fontana, and Ontario accounted for approximately eighty five percent of the total number of new connections.

The Agency has planned to expand RP-5 facility located in the City of Chino, to meet demand from future growth construction stated to begin in 2019.

Other non-operating revenues were $5,632,415 in FY 2017/18 compared to $4,414,189 in FY 2016/17, an increase of $1,218,226 or twenty eight percent. The increase is primarily due to reimbursements from California for construction of San Bernardino Avenue Gravity Sewer Pipeline from California Steel Industries, Prologis, and Auto Club Speedway.

Interest income increased from $778,064 in FY 2016/17 to $1,421,292 in FY 2017/18 due to rising interest rates and higher reserve level.

Expenses by Category – Regional Wastewater Program

For the Fiscal Year Ended June 30, 2018

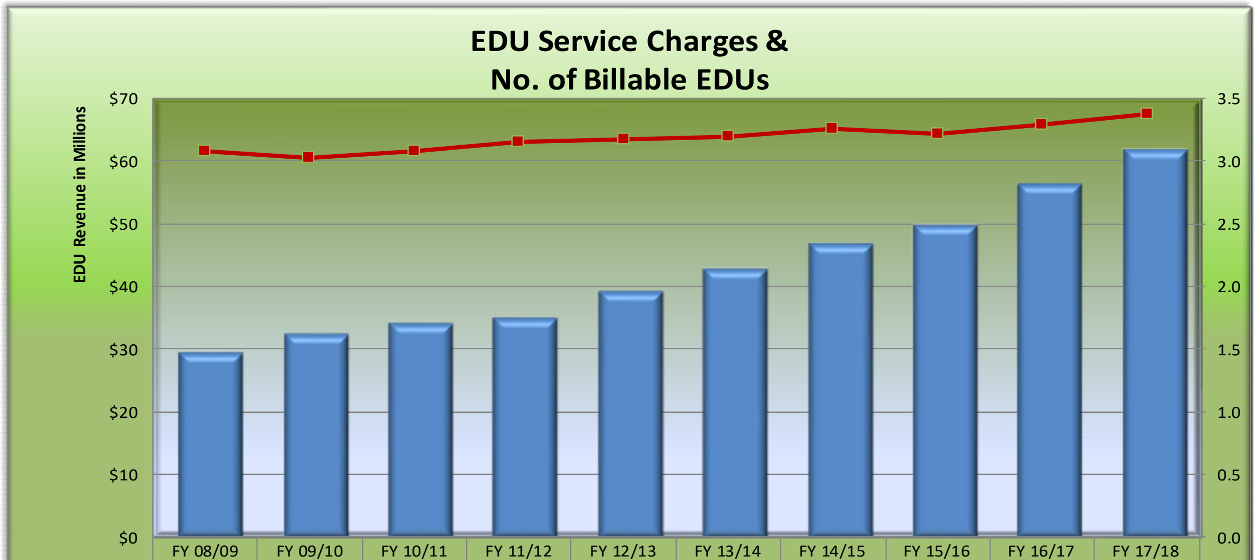
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Expense Category	2017/18		2016/17		Increase/<Decrease> from 2016/17	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	$ 1,704,444	2%	$ 1,575,505	2%	$ 128,939	8%
Wastewater Treatment	26,617,534	29%	24,242,516	26%	2,375,018	10%
Wastewater Disposal	10,236,087	11%	11,687,784	13%	(1,451,697)	(12)%
Total Wastewater Expenses	**38,558,065**	**41%**	**37,505,805**	**41%**	**1,052,260**	**3%**
Administration & General	20,895,540	23%	15,067,114	16%	5,828,426	39%
Depreciation & Amortization	22,860,802	25%	23,795,754	26%	(934,952)	(4)%
Interest on long-term debt	3,183,046	3%	4,912,696	5%	(1,729,650)	(35)%
Other nonoperating exp	7,629,833	8%	10,720,551	12%	(3,090,718)	(29)%
Total Expenses	**93,127,286**	**100%**	**92,001,920**	**100%**	**1,125,366**	**1%**

Total expenses for FY 2017/18 were $93,127,286 or a one percent increase compared to FY 2016/17 actual of $92,001,920. Total wastewater collection, treatment, and disposal costs increased by $1,052,260, or three percent compared to the prior year, primarily due to servicing a higher number of EDU's. Administration and general expenses increased by $5,828,426 to $20,895,540 in FY 2017/18 from $15,067,114 in FY 2016/17, mainly due to pension (GASB68) and other postemployment benefits (GASB75) adjustments, higher professional service fees, contract labor, material costs, and facilities maintenance related costs to maintain facilities in good condition.

Total other non-operating expenses of $7,629,833 represents a twenty nine percent decrease compared to FY 2016/17 actual of $10,720,551. The decrease in this category is primarily due to lower costs for the South Archibald Trichloroethylene Plume clean-up project.

Comparative EDU Service Charges



	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
EDU Rate	$9.62	$10.75	$11.14	$11.14	$12.39	$13.39	$14.39	$15.89	$17.14	$18.39
Dollars	$29,569,994	$32,526,058	$34,256,970	$35,127,592	$39,338,356	$42,778,892	$46,837,147	$49,808,859	$56,442,936	$61,981,596
Units	3,073,804	3,025,680	3,075,132	3,153,285	3,175,009	3,194,839	3,254,840	3,212,917	3,293,053	3,370,640

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 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 the 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. The Agency program costs to operate and manage the NRW system are recovered as follows:

- North System – prorated based on the number of capacity units issued per customer
- South System – a fifty 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 a thirty-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 2017/18 for the North and South systems increased $1,012,693 to $12,960,607, compared to $11,947,914 reported in FY 2016/17. The increase in revenues is primarily due to higher pass through fees for excess capacity, excess strength and higher volumetric.

Total operating expenses in FY 2017/18 increased by $1,346,902 to $11,165,215 compared to $9,818,313 in FY 2016/17. The increase in operating expenses is mainly due to higher strength costs included in wastewater collection expenses, and higher general administration expenses. The net position at June 30, 2018, increased $1,961,123 to $28,772,065.

NRW Pass through Rates

For the Fiscal Year Ended June 30, 2018

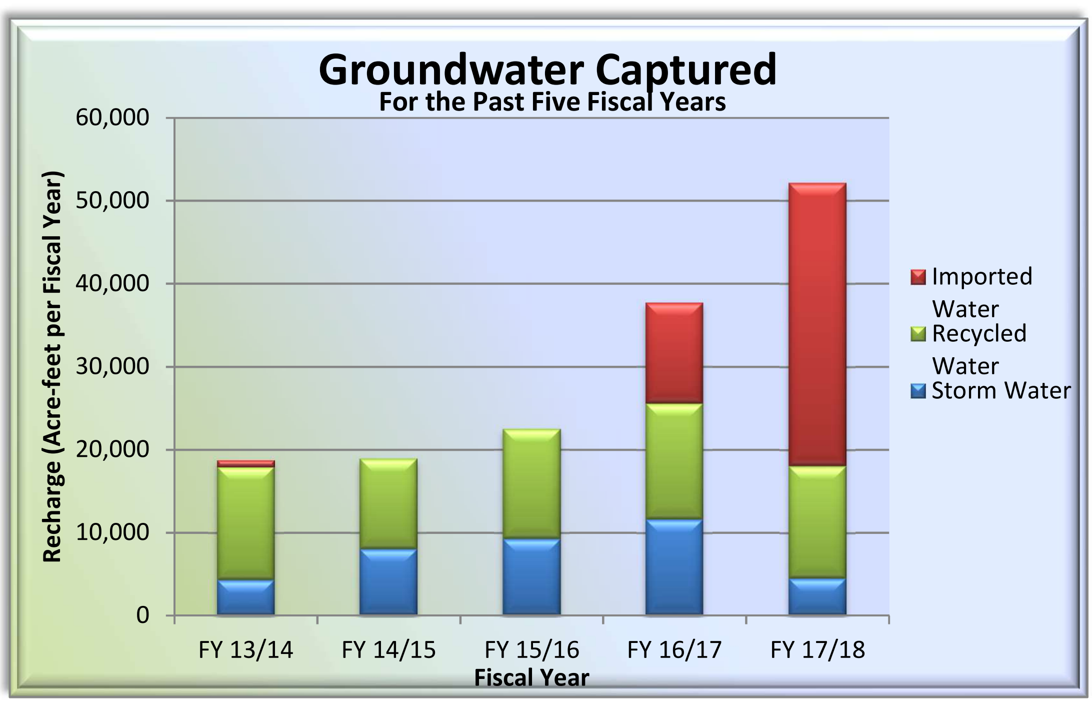
Rate Description	2017/18	2016/17
North System		
Monthly Capital Improvement Fee	$7.00	$7.41
Operation & Maintenance Charge	$18.75	$19.13
Monthly Volumetric Fee	$919.00	$915.00
Total Suspended Solids (TSS)	$446.00	$436.00
Chemical Oxygen Demand (COD)	$172.00	$180.00
Peak Flow Fee	$349.00	$348.00
South System		
Monthly Capital Improvement Fee	$90.00	$90.00
Monthly Capacity Unit Fee	$387.24	$368.76
Monthly Volumetric Fee	$901.00	$858.00
Total Suspended Solids (TSS)	$429.00	$429.00
Biochemical Oxygen Demand (BOD)	$307.00	$307.00

A total of fifty users were connected to the NRW System (North and South) during FY 2017/18, with a total flow of 1,827 million gallons per annum.

RECHARGE WATER FUND

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

Total operating expenses recorded in fiscal year (FY) 2017/18 were $2,938,463, a decrease of $361,877 compared to $3,300,340 in FY 2016/17. The decrease was due to lower professional and contract service expenses for basin cleaning and restoration. As of June 30, 2018, the total net position was $33,026,367, an increase of $775,278 (includes restatement) over the prior fiscal year of $32,251,089. Due to the new California drinking water standard enacted in December 2017, FY 2017/18 saw a record year of 34,124 AF of imported water allocated to Groundwater Recharge.



REVENUES

Combined revenues and other funding sources for the fiscal year totaled $251,739,645, an increase of $30,518,273, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2017/18 and 2016/17.

Combined Revenues and Other Funding Sources by Category - All Funds

For the Fiscal Year Ended June 30, 2018

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

Revenue & Other Funding Sources	2017/18 AMOUNT	2017/18 % OF TOTAL	2016/17 AMOUNT	2016/17 % OF TOTAL	Increase/<Decrease> from 2016/17 AMOUNT	Increase/<Decrease> from 2016/17 % OF CHANGE
Service Charges	$ 80,449,346	32%	$ 73,384,002	33%	$ 7,065,344	10%
Water Sales	45,998,819	18%	29,896,949	14%	16,101,870	54%
Recycled Water Sales	16,877,757	7%	16,384,605	7%	493,152	3%
Interest Income	2,401,557	1%	1,399,274	2%	1,002,283	72%
Property Tax Receipts	48,413,443	19%	45,674,031	20%	2,739,412	6%
Water Capital Connection Fees	7,889,278	3%	5,414,935	2%	2,474,343	46%
Wastewater Connection Fees	32,849,912	13%	30,508,191	14%	2,341,721	8%
Other Non-operating Revenues	10,752,001	4%	6,264,512	2%	4,487,489	72%
Capital Grants	6,107,532	2%	12,294,873	6%	(6,187,341)	(50)%
Total Revenues & Contributions	**$ 251,739,645**	**100%**	**$ 221,221,372**	**100%**	**$ 30,518,273**	**14%**

Water Sales

Increase is due to a forty two percent increase in deliveries from 47,848 AF to 67,977 AF, and rate increased from $666 to $695 per AF.

Wastewater Connection Fees

Increase is due to an increase in new connections from 5,189 units to 5,223 units and a fee adjustment from $6,009 to $6,309 per connection.

Other Non-operating Revenues

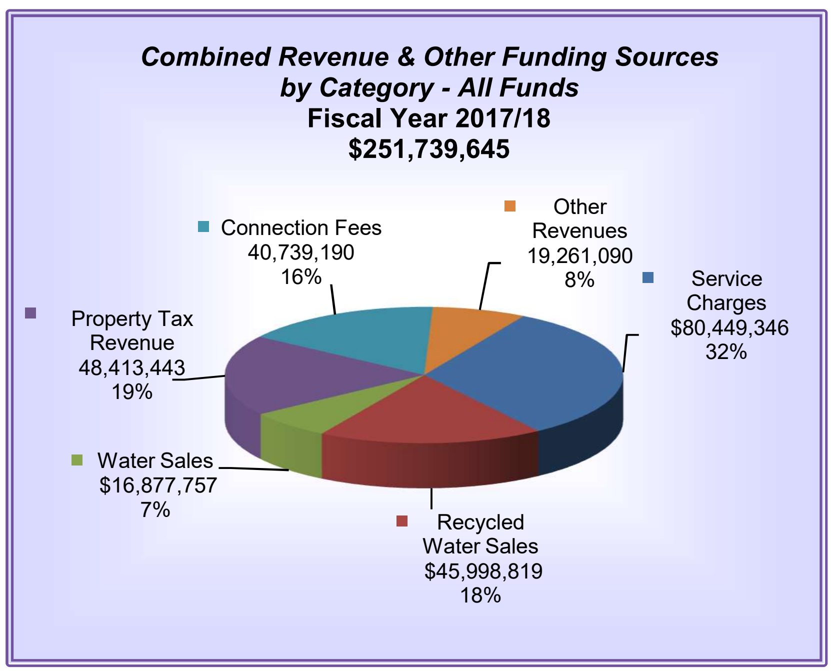
Increase is primarily due to contract reimbursement for capital related costs.

Service Charges

Increase is primarily due to a volumetric fee adjustment from $17.14 to $18.39 per EDU and higher strength fees for the NRW system.

Capital Grants

Grants secured were 50% less than fiscal year 2016/17 due to less expenditures required for TCE Plume Cleanup Project.



EXPENSES

Combined expenses for the fiscal year totaled $184,494,665, an increase of $18,394,981, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2017/18 and 2016/17.

Combined Expenses by Category - All Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

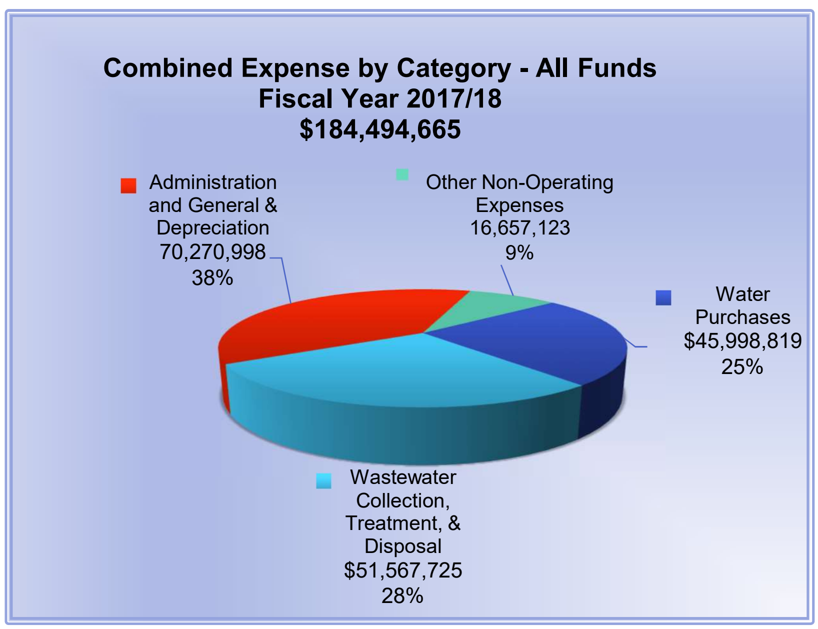
Expense Category	2017/18		2016/17		Increase/<Decrease> from 2016/17	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Water Purchases	$ 45,998,819	25%	$ 29,896,949	18%	$ 16,101,870	54%
Wastewater Collection	9,990,684	5%	8,756,622	5%	1,234,062	14%
Wastewater Treatment	26,617,534	14%	24,242,516	15%	2,375,018	10%
Wastewater Disposal	10,236,087	6%	11,687,784	7%	(1,451,697)	(12)%
Operations and Maintenance	4,723,420	3%	4,139,199	2%	584,221	14%
Administration and General	34,567,419	19%	30,084,800	19%	4,482,619	15%
Depreciation and Amortization	35,703,579	19%	37,113,834	22%	(1,410,255)	(4)%
Interest on Long-Term Debt	5,998,675	3%	7,947,114	5%	(1,948,439)	(25)%
Other Non-Operating Expenses	10,658,448	6%	12,230,866	7%	(1,572,418)	(13)%
Total Expenses	**$ 184,494,665**	**100%**	**$ 166,099,684**	**100%**	**$ 18,394,981**	**11%**

Water Purchases
Increase is due to a forty two percent increase in deliveries from 47,848 AF to 67,977 AF and rate increased from $666 to $695 per AF.

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

Non-Operating Expense
Decrease is primary due to lower contributions in aid as a result of decrease in related costs.



Combined Net Position-All Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	FY 2017/18	FY 2016/17	Increase/<Decrease> from FY 2016/17	
Assets				
Current assets	$ 193,754,286	$ 189,138,268	$ 4,616,018	2%
Restricted assets	69,925,961	34,573,204	35,352,757	102%
Capital assets	651,502,440	631,578,532	19,923,908	3%
Other assets	78,645,966	79,779,666	(1,133,700)	(1)%
Total Assets	993,828,653	935,069,670	58,758,983	6%
Deferred Outflows of Resources				
Deferred outflow-debt refunding	4,239,020	4,629,690	(390,670)	(8)%
Deferred outflow-net other postemployment benefit liability	2,759,030	-	2,759,030	100%
Deferred outflow-net pension liability	27,284,064	17,563,578	9,720,486	55%
Total deferred outflows	34,282,114	22,193,268	12,088,846	55%
Liabilities				
Current liabilities	47,688,004	52,217,556	(4,529,552)	(9)%
Non-current liabilities	324,552,530	321,182,807	3,369,723	1%
Total liabilities	372,240,534	373,400,363	(1,159,829)	(0)%
Deferred Inflows of Resources				
Deferred inflow-net pension liability	8,805,286	4,042,608	4,762,678	118%
Total deferred inflows	8,805,286	4,042,608	4,762,678	118%
Net Position				
Net investment in capital assets	394,964,660	371,802,435	23,162,225	6%
Restricted	99,176,035	61,446,127	37,729,908	61%
Unrestricted	152,924,252	146,571,405	6,352,847	4%
TOTAL NET POSITION	**$ 647,064,947**	**$ 579,819,967**	**$ 67,244,980**	**12%**

Changes in fiscal year (FY) 2017/18 compared to FY 2016/17 were:

- The Restricted Assets increased $35.3 million primarily due to an $23.9 million increase in wastewater capital connection deposits held by contracting Agencies and $10.8 million of water connection fees held by the Agency in a restricted account.

- The Deferred Outflow of Resources increased by $12.1 million, mainly as a result of the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the update of pension liabilities following GASB 68.

- The Deferred Inflows of Resources related to net of liability increased $4.8 million primarily due to amortization of changes in investment of $3.1 million, change in experience of $.9 million and change in assumption of $.8 million.

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Item Category	FY 2017/18		FY 2016/17		Increase/<Decrease> from FY 2016/17	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Total Revenue	$ 245,632,113	38%	$ 208,926,499	36%	$ 36,705,614	18%
Total Expenses	184,494,665	29%	166,099,684	29%	18,394,981	11%
Excess (deficiency) before contrib.	61,137,448	9%	42,826,815	7%	18,310,633	43%
Capital Grants	6,107,532	1%	12,294,873	2%	(6,187,341)	(50)%
Change in Net Position	67,244,980	10%	55,121,688	10%	12,123,292	22%
Prior Period Adjustment	-	0%	(5,896,085)	(1)%	5,896,085	100%
Beginning Net Position	579,819,967	90%	530,594,364	92%	49,225,603	9%
Ending Net Position	**$ 647,064,947**	**100%**	**$ 579,819,967**	**100%**	**$ 67,244,980**	**12%**

CAPITAL ASSETS

The Agency had total net capital assets of $651,502,440 in FY 2017/18, compared to $631,578,532 in FY 2016/17. The $19,923,908 increase is due to an increase in new capital assets and jobs in progress, partially offset by $35,109,974 increase in accumulated depreciation.

Capital Asset Summary – All Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Asset Category	2017/18	2016/17	Increase/ <Decrease> from 2016/17	% of Change
Land	$ 14,067,874	$ 14,067,874	$ -	0%
Land Improvements	30,147,850	30,147,850	-	0%
Structures and Improvements	739,353,241	734,933,072	4,420,169	1%
Equipment	231,146,923	228,757,398	2,389,525	1%
Capacity Rights	14,826,587	14,826,587	-	0%
Water Rights	433,519	228,600	204,919	90%
Computer Software	13,144,087	12,515,741	628,346	5%
Jobs in Progress	81,758,464	34,367,541	47,390,923	138%
Sub-total	**1,124,878,545**	**1,069,844,663**	**55,033,882**	**5%**
Less: Accumulated Depreciation & Amortization	(473,376,105)	(438,266,131)	(35,109,974)	8%
Net Capital Assets	**$ 651,502,440**	**$ 631,578,532**	**$ 19,923,908**	**3%**

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

DEBT MANAGEMENT

At June 30, 2018, the Agency had outstanding principal bond debt of $121,610,000.

Bond Issue	Principal	Premium (discount)	Outstanding on 06/30/18
2008B Variable Rate	$ 38,270,000	$ -	$ 38,270,000
2010A Revenue Bonds	18,735,000	1,035,735	19,770,735
2017A Revenue Bonds	64,605,000	10,701,721	75,306,721
TOTAL	**$ 121,610,000**	**$ 11,737,456**	**$ 133,347,456**

(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, 2018:

1) Various State Revolving Fund (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of $119,305,744.

2) 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 $5,038,956.

3) 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 $1,425,677.

4) Five On-Bill Financing loans from Southern California Edison for installation of energy efficient lighting at Agency facilities with an outstanding balance of $1,023,581.

In June 2018, 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 questions about this report or need additional financial information, please contact the Agency's Finance and Accounting Department at *departmentaccounting@ieua.org*.

INLAND EMPIRE UTILITIES AGENCY

Basic Financial Statements

OVERVIEW

FINANCIAL STATEMENTS

The following Basic Financial Statements, along with the supplementary Notes to the Basic Financial Statements, convey a summary of the Agency's financial position as of June 30, 2018, 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:

- Statement of Net Position – the statement denotes the increase/(decrease) of net assets 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.
- Statement of Cash Flows – the statement reflects the Agency's financial activities and their effect on cash. It also denotes the cash position of the Agency at the end of the fiscal period.
- Notes to the Basic Financial Statements.

INLAND EMPIRE UTILITIES AGENCY
Statement of Net Position
June 30, 2018
(With Comparative Totals for June 30, 2017)

	Enterprise Funds	
ASSETS	Regional Wastewater	Recycled Water
Current assets		
Cash and investments (note 3)	$ 90,632,247	$ 19,171,481
Accounts receivable	14,371,549	10,258,977
Interest receivable	842,357	69,339
Taxes receivable	380,000	21,740
Other receivables	206,744	88,068
Inventory	-	-
Water inventory (note 17)	-	-
Prepaid items	1,201	3,500
Total current assets	106,434,098	29,613,105
Restricted assets (note 3)		
Deposits held by governmental agencies	55,559,538	-
Restricted short-term investments	-	10,882,109
Assets held with trustee/fiscal agent	2,618,375	267
Total restricted assets	58,177,913	10,882,376
Noncurrent assets		
Capital assets (note 7)		
Land	14,047,045	-
Jobs in progress	66,795,355	9,809,127
Capital assets, net of accumulated depreciation	307,532,532	171,356,894
Intangible assets, net of accumulated amortization	6,326,213	463,654
Total capital assets	394,701,145	181,629,675
Other assets		
Long-term agreements (note 11)	43,482,843	-
Long-term receivables (note 10)	3,918,169	919,551
Advances to other funds (note 14)	13,500,000	-
Prepaid interest - SRF loans	803,960	973,130
Total other assets	61,704,972	1,892,681
Total noncurrent assets	456,406,117	183,522,356
Total assets	621,018,128	224,017,837
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	2,488,992	1,407,104
Deferred outflow net other postemployment benefit liability	2,075,790	225,169
Deferred outflow related to net pension liability	15,633,392	1,724,180
Total deferred outflows of resources	20,198,174	3,356,453

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

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Water Resources	Non-Major	Totals 2018	Totals 2017
$ 8,377,333	$ 28,982,823	$ 147,163,884	$ 137,447,574
9,634,979	5,826,668	40,092,173	45,958,061
31,490	984,501	1,927,687	1,167,107
19,550	19,707	440,997	370,080
-	52,030	346,842	278,472
-	1,389,712	1,389,712	1,553,721
2,277,467	-	2,277,467	2,261,731
-	110,823	115,524	101,522
20,340,819	37,366,264	193,754,286	189,138,268
-	-	55,559,538	31,709,626
-	-	10,882,109	-
-	865,672	3,484,314	2,863,578
-	865,672	69,925,961	34,573,204
-	20,829	14,067,874	14,067,874
396,962	4,757,020	81,758,464	34,367,541
18,290	66,027,083	544,934,799	571,937,959
10,366	3,941,070	10,741,303	11,205,158
425,618	74,746,002	651,502,440	631,578,532
-	-	43,482,843	44,435,019
48,313	-	4,886,033	4,897,217
-	15,000,000	28,500,000	28,500,000
-	-	1,777,090	1,947,430
48,313	15,000,000	78,645,966	79,779,666
473,931	89,746,002	730,148,406	711,358,198
20,814,750	127,977,938	993,828,653	935,069,670
-	342,924	4,239,020	4,629,690
105,831	352,240	2,759,030	-
875,820	2,598,620	20,832,012	17,563,578
981,651	3,293,784	27,830,062	22,193,268

(continued)

INLAND EMPIRE UTILITIES AGENCY
Statement of Net Position (Continued from previous page)
June 30, 2018
(With Comparative Totals for June 30, 2017)

	Enterprise Fund Types	
	Regional	Recycled
LIABILITIES	Wastewater	Water
Current liabilities		
Accounts payable	$ 7,715,965	$ 1,580,542
Accrued liabilities	33,023	30,690
Compensated absences (note 1)	-	-
Retentions payable	843,021	189,070
Notes payable, due within one year (note 12)	1,985,199	4,056,706
Long-term debt, due within one year (note 12)	7,259,121	1,206,644
Interest payable	720,894	1,875,859
Retention deposits and escrows	920,318	-
Total current liabilities	19,477,541	8,939,511
Noncurrent liabilities		
Compensated absences (note 1)	-	-
Long-term debt, due in more than one year (note 12)	76,540,584	28,200,611
Notes payable, due in more than one year (note 12)	43,348,179	75,978,197
Advances from other funds (note 14)	-	28,500,000
Other noncurrent liabilities	-	579,358
Net other postemployment benefit liability (note 18)	3,675,971	398,747
Net pension liability (note 5)	32,258,409	3,856,936
Total noncurrent liabilities	155,823,143	137,513,849
Total liabilities	175,300,684	146,453,360
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	1,741,847	220,696
Total deferred inflows of resources	1,741,847	220,696
NET POSITION		
Net Investment in capital assets	268,289,698	72,187,783
Restricted for:		
Capital construction	55,559,538	10,882,109
SRF Loan debt service	2,515,535	6,661,117
Bond operating contingency requirement	19,817,873	-
Total restricted	77,892,946	17,543,226
Unrestricted	117,991,127	(9,030,775)
Total net position	$ 464,173,771	$ 80,700,234

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

Water Resources	Non-Major	Totals 2018	Totals 2017
$ 8,719,437	$ 4,123,385	$ 22,139,329	$ 28,188,647
573,105	2,299,907	2,936,725	2,951,807
-	1,706,458	1,706,458	1,877,836
-	47,029	1,079,120	447,298
-	704,809	6,746,714	6,787,885
-	1,004,235	9,470,000	9,190,000
-	92,587	2,689,340	2,463,079
-	-	920,318	311,004
9,292,542	9,978,410	47,688,004	52,217,556
-	3,428,764	3,428,764	3,198,600
-	19,136,261	123,877,456	134,381,308
-	720,868	120,047,244	111,526,966
-	-	28,500,000	28,500,000
-	-	579,358	472,994
187,413	623,776	4,885,907	3,907,446
1,529,153	5,589,303	43,233,801	39,195,493
1,716,566	29,498,972	324,552,530	321,182,807
11,009,108	39,477,382	372,240,534	373,400,363
100,375	290,316	2,353,234	4,042,608
100,375	290,316	2,353,234	4,042,608
425,618	54,061,561	394,964,660	371,802,435
-	-	66,441,647	31,709,626
-	-	9,176,652	8,604,580
-	3,739,863	23,557,736	21,131,921
-	3,739,863	99,176,035	61,446,127
10,261,300	33,702,600	152,924,252	146,571,405
$ 10,686,918	$ 91,504,024	$ 647,064,947	$ 579,819,967

INLAND EMPIRE UTILITIES AGENCY
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
OPERATING REVENUES		
Service charges	$ 62,144,346	$ -
Water Sales	-	-
Recycled water sales	-	16,877,757
Total operating revenues	62,144,346	16,877,757
OPERATING EXPENSES		
Water purchases	-	-
Wastewater collection	1,704,444	-
Wastewater treatment	26,617,534	-
Wastewater disposal	10,236,087	-
Operations and maintenance	-	3,323,965
Administration and general	20,895,540	4,389,285
Depreciation and amortization	22,860,802	8,602,399
Total operating expenses	82,314,407	16,315,649
Operating income (loss)	(20,170,061)	562,108
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,421,292	370,505
Property tax revenue	41,017,338	2,170,100
Water capital connection fees	-	7,889,278
Wastewater capital connection fees	32,849,912	-
Other nonoperating revenues	5,632,415	221,178
Interest on long-term debt	(3,183,046)	(2,326,999)
Other nonoperating expenses	(7,629,833)	(882,168)
Total nonoperating revenues (expenses)	70,108,078	7,441,894
Income (loss) before capital contributions and transfers	49,938,017	8,004,002
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in (note 15)	1,825,921	2,396,979
Transfers out (note 15)	(7,908,332)	(934,295)
Capital grants	3,641,530	2,163,585
Change in net position	47,497,136	11,630,271
Total net position - beginning		
Prior period adjustment (note 19)		
Total net position - beginning, as restated	416,676,635	69,069,963
Total net position - ending	$ 464,173,771	$ 80,700,234

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

Water Resources	Non-Major	Totals 2018	Totals 2017
$ 5,344,393	$ 12,960,607	$ 80,449,346	$ 73,384,002
45,998,819	-	45,998,819	29,896,949
-	-	16,877,757	16,384,605
51,343,212	12,960,607	143,325,922	119,665,556
45,998,819	-	45,998,819	29,896,949
-	8,286,240	9,990,684	8,756,622
-	-	26,617,534	24,242,516
-	-	10,236,087	11,687,784
1,399,455	-	4,723,420	4,139,199
4,882,109	4,400,485	34,567,419	30,084,800
5,367	4,235,011	35,703,579	37,113,834
52,285,750	16,921,736	167,837,542	145,921,704
(942,538)	(3,961,129)	(24,511,620)	(26,256,148)
100,003	509,757	2,401,557	1,399,274
3,253,805	1,972,200	48,413,443	45,674,031
-	-	7,889,278	5,414,935
-	-	32,849,912	30,508,191
420,422	4,477,986	10,752,001	6,264,512
-	(488,630)	(5,998,675)	(7,947,114)
(380,703)	(1,765,744)	(10,658,448)	(12,230,866)
3,393,527	4,705,569	85,649,068	69,082,963
2,450,989	744,440	61,137,448	42,826,815
321,152	4,387,007	8,931,059	3,628,117
-	(88,432)	(8,931,059)	(3,628,117)
218,720	83,697	6,107,532	12,294,873
2,990,861	5,126,712	67,244,980	55,121,688
			530,594,364
			(5,896,085)
7,696,057	86,377,312	579,819,967	524,698,279
$ 10,686,918	$ 91,504,024	$ 647,064,947	$ 579,819,967

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2018

(With Comparative Totals for June 30, 2017)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 60,333,022	$ 12,302,490
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(22,314,393)	(2,151,932)
Cash payments to employees for services	(14,665,438)	(991,538)
Cash payments for interfund services used	(20,091,191)	(3,276,602)
Net cash provided by (used for) operating activities	3,262,000	5,882,418
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	1,825,921	2,396,979
Transfers out	(7,908,332)	(934,295)
Contract reimbursement from others	5,632,415	221,178
Tax revenues	40,956,229	2,166,604
Collection of long-term receivable	-	88,067
Cash paid to others	(6,863,427)	(780,544)
Investment in IERCA	952,176	-
Net cash provided by (used for) noncapital financing activities	34,594,982	3,157,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(43,352,906)	(7,392,774)
Proceeds from State Revolving Funds	11,310,182	-
Connection fees on deposit held by members	32,849,912	-
Water Connection Fees	-	7,889,277
Capital grants received	3,641,530	2,163,584
Principal paid on capital debt	(7,513,824)	(1,447,949)
Interest paid on capital debt	(2,894,034)	(1,838,227)
Payments on State Revolving Funds	(1,351,185)	(848,904)
Bond administration fees	(794,976)	(101,623)
Contractor deposits collected	-	-
Net cash provided by (used for) capital and related financing activities	(8,105,301)	(1,576,616)

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

Water Resources	Non-Major	Totals 2018	Totals 2017
$ 51,590,161	$ 25,915,672	$ 150,141,345	$ 106,256,139
-	27,129,610	27,129,610	29,333,995
(48,271,778)	(28,600,827)	(101,338,930)	(66,730,574)
(737,796)	(22,839,194)	(39,233,966)	(43,131,109)
(1,125,698)	(1,408,821)	(25,902,312)	(24,833,056)
1,454,889	196,440	10,795,747	895,395
321,152	4,387,007	8,931,059	3,628,117
-	(88,432)	(8,931,059)	(3,628,117)
420,422	3,714,242	9,988,257	7,011,122
3,250,662	1,969,031	48,342,526	45,705,593
-	-	88,067	144,570
(380,704)	(1,621,961)	(9,646,636)	(9,994,672)
-	-	952,176	732,495
3,611,532	8,359,887	49,724,390	43,599,108
(396,963)	(4,432,326)	(55,574,969)	(29,469,289)
-	-	11,310,182	8,008,247
-	-	32,849,912	30,508,191
-	-	7,889,277	5,414,935
218,720	83,697	6,107,531	12,294,873
-	(1,893,065)	(10,854,838)	(57,916,004)
-	(672,997)	(5,405,258)	(8,975,658)
-	-	(2,200,089)	(5,263,540)
-	22,366	(874,233)	(3,860,333)
-	3,466	3,466	43,563
(178,243)	(6,888,859)	(16,749,019)	(49,215,015)

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows (Continued from previous page)
For the Fiscal Year ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$ 986,744	$ 360,100
Purchase of investments	-	-
Net cash provided by (used for) investing activities	986,744	360,100
Net increase (decrease) in cash and cash equivalents	30,738,425	7,823,891
Cash and cash equivalents - beginning	118,071,735	22,229,966
Cash and cash equivalents - ending	$ 148,810,160	$ 30,053,857
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ (20,170,061)	$ 562,108
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	22,860,802	8,602,399
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(1,717,769)	(4,574,088)
Water inventory	-	-
Short-term receivable	(93,554)	(1,179)
Long-term receivable	-	-
Inventory	-	-
Prepaid items	2,482	-
Increase (decrease) in		
Deferred outflow related to net pension liability	(9,365,312)	(1,020,444)
Accounts payable	3,315,189	1,244,324
Accrued liabilities	965	20,547
Net other postemployment benefits liability	3,675,971	398,747
Net pension liability	120,431	(48,678)
Deferred inflow related to net pension liability	3,537,480	450,020
Other liabilities	-	106,368
Change in contractor deposits	1,095,376	142,294
Compensated absences	-	-
Net cash provided by (used for) operating activities	$ 3,262,000	$ 5,882,418

Water Resources	Non-Major	Totals 2018	Totals 2017
$ 74,378	$ 219,756	$ 1,640,978	$ 1,106,210
-	(343,029)	(343,029)	(72,385)
74,378	(123,273)	1,297,949	1,033,825
4,962,556	1,544,195	45,069,067	(3,686,687)
3,414,777	28,304,300	172,020,778	175,707,465
$ 8,377,333	$ 29,848,495	$ 217,089,845	$ 172,020,778
$ (942,536)	$ (3,961,129)	$ (24,511,618)	$ (26,256,147)
5,366	4,235,011	35,703,578	37,113,835
310,998	12,928,702	6,947,843	(12,621,270)
(15,736)	-	(15,736)	(911,688)
-	26,363	(68,370)	123,541
(48,313)	-	(48,313)	-
-	164,008	164,008	4,800
-	(16,484)	(14,002)	7,094
(424,820)	(1,539,110)	(12,349,686)	(6,910,010)
2,300,913	(12,909,744)	(6,049,318)	9,388,451
(52,233)	15,639	(15,082)	193,806
187,413	391,947	4,654,078	-
(2,325)	509,187	578,615	855,007
136,162	293,264	4,416,926	959,097
-	-	106,368	(1,624,256)
-	-	1,237,670	415,022
-	58,786	58,786	158,113
$ 1,454,889	$ 196,440	$ 10,795,747	$ 895,395

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and short-term investments	$ 90,632,247	$ 19,171,481
Restricted assets	58,177,913	10,882,376
Cash & cash equivalents at end of year	$ 148,810,160	$ 30,053,857

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

Water Resources	Non-Major	Totals 2018	Totals 2017
$ 8,377,333	$ 4,206,129	$ 122,387,190	$ 137,447,574
-	25,642,366	94,702,655	34,573,204
$ 8,377,333	$ 29,848,495	$ 217,089,845	$ 172,020,778

RP-1 Foam Suppression System Project

Before

After

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

JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 on 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 (Authority). The blended component unit has a June 30 year end.

The Authority was established on May 1, 1993 as a joint-powers authority (JPA) 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, 2018, the Agency's staff is led by the Board-appointed General Manager, Executive Manager of External Affairs and 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 262 were filled as of June 30, 2018. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

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

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 how 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).

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 recorded in the Regional Wastewater Operational Maintenance Fund, 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 costs associated in providing water resources and water use efficiency programs within the Agency's service area recorded in the Water Resources Fund. 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 Metropolitan Water District of Southern California (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.

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 the 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.

MAJOR FUNDS

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.

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 45,000-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 water management.

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

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

RECOGNITION OF REVENUES AND EXPENSES

The Agency records the Regional Wastewater Capital Connection Fees collected and held by contracting agencies, on behalf of the Agency, as revenue when the funds are received by each contracting agency. Fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

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 equivalent unit charges for potable water service. Non-operating revenues do not directly relate to the Agency's core operations and include 1) property tax receipts; 2) interest income; 3) regional capital connection fees; 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 and treatment, biosolids disposal, and delivery of 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/Assistant General Manager prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The Agency is not required to present budget comparisons; therefore, budgetary data is not presented in the accompanying basic financial statements.

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

NEW ACCOUNTING PRONOUNCEMENTS

CURRENT YEAR STANDARDS

During the fiscal year ended June 30, 2018, the Agency implemented the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting for Financial Reporting by Employers for Postemployment Benefits other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. As a result of this change in accounting principle, beginning net position has been restated (see Note 19 for more information).

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CASH AND INVESTMENTS

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

For the purpose of the Statement of Cash Flows at June 30, 2018, 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 one percent of full market value (at the time of purchase) and can increase the property's value no more than two percent 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 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, if required.

INVENTORIES AND PREPAIDS

The Agency uses the consumption method of accounting for inventory. 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 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 capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention.

CAPITAL ASSETS

Property, plant, and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation, 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, 2018, there was no interest capitalized on jobs in process related to any bond proceeds.

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.

Estimated useful lives are:	Furniture, machinery and equipment	3 - 15 years
	Improvements	15 years
	Interceptors, buildings and plants	5 - 50 years
	Intangible Capacity Rights	50 years
	Computer Software	3 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has three 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 others are the deferred outflow of resources related to net pension liability and other post-employment benefits, equal to employer contributions made in the current year after the measurement date of the net pension liability, the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the difference between expected and actual experiences. These amounts are amortized over the expected average remaining service life beginning with the current year, except for the net difference between projected and actual earnings on pension plan investments which are amortized over five years.

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 inflows related to the net pension liability for the difference between expected and actual experiences and change in assumptions. 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) Other Post Employment Benefits (OPEB) plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

COMPENSATED ABSENCES

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

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

The accumulated vacation leave payable at July 1, 2017 was $2,304,283 with additions and deletions during the year of $2,991,139, and $2,939,235 respectively, resulting in an ending June 30, 2018 balance of $2,356,187. There was a net increase of $51,904 over the previous fiscal year.

The sick and compensatory leave balance at July 1, 2017 was $2,772,153 with additions and deletions during the year of $3,540,872 and $3,533,990 respectively, resulting in an ending June 30, 2018 balance of $2,779,035. There was a net increase of $6,882 over the previous fiscal year.

The compensated absences liability has been recorded in the Administrative Service Non-Major Fund as a combined total of $5,135,222. The current year liability is estimated to be $1,706,458.

LONG-TERM OBLIGATIONS

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

PRIOR FISCAL YEAR DATA

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

STEWARDSHIP

NOTE 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.

NOTE 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, 2018 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	$ 147,163,884
Restricted deposits held by governmental agencies	55,559,538
Restricted short term investments	10,882,109
Restricted assets held with trustee/fiscal agent	3,484,314
Total cash and investments	**$ 217,089,845**
Cash and investments as of June 30, 2018 consist of the following:	
Cash on hand (Petty Cash)	$ 2,250
Deposits with financial institutions	284,251
Deposits held by other governmental agencies	55,559,538
Investments	161,243,806
Total cash and investments	**$ 217,089,845**

FAIR VALUE

The Agency reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

INVESTMENTS AUTHORIZED BY THE CALIFORNIA GOVERNMENT CODE AND THE AGENCY'S INVESTMENT POLICY

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

Authorized Investment Type	Maximum Maturity	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
U.S. Instrumentalities (Supranational)	5 years	20%	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	30%	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 following table identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address quality of risk, interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Bankers Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase Agreements	A	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 the California Government Code 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 on 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 cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made based on one dollar and not fair value. Accordingly, the Agency's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

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, 2018, the carrying amount of the Agency's deposits was $1,204,570 and the bank balance was $1,494,026. The $289,456 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. The minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2018 for each investment type is presented as follows:

Investment Type	Amount	Minimum Legal Rating	Moody's Rating as of June 30, 2018 Aaa to Aa3	A1 to A3	P1	Unrated
Repurchase Agreement	$ 2,606,431	N/A	$ 2,606,431	$ -	$ -	$ -
U.S. Agency Securities	32,410,939	N/A	32,410,939	-	-	-
Medium Term Notes	17,997,672	A	8,652,350	9,345,322	-	-
US Treasury	24,491,890	A	24,491,890	-	-	-
Municipal Bonds	989,520	N/A				989,520
Commercial Paper	991,250	N/A			991,250	
LAIF	28,454,037	N/A	-	-	-	28,454,037
CAMP	46,380,068	N/A	-	-	-	46,380,068
Brokered Certificate of Deposit	3,437,685	N/A	-	2,238,566	-	1,199,119
Held by Bond Trustee:						
Money Market Mutual Funds	3,484,314	N/A	-	-	-	3,484,314
Total	**$161,243,806**		**$ 68,161,610**	**$ 11,583,888**	**$ 991,250**	**$ 80,507,058**

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

Issuer	Investment Type	Reported Amount	Percentage
Federal Home Loan Bank	US Agency Securities	$9,444,163	5.86%
Federal Home Loan Mortgage Corporation	US Agency Securities	$9,445,486	5.86%

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, 2018, 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.

As of June 30, 2018, the Agency had the following investments and original maturities:

Investment Type	Remaining Maturity (in Months) 12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	Fair Value
Repurchase Agreement	$ 2,606,431	$ -	$ -	$ -	$ 2,606,431
U.S Agency Securities	7,698,040	15,603,269	9,109,630		32,410,939
Medium Term Notes	7,672,835	790,895	9,533,942		17,997,672
US Treasury Note	1,928,519		22,563,371		24,491,890
Municipal Bonds		989,520			989,520
Commercial Paper	991,250				991,250
State Investment Pool	28,454,037				28,454,037
CAMP	46,380,068				46,380,068
Brokered Certificate of Depo	962,373	1,417,824	1,057,488		3,437,685
Held by Bond Trustee:					
Money Market Mutual Fund	3,484,314				3,484,314
Total	**$ 100,177,867**	**$ 18,801,508**	**$42,264,431**	**$ -**	**$ 161,243,806**

Fair Value Measurement (GASB 72)

The information below shows the Agency's investments fair value measurements (market approach) as of June 30, 2018. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions.

Investments by Fair Val	June 30, 2018	Level 1 (A)	Level 2 (B)	Level 3 (C)	Uncategorized
Repurchase Agreement	$ 2,606,431		$ 2,606,431		
U.S. Agency Securities	32,410,939		32,410,939		
Medium Term Notes	17,997,672		17,997,672		
US Treasury Notes	24,491,890	24,491,890			
Municipal Bonds	989,520		989,520		
Commercial Paper	991,250		991,250		
State Investment Pool	28,454,037				28,454,037
CAMP	46,380,068		46,380,068		
Brokered Certificate of Deposi	3,437,685	3,437,685			
Money Market Mutual Fund	3,484,314	3,484,314			
Total	**$ 161,243,806**	**$ 31,413,889**	**$ 101,375,880**	**$ -**	**$ 28,454,037**

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

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

NOTE 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 $55,000 for 2018. 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.

NOTE 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, 2018, are summarized as follows:

Hire date	Prior to January 1, 2012+	On or After January 1, 2012+	After 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%
FY2016/17 required employee contribution rates*	8%	7%	6.25%
FY2016/17 required employer contribution rates	18.018%	18.018%	18.018%

+ *Closed to new entrants*

** Effective the first pay period of fiscal year 2016/17 and FY 2017/18, limited-term and full-time employees, respectively, are fully funding the employees paid member contribution rate. Employees hired after January 1, 2013 pays for one half (1/2) of their total normal cost rate as determined by CalPERS. See table below for the additional fixed percentage per the MOUs:*

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

EMPLOYEES COVERED

At June 30, 2018, the following employees were covered by the Plans' terms:

Retired members and beneficiaries	290
Active employees	240
Total	**530**

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2017 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
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)
Mortality	The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using society of actuaries' scale BB. For more details on this table please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CHANGE OF ASSUMPTIONS

GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2016 measurement date was net of administrative expenses. The discount rate of 7.15 percent used for the June 30, 2017 measurement date is net of administrative expense.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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 fifteen (15) basis points. An investment return before administrative expenses would have been 7.30 percent. The 7.15 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 considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+(b)
Global Entity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
Total	100.00%		

(a) An expected inflation of 2.5 percent used for this period
(b) An expected inflation of 3.0 percent 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)		
	Total Pension Liability	Plan Fudiciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2016	$ 169,055,422	$ 129,859,929	$ 39,195,493
Changes in the Year:			
Service cost	4,454,352	-	4,454,352
Interest on the total pension liability	12,950,950	-	12,950,950
Differences between actual and expected experience	1,897,341	-	1,897,341
Changes in assumptions	11,206,890	-	11,206,890
Changes in benfit terms	-		-
Contribution - employer	-	9,481,188	(9,481,188)
Contribution - employee	-	2,170,535	(2,170,535)
Net investment income	-	15,011,231	(15,011,231)
Administrative expenses	-	(191,729)	191,729
Benefit payments, including refunds of employee contributions	(6,509,351)	(6,509,351)	-
Net Changes	**$ 24,000,182**	**$ 19,961,874**	**$ 4,038,308**
Balance at June 30, 2017	**$ 193,055,604**	**$ 149,821,803**	**$ 43,233,801**

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	Discount Rate – 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Net Pension Liability	$ 70,764,553	$ 43,233,801	$ 20,553,349

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, 2018, the Agency recognized pension expense of $8,366,457. As of June 30, 2018, the Agency has deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,285,958	$
Differences between actual and expected experience	1,857,619	(1,665,595)
Change in assumptions	8,178,001	(687,639)
Net differences between projected and actual earnings on plan investments	1,510,434	-
Total	**$ 20,832,012**	**$ (2,353,234)**

Deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date of $9,285,958 will be recognized as a reduction of net pension liability in the fiscal year ending June 30, 2019.

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
2018	$ 2,382,106
2019	4,764,007
2020	3,164,152
2021	(1,117,445)
2022	-
Thereafter	-

PAYABLE TO THE PENSION PLAN

As of June 30, 2018, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 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 $1,000,000 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.

- 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, 2018, 2017, and 2016. 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 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 number 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	
	2017/18	2016/17	2017/18	2016/17
Unpaid Claims, beginning of fiscal yea	$ 342,570	$ 357,619	$ 500,000	$ 500,000
Incurred claims (including IBNRs)	2,192	35,105	9,240	5,749
Claim payments	(28,897)	(50,154)	(9,240)	(5,749)
Unpaid claims, end of fiscal year	**$ 315,865**	**$ 342,570**	**$ 500,000**	**$ 500,000**

NOTE 7: CHANGES IN CAPITAL ASSETS

JOBS IN PROGRESS

At the fiscal year ended June 30, 2018, 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 providing for ancillary facilities that support operating activities.

Other Projects (less than $500,000 each)	$ 8,163,450
Water Quality Laboratory	22,222,276
RP-1 Mixed Liquor Return Pumps	6,970,345
RP-5 Expansion to 30 mgd	4,801,197
San Sevaine Basin Improvements	4,771,471
RP-5 Biosolids Facility	4,099,420
SCADA Enterprise System	3,429,776
RP-1 Headworks Primary and Secondary Upgrade	3,144,989
RP-4 Procees Improvements	2,874,181
RP-4 Disinfection Facility Improvements	2,673,067
Recharge Master Plan Update Projects	2,652,883
RP-5 Expansion Preliminary Design Report (PDR)	2,336,004
RP-5 Flow Equalization and Effluent Monitoring	2,057,843
CCWRF Asset Management and Improvements	1,868,300
Agencywide Lighting Improvements - Phase 2	1,335,939
RP-1 Liquid Treatment Capacity Recovery	1,321,112
RP-1 Disinfection Pump Improvements	969,858
RP-1 Expansion Preliminary Design Report (PDR)	808,581
GWR and RW SCADA Control Upgrades	764,543
Headquarters Roofing Replacement	729,515
RP-1 Primary Effluent Conveyance Improvement	692,610
1158 Recycled Water Pump Station Upgrades	692,223
North Major Facilities Repair/Replacement	654,602
RP-1 TWAS and Primary Effluent Piping Replacement	596,347
SBCFCD Recycled Water Easement	580,409
South Major Facilities Repair/Replacement	547,525
Total Jobs in Progress	**$ 81,758,464**

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2018:

CAPITAL ASSETS

Capital Assets	Balance at 6/30/17	Additions	Transfers & Retirements	Balance at 6/30/18	Accumlated Depreciation at 6/30/18	Net Book Value at 6/30/18
Capital Assets-not being depreciated:						
Land	$ 14,067,874	$ -	$ -	$ 14,067,874	$ -	$ 14,067,874
Jobs in Progress	34,367,541	55,696,711	(8,305,788)	81,758,464	-	81,758,464
Total Capital Assets, not being depreciated	$ 48,435,415	$ 55,696,711	$ (8,305,788)	$ 95,826,338	$ -	$ 95,826,338
Capital Assets-being depreciated:						
Interceptors, trunk lines and inter-ties	$ 36,721,245	$ -	$ -	$ 36,721,245	$ (12,530,617)	$ 24,190,628
Office facilities	12,527,234	1,113,028	-	13,640,262	(3,457,885)	10,182,377
Collection, outfall, and transmission lines	125,930,653	478,894	-	126,409,547	(77,775,036)	48,634,511
Reservoirs, setting basins, ponds, and chlorination station	118,663,091	787,744	(81,000)	119,369,835	(34,964,984)	84,404,851
Recycled w ater distribution system	164,565,129	721,152	-	165,286,281	(29,131,741)	136,154,540
Treatment plants, pump stations and office buildings	276,525,720	1,400,350	-	277,926,070	(135,577,048)	142,349,022
Equipment	228,757,398	2,971,355	(581,829)	231,146,924	(148,111,964)	83,034,960
Land improvement	30,147,850	-	-	30,147,850	(14,163,940)	15,983,910
Total capital assets, being depreciated	$ 993,838,320	$ 7,472,523	$ (662,829)	$ 1,000,648,014	$ (455,713,215)	$ 544,934,799
Less accumulated depreciation for:						
Interceptors, trunk lines and inter-ties	$ (11,676,757)	$ (853,860)	$ -	$ (12,530,617)		
Office facilities	(3,192,544)	(265,341)		(3,457,885)		
Collection, outfall, and transmission lines	(75,312,701)	(2,462,335)	-	(77,775,036)		
Reservoirs, setting basins, ponds, and chlorination station	(32,343,697)	(2,640,197)	18,910	(34,964,984)		
Recycled w ater distribution system	(25,288,373)	(3,843,368)		(29,131,741)		
Treatment plants, pump stations and office buildings	(129,858,511)	(5,718,537)	-	(135,577,048)		
Equipment	(131,352,098)	(17,334,561)	574,695	(148,111,964)		
Land improvement	(12,875,679)	(1,288,261)		(14,163,940)		
Total accumulated depreciation	$ (421,900,359)	$ (34,406,459)	$ 593,605	$ (455,713,215)		
Total capital assets, being depreciated, net	$ 571,937,961	$ (26,933,937)	$ (69,224)	$ 544,934,799		
Total capital assets- Enterprise Funds, Net	**$ 620,373,376**	**$ 28,762,775**	**$ (8,375,012)**	**$ 640,761,137**		

INTANGIBLE ASSETS

Intangible Assets	Balance at 6/30/17	Additions	Transfers & Retirements	Balance at 6/30/18	Accumlated Amortization at 6/30/18	Net Book Value at 6/30/18
Intangible assets-being amortized:						
Computer softw are	$ 12,515,741	$ 628,346	$ -	$ 13,144,087	$ (9,340,613)	$ 3,803,474
Contributed capital-lease	129,324	-	-	129,324	(29,097)	100,227
Metropolitan Water District connections	198,891	-	-	198,891	(188,947)	9,944
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(29,055)	14,434
California Auto Club Speedw ay Water Rights	228,600	204,919	-	433,519	-	433,519
San Bernardino Conty Flood Control-Chino Road Barrier	48,076	-	-	48,076	(23,238)	24,838
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(7,287,501)	5,179,501
Organization and master planning	1,939,805	-	-	1,939,805	(764,439)	1,175,366
Total intangible assets being-amortized	$ 27,570,928	$ 833,265	$ -	$ 28,404,193	$ (17,662,890)	$ 10,741,303
Less accumulated amortization for:						
Computer softw are	$ (8,391,468)	$ (949,145)	$ -	$ (9,340,613)		
Contributed capital-lease	(22,631)	(6,466)	-	(29,097)		
Metropolitan Water District connections	(184,969)	(3,978)	-	(188,947)		
Corps of Engineers-Cucamonga Creek	(28,186)	(869)	-	(29,055)		
San Bernardino Conty Flood Control-Chino Road Barrier	(21,635)	(1,603)	-	(23,238)		
Santa Ana Watershed Project Authority capacity rights	(6,989,917)	(297,584)	-	(7,287,501)		
Organization and master planning	(726,964)	(37,475)	-	(764,439)		
Total accumulated amortization	$ (16,365,770)	$ (1,297,120)	$ -	$ (17,662,890)		
Total intangible assets-Enterprise Funds, Net	$ 11,205,158	$ (463,855)	$ -	$ 10,741,303		
Total capital assets-Enterprise Funds, net	$ 631,578,532	$ 28,094,001	$ (8,305,788)	$ 651,502,440		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2018 (rounding difference). For the fiscal year ended June 30, 2018, depreciation was $34,406,459 and amortization expense was $1,297,120.

NOTE 8: CONSTRUCTION COMMITMENTS

The Agency is committed to several significant construction contracts. Total outstanding obligations were $19,467,063. at June 30, 2018. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

- **Napa Lateral – WR15021.** The Agency began an environmental determination for this project in fiscal year 2015/16. The installation of recycled water laterals will provide California Speedway, Prologis, and California Steel Industries with recycled water for use in landscape irrigation and industrial use, reducing potable water usage. The scope of work for this project consists of the alignment alternatives for recycled water laterals that will provide recycled water to these three industries along Napa Street and San Bernardino Avenues in Fontana, CA. The project includes an environmental determination, design, construction, and construction management of these recycled water laterals. This project has an outstanding obligation of $5,332,122.

- **RP-1 Headworks Primary and Secondary Upgrades – EN14019.** Following a full condition assessment of the headworks gates, dated July 2009, fifteen of the seventeen gates inspected had significant deficiencies that justified full replacement of the gate and embedded gate frames. The decision to defer the replacement of the gates until now was based on project priorities. The immediate risk in operating the Headworks with the current conditions of the gates was non-critical, but the need to replace them was still high.

  The project scope includes the rehabilitation of the grit removal system by changing out the twenty-five-year-old equipment and providing new protective coating within the chamber. The influent gates within the Headworks provide flow and isolation control for four mechanical bar screens, one manual bar screen, and a system by-pass channel. The gates after the bar screens manage wastewater flow into the Pista Grit system, the Aerated Grit chamber, and a by-pass channel. The Headworks effluent gates provide flow diversions into the two primary clarifier systems, the rectangular and circular clarifiers. This project will replace these gates. In parallel to replacing the gates, the project will also address the current screen and grit removal equipment. The current sand/grit removal will be rehabbed to maintain and increase the processes useful life. The project also includes the replacement of the bar screens with an improved debris capture system, reducing unwanted plastics and rags from entering the secondary clarifiers and solids digesters. This will reduce excessive maintenance down time and operational efforts when addressing undesired solids at the downstream treatment process. This project has an outstanding obligation of $4,103,383.

- **SCADA Enterprise System Phase 3 – EN13016.03, and Phase 4 - EN13016.04.** The completed Facilities and Recycled Water SCADA Master Plans identified the critical need for an Agency-Wide SCADA Enterprise System. The Agency relies heavily on SCADA for operation and compliance of the various facilities. The project will migrate the Agency's wastewater facilities from the Foxboro-Invensys Distributive Control System (DCS) to a Rockwell Automation SCADA Enterprise System. This project includes several phases of a SCADA migration, including CCWRF, RP-1, RP-4, and RP-5. The project will provide the infrastructure, tools, and information to enable Operations to maintain regulatory compliance and meet their levels of service in an 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 will minimize system delivery risk, reduce system variability, enhance system quality, and ensure that Agency staff members have the support to maintain the system post-commissioning.

  The SCADA Enterprise System will eliminate the multi-vendor platforms currently operating as islands of automation. The design and construction of a highly-reliable, scalable, Enterprise SCADA system that enables the control of any facility from any location, unattended operations, integration with the Business system, and supports-wide, wastewater treatment, recycled water and groundwater supply-demand management. The Enterprise will be a highly functional and user-friendly solution, consolidating data from all facilities and providing accessible information. The scope for this project includes five phases and several tasks including, SCADA system design (physical and operator screens), procurement, installation, integration; and, cutover and testing of the upgrades to the network, supervisory control, direct control, Operations Data Management Systems, reporting, etc. for all the Agency's five major wastewater facilities. Project EN13016.03 has an outstanding obligation of $2,518,457; and, Project EN13016.04 has an outstanding obligation of $1,179,767.

- **RP-4 Trident Filters Rehabilitation – EN17110.01.** The trident filter rehabilitation at RP-4 is one of four projects included in the comprehensive RP-4 Process Improvements Project which will rehabilitate nearly every part of the treatment process, and, improve operational functional flexibility. Overall improvements include filtration system, grit removal system, primary diversion, aeration blower replacement, RAS wasting station, MLSS wasting station, secondary clarifier drain valves, lagoon recovery pump station, secondary clarifier weir washers, and recycled water distribution system.

  The overall project will rehabilitate the trident filter system, repair the grit chamber influent/effluent gates, make improvements to the primary sludge and scum valve station, improve control of the aeration basins and evaluate changing aeration basins from dissolved oxygen control to ammonia-based control, replace the aeration blowers, and make repairs to the secondary clarifier drain valves. The Trident Filter Rehabilitation Project (.01) has an outstanding obligation of $2,040,892.

- **RP-5 Aeration Diffuser Panel Replacement – PA17006.02.** The replacement of the aeration diffuser panels for each aeration basin/train is referred to as 'reskinning', and generally requires replacement every five years. A life cycle analysis was conducted at RP-5, and a decision was made to perform replacement. Aeration is the most energy intensive unit operation in wastewater treatment, accounting for forty-five to seventy-five percent of the energy footprint of treatment plants. With aeration systems being a prime candidate for energy conservation, and with fine pore diffusers being susceptible to fouling and scaling problems, the need to replace aeration panels in full sets is critical to oxygen transfer efficiency which directly impacts Operational effectiveness. 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 $1,554,584.

- **San Sevaine Basin Improvements and Monitoring Well – EN13001.** As part of the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), this project will evaluate, design, and construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaine Basins. Interconnection between the San Sevaine Basins is essential to achieve the full capacity. Currently, the pipeline and turnout are provided only to Basin 5. Without interconnection, recycled water cannot be served to Basins 1, 2 & 3.

  Depending upon the elevation, one or more of the following measures will be implemented: 1) construct a new storm water/recycled water pump station and pipeline; 2) extend the existing recycled water pipeline; 3) re-grade and deepen the Basin, and 4) construct internal berms.

  The basins consist of five, soft-bottomed basins along the San Sevaine Channel. The basins encompass approximately ninety-three acres with the potential to recharge up to 8,500 acre-feet per year (AFY) of recycled water (RW), storm water (SW), and imported water. The basins currently operate by delivering most flow to Basin 5, which has the lowest infiltration rate as compared to the other basins. This basin has limited current recharge to approximately 500 AFY. This project will strive to increase the recycled water at the basins by providing pipeline interconnection between the basins. The project will also transfer any storm water captured within Basin 5 to the upper basins which have historically a higher infiltration rate than Basin 5. This will allow the recharge basin to add over 642 acre-feet per year of recycled water for groundwater recharge. This project has an outstanding obligation of $1,213,362.

- **Headquarters Roofing Project – EN18055.** This project is for the replacement of the headquarters roofing system and skylights. Over the past several years, the existing roofing system on the IEUA Headquarters Buildings A and B have developed leaks, and the fiberglass skylights are severely weathered. Two separate and complete assessments were done. The assessments found that the existing roofing system on both buildings A and B are twelve years old and there have been several repairs made to both buildings with the same material and restoration coatings. The flashing and wall details are loose at many locations. The roof membrane is showing signs of aging, and areas of scrim are exposed in some locations. The existing drain screens are off some of the main drains. The wall coping has been resealed and repaired in the past in some areas. The joints of the coping need regular maintenance which has not been performed. The existing roof system may experience more leaking in the near future. Additionally, maintaining and replacing the roofing system will help the Agency maintain compliance with Leadership in Energy and Environmental Design (LEED) certification. The existing roofing system and skylights will be replaced with a twenty-year roofing system. This project has an outstanding obligation of $434,676.

- **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 five to eight 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 three hundred 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 $289,151.

- **RP-1 Power System Upgrades – EN13048.** This project will first evaluate and then provide solutions to overcome the issue with load demands for the facility due to expansion of the RP-1 Recycled Water Pump Station and the remaining capital improvement projects. The current electrical power available is not adequate to run all facilities at the plant, and certainly not adequate for all upcoming and future projects. The project will encompass performing an electrical load analysis to examine power available and required to run all five pumps simultaneously; and, bring in new electrical feeds for power to TP-1. Also, the project will upgrade the switchgear at TP-1 and connect the TP-1 backup generator to the west side of the plant across from the flood control channel. The scope of the project includes: 1) Conduct electrical load analysis; 2) Bring in new electrical feeds to upgrade the power source and wiring to connect west side and east side of plant with additional electrical cables; 3) Review the power at the Tertiary Plant & 600KW generator to provide a comprehensive electrical solution; 4) Install new switchgear. This project has an outstanding obligation of $230,680.

- **RP-4 Disinfection Facility Improvements - EN14018.** Following the July 2009 full condition assessment of the headworks gates, seventeen gates inspected showed significant visible deficiencies that justified full replacement of the gates, which included the embedded frame. The seventeen 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 $107,020.

- **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 $97,203.

- **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 $91,294.

- **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 LEED 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 $71,980.

- **RP-1 Maintenance Building HVAC Replacement – EN18040.** The current evaporative coolers on the roof of the Maintenance building at RP-1, leak excessive water on the roof. Due to age and weatherization, mechanical components have become rusty and corroded. Additionally, odors and outdoor contaminants may be blown into the building; mold and bacteria may be dispersed into interior air from the now defective system. And significant roof damage has and will occur from constant drainage and pooling. Routine maintenance no longer rectifies the degree of damage or provides equipment longevity, requiring full replacement of the coolers. The scope of this project includes roof repair, electrical work, duct retrofit, and cooler replacement. This project has an outstanding obligation of $58,484.

- **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 on-going 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 $57,796.

- **Declez Monitoring Well - EN17067.** A new groundwater monitoring well is required by California Recycled Water Recharge Regulation, to meet the monitoring requirements for recycled water recharge at the Declez Basin. The additional Monitoring Well is needed to ensure permit and regulatory compliance. The project is anticipated to take nine months to complete, encompassing identification of a potential well site, acquiring easements for the new well, design of the well, preparation of construction documents, bidding the installation, and project management throughout the project. This project has an outstanding obligation of $26,418.

- **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 $18,804.

- **RP-1 Maintenance Building Training Room – EP17003.** The RP-1 Maintenance area is in need of a training room and lab. An assessment was performed, and determination made to convert the existing RP-1 paint room into a training classroom room and hands-on lab. These building renovations and improvements will extend the building's useful life; and accommodate maintenance training activities. This project has an outstanding obligation of $14,404.

- **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 $14,036.

- **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 $12,549.

NOTE 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, 2018, 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.

NOTE 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, 2018, the long-term receivable amount is $2,211,057 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 twenty years. As of June 30, 2018, the long-term receivable amount is $538,524, 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 twenty years. As of June 30, 2018, the long-term receivable amount is $381,027, and is recorded in the Recycled Water Fund.

AUTO CLUB SPEEDWAY

On November 2015, the Agency entered into an agreement with California Speedway Corporation dba Auto Club Speedway (Speedway) to provide wastewater treatment and recycled water services to property owned, operated, managed and controlled by Speedway. Speedway agreed to reimburse the Agency for the construction cost and the cost of connection 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, 2018, the Agency has incurred $2,140,631 in connections and permanent system costs and the Speedway has assigned 673-acre feet to the Agency, leaving an outstanding long-term receivable of $1,707,112 recorded in the Regional Wastewater Capital fund.

DRY YEAR YIELD CONJUNCTIVE USE PROGRAM

Metropolitan Water District (MWD) entered into an agreement with Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD) to construct Service Connection OC-59 at the Rialto Reach of the Foothill Feeder for use by MWDOC to deliver replenishment water to OCWD. In 1978, OCWD paid all the construction costs which totaled $1,066,397.

In May 2005, the Agency entered into an agreement with OCWD, MWDOC, Three Valleys Municipal Water District and Chino Basin Watermaster called the Joint Use Agreement. Per this agreement, the Agency will pay OCWD a surcharge of $2.00 per acre-foot for each acre-foot of water purchased from MWD that was delivered thru OC-59. These water purchases are to replenish the groundwater supplies within the Chino Basin area, which is part of the Dry Year Yield program. The $2.00 per acre-foot surcharge that has been paid to OCWD is recorded as a long-term receivable in the Water Resources Fund. The balance as of June 30, 2018 is $48,313. The Agency will be reimbursed by MWD by way of a credit on MWD's invoice to the Agency once water is withdrawn from the Dry Year Yield account.

NOTE 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, 2018 is summarized as follows:

	2018	2017
Total Assets	$ 180,493,945	$ 178,602,450
Deferred Outflows of Resources	1,621,887	1,017,473
Total Liabilities	113,110,530	108,958,086
Deferred Inflows of Resources	318,374	273,599
Total Net Position	68,686,928	70,388,238
Total Revenues	24,346,249	21,293,720
Total Expenses	(25,130,136)	(18,073,227)
Prior period adjustment	(927,423)	
Net Change in Net Position	$ (1,711,310)	$ 3,220,493

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.

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 five percent down payment. The balance is payable over twenty years with a zero-interest rate and has been discounted by $2,095,253 at an imputed interest rate of six 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 five percent down payment of $187,500, and the balance of $3,562,500 to be financed by SAWPA for a twenty-year-period at a six 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 (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 between 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, 2018, Desalter 1 and Desalter 2 delivered a total of 26,020.30-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 Recycling Water Recycling Plant No. 4 (RP-4) was acquired in December 2001 at a cost of $15,116,229. After 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, 2018, the Agency's equity share is $43,482,843 recorded in the Regional Wastewater Capital Improvement Fund. There was an additional write-down of $952,176 (fifty percent of the Agency's equity share) of the JPA's net position at June 30, 2018; 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 twenty percent.

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

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

Financial information reported on a cash basis for the operation of Watermaster as of and for the fiscal year ended June 30, 2017 is summarized as follows:

	2017
Total Assets	$ 11,885
Fund Balance	**$ 11,885**
Total Revenues	0
Total Expenses	(16,154)
Net Increase/(Decrease) in Equity	**$ (16,154)**

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.

CHINO BASIN WATER BANK

The Chino Basin Water Bank (CBWB), was formally established on December 13, 2017 as a Joint Powers Authority (JPA) to coordinate the development of groundwater storage within the Chino Basin. The JPA is comprised of Cucamonga Valley Water District, the City of Ontario, Monte Vista Water District, and Inland Empire Utilities Agency (IEUA). The intent of the CBWB is to create a comprehensive storage and recovery program under existing basin rules with a dedicated quantity of basin storage. The participants of the CBWB will benefit directly through increased groundwater supplies, and the Chino Basin will experience improved groundwater levels and water quality.

Participants in the CBWB shall contribute to the Authority to pay their proportionate share of Board approved budgeted expenses, and any other expenses of the Authority based on the percentages below:

Cucamonga Valley Water District	25%
Monte Vista Water District	25%
City of Ontario	25%
Inland Empire Utilities Agency	25%
Total	**100%**

NOTE 12: LONG-TERM DEBT AND NOTES PAYABLE

LONG-TERM DEBT

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Amounts Due after One Year
Bonds Payable:						
2008B Variable Rate (2002A Refinancing)	$ 40,285,000	$ -	$ 2,015,000	$ 38,270,000	$ 2,095,000	$ 36,175,000
2010A Revenue Bonds (1994 Refinancing)	22,900,000	-	4,165,000	18,735,000	4,285,000	14,450,000
2017A Revenue Bonds (2008A Refinancing)	67,615,000	-	3,010,000	64,605,000	3,090,000	61,515,000
Sub-Total	130,800,000	-	9,190,000	121,610,000	9,470,000	112,140,000
Bond Premium	12,771,308	-	1,033,852	11,737,456		11,737,456
Revenue Bonds	**$ 143,571,308**	**$ -**	**$ 10,223,852**	**$ 133,347,456**	**$ 9,470,000**	**$ 123,877,456**

2008B VARIABLE RATE DEMAND REVENUE BONDS

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

- The bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a $700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of $249,242 of deferred charge on refunding for the Series 2008B bonds to be amortized through the year 2032.

- The bonds maturing through 2032 are serial bonds payable in annual installments ranging from $1,910,000 to $3,480,000 with a variable interest rate no higher than 12.00 percent per annum. The average rate of interest for FY2017/18 was 1.111 percent and the average rate since these bonds were issued is 0.592 percent. The balance outstanding at June 30, 2018 comprised the principal amount of $38,270,000.

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, 2018 is comprised of the principal amount of $18,735,000, plus unamortized deferred bond premium of $1,035,735, for a total of $19,770,735.

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 five years.
- 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, 2018 is comprised of the principal amount of $64,605,000, plus unamortized deferred bond premium of $10,701,721, for a total of $75,306,721.

AGGREGATE LONG-TERM DEBT

As of June 30, 2018, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
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	6,090,000	3,676,264	9,766,264
2024-2028	35,445,000	13,537,928	48,982,928
2029-2033	34,420,000	5,328,547	39,748,547
2034	4,920,000	123,000	5,043,000
Subtotal	121,610,000	41,669,027	163,279,027
Plus: Net Premium	11,737,456		11,737,456
Total Debt Service Payable	$ 133,347,456	$ 41,669,027	$ 175,016,483

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 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, 2018. (*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, 2018 was as follows:

Notes Payable :	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
SARI Pipeline Cap. 1.5mgd	$ 252,063	$ -	$ 252,063	$ -	$ -	$ -
State Revolving Fund Loan	110,195,651	14,728,598	5,618,505	119,305,744	5,414,106	113,891,638
City of Fontana	5,521,534	-	482,578	5,038,956	482,578	4,556,378
CSDLAC Past 4R's	2,114,640	-	688,963	1,425,677	704,809	720,868
Southern California Edison	230,963	852,940	60,322	1,023,581	145,221	878,360
Total Notes Payable	**$118,314,851**	**$15,581,538**	**$ 7,102,431**	**$126,793,958**	**$6,746,714**	**$120,047,244**

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 twenty-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 twenty annual installments of $267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at six 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, 2018, there is no remaining note payable obligation.

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 twenty years at an annual rate of 2.5 percent. As of June 30, 2018, the outstanding balance is $5,825,559.

- 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 twenty years at an annual rate of 2.2 percent. The outstanding balance as of June 30, 2018 is $8,312,939.

- 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, 2018 of $5,999,562. These are interest free loans with principal paid annually for twenty 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 twenty years at an annual rate ranging from .074 percent to .214 percent. The outstanding balance as of June 30, 2018 is $9,843,733.

- 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 twenty years at an annual rate of 1.0 percent. The outstanding balance at June 30, 2018 is $622,826.

- 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 twenty years at an annual rate of 2.6 percent. As of June 30, 2018, the outstanding balance is $23,805,818.

- 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, 2018 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 twenty years. The outstanding balance at June 30, 2018 is $19,582,400.

- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2018, one hundred percent of the design and ninety-eight percent of construction phase were completed and reflects a current balance of $19,688,441. Payments will commence one year after the completion of construction slated for February 2019, with principal and interest paid annually for thirty years at an annual rate of 2.1 percent.

- The Napa Lateral project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2018, fifteen percent of the design phase was completed and reflects a current balance of $109,985. Payments will commence one year after the completion of construction slated for August 2019, with principal and interest paid annually for thirty years at an annual rate of 1.8 percent.

- The San Sevaine Basin Improvements project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2018, one hundred percent of the design and fifty-five percent of construction phase were completed and reflects a current balance of $3,308,431. Payments will commence one year after the completion of construction slated for April 2019, with principal and interest paid annually for thirty years at an annual rate of 1.8 percent.

As of June 30, 2018, the future payments for the remaining loan obligations by year are as follows:

Year Ending June 30	Principal Payments	Interest Payment	Total
2019	$ 5,414,106	$ 1,064,239	$ 6,478,345
2020	5,843,233	1,349,949	7,193,182
2021	6,773,254	1,539,747	8,313,001
2022	6,869,033	1,445,590	8,314,623
2023	6,966,869	1,349,405	8,316,274
2024/2028	33,298,710	5,308,965	38,607,675
2029/2033	23,439,328	3,352,072	26,791,400
2034/2038	10,996,350	1,851,592	12,847,942
2039/2043	8,236,455	1,165,668	9,402,123
2044/2048	8,900,104	562,086	9,462,190
2049/2051	2,568,302	43,804	2,612,106
Total SRF Loans	$ 119,305,744	$ 19,033,117	$ 138,338,861

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, 2018, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
2019	$ 482,578	$ 79,824	$ 562,402
2020	482,578	79,824	562,402
2021	482,578	79,824	562,402
2022	482,578	79,824	562,402
2023	482,578	79,824	562,402
2024/2028	2,626,066	404,840	3,030,906
Total SRF Loans	$ 5,038,956	$ 803,960	$ 5,842,916

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, 2018, the remaining note payable obligation is as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2019	$ 704,809	$ 32,791	$ 737,600
2020	720,868	16,580	737,448
Total SDLAC Loans	$ 1,425,677	$ 49,371	$ 1,475,048

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 at the RP-4 facility. The Agency received $235,151 on April 24, 2017 to be paid in ninety-five 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.

On October 30, 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 at the CCWRF facility. The Agency received $180,300 on March 08, 2018 to be paid in 116 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 134,052 kilowatt hours annually which is equivalent to $18,781 in annual savings. Monthly savings is estimated at $1,565.

On November 17, 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 at the RP-1 facility. The Agency received $479,539 on March 08, 2018 to be paid in seventy-three installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 629,988 kilowatt hours annually which is equivalent to $78,938 in annual savings. Monthly savings is estimated at $6,578.

On November 22, 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 at the at the RP-5 facility. The Agency received $105,500 on March 08, 2018 to be paid in 120 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 89,819 kilowatt hours annually which is equivalent to $10,550 in annual savings. Monthly savings is estimated at $879.

On November 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 at the Agency's headquarters. The Agency received $87,600 on March 08, 2018 to be paid in 120 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 74,578 kilowatt hours annually which is equivalent to $8,760 in annual savings. Monthly savings is estimated at $730.

As of June 30, 2018, the remaining note payable obligation is $1,023,581.

Year Ending June 30		Principal Payments
2019	$	145,221
2020		146,830
2021		146,830
2022		146,830
2023		146,830
2024-2028		291,040
Total SCE Loan	$	1,023,581

NOTE 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 2008B Variable Rate Demand, 2010A Refunding Revenue, and 2017A Refunding Revenue bonds are all subject to arbitrage limitations.

- The initial arbitrage rebate calculation on the 2008B bonds was due in April 2018, resulted in no arbitrage rebate due. The next installment computation date is April 2023.

- The initial arbitrage rebate calculation on the 2010A bonds was due in July 2015, resulted in no arbitrage rebate due. The next installment computation date is July 2020.

- The initial arbitrage rebate on the 2017A bonds was due in February 2018, resulted in no arbitrage rebate due. The next installment computation date is February 2022.

NOTE 14: ADVANCE TO/FROM OTHER FUNDS

The composition of advances to/from other funds balances as of June 30, 2018, is as follows:

Funds	Advances From Other 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, 2018, 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, 2018, 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.

NOTE 15: INTERFUND TRANSFERS

The Regional Wastewater Capital Improvement Fund received capital support from the Regional Wastewater Operations & Maintenance Fund in the amount of $1,825,921 for project expenses. These projects were EN17006-CCWRF Headworks and Odor Control Replacement, EN19001-RP-5 Expansion to 30 mgd, and EN19006-RP-5 Biosolids Facility.

The Recycled Water Fund received transfers in the amount of $2,396,979 from the Regional Wastewater Fund for the fund's share of the 2017A debt service payment.

The Water Resources Fund received $321,152 in Water Connection Fee transfers from the Recycled Water Fund for capital support of water resource management, water expansion, and conservation projects.

Non-Major enterprise funds received transfers in the amount of $4,387,007. These included capital support transfers totaling $3,036,664 from the Regional Wastewater Capital Improvement Fund to Non-Reclaimable Wastewater Fund, the Recharge Fund, and the Administrative Services Fund amounting to $107,447; $450,811; $2,478,406 respectively, and operations support totaling $648,768 from Regional Wastewater Operations & Maintenance Fund to the Administrative Services Fund. Administrative Service Fund projects were for replacement of assets such as headquarters roofing (EN18055), conference rooms audio-visual upgrades (EN16049), and Agency vehicle replacement (EP17004).

The Recycled Water Fund transferred a total of $613,143, to the Recharge Fund and Administrative Services Fund amounting to $480,513 and $132,630 respectively. The Administrative Services Fund also received $88,432 from the Non-Reclaimable Wastewater Fund.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2018.

	Transfers In:				
Transfers Out:	Regional Wastewater Capital	Recycled Water	Water Resources	Non-Major Enterprise Funds	Total
Regional Wastewater Capital Improvement Fund	$ -	$ 2,396,979	$ -	$ 3,036,664	$ 5,433,643
Regional Wastewater Operations & Maintenance Fund	1,825,921			648,768	2,474,689
Recycled Water Fund			321,152	613,143	934,295
Non-Major Enterprise Funds				88,432	88,432
Total Transfers	$ 1,825,921	$ 2,396,979	$ 321,152	$ 4,387,007	$ 8,931,059

NOTE 16: OPERATING LEASES

The Agency has two operating leases at June 30, 2018:

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

Total operating lease costs were $37,760 for the year ended June 30, 2018. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	Amount
2019	$ 38,893
2020	40,060
2021	37,870
	$ 116,823

NOTE 17: WATER INVENTORY

In February 17, 2016, 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, 2018, 3,611.90 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.

NOTE 18: DEFINED OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

GENERAL INFORMATION ABOUT THE OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

PLAN DESCRIPTION

The Agency contributes to the California Public Employees Retirement System (PERS) Public Employees Medical and Hospital Care Act (PEMHCA) health program, an agent multiple-employer defined benefit retiree healthcare 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

In accordance with the Agency Memorandum of Understanding (MOU), the Agency provides monthly longevity benefits to each retiree minus the minimum PEMHCA contribution or $133.00, whichever is greater. Each retiree who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55) receives the following benefit, 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

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.

EMPLOYEES COVERED

As of the June 30, 2018 (measurement date as of June 30, 2017) actuarial valuation, the following current and former employees were covered by the benefit terms under the Agency Plan:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to, but not yet receiving benefits	**0**
Active employees	288
Total	**375**

CONTRIBUTIONS

The OPEB Plan and its contribution requirements are established by a Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, measurement date June 30, 2017, the Agency's cash contributions were $2,479,898 in payments to the trust and the estimated implied subsidy was $100,179 resulting in total payments of $2,580,077.

In Fiscal Year 2014, the Agency entered into an agreement to prefund OPEB through CalPERS California Employer's Retiree Benefit Trust (CERBT). As of June 30, 2018, the Agency has funded $13,000,000 into the CERBT trust fund towards the net OPEB liability.

NET OPEB LIABILITY

The Agency's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Payroll growth	3.00% per annum, in aggregate
Investment Rate of Return	6.00% (net of pension plan investment and administration expenses; includes inflation)
Mortality Rate[1]	Derived using CALPERS' Membership Data for all funds
Pre-Retirement Turnover[2]	Derived using CALPERS' Membership Data for all funds
Healthcare Trend Rate	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO

Notes:

[1] Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

[2] The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT		
Cash	1.70%	0.00%
Global Entity	24.00%	5.85%
REITs	7.90%	3.65%
US Fixed Income	38.60%	2.35%
Commodities	3.00%	1.75%
Inflation Assets	24.80%	1.50%
Total	100.00%	

DISCOUNT RATE

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CHANGES IN THE OPEB LIABILITY

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

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fudiciary Net Position**	**Net OPEB Liability (Asset)**
Balances at June 30, 2017 ***(Valuation Date June 30, 2017)***	**$ 15,709,139**	**$ 9,321,796**	**$ 6,387,343**
Changes in the Year:			
Service cost	491,205	-	491,205
Interest on the total OPEB liability	954,618	-	954,618
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution - employer	-	2,580,077	(2,580,077)
Net investment income	-	372,066	(372,066)
Administrative expenses	-	(4,884)	4,884
Benefit payments, including refunds of employee contributions	(580,077)	(580,077)	-
Net Changes	**$ 865,746**	**$ 2,367,182**	**$ (1,501,436)**
Balance at June 30, 2018 ***(Measurement Date June 30, 2017)***	**$ 16,574,885**	**$ 11,688,978**	**$ 4,885,907**

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability of the Agency Plan, calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.00%)	**Current Discount Rate (6.00%)**	**1% Increase (7.00%)**
Net OPEB Liability	$ 7,517,151	$ 4,885,907	$ 2,780,108

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTH CARE COST TREND RATES

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	**Current Healthcare Cost Trend Rates** (6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	**1% Increase** (7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability	$ 3,304,754	$ 4,885,907	$ 2,680,565

OPEB PLAN FIDUCIARY NET POSITION

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

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5-year straight-line amortization
All other amounts	Expected average remaining service lifetime (EARSL) (4.0 Years at June 30, 2017)

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the fiscal year ended June 30, 2018, the Agency recognized OPEB expense of $780,786. As of fiscal year ended June 30, 2018, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 2,561,354	$ -
Change in assumptions	-	-
Net differences between projected and actual earnings on OPEB plan investments	197,676	-
Total	**$ 2,759,030**	**$ -**

The $2,561,354 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2019	$ 49,419
2020	49,419
2021	49,419
2022	49,419
2023	-
Thereafter	-

NOTE 19: RESTATEMENT OF NET POSITION AND RELATED ACCOUNTS

REGIONAL WASTEWATER PROGRAM

Net Position as of July 1, 2017 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2017 as previously reported	$	419,616,448
GASB 75 net position adjustment		(2,939,813)
Net position at July 1, 2017 as restated	$	416,676,635

RECYCLED WATER FUND

Net Position as of July 1, 2017 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2017 as previously reported	$	69,388,856
GASB 75 net position adjustment		(318,893)
Net position at July 1, 2017 as restated	$	69,069,963

WATER RESOURCES FUND

Net Position as of July 1, 2017 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2017 as previously reported	$	7,845,939
GASB 75 net position adjustment		(149,882)
Net position at July 1, 2017 as restated	$	7,696,057

NON-MAJOR FUNDS

Net Position as of July 1, 2017 has been restated to reflect prior years' recording of financial impact.

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

Net position at July 1, 2017 as previously reported	$	88,864,809
GASB 75 net position adjustment		(2,487,497)
Net position at July 1, 2017 as restated	$	86,377,312

NOTE 20: SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 8, 2018, the date the financial statements were available to be issued and found no subsequent events that would affect the 2018 financial statements.

New Water Quality Laboratory

Lab Building Main Entrance

Lab Northeast Entrance

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

Schedule of Contributions

Schedule of Changes in the Net Other Post-Employment Benefit (OPEB) Liability and Related Ratios

CALPERS MISCELLANEOUS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST TEN YEARS*

	2018	2017	2016	2015
Actuarially determined contribution	$ 9,285,958	$ 9,486,891	$ 9,153,741	$ 8,354,702
Contributions in relation to the actuarially determined contributions	(9,285,958)	(9,486,891)	(9,153,741)	(8,354,702)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 29,042,418	$ 27,131,239	$ 25,127,054	$ 23,007,322
Contributions as a percentage of covered payroll	31.97%	34.97%	36.43%	36.31%

Notes to Schedule:

Valuation Date 6/30/2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll closed
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	7.50%, net of pension plan investment and administrative expense, includes inflation
Retirement age	55 years (2.5%@55, 2%@55, and 2%@62)
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

*Fiscal year 2014/15 was the first year of GASB 68 implementation, therefore only four years of data are shown.

CALPERS MISCELLANEOUS PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS*

	2018 (Measurement Date June 30, 2017)	2017 (Measurement Date June 30, 2016)	2016 (Measurement Date June 30, 2015)	2015 (Measurement Date June 30, 2014)
Total Pension Liability:				
Service cost	$ 4,454,352	$ 3,749,410	$ 3,685,630	$ 3,768,503
Interest on total pension liability	12,950,950	12,103,023	11,654,818	10,818,920
Differences between expected and actual experience	1,897,341	(3,516,255)	2,049,978	-
Changes in assumptions	11,206,890	-	(2,979,771)	-
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Net Change in Total Pension Liability	**24,000,182**	**6,072,637**	**8,679,847**	**9,282,433**
Total Pension Liability - Beginning of Year	**169,055,422**	**162,982,785**	**154,302,938**	**145,020,505**
Total Pension Liability - End of Year (a)	**$ 193,055,604**	**$ 169,055,422**	**$ 162,982,785**	**$ 154,302,938**
Plan Fiduciary Net Position:				
Contributions - employer	$ 9,481,188	$ 9,014,122	$ 8,330,807	$ 3,733,583
Contributions - employee	2,170,535	1,949,174	1,812,908	2,374,649
Net investment income	15,011,231	649,762	2,718,511	17,346,113
Benefit payments	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Administrative Expense	(191,729)	(75,929)	(140,237)	-
Net Change in Plan Fiduciary Net Position	**19,961,874**	**5,273,588**	**6,991,181**	**18,149,355**
Plan Fiduciary Net Position - Beginning of Year	**129,859,929**	**124,586,341**	**117,595,160**	**99,445,805**
Plan Fiduciary Net Position - End of Year (b)	**$ 149,821,803**	**$ 129,859,929**	**$ 124,586,341**	**$ 117,595,160**
Net Pension Liability - Ending (a)-(b)	**$ 43,233,801**	**$ 39,195,493**	**$ 38,396,444**	**$ 36,707,778**
Plan fiduciary net position as a percentage of the total pension liability	**77.61%**	**76.82%**	**76.44%**	**76.21%**
Covered payroll	**$ 27,131,239**	**$ 25,127,054**	**$ 23,007,322**	**$ 23,082,763**
Net pension liability as percentage of covered payroll	**159.35%**	**155.99%**	**166.89%**	**159.03%**

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

*Fiscal year 2014/15 was the first year of GASB 68 implementation, therefore only four years of date is shown.

CALPERS RETIREE HEALTHCARE PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST TEN YEARS*

		2018
Actuarially determined contribution	$	2,561,354
Contributions in relation to the actuarially determined contributions		(2,561,354)
Contribution deficiency (excess)	**$**	**-**
Covered-employee payroll	$	3,788,381
Contributions as a percentage of covered-employee payroll		67.61%

Notes to Schedule:

Valuation Date	6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method/period	Level percentage of payroll over a closed rolling 15-year period
Asset valuation method	Market value of assets
Inflation	2.75%
Payroll growth	3.00% per annum, in aggregate
Investment rate of return	6.00% (net of OPEB plan investment and administration expenses; includes inflation)
Healthcare cost-trend rates	6.00% HMO/6.50% PPO initial. 1.0% - 2.0% near term increase then decreasing 0.5% per year to trend rate that reflects medical price inflation.
Retirement age	55 years (2.5%@55, 2%@55, and 2%@62)
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement mortality probability based on 2014 CalPERS 1997 to 2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on 2007 to 2011 CalPERS Experience Study covering participants in CalPERS.

*Fiscal year 2017/18 was the first year of GASB 75 implementation, therefore only one years of data is shown.

CALPERS RETIREE HEALTHCARE PLAN

SCHEDULE OF CHANGES IN THE NET OTHER POST EMPOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS LAST TEN YEARS*

	2018 (Measurement Date June 30, 2017)
Total OPEB Liability:	
Service cost	$ 491,205
Interest on total OPEB liability	954,618
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(580,077)
Net Change in Total OPEB Liability	**865,746**
Total OPEB Liability - Beginning of Year	**15,709,139**
Total OPEB Liability - End of Year (a)	**$ 16,574,885**
Plan Fiduciary Net Position:	
Contributions - employer	$ 2,580,077
Contributions - employee	-
Net investment income	372,066
Benefit payments	(580,077)
Administrative Expense	(4,884)
Net Change in Plan Fiduciary Net Position	**2,367,182**
Plan Fiduciary Net Position - Beginning of Year	**9,321,796**
Plan Fiduciary Net Position - End of Year (b)	**$ 11,688,978**
Net OPEB Liability - Ending (a)-(b)	**$ 4,885,907**
Plan fiduciary net position as a percentage of the total OPEB liability	**70.52%**
Covered-employee payroll	**$ 3,507,284**
Net OPEB liability as percentage of covered-employee payroll	**139.31%**

Notes to Schedule:

Changes in Assumptions:

There were no changes in assumptions.

*Fiscal year 2017/18 was the first year of GASB 75 implementation, therefore only one year of date is shown.

Napa Lateral Project

Proposed Alignment

Auto Club Speedway Connection Point

Non-Major Enterprise Fund Statements

NON-RECLAIMABLE WASTEWATER FUND

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

RECHARGE WATER FUND

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

ADMINISTRATIVE SERVICES FUND

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

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Net Position

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
ASSETS	Non-reclaimable Wastewater	Recharge Water
Current assets		
Cash and investments	$ 6,750,693	$ 1,609,230
Accounts receivable	3,324,790	1,119,935
Interest receivable	888,812	2,650
Taxes receivable	-	-
Other receivables	-	-
Inventory	-	-
Prepaid items	-	-
Total current assets	10,964,295	2,731,815
Restricted assets		
Assets held with trustee/fiscal agent	65	865,607
Total restricted assets	65	865,607
Noncurrent assets		
Capital assets		
Land	-	-
Jobs in progress	351,063	3,116,777
Capital assets, net of accumulated depreciation	13,435,478	40,347,939
Intangible assets, net of accumulated amortization	1,692,545	-
Total capital assets	15,479,086	43,464,716
Other assets		
Advances to other funds	15,000,000	-
Total other assets	15,000,000	-
Total noncurrent assets	30,479,086	43,464,716
Total assets	41,443,446	47,062,138
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	342,924	-
Deferred outflow net other postemployment benefit liability	132,707	55,840
Deferred outflow related to net pension liability	929,783	392,622
Total deferred outflows of resources	1,405,414	448,462

Administrative Services	Totals 2018	Totals 2017
$ 20,622,900	$ 28,982,823	$ 27,443,972
1,381,943	5,826,668	17,673,414
93,039	984,501	694,500
19,707	19,707	16,538
52,030	52,030	78,393
1,389,712	1,389,712	1,553,721
110,823	110,823	94,339
23,670,154	37,366,264	47,554,877
-	865,672	860,328
-	865,672	860,328
20,829	20,829	20,829
1,289,180	4,757,020	3,305,809
12,243,666	66,027,083	66,954,797
2,248,525	3,941,070	4,214,732
15,802,200	74,746,002	74,496,167
-	15,000,000	15,000,000
-	15,000,000	15,000,000
15,802,200	89,746,002	89,496,167
39,472,354	127,977,938	137,911,372
-	342,924	365,289
163,693	352,240	-
1,276,215	2,598,620	2,136,614
1,439,908	3,293,784	2,501,903

(continued)

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Net Position (Continued from previous page)

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
LIABILITIES	Non-reclaimable Wastewater	Recharge Water
Current liabilities		
Accounts payable	$ 2,729,845	$ 529,193
Accrued liabilities	10	97
Compensated absences	-	-
Retentions payable	-	-
Notes payable, due within one year	704,809	-
Long-term debt, due within one year	294,065	710,170
Interest payable	82,010	10,577
Total current liabilities	3,810,739	1,250,037
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year	6,872,631	12,263,630
Notes payable, due in more than one year	720,868	-
Net other postemployment benefit liability	235,008	98,887
Net pension liability	2,325,168	834,039
Total noncurrent liabilities	10,153,675	13,196,556
Total liabilities	13,964,414	14,446,593
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	112,381	37,640
Total deferred inflows of resources	112,381	37,640
NET POSITION		
Net investment in capital assets	6,902,837	31,356,524
Restricted for:		
Bond operating contingency requirement	3,368,703	-
Total restricted	3,368,703	-
Unrestricted	18,500,525	1,669,843
Total net position	$28,772,065	$ 33,026,367

Administrative Services	Totals 2018	Totals 2017
$ 864,347	$ 4,123,385	$ 17,033,129
2,299,800	2,299,907	2,284,268
1,706,458	1,706,458	1,877,836
47,029	47,029	43,563
-	704,809	857,004
-	1,004,235	969,503
-	92,587	105,465
4,917,634	9,978,410	23,170,768
3,428,764	3,428,764	3,198,600
-	19,136,261	20,206,916
-	720,868	1,425,816
289,881	623,776	498,858
2,430,096	5,589,303	5,029,011
6,148,741	29,498,972	30,359,201
11,066,375	39,477,382	53,529,969
140,295	290,316	505,994
140,295	290,316	505,994
15,802,200	54,061,561	51,223,782
371,160	3,739,863	3,607,615
371,160	3,739,863	3,607,615
13,532,232	33,702,600	31,545,915
$ 29,705,592	$ 91,504,024	$ 86,377,312

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Revenues, Expenses, and

Changes in Net Position

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
OPERATING REVENUES		
Service charges	$ 12,960,607	$ -
Total operating revenues	12,960,607	-
OPERATING EXPENSES		
Wastewater collection	8,286,240	-
Administration and general	1,819,855	1,476,218
Depreciation and amortization	1,059,120	1,462,245
Total operating expenses	11,165,215	2,938,463
Operating income (loss)	1,795,392	(2,938,463)
NONOPERATING REVENUES (EXPENSES)		
Interest income	273,599	29,226
Property tax revenue	-	-
Other nonoperating revenues	170,016	3,163,292
Interest on long-term debt	(340,578)	(148,052)
Other nonoperating expenses	43,679	(182,965)
Total nonoperating revenues (expenses)	146,716	2,861,501
Income (loss) before capital contributions and transfers	1,942,108	(76,962)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	107,447	931,324
Transfers out	(88,432)	-
Capital grants	-	-
Change in net position	1,961,123	854,362
Total net position - beginning		
Prior period adjustment (note 19)		
Total net position - beginning, as restated	$26,810,942	32,172,005
Total net position - ending	$ 28,772,065	$ 33,026,367

Administrative Services	Totals 2018	2017
$ -	$ 12,960,607	$ 11,947,914
-	12,960,607	11,947,914
-	8,286,240	7,181,117
1,104,412	4,400,485	5,475,497
1,713,646	4,235,011	4,399,015
2,818,058	16,921,736	17,055,629
(2,818,058)	(3,961,129)	(5,107,715)
206,932	509,757	333,508
1,972,200	1,972,200	1,972,200
1,144,678	4,477,986	3,261,248
-	(488,630)	(496,114)
(1,626,458)	(1,765,744)	(1,251,323)
1,697,352	4,705,569	3,819,519
(1,120,706)	744,440	(1,288,196)
3,348,236	4,387,007	2,878,668
-	(88,432)	(17,642)
83,697	83,697	(4,317)
2,311,227	5,126,712	1,568,513
		87,296,296
		(2,487,497)
27,394,365	86,377,312	84,808,799
$ 29,705,592	$ 91,504,024	$ 86,377,312

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 12,190,798	$ -
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(7,243,563)	(778,267)
Cash payments to employees for services	(1,125,231)	(448,533)
Cash payments for interfund services used	(1,218,385)	(190,436)
Net cash provided by (used for) operating activities	2,603,619	(1,417,236)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	107,447	931,324
Transfers out	(88,432)	-
Contract reimbursment from others	170,015	2,109,040
Tax revenues	-	-
Cash paid to others	(30)	-
Net cash provided by (used for) noncapital financing activities	189,000	3,040,364
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(359,425)	(1,466,087)
Capital grants	-	-
Principal paid on capital debt	(1,210,015)	(683,050)
Interest paid on capital debt	(313,193)	(355,277)
Bond administration fees	22,366	-
Contractor deposits collected	-	-
Net cash provided by (used for) capital and related financing activities	(1,860,267)	(2,504,414)

Administrative Services	Totals 2018	Totals 2017
$ 13,724,874	$ 25,915,672	$ 1,952,071
27,129,610	27,129,610	29,333,995
(20,578,997)	(28,600,827)	(8,101,634)
(21,265,430)	(22,839,194)	(27,448,519)
-	(1,408,821)	(1,316,914)
(989,943)	196,440	(5,581,001)
3,348,236	4,387,007	2,878,668
-	(88,432)	(17,642)
1,435,187	3,714,242	4,007,858
1,969,031	1,969,031	1,988,277
(1,621,931)	(1,621,961)	(1,259,049)
5,130,523	8,359,887	7,598,112
(2,606,814)	(4,432,326)	(2,493,053)
83,697	83,697	(4,317)
-	(1,893,065)	(1,328,622)
(4,527)	(672,997)	(511,191)
-	22,366	(332,558)
3,466	3,466	43,563
(2,524,178)	(6,888,859)	(4,626,178)

(Continued)

INLAND EMPIRE UTILITIES AGENCY

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

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$ 58,158	$ 28,862
Sale of investments	-	-
Net cash provided by (used for) investing activities	58,158	28,862
Net increase (decrease) in cash and cash equivalents	990,510	(852,424)
Cash and cash equivalents - beginning	5,760,248	3,327,261
Cash and cash equivalents - ending	$ 6,750,758	$ 2,474,837
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ 1,795,392	$ (2,938,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	1,059,121	1,462,244
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(769,809)	-
Short term receivables	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	(683,084)	(144,487)
Accounts payable	843,775	113,725
Accrued liabilities	(194,990)	(96)
Other noncurrent liabilities	-	-
Deferred Inflow related to net pension liability	298,967	(34,191)
Net other postemployment benefits liability	235,008	98,887
Net pension liability	19,239	25,145
Compensated absences	-	-
Net cash provided by (used for) operating activities	$ 2,603,619	$ (1,417,236)

Administrative Services	Totals 2018	Totals 2017
$ 132,736	$ 219,756	$ 223,149
(343,029)	(343,029)	(72,385)
(210,293)	(123,273)	150,764
1,406,109	1,544,195	(2,458,303)
19,216,791	28,304,300	30,762,603
$ 20,622,900	$ 29,848,495	$ 28,304,300
$ (2,818,058)	$ (3,961,129)	$ (5,107,714)
1,713,646	4,235,011	4,399,016
13,698,511	12,928,702	(9,979,689)
26,363	26,363	(16,155)
164,008	164,008	4,800
(16,484)	(16,484)	9,577
(711,539)	(1,539,110)	(805,130)
(13,867,244)	(12,909,744)	7,047,439
210,725	15,639	271,652
-	-	(1,741,480)
244,411	509,187	117,265
58,052	391,947	-
248,880	293,264	61,305
58,786	58,786	158,113
$ (989,943)	$ 196,440	$ (5,581,001)

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and short-term investments	$ 6,750,693	$ 1,609,230
Restricted assets	65	865,607
Cash & cash equivalents at end of year	$ 6,750,758	$ 2,474,837

Administrative Services	Totals 2018	2017
$ (4,153,794)	$ 4,206,129	$ 27,443,972
24,776,694	25,642,366	860,328
$ 20,622,900	$ 29,848,495	$ 28,304,300

Orchard Recycled Water Turnout Project

Current Turnout

Nearby Residents

INLAND EMPIRE UTILITIES AGENCY

REGIONAL WASTEWATER PROGRAM

THE REGIONAL WASTEWATER PROGRAM CONSISTS OF THE FOLLOWING 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 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, 2018
(With Comparative Totals for June 30, 2017)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals 2018	Totals 2017
ASSETS				
Current assets				
Cash and investments	$ 22,611,218	$ 68,021,029	$ 90,632,247	$ 84,361,478
Accounts receivable	406,345	13,965,204	14,371,549	12,653,780
Interest receivable	566,428	275,929	842,357	407,809
Taxes receivable	284,595	95,405	380,000	318,891
Other receivables	206,511	233	206,744	113,190
Prepaid items	1,201	-	1,201	3,683
Total current assets	24,076,298	82,357,800	106,434,098	97,858,831
Restricted assets				
Deposits held by governmental agencies	55,559,538	-	55,559,538	31,709,626
Assets held with trustee/fiscal agents	1,698,017	920,358	2,618,375	2,000,631
Total restricted assets	57,257,555	920,358	58,177,913	33,710,257
Noncurrent assets				
Capital assets				
Land	14,047,045	-	14,047,045	14,047,045
Jobs in progress	33,556,004	33,239,351	66,795,355	26,983,997
Capital assets, net of accumulated depreciation	280,166,517	27,366,015	307,532,532	326,760,341
Intangible assets, net of accumulated amortization	5,163,561	1,162,652	6,326,213	6,417,658
Total capital assets	332,933,127	61,768,018	394,701,145	374,209,041
Other assets				
Long-term investments	43,482,843	-	43,482,843	44,435,019
Advances to other funds	13,500,000	-	13,500,000	13,500,000
Long-term receivables	3,918,169	-	3,918,169	3,889,599
Prepaid Interest - SRF loans	803,960	-	803,960	883,784
Total other assets	61,704,972	-	61,704,972	62,708,402
Total noncurrent assets	394,638,099	61,768,018	456,406,117	436,917,443
Total assets	475,971,952	145,046,176	621,018,128	568,486,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding	2,282,996	205,996	2,488,992	2,765,528
Deferred outflow net other postemployment benefit liability	260,621	1,815,169	2,075,790	-
Deferred outflow related to net pension liability	1,667,344	13,966,048	15,633,392	13,152,372
Total deferred outflows of resources	4,210,961	15,987,213	20,198,174	15,917,900

(Continued) (Continued)

	Regional Capital Improvement		Regional Operations & Maintenance		Totals 2018		Totals 2017
LIABILITIES							
Current liabilities							
Accounts payable	$	3,390,222	$	4,325,743	$	7,715,965	$ 4,400,776
Accrued liabilities		22,329		10,694		33,023	32,058
Retentions payable		495,803		347,218		843,021	356,959
Notes payable, due within one year		1,839,978		145,221		1,985,199	1,947,587
Long-term debt, due within one year		7,082,476		176,645		7,259,121	7,045,093
Interest payable		677,408		43,486		720,894	788,242
Retention deposits and escrows		-		920,318		920,318	311,004
Total current liabilities		13,508,216		5,969,325		19,477,541	14,881,719
Noncurrent liabilities							
Long-term debt, due in more than one year		72,412,189		4,128,395		76,540,584	84,494,592
Notes payable, due in more than one year		22,781,378		20,566,801		43,348,179	33,200,638
Net other postemployment benefits liability		461,528		3,214,443		3,675,971	2,939,813
Net pension liability		4,807,110		27,451,299		32,258,409	29,198,165
Total noncurrent liabilities		100,462,205		55,360,938		155,823,143	149,833,208
Total liabilities		113,970,421		61,330,263		175,300,684	164,714,927
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow related to net pension liability		197,965		1,543,882		1,741,847	3,012,869
Total deferred inflows of resources		197,965		1,543,882		1,741,847	3,012,869
NET POSITION							
Net Investment in capital assets		230,515,123		37,774,575		268,289,698	249,441,721
Restricted for:							
Capital construction		55,559,538		-		55,559,538	31,709,626
SRF Loan debt service		1,447,479		1,068,056		2,515,535	1,447,479
Bond operating contingency requirement		1,990,957		17,826,916		19,817,873	17,524,306
Total restricted		58,997,974		18,894,972		77,892,946	50,681,411
Unrestricted		76,501,430		41,489,697		117,991,127	116,553,503
Total net position	$	366,014,527	$	98,159,244	$	464,173,771	$ 416,676,635

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, 2018
(With Comparative Totals for June 30, 2017)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals 2018	Totals 2017
OPERATING REVENUES				
Service charges	$ -	$ 62,144,346	$ 62,144,346	$ 56,641,193
Total operating revenues	-	62,144,346	62,144,346	56,641,193
OPERATING EXPENSES				
Wastewater collection	-	1,704,444	1,704,444	1,575,505
Wastewater treatment	-	26,617,534	26,617,534	24,242,516
Wastewater disposal	-	10,236,087	10,236,087	11,687,784
Administration and general	5,972,872	14,922,668	20,895,540	15,067,114
Depreciation and amortization	19,610,890	3,249,912	22,860,802	23,795,754
Total operating expenses	25,583,762	56,730,645	82,314,407	76,368,673
Operating income (loss)	(25,583,762)	5,413,701	(20,170,061)	(19,727,480)
NONOPERATING REVENUES (EXPENSES)				
Interest income	456,045	965,247	1,421,292	778,064
Property tax revenue	31,468,738	9,548,600	41,017,338	39,236,720
Wastewater capital connection fees	32,849,912	-	32,849,912	30,508,191
Other nonoperating revenues	1,339,094	4,293,321	5,632,415	4,414,189
Interest on long-term debt	(3,004,215)	(178,831)	(3,183,046)	(4,912,696)
Other nonoperating expenses	(464,520)	(7,165,313)	(7,629,833)	(10,720,551)
Total nonoperating revenues (expenses)	62,645,054	7,463,024	70,108,078	59,303,917
Income (loss) before capital contributions and transfers	37,061,292	12,876,725	49,938,017	39,576,437
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	1,825,921	-	1,825,921	181,160
Transfers out	(5,433,643)	(2,474,689)	(7,908,332)	(2,538,964)
Capital grants	500,000	3,141,530	3,641,530	11,776,539
Change in net position	33,953,570	13,543,566	47,497,136	48,995,172
Total net position - beginning				370,621,276
Prior period adjustment (note 19)				(2,939,813)
Total net position - beginning, as restated	332,060,957	84,615,678	416,676,635	367,681,463
Total net position - ending	$ 366,014,527	$ 98,159,244	$ 464,173,771	$ 416,676,635

INLAND EMPIRE UTILITIES AGENCY

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 four 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 commercial 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, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
ASSETS		
Current assets		
Cash and investments	$ 19,171,481	$ 22,227,347
Accounts receivable	10,258,977	5,684,890
Interest receivable	69,339	58,934
Taxes receivable	21,740	18,244
Other receivable	88,068	86,889
Prepaid items	3,500	3,500
Total current assets	29,613,105	28,079,804
Restricted assets		
Restricted short-term investments	10,882,109	-
Assets held with trustee/fiscal agents	267	2,619
Total restricted assets	10,882,376	2,619
Noncurrent assets		
Capital assets		
Jobs in progress	9,809,127	4,077,735
Capital assets, net of accumulated depreciation	171,356,894	178,203,985
Intangible assets, net of accumulated amortization	463,654	557,581
Total capital assets	181,629,675	182,839,301
Other assets		
Long term receivables	919,551	1,007,618
Prepaid interest - SRF loans	973,130	1,063,646
Total other assets	1,892,681	2,071,264
Total noncurrent assets	183,522,356	184,910,565
Total assets	224,017,837	212,992,988
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	1,407,104	1,498,873
Deferred outflow net other postemployment benefit liability	225,169	-
Deferred outflow related to net pension liability	1,724,180	1,516,798
Total deferred outflows of resources	3,356,453	3,015,671

(Continued)

	Totals 2018	Totals 2017
LIABILITIES		
Current liabilities		
Accounts payable	$ 1,580,542	$ 336,218
Accrued liabilities	30,690	10,143
Retentions payable	189,070	46,776
Long term debt, due within one year	1,206,644	1,175,404
Notes payable, due within one year	4,056,706	3,983,294
Interest payable	1,875,859	1,569,372
Total current liabilities	8,939,511	7,121,207
Noncurrent liabilities		
Advances from other funds	28,500,000	28,500,000
Long-term debt, due in more than one year	28,200,611	29,679,800
Notes payable, due in more than one year	75,978,197	76,900,512
Other noncurrent liabilities	579,358	472,994
Net other postemployment benefits liability	398,747	318,893
Net pension liability	3,856,936	3,586,721
Total noncurrent liabilities	137,513,849	139,458,920
Total liabilities	146,453,360	146,580,127
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	220,696	358,569
Total deferred inflows of resources	220,696	358,569
NET POSITION		
Net Investment in capital assets	72,187,783	71,102,909
Restricted for:		
Capital construction	10,882,109	-
SRF Loan debt service	6,661,117	7,157,101
Total restricted	17,543,226	7,157,101
Unrestricted	(9,030,775)	(9,190,047)
Total net position	$ 80,700,234	$ 69,069,963

INLAND EMPIRE UTILITIES AGENCY
Recycled Water Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
OPERATING REVENUES		
Recycled water sales	$ 16,877,757	$ 16,384,605
Total operating revenue	16,877,757	16,384,605
OPERATING EXPENSES		
Operations and Maintenance	3,323,965	3,056,482
Administration and general	4,389,285	4,329,012
Depreciation and amortization	8,602,399	8,913,698
Total operating expenses	16,315,649	16,299,192
Operating income (loss)	562,108	85,413
NONOPERATING REVENUES (EXPENSES)		
Interest income	370,505	235,182
Property tax revenue	2,170,100	2,170,100
Water capital connection fees	7,889,278	5,414,935
Other nonoperating revenues	221,178	(1,479,557)
Other nonoperating expenses	(882,168)	321,962
Interest on long-term debt	(2,326,999)	(2,538,304)
Total nonoperating revenues (expenses)	7,441,894	4,124,318
Income (loss) before capital contributions and transfers	8,004,002	4,209,731
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	2,396,979	509,313
Transfers out	(934,295)	(1,071,511)
Capital grants	2,163,585	372,208
Change in net position	11,630,271	4,019,741
Total net position - beginning		65,369,115
Prior period adjustment (note 19)		(318,893)
Total net position - beginning, as restated	69,069,963	65,050,222
Total net position - ending	$ 80,700,234	$ 69,069,963

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, 2018
(With Comparative Totals for June 30, 2017)

	Totals 2018	Totals 2017
ASSETS		
Current assets		
Cash and investments	$ 8,377,333	$ 3,414,777
Accounts receivable	9,634,979	9,945,977
Interest receivable	31,490	5,864
Taxes receivable	19,550	16,407
Water inventory	2,277,467	2,261,731
Total current assets	20,340,819	15,644,756
Noncurrent assets		
Capital assets		
Jobs in progress	396,962	-
Capital assets, net of accumulated depreciation	18,290	18,836
Intangible assets, net of accumulated amortization	10,366	15,187
Total capital assets	425,618	34,023
Other assets		
Long-term receivables	48,313	-
Total other assets	48,313	-
Total noncurrent assets	473,931	34,023
Total assets	20,814,750	15,678,779
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	105,831	-
Deferred outflow related to net pension liability	875,820	757,794
Total deferred outflows of resources	981,651	757,794
LIABILITIES		
Current liabilities		
Accounts payable	8,719,437	6,418,524
Accrued liabilities	573,105	625,338
Current liabilities	9,292,542	7,043,862
Noncurrent liabilities		
Net other post-employment benefits liability	187,413	149,882
Net pension liability	1,529,153	1,381,596
Total noncurrent liabilites	1,716,566	1,531,478
Total liabilities	11,009,108	8,575,340
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	100,375	165,176
Total deferred inflows of resources	100,375	165,176
NET POSITION		
Net Investment in capital assets	425,618	34,023
Unrestricted	10,261,300	7,662,034
Total net position	$ 10,686,918	$ 7,696,057

INLAND EMPIRE UTILTIES AGENCY
Water Resources Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
OPERATING REVENUES		
Sales	$ 45,998,819	$ 29,896,949
Service charges	5,344,393	4,794,895
Total operating revenues	51,343,212	34,691,844
OPERATING EXPENSES		
Water Purchases	45,998,819	29,896,949
Operations and maintenance	1,399,455	1,082,717
Administration and general	4,882,109	5,213,177
Depreciation and amortization	5,367	5,367
Total operating expenses	52,285,750	36,198,210
Operating income (loss)	(942,538)	(1,506,366)
NONOPERATING REVENUES (EXPENSES)		
Interest income	100,003	52,520
Property tax revenue	3,253,805	2,295,011
Other nonoperating revenues	420,422	68,632
Other nonoperating expenses	(380,703)	(580,954)
Total nonoperating revenues (expenses)	3,393,527	1,835,209
Income (loss) before capital contributions and transfers	2,450,989	328,843
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	321,152	58,976
Capital grants	218,720	150,443
Change in net position	2,990,861	538,262
Total net position - beginning		7,307,677
Prior period adjustment (note 19)		(149,882)
Total net position - beginning, as restated	7,696,057	7,157,795
Total net position - ending	$ 10,686,918	$ 7,696,057

INLAND EMPIRE UTILITIES AGENCY
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 the 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 fifty 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, 2018
(With Comparative Totals for June 30, 2017)

	Totals 2018	Totals 2017
ASSETS		
Current assets		
Cash and investments	$ 6,750,693	$ 5,759,610
Accounts receivable	3,324,790	2,554,981
Interest receivable	888,812	673,371
Total current assets	10,964,295	8,987,962
Restricted assets		
Assets held with trustee/fiscal agent	65	638
Total restricted assets	65	638
Noncurrent assets		
Capital assets		
Jobs in progress	351,063	189,768
Capital assets, net of accumulated depreciation	13,435,478	14,131,397
Intangible assets, net of accumulated amortization	1,692,545	1,857,617
Total capital assets	15,479,086	16,178,782
Other assets		
Advances to other funds	15,000,000	15,000,000
Total other assets	15,000,000	15,000,000
Total noncurrent assets	30,479,086	31,178,782
Total assets	41,443,446	40,167,382
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	342,924	365,289
Deferred outflow net other postemployment benefit liability	132,707	-
Deferred outflow related to net pension liability	929,783	759,630
Total deferred outflows of resources	1,405,414	1,124,919

(Continued)

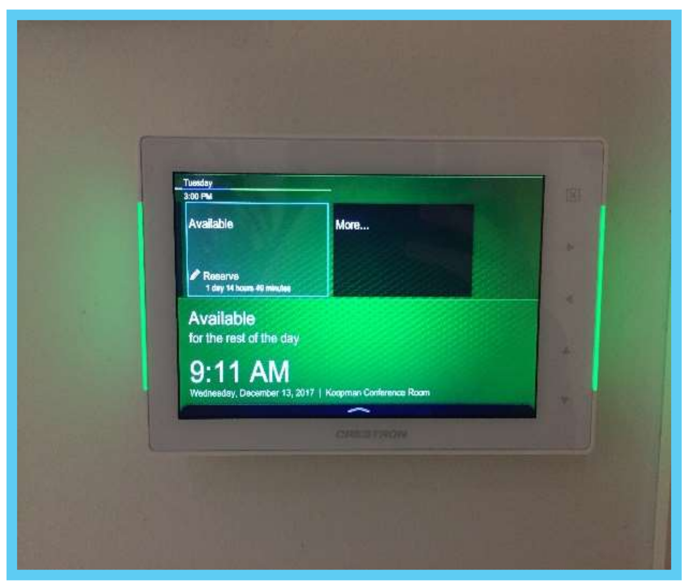
	Totals 2018	Totals 2017
LIABILITIES		
Current liabilities		
Accounts payable	$ 2,729,845	$ 1,886,070
Accrued liabilities	10	195,000
Long term Debt, due within one year	294,065	286,452
Notes payable, due within one year	704,809	857,004
Interest payable	82,010	98,334
Total current liabilities	3,810,739	3,322,860
Noncurrent liabilities		
Long-term debt, due in more than one year	6,872,631	7,233,116
Notes payable, due in more than one year	720,868	1,425,816
Net other postemployment benefits liability	235,008	187,945
Net pension liability	2,325,168	2,117,984
Total noncurrent liabilities	10,153,675	10,964,861
Total liabilities	13,964,414	14,287,721
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	112,381	193,638
Total deferred inflows of resources	112,381	193,638
NET POSITION		
Net Investment in capital assets	6,902,837	5,703,559
Restricted for:		
Bond operating contingency requirement	3,368,703	2,917,301
Total restricted	3,368,703	2,917,301
Unrestricted	18,500,525	18,190,082
Total net position	$ 28,772,065	$ 26,810,942

INLAND EMPIRE UTILITIES AGENCY
Non-reclaimable Wastewater Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
OPERATING REVENUES		
Service charges	$ 12,960,607	$ 11,947,914
Total operating revenues	12,960,607	11,947,914
OPERATING EXPENSES		
Wastewater collection	8,286,240	7,181,117
Administration and general	1,819,855	1,570,785
Depreciation and amortization	1,059,120	1,066,411
Total operating expenses	11,165,215	9,818,313
Operating income (loss)	1,795,392	2,129,601
NONOPERATING REVENUES (EXPENSES)		
Interest income	273,599	163,850
Other nonoperating revenues	170,016	8,626
Interest on long-term debt	(340,578)	(401,521)
Other nonoperating expenses	43,679	171,980
Total nonoperating revenues (expenses)	146,716	(57,065)
Income (loss) before transfers	1,942,108	2,072,536
TRANSFERS		
Transfers in	107,447	53,757
Transfers out	(88,432)	(17,642)
Change in net position	1,961,123	2,108,651
Total net position - beginning		24,890,236
Prior period adjustment (note 19)		(187,945)
Total net position - beginning, as restated	26,810,942	24,702,291
Total net position - ending	$ 28,772,065	$ 26,810,942

Headquarters Conference Rooms Audio Visual Upgrades Project

Event Room Modifications



Conference Room Schedulers

INLAND EMPIRE UTILITIES AGENCY
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 are 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, 2018
(With Comparative Totals for June 30, 2017)

	Totals 2018	Totals 2017
ASSETS		
Current assets		
Cash and investments	$ 1,609,230	$ 2,467,571
Accounts receivable	1,119,935	37,979
Interest receivable	2,650	2,286
Total current assets	2,731,815	2,507,836
Restricted assets		
Assets held with trustee/fiscal agents	865,607	859,690
Total restricted assets	865,607	859,690
Noncurrent assets		
Capital assets		
Jobs in progress	3,116,777	1,588,600
Capital assets net of accumulated depreciation	40,347,939	41,867,920
Intangible assets, net of accumulated amortization	-	4,354
Total capital assets	43,464,716	43,460,874
Total noncurrent assets	43,464,716	43,460,874
Total assets	47,062,138	46,828,400
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	55,840	-
Deferred outflow related to net pension liability	392,622	303,974
Total deferred outflows of resources	448,462	303,974

(Continued)

	Totals	
	2018	2017
LIABILITIES		
Current liabilities		
Accounts payable	$ 529,193	$ 415,468
Accrued liabilities	97	193
Long-term debt, due within one year	710,170	683,051
Interest payable	10,577	7,131
Total current liabilities	1,250,037	1,105,843
Noncurrent liabilities		
Long-term debt, due in more than one year	12,263,630	12,973,800
Net other postemployment benefits liability	98,887	79,084
Net pension liability	834,039	729,811
Total noncurrent liabilities	13,196,556	13,782,695
Total liabilities	14,446,593	14,888,538
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	37,640	71,831
Total deferred inflows of resources	37,640	71,831
NET POSITION		
Net Investment in capital assets	31,356,524	30,663,713
Unrestricted	1,669,843	1,508,292
Total net position	$33,026,367	$32,172,005

INLAND EMPIRE UTILITIES AGENCY
Recharge Water Fund
Schedule of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
OPERATING REVENUES		
Recycled water sales	$ -	$ -
Total operating revenues	-	-
OPERATING EXPENSES		
Administration and general	1,476,218	1,833,771
Depreciation and amortization	1,462,245	1,466,569
Total operating expenses	2,938,463	3,300,340
Operating income (loss)	(2,938,463)	(3,300,340)
NONOPERATING REVENUES (EXPENSES)		
Interest income	29,226	16,576
Other nonoperating revenues	3,163,292	2,054,245
Interest on long-term debt	(148,052)	(94,593)
Other nonoperating expenses	(182,965)	(87,434)
Total nonoperating revenues (expenses)	2,861,501	1,888,794
Income (loss) before capital contributions and transfers	(76,962)	(1,411,546)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	931,324	1,380,640
Capital grants	-	(4,317)
Change in net position	854,362	(35,223)
Total net position - beginning		32,286,312
Prior period adjustment (note 19)		(79,084)
Total net position - beginning, as restated	32,172,005	32,207,228
Total net position - ending	$ 33,026,367	$ 32,172,005

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 include 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, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	2017
ASSETS		
Current assets		
Cash and investments	$ 20,622,900	$ 19,216,791
Accounts receivable	1,381,943	15,080,454
Interest receivable	93,039	18,843
Taxes receivable	19,707	16,538
Other receivables	52,030	78,393
Inventory	1,389,712	1,553,721
Prepaid items	110,823	94,339
Total current assets	23,670,154	36,059,079
Noncurrent assets		
Capital assets		
Land	20,829	20,829
Jobs in progress	1,289,180	1,527,441
Capital assets, net of accumulated depreciation	12,243,666	10,955,480
Intangible assets, net of accumulated amortization	2,248,525	2,352,761
Total capital assets	15,802,200	14,856,511
Total noncurrent assets	15,802,200	14,856,511
Total assets	39,472,354	50,915,590
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	163,693	-
Deferred outflow related to net pension liability	1,276,215	1,073,010
Total deferred outflows of resources	1,439,908	1,073,010

(Continued)

	Totals 2018	Totals 2017
LIABILITIES		
Current liabilities		
Accounts payable	$ 864,347	$ 14,731,591
Accrued liabilities	2,299,800	2,089,075
Compensated absences	1,706,458	1,877,836
Retentions payable	47,029	43,563
Current liabilities	4,917,634	18,742,065
Noncurrent liabilities		
Compensated absences	3,428,764	3,198,600
Net other postemployment benefits liability	289,881	231,829
Net pension liability	2,430,096	2,181,216
Total noncurrent liabilities	6,148,741	5,611,645
Total liabilities	11,066,375	24,353,710
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	140,295	240,525
Total deferred inflows of resources	140,295	240,525
NET POSITION		
Net Investment in capital assets	15,802,200	14,856,510
Restricted for:		
Bond operating contingency requirement	371,160	690,314
Total restricted	371,160	690,314
Unrestricted	13,532,232	11,847,541
Total net position	$ 29,705,592	$ 27,394,365

INLAND EMPIRE UTILITIES AGENCY
Administrative Services Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals 2018	Totals 2017
OPERATING REVENUES		
Service charges	$ -	$ -
Total operating revenues	-	-
OPERATING EXPENSES		
Administration and general	1,104,412	2,070,941
Depreciation and amortization	1,713,646	1,866,035
Total operating expenses	2,818,058	3,936,976
Operating income (loss)	(2,818,058)	(3,936,976)
NONOPERATING REVENUES (EXPENSES)		
Interest income	206,932	153,082
Property tax revenue	1,972,200	1,972,200
Other nonoperating revenues	1,144,678	1,198,377
Other nonoperating expenses	(1,626,458)	(1,335,869)
Total nonoperating revenues (expenses)	1,697,352	1,987,790
Income (loss) before capital contributions and transfers	(1,120,706)	(1,949,186)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	3,348,236	1,444,271
Capital grants	83,697	-
Change in net position	2,311,227	(504,915)
Total net position - beginning		30,119,748
Prior period adjustment (note 19)		(2,220,468)
Total net position - beginning, as restated	27,394,365	27,899,280
Total net position - ending	$ 29,705,592	$ 27,394,365

INLAND EMPIRE UTILITIES AGENCY

INDEX OF STATISTICAL SECTION SCHEDULES

JUNE 30, 2018

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.

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

INLAND EMPIRE UTILITLIES AGENCY

Financial Trends - 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, 2009 through 2018
(Dollars in Thousands)

	2017/18	2016/17	2015/16	2014/15	2013/14
Operating revenues					
Service charges	$ 75,105	$ 68,589	$ 61,929	$ 58,265	$ 51,248
Recycled Water Sales	16,878	16,385	13,468	12,047	10,830
Total operating revenues	91,983	84,974	75,397	70,312	62,078
Operating expenses					
Wastewater collection	9,991	8,757	7,510	8,089	5,623
Wastewater treatment	26,618	24,242	21,104	19,001	20,506
Wastewater disposal	10,236	11,688	11,149	7,997	7,705
Operations and maintenance	3,324	3,056	4,788	3,262	3,765
Administration and general	29,685	24,872	22,988	28,562	30,658
Depreciation and amortization	35,698	37,108	36,851	34,108	32,289
Total operating expenses	115,552	109,723	104,390	101,019	100,546
Operating income (loss)	(23,569)	(24,749)	(28,993)	(30,707)	(38,468)
Non-operating revenues (expenses)					
Interest income	2,302	1,347	722	424	555
Property tax revenue	45,160	43,379	41,336	39,446	38,487
Wastewater capital connection fees	32,850	30,508	24,910	15,074	9,789
Water capital connection fees	7,889	5,415	997		
Other nonoperating revenues	10,331	6,196	8,735	7,405	6,311
Interest on long-term debt	(5,999)	(7,947)	(9,142)	(9,593)	(7,120)
Other nonoperating expenses	(10,278)	(11,650)	(13,520)	(6,184)	(31,066)
Total nonoperating revenues (expenses)	82,255	67,248	54,038	46,572	16,956
Income (loss) before contributions and transf	58,686	42,499	25,045	15,865	(21,512)
Capital grants	5,889	12,144	6,137	5,353	2,314
Contribution in aid	-	-	-	-	-
Transfers (to Water Resource Fund)	(321)	(59)	(295)	-	100
Change in net position	**$ 64,254**	**$ 54,584**	**$ 30,887**	**$ 21,218**	**$ (19,098)**
Total net position - beginning	577,318	522,734	493,054	513,805	532,113
Prior period adjustment	(5,746)		(1,207)	(41,969)	790
Total net position - ending	**$ 635,826**	**$ 577,318**	**$ 522,734**	**$ 493,054**	**$ 513,805**

Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position
Fiscal Years Ended June 30, 2009 through 2018
(Dollars in Thousands)

2012/13	2011/12	2010/11	2009/10	2008/09
$ 47,891	$ 42,209	$ 41,544	$ 42,108	$ 41,575
7,952	6,009	4,353	4,162	2,715
55,843	48,218	45,897	46,270	44,290
4,656	5,629	6,517	7,338	5,939
18,908	17,377	17,208	19,016	20,049
8,613	11,316	10,664	10,030	12,885
3,195	2,987	2,600	-	-
20,714	21,398	20,465	22,018	25,685
31,928	30,168	29,993	26,168	22,179
88,014	88,875	87,447	84,570	86,737
(32,171)	(40,657)	(41,550)	(38,300)	(42,447)
809	951	1,159	1,684	2,742
48,087	32,695	33,419	34,355	36,325
14,614	7,686	5,398	7,753	5,753
7,486	8,160	6,008	7,566	3,098
(8,321)	(7,447)	(7,803)	(9,891)	(13,498)
(9,407)	(8,907)	(7,626)	(7,283)	(3,268)
53,268	33,138	30,555	34,184	31,152
21,097	(7,519)	(10,995)	(4,116)	(11,295)
2,561	4,263	6,852	10,163	12,275
-	-	-	-	-
200	300	300	300	300
$ 23,858	**$ (2,956)**	**$ (3,843)**	**$ 6,347**	**$ 1,280**
512,616	515,572	518,244	511,897	434,393
(4,361)		1,171		76,224
$ 532,113	**$ 512,616**	**$ 515,572**	**$ 518,244**	**$ 511,897**

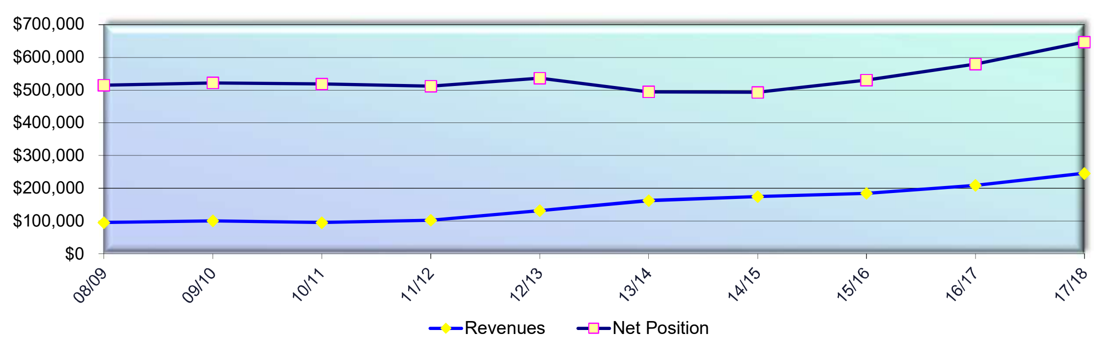
INLAND EMPIRE UTILITIES AGENCY

Financial Trends - Combined Schedule of Revenues, Expenses and Changes in Net Position

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

	2017/18	2016/17	2015/16	2014/15
Operating revenues				
Service charges	$ 80,449	$ 73,384	$ 67,243	$ 63,956
Potable Water sales	45,999	29,897	18,654	34,147
Recycled water sales	16,878	16,385	13,468	12,047
Total operating revenues	143,326	119,666	99,365	110,150
Operating expenses				
Potable Water purchases	45,999	29,897	18,654	34,147
Wastewater collection	9,991	8,757	7,510	8,089
Wastewater treatment	26,618	24,242	21,104	19,001
Wastewater disposal	10,236	11,688	11,148	7,997
Administration and general	4,723	4,139	6,200	4,393
Depreciation and amortization	34,567	30,085	28,866	33,426
Operations and maintenance	35,704	37,114	36,856	34,113
Total operating expenses	167,838	145,922	130,338	141,166
Operating income (loss)	(24,512)	(26,256)	(30,973)	(31,016)
Non-Operating revenues (expenses)				
Interest income	2,402	1,399	762	436
Property tax revenue	48,413	45,674	45,631	40,946
Wastewater capital connection fees	7,889	30,508	24,910	15,074
Water capital connection fees	32,850	5,415	997	-
Other non-operating revenues	10,752	6,265	13,070	7,543
Interest on long-term debt	(5,999)	(7,947)	(9,142)	(9,593)
Other non-operating expenses	(10,658)	(12,231)	(15,481)	(7,180)
Total non-operating revenues (expenses)	85,649	69,083	60,747	47,226
Income (loss) before contributions and transfers	61,137	42,827	29,774	16,210
Capital grants	6,108	12,295	7,530	5,917
Change in net position………..……………..A	**$ 67,245**	**$ 55,122**	**$ 37,304**	**$ 22,127**
Total net position - beginning	$ 585,716	$ 530,594	$ 494,708	$ 517,421
Prior Period Adjustment	(5,896)	-	(1,418)	(44,841)
Total net position - beginning, as restated....B	$ 579,820	$ 530,594	$ 493,290	$ 472,580
Net position by component:				
Net Investment in capital assets	394,965	373,886	325,406	333,274
Restricted for Debt service & Capital construction	99,176	61,446	82,064	67,081
Unrestricted	152,924	150,384	123,124	94,353
Total net position - ending…………………..A+B	**$ 647,065**	**$ 585,716**	**$ 530,594**	**$ 494,708**

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



Financial Trends - Combined Schedule of Revenues, Expenses and Changes in Net Position

- All Funds -

For The Past Ten Fiscal Years (continued)

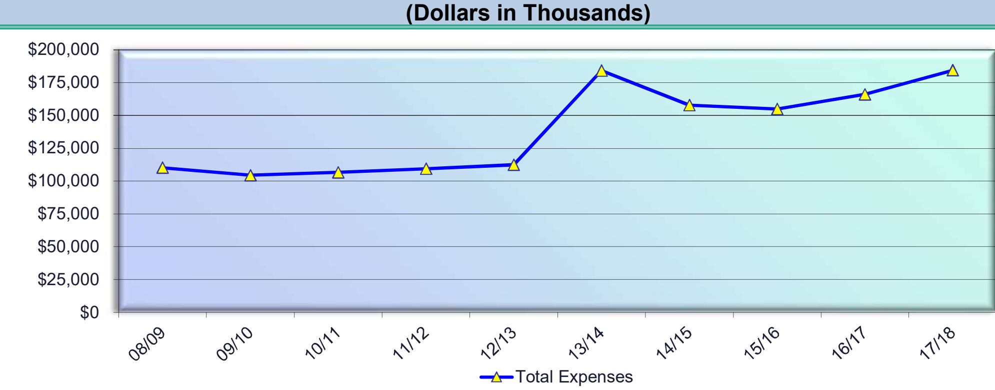
(Dollars in Thousands)

2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
$ 56,171	$ 52,153	$ 46,468	$ 44,776	$ 44,545	$ 43,832
40,225	-	-	-	-	-
10,831	7,952	6,009	4,352	4,162	2,716
107,227	60,105	52,477	49,128	48,707	46,548
40,225	-	-	-	-	-
5,623	4,656	5,629	6,517	7,338	2,351
20,506	18,908	17,378	17,208	19,016	23,640
7,705	8,613	11,316	10,664	10,030	9,885
4,255	3,868	24,755	23,266	21,567	25,101
35,191	24,473	30,173	29,999	26,173	22,185
32,295	31,933	3,725	3,230	2,760	5,539
145,800	92,451	92,976	90,884	86,884	88,701
(38,573)	(32,346)	(40,499)	(41,756)	(38,177)	(42,154)
564	819	963	1,179	1,715	2,796
38,487	48,087	32,695	33,419	34,355	36,325
9,789	14,614	7,686	5,398	7,753	5,753
-	-	-	-	-	-
6,337	7,510	8,562	6,090	7,638	3,543
(8,565)	(9,805)	(7,447)	(8,058)	(9,891)	(13,498)
(29,841)	(8,088)	(9,014)	(7,773)	(7,684)	(8,031)
16,771	53,137	33,445	30,255	33,886	26,889
(21,802)	20,791	(7,054)	(11,501)	(4,291)	(15,265)
2,663	3,152	4,841	7,587	10,387	13,924
$ (19,139)	**$ 23,943**	**$ (2,213)**	**$ (3,914)**	**$ 6,096**	**$ (1,341)**
$ 535,771	$ 516,242	$ 518,455	$ 521,200	$ 515,104	$516,445
790	(4,414)	-	1,170	-	-
$ 536,561	$ 511,828	$ 518,455	$ 522,370	$ 515,104	$ 516,445
318,292	354,124	365,279	372,277	377,512	370,516
63,073	50,036	42,799	50,378	63,545	81,418
136,056	131,611	108,164	95,800	80,143	63,170
$ 517,421	**$ 535,771**	**$ 516,242**	**$ 518,455**	**$ 521,200**	**$ 515,104**

Operating & Non-Operating Expense Trends

For the Past Ten Fiscal Years

(Dollars in Thousands)



INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Wastewater Capital Connection Deposits Held

For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
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
2017/18	10,905,036	10,465,835	6,724,584	6,477,198
Percentage	19.6%	18.8%	12.1%	11.8%

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 2017/18 are subject to further adjustment after audit.

*Cucamonga Valley Water District

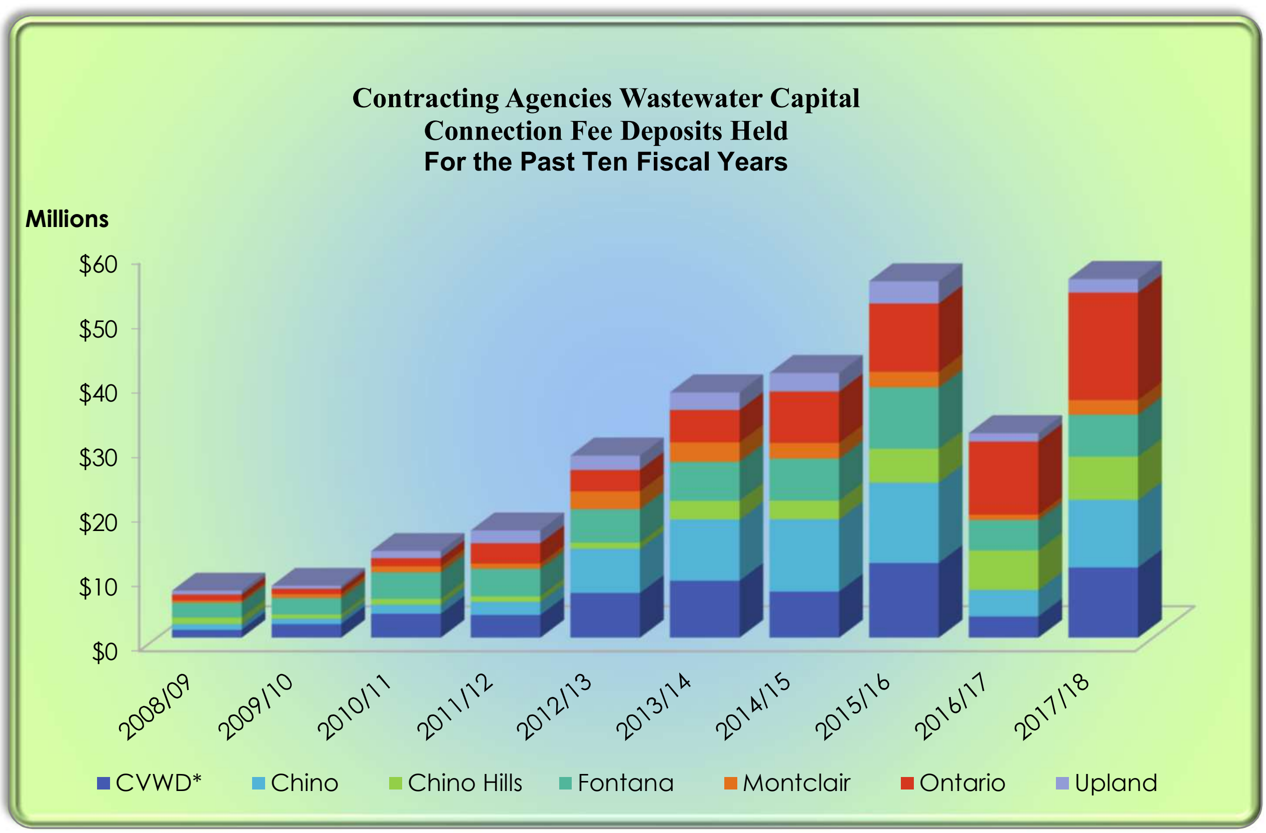
INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Wastewater Capital Connection Depoits

For the Past Ten Fiscal Years

Table 2

Year	Montclair	Ontario	Upland	Total
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**
2017/18	2,287,904	16,603,065	2,095,916	**55,559,538**
Percentage	**4.1%**	**29.9%**	**3.9%**	**100.0%**



Revenue Capacity - Regional Wastewater Program Capital Requirements

For the Ten Fiscal Years Ending June 30, 2028*

Project Description	Actual 2017/18	Projected 2018/19	Projected 2019/20
Replacement Projects			
RP-1 Disinfection Pump Improvements	$ 551,150	$ -	$ -
Collection System Upgrades FY 2016/17	254,067	-	-
RP-4 Anoxic Splitter	98,560	-	-
Collection System Upgrades FY 2017/18	169,266	-	-
RP-1 Lighting Pole Replacements	33,210	309,000	-
RP-1 Maintenance Building HVAC Replacement	162,485	15,000	-
RP-4 Screen Replacement	3,632	500,000	2,500,000
Collection System Upgrades	-	500,000	515,000
CCWRF 12 KV Switchgear Replacement	55	820,000	1,500,000
North Major Facilities Repairs/Replacements	-	600,000	618,000
RP4 Replace OITs	16,854	-	-
Virtualization Host	84,449	-	-
SCADA Network Infrastructure Replacement	81,913	-	-
Total Replacement Projects	***$ 1,455,640***	***$ 2,744,000***	***$ 5,133,000***
Equipment Projects			
RP-1 Mixed Liquor Return Pumps	$ 1,743,470	$ -	$ -
RO Asset Management	-	-	-
Major Facilities Repair/Replacements	5,030	-	-
Major Facilities Repair/Replacements	21,388	-	-
North Major Facilities Repair/Replacement	654,602	-	-
South Major Facilities Repair/Replacement	547,525	-	-
South Major Facilities Repair/Replacement	-	600,000	618,000
3PAR Storage Area Network for So. SCADA	(219)	-	-
Inergen Fire Suppression System - RP-4	36,949	-	-
SCADA Network Switch Replacement	38,202	-	-
Microwave Communications Power Reliability	592	-	-
FY 17/18 SCADA Energy Monitoring Project	3,759	-	-
Replace VPN Appliances for SCADA Network	14,120	-	-
SCADA Cybersecurity SIEM	-	-	-
SCADA Network WebVPN for Test Net	-	7,000	-
SCADA Network Cyber Security Project	-	145,000	-
SCADA Network SAN	-	120,000	-
SCADA Network Infrastructure Replacement Project	-	90,300	300,000
TOC Combustion Instrument	-	30,000	-
Total Equipment Projects	***$ 3,065,417***	***$ 992,300***	***$ 918,000***

*Source: Projections were derived from the 2018/19 IEUA Ten Year Capital Improvement Plan.

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)

For the Ten Fiscal Years Ending June 30, 2028*

Projected								
2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
$ -	$ 3,818,000	$ 1,909,000	$ 200,000	$ -	$ -	$ -	$ -	$ 5,927,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	309,000
-	-	-	-	-	-	-	-	15,000
-	-	-	-	-	-	-	-	3,000,000
530,450	546,364	562,754	579,637	597,026	614,937	633,385	652,387	5,731,940
-	-	-	-	-	-	-	-	2,320,000
636,540	655,636	675,305	695,564	716,431	737,924	760,062	782,864	6,878,328
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
$ 1,166,990	***$ 5,020,000***	***$ 3,147,060***	***$ 1,475,201***	***$ 1,313,458***	***$ 1,352,861***	***$ 1,393,447***	***$ 1,435,251***	***$ 24,181,267***

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	4,900,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
636,540	655,636	675,305	695,564	716,431	737,924	760,062	782,864	6,878,328
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	7,000
-	-	-	-	-	-	-	-	145,000
-	-	-	-	-	-	-	-	120,000
309,000	318,270	327,818	337,653	347,782	358,216	368,962	380,031	3,138,032
-	-	-	-	-	-	-	-	30,000
$ 945,540	***$ 1,373,906***	***$ 1,503,123***	***$ 1,633,217***	***$ 1,764,214***	***$ 1,896,140***	***$ 2,029,024***	***$ 2,162,895***	***$ 15,218,360***

Revenue Capacity - Regional Wastewater Program Capital Requirements

For the Ten Fiscal Years Ending June 30, 2028*

Project Description	Actual 2017/18	Projected 2018/19	Projected 2019/20
Construction Projects			
RP-5 Flow Equalization and Effluent Monitoring	$ 770,248	$ 15,000	$ -
SCADA Enterprise System	2,535,678	3,590,000	3,725,000
RP-4 Process Improvements	1,519,622	-	-
RP-1 Headworks Primary and Secondary Upgrades	2,181,931	3,000,000	650,000
Water Quality Laboratory	12,095,158	2,500,000	-
RP-1 Primary Effluent Conveyance Improvement	470,936	4,500,000	1,500,000
RP-1 TWAS and Primary Effluent Piping	363,557	-	-
Whispering Lakes Pump Station Rehabilitation	-	500,000	-
RP-5 Expansion PDR	27	-	-
Headquarters Back Up Generator	5,659	-	-
Agencywide Sewer Pumps Efficiencies	38,034	-	-
San Bernardino Avenue Gravity Sewer	444	-	-
CCWRF Assets Management and Improvements	1,687,140	1,400,000	4,000,000
Agencywide Lighting Improvements	264,312	-	-
Digester 6 and 7 Roof Repairs	1,079,350	1,350,000	820,000
RP4 Primary Clarifier Rehabilitation	181,292	316,952	6,129,767
RP-1 Power Reliability Generator Control	179,244	5,500,000	50,000
RP-1 Filter Valve Replacement	46,377	-	-
RP-1 Dewatering Silo	207,131	-	-
RP-1 Dewatering Vertical Conveyor Repair	256,966	-	-
RP-1 and RP-4 Safety Improvements	837,507	-	-
RP-1 Iron Sponges Installation	403,542	-	-
Microturbine Design-Build	(29,070)	-	-
CCWRF Airduct Modification	103,634	-	-
RP-1 Mechanical Restoration and Upgrades	430,806	1,500,000	6,000,000
RP-4 Process Improvements	2,652,894	2,500,000	7,066,187
RP-1 IPS System Improvements	-	-	525,000
RP-1 Flare Improvements	144,916	4,000,000	1,300,000
RP-1 Secondary System Rehabilitation	-	500,000	1,000,000
RP-1 Septage Dump Station and Bulk Material	2,310	-	-
RP-5 Seal Water Improvements	64,608	150,000	6,000
CCWRF Asset Management and Improvements Pkg III	132,906	213,500	2,086,500
CCWRF Asset Management and Improvements Pkg II	84,672	210,000	770,000
RP-4 Operations and Maintenance Building	67,764	-	-
RP-1 Civil Restoration and Upgrades	84,222	245,000	150,000
RP-1 Dewater Building Foam Suppression	44,054	-	-
RP-1 Lagoon No. 3 Outfall Pipe	104,167	-	-
RP-5 Liquids Expansion	4,752,773	4,449,209	11,412,449
Haven LS SCADA Improvements	-	-	-
RP-5 Solids Facility	4,066,501	4,710,521	11,715,016
RP-1 Energy Recovery	-	500,000	1,000,000
San Bernardino Lift Station Facility	-	300,000	-
Montclair and San Bernardino Lift Station Force Main Clean Out	-	1,250,000	-
RP-1 Digester Mixing Upgrade	-	-	250,000
Chino Creek Wetlands & Educational Park	-	-	500,000
RCAsset Management	-	-	-
RP-1 Liquids Capacity Recovery	1,321,112	2,979,152	500,000
RP-1 Solids Capacity Recovery	423,819	896,955	-
Regional Conveyance AMP	-	-	-
RP-4 Tertiary Expansion	-	-	-
RP-5 O&M Building	-	-	-
CEQA Document Implementation	(3,100)	-	-
HQ Solar Photovoltaic Power Plants Ph. 2	-	-	-
Purchase Existing Solar Installation	-	-	-
Total Construction Projects	***$ 39,573,140***	***$ 47,076,289***	***$ 61,155,919***
Total Capital Projects	***$ 44,094,198***	***$ 50,812,589***	***$ 67,206,919***

*Source: Projections were derived from the 2018/19 IEUA Ten Year Capital Improvement Plan.

Projected								
2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,000
250,000	10,000	-	-	-	-	-	-	7,575,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	3,650,000
-	-	-	-	-	-	-	-	2,500,000
-	-	-	-	-	-	-	-	6,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	4,500,000	-	-	-	5,000,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	0
7,500,000	500,000	2,000,000	2,000,000	2,000,000	6,000,000	-	-	25,400,000
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	2,170,000
1,000,000	-	-	-	-	-	-	-	7,446,719
-	-	-	-	-	-	-	-	5,550,000
515,000	-	-	-	-	-	-	-	515,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	7,500,000
7,522,028	1,000,000	-	-	-	-	-	-	18,088,215
300,000	-	-	-	-	-	-	-	825,000
-	-	-	-	-	-	-	-	5,300,000
1,000,000	1,000,000	1,000,000	-	-	-	-	-	4,500,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	156,000
15,000	-	-	-	-	-	-	-	2,315,000
15,000	-	-	-	-	-	-	-	995,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	395,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
65,668,620	63,998,247	10,263,844	-	-	-	-	-	155,792,369
-	-	-	-	-	-	750,000	-	750,000
67,612,409	65,892,483	10,563,910	-	-	-	-	-	160,494,340
1,500,000	2,000,000	-	-	-	-	-	-	5,000,000
-	-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	-	1,250,000
500,000	-	-	-	-	-	-	-	750,000
-	-	-	400,000	500,000	-	-	-	1,400,000
-	3,000,000	3,000,000	3,000,000	8,400,000	9,800,000	11,000,000	12,500,000	50,700,000
-	-	-	-	-	5,633	4,720,741	3,030,738	11,236,265
-	-	-	-	-	5,289	1,243,891	816,568	2,962,703
-	-	-	-	-	500,000	-	-	500,000
-	-	-	-	-	500,000	-	-	500,000
-	-	-	-	-	-	-	20,000,000	20,000,000
-	-	-	-	-	-	-	-	-
-	-	300,000	1,100,000	-	-	-	-	1,400,000
-	-	-	-	3,500,000	-	-	-	3,500,000
$ 153,398,057	*$ 137,400,730*	*$ 27,127,754*	*$ 6,500,000*	*$ 18,900,000*	*$ 16,810,922*	*$ 17,714,632*	*$ 36,347,306*	*$ 522,431,610*
$ 155,510,587	*$ 143,794,636*	*$ 31,777,937*	*$ 9,608,419*	*$ 21,977,671*	*$ 20,059,923*	*$ 21,137,103*	*$ 39,945,452*	*$ 561,831,237*

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Funds

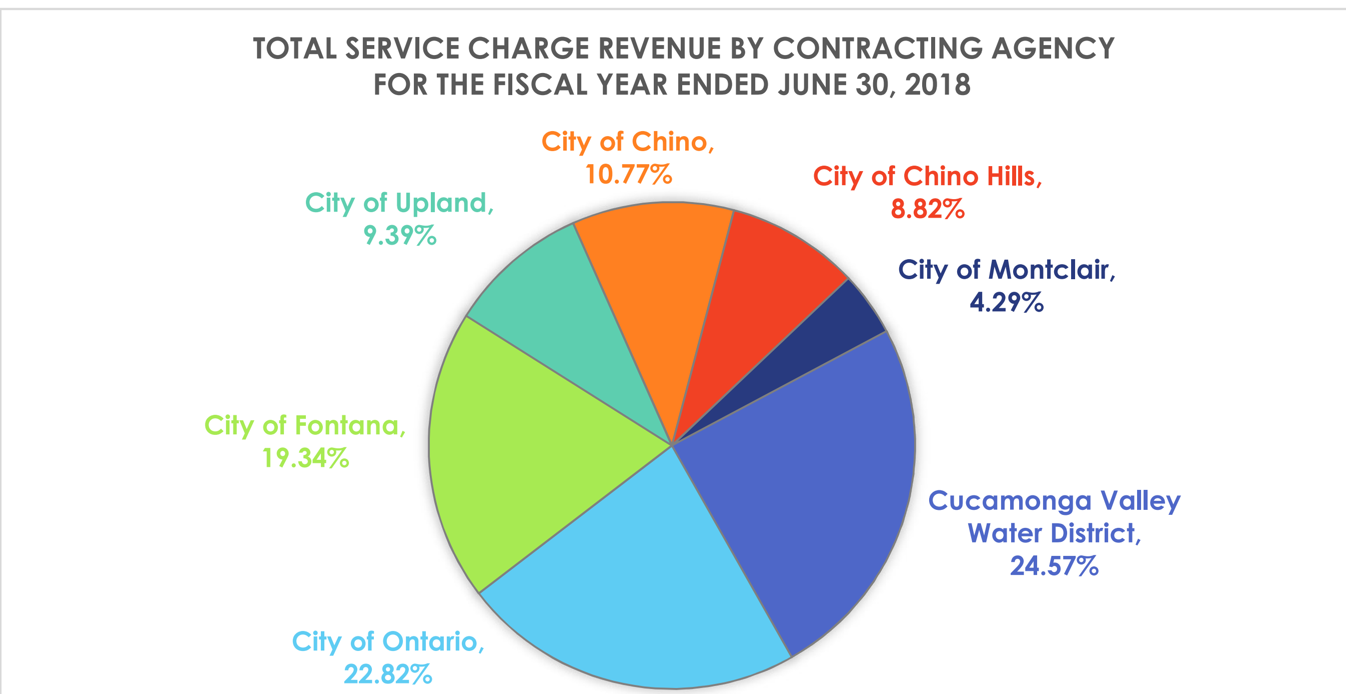
Monthly Sewer Service Charge Revenue and Rates by Contracting Agency

For the Fiscal Year Ended June 30, 2018

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 2017/2018.

Contracting Agency	Total EDU's*	Rate*	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	828,213	18.39	15,230,835	24.57%
City of Ontario	768,989	18.39	14,141,704	22.82%
City of Fontana	651,917	18.39	11,988,749	19.34%
City of Chino	363,071	18.39	6,676,871	10.77%
City of Upland	316,470	18.39	5,819,887	9.39%
City of Chino Hills	297,248	18.39	5,466,388	8.82%
City of Montclair	144,490	18.39	2,657,162	4.29%
Total Contracting Agencys' Service Charge Revenue	**3,370,397**		**$ 61,981,596**	**100.00%**

*EDU - Equivalent Dwelling Unit



*Effective July 1, 2017, the total service rate increased from $17.14 to $18.39 per equivalent service unit (EDU).

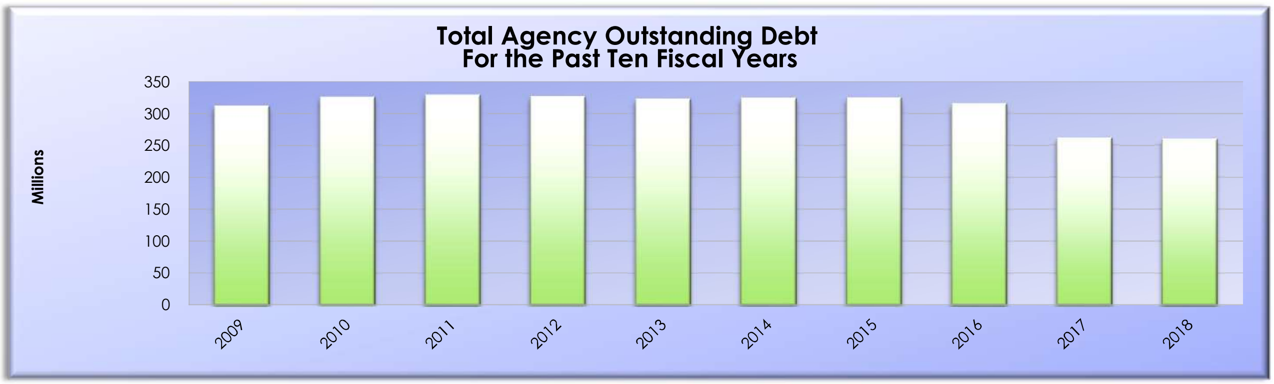
INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - 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)	Southern California Edison	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
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	230,963	261,886,160	121	0.326%
2018	133,347,456	119,305,744	1,425,677	-	5,038,956	1,023,581	260,141,414	119	0.316%



(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

Debt Capacity - Agency System Total Debt Coverage Ratio

For Fiscal Years Ended June 30, 2018
(With Comparative Total for the Fiscal Year Ended June 2017)

		2018		2017
Revenues:				
Wastewater System Service Charges	$	62,144,346	$	56,641,193
Wastewater Capital Connection Fees		32,849,912		30,508,191
Water Capital Connection Fees		7,568,126		5,355,959
Property Tax		45,159,638		43,379,020
NRW System Service Charges		12,960,607		11,947,914
Interest		1,913,954		1,133,004
Recycled Water Sales		16,877,757		16,384,605
Desalter/Composter Services		5,343,460		4,855,962
Other		1,714,229		2,143,952
Total Revenues	$	186,532,029	$	172,349,800
Operation and Maintenance Costs:				
Wastewater Treatment	$	26,617,534	$	24,242,516
Administration and General		29,685,310		24,871,623
Wastewater Disposal		10,236,087		11,687,784
Wastewater Collection		9,990,684		8,756,622
Operations and maintenance		3,323,965		3,056,482
Desalter/Composter Services		5,343,460		4,855,962
Other		3,771,873		6,229,966
Total Operation and Maintenance Costs:	$	88,968,913	$	83,700,954
Revenues Available to Debt Service	**$**	**97,563,116**	**$**	**88,648,846**
Parity Obligation Debt Service				
2008A Installment Payments	$	-	$	4,704,861
2008B Installment Payments		2,438,725		2,283,855
2010A Installment Payments		5,305,050		5,350,450
2017 Installment Payments		6,223,250		3,792,050
Total Parity Obligation Debt Service	$	13,967,025	$	16,131,217
Parity Obligation Debt Service Coverage		**6.99**		**5.50**
Net Revenues	**$**	**83,596,091**	**$**	**72,517,629**
Subordinate Obligations				
State Revolving Fund Loan	$	6,808,862	$	6,471,244
SAWPA Sari Capacity Purchase		267,188		267,188
City of Fontana		562,402		562,402
CSDLAC Past 4R's		737,600		737,600
SCE On-Bill Financing		60,322		-
Total Subordinate Obligations	$	8,436,373	$	8,038,434
Other Debt Service Coverage		**9.91**		**9.02**
Remaining Net Revenue	**$**	**75,159,717**	**$**	**64,479,195**
Revenues available after O&M expenses	**$**	**97,563,116**	**$**	**88,648,846**
Total debt service	**$**	**22,403,398**	**$**	**24,169,651**
Total Debt Coverage Ratio		**4.35**		**3.67**

Debt Capacity - Agency System Total Debt Coverage Ratio
(With Comparative Totals for the Fiscal Year ended June 2017)

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 the outstanding 2008A Bonds, with a net of $50 million of defeased amount.

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 2017/18 for operating and maintenance expenses for four months was $33,140,667.
- As of the Fiscal Year Ended June 30, 2018, the Agency had designated debt service reserves of $2,563,996 which has been included in Net Investment in Capital Assets, and SRF Loan debt service of $9,176,652 included in Restricted Net Position.

<table>
<tr><th colspan="4">INLAND EMPIRE UTILITIES AGENCY</th></tr>
<tr><th colspan="4">Debt Capacity - Continuing Disclosure Compliance Report</th></tr>
<tr><th></th><th>2010A Bond</th><th>2017A Bond</th><th>FY17/18 CAFR Section</th></tr>
<tr><td>Audited Financial Statements</td><td colspan="2">Yes</td><td>Introductory Section</td></tr>
<tr><td>Debt Service Reserve Fund</td><td colspan="2">Not Required</td><td>Statistical Section: Agency System Total Debt Coverage Ratio</td></tr>
<tr><td>Statement of the reserve requirement</td><td colspan="2">"The Agency will fix and prescribe rates and charges with respect to the Agency System. These rates are reasonably expected to be at least sufficient to yield net revenue equal to 115 percent of debt service during each fiscal year."</td><td>Note 12: Long-term Debt and Notes Payable/Debt Covenants</td></tr>
<tr><td>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)</td><td colspan="2">

$919.00/mgd
$172.00/klb
$446.00/klb

$387.24
$901.00/mgd
$307.00/klb
$429.00/klb</td><td>MD & A: Financial Highlights/Non-reclaimable wastewater treatment states: NRW Pass through Rates table</td></tr>
<tr><td>NRW Revenues</td><td colspan="2">$12,960,607</td><td>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</td></tr>
<tr><td>Principal Amount of Bonds Outstanding</td><td>$18,735,000</td><td>$64,605,000</td><td>MD & A: Financial Highlights/Debt Management
Note 12: Long-term Debt and Notes Payable</td></tr>
<tr><td>Recycled Water Rates:
Direct Delivery
Groundwater Recharge
Connection Fee</td><td colspan="2">
$470/AF
$530/AF
$1,455/MEU</td><td>MD & A: Financial Highlights/Recycled Water Sales
Introductory: Major Initiatives and Accomplishments/Other Agency accomplishments</td></tr>
<tr><td>Recycled Water Revenues (AF, Sales, Conn Fee, MWD Rebates):
Acre Feet (AF)

Recycled Water Sales
Water Connection Fee
Less Conn. Fee Alloted to Water Fund
Total</td><td colspan="2">

34,642 af

$ 16,877,757
$ 7,889,278
$ 321,152
$ 24,445,883</td><td>MD & A: Financial Highlights/Recycled Water Sales
Individual Funds: Recycled Water Fund Schedule of Revenue, Expenses and Changes in Net Position
Statistical Section: Agency System Total Debt Coverage Ratio</td></tr>
<tr><td>Assessed Valuation and Propety Tax:
Assessed Value of Service Area
Property Tax Revenue
Less Allocation to Water Fund
Net Property Tax Revenue</td><td colspan="2">
Yes
$ 48,413,443
$ 3,253,805
$ 45,159,638</td><td>GM Letter to Board: pg. X - "Inland Empire is an area of tremendous ongoing expansion…..The Agency's service area population is projected to surpass 893,000 in FY2018/19" 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</td></tr>
<tr><td>Wastewater Program Capital Requirements - Regional</td><td>Not Required</td><td>$44,094,198</td><td>Statistical Section: Regional Wastewater Program Capital Requirements</td></tr>
<tr><td>Wastewater System Rates and Charges:
Volumetric Fee per Month
Wastewater Connection Fee</td><td colspan="2">
$18.39/edu
$6,309/edu</td><td>MD & A: Financial Highlights/Regional Wastewater Program Activities
Statistical Section: Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency</td></tr>
<tr><td>Wastewater System Revenues:
Service Charge
Wastewater Capital Connection Fee
Total</td><td colspan="2">
$62,144,346
$32,849,912
$94,994,258</td><td>MD & A: Financial Highlights/Regional Wastewater Program Activities
Individual Funds: Regional Wastewater Fund
Statistical Section: Agency System Total Debt Coverage Ratio</td></tr>
<tr><td>Wastewater Facility Total EDU Usage:</td><td colspan="2">3,370,397</td><td>Statistical Section: Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency</td></tr>
<tr><td>Wastewater Production/Flow within the Agency's services area:</td><td colspan="2">47.4/mgd</td><td>Statistical Section: Operating Indicators -Wastewater Facility
Statistical Section: Operating Indicators - Actual Wastewater Flow</td></tr>
</table>

Debt Capacity - Computation of Direct and Overlapping Bonded Debt

As of June 30, 2018

2017/18 ASSESSED VALUATION: $104,340,118,964

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/18	% Applicable (1)	Agency's Share of Debt 6/30/18
Metropolitan Water District	$ 60,600,000	3.808%	$ 2,307,648
Chaffey Community College District	138,940,000	98.750	137,203,250
San Bernardino Community College District	440,458,530	1.105	4,867,067
Chino Valley Unified School District	332,495,000	100.000	332,495,000
Colton Joint Unified School District	193,577,465	1.091	2,111,930
Fontana Unified School District	189,557,259	91.582	173,600,329
Rialto Unified School District	89,537,396	7.981	7,145,980
Upland Unified School District	89,769,550	99.748	89,543,331
Chaffey Union High School District	389,572,765	99.849	388,984,510
Alta Loma School District	29,046,793	99.838	28,999,737
Central School District	35,670,100	100.000	35,670,100
Etiwanda School District	45,995,326	99.791	45,899,196
Mountain View School District and School Facilities Improvement District No. 1	11,590,120	100.000	11,590,120
Ontario-Montclair School District	79,865,288	100.000	79,865,288
Inland Empire Utilities Agency	**-**	**100.000**	**-** (2)
City of Chino Community Facilities Districts	136,140,000	100.000	136,140,000
City of Chino Hills Community Facilities Districts	37,760,000	100.000	37,760,000
Cucamonga School District Community Facilities District No 97-1	4,630,000	100.000	4,630,000
Etiwanda School District Community Facilities Districts	73,175,000	100.000	73,175,000
Upland Unified School District Community Facilities Districts	3,344,000	100.000	3,344,000
City of Fontana Community Facilities Districts	68,265,000	4.930-100.000	51,898,700
Mountain View School District Community Facilities Districts	673,000	100.000	673,000
San Bernardino County Community Facilities District No. 2002-1	18,605,000	100.000	18,605,000
City of Ontario Community Facilities Districts	55,800,000	100.000	55,800,000
City of Rancho Cucamonga Community Facilities Districts	69,328,000	100.000	69,328,000
City of Upland Community Facilities Districts	37,455,000	100.000	37,455,000
City of Chino Hills 1915 Act Bonds	890,000	100.000	890,000
City of Ontario 1915 Act Bonds	4,385,000	100.000	4,385,000
City of Rancho Cucamonga 1915 Act Bonds	1,005,000	100.000	1,005,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			**$1,835,372,186**

TOTAL OVERLAPPING GENERAL FUND DEBT:			
San Bernardino County General Fund Obligations	$ 368,015,000	50.335%	$ 185,240,350
San Bernardino County Pension Obligation Bonds	336,106,248	50.335	169,179,080
San Bernardino County Flood Control General Fund Obligations	68,325,000	50.335	34,391,389
Chaffey Community College District Certificates of Participation	31,725,000	98.750	31,328,438
Chino Valley Unified School District Certificates of Participation	10,060,000	100.000	10,060,000
Colton Joint Unified School District Certificates of Participation	1,758,652	1.091	19,187
Fontana Unified School District Certificates of Participation	31,370,000	91.582	28,729,273
Rialto Unified School District Certificates of Participation	15,028,677	7.981	1,199,439
Cucamonga School District Certificates of Participation	6,385,000	100.000	6,385,000
City of Fontana Certificates of Participation	39,685,000	82.146	32,599,640
City of Montclair General Fund Obligations	42,710,000	100.000	42,710,000
City of Ontario General Fund Obligations	60,200,000	100.000	60,200,000
City of Rialto General Fund Obligations	7,123,849	14.591	1,039,441
West Valley Vector Control District Certificates of Participation	2,556,686	100.000	2,556,686
TOTAL OVERLAPPING GENERAL FUND DEBT			**$605,637,923**

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$930,966,900	23.103-100.000%	$761,180,535

DIRECT DEBT	**$0**
TOTAL OVERLAPPING DEBT	**$3,202,190,644**
NET COMBINED TOTAL DEBT	**$3,202,190,644**(2)

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Computation of Direct and Overlapping Bonded Debt

As of June 30, 2018

RATIOS TO 2017-18 ASSESSED VALUATION:

Direct Debt..	**0.00%**
Total Direct and Overlapping Tax and Assessment Debt 1.76%	
Combined Direct Debt..	3.07%

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCIES INCREMENTAL VALUATION ($34,097,818,758):

Total Overlapping Tax Increment Debt	2.23%

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.

Source: California Municipal Statistics, Inc.

Operating Indicators - Wastewater Facilities

Design Capacity and Average Flow

As of June 30, 2018

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

The following table presents the design capacities and average flows of the Agency's water recycling facilities as of June 30, 2018:

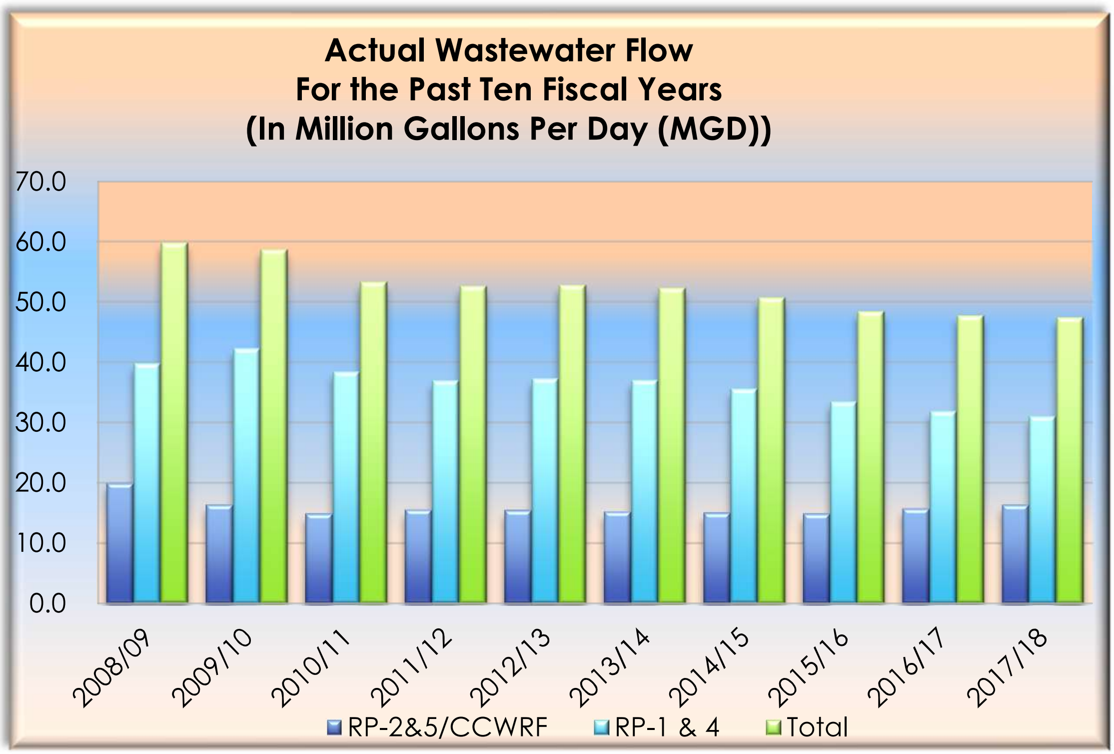
Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	21.2	48.2%
RP-4	14.0	9.8	70.0%
RP-5	16.3	8.4	51.5%
CCWRF	12.0	8.0	66.7%
Total	**86.3**	**47.4**	**55.0%**

**MGD = million gallons per day*

INLAND EMPIRE UTILITIES AGENCY

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

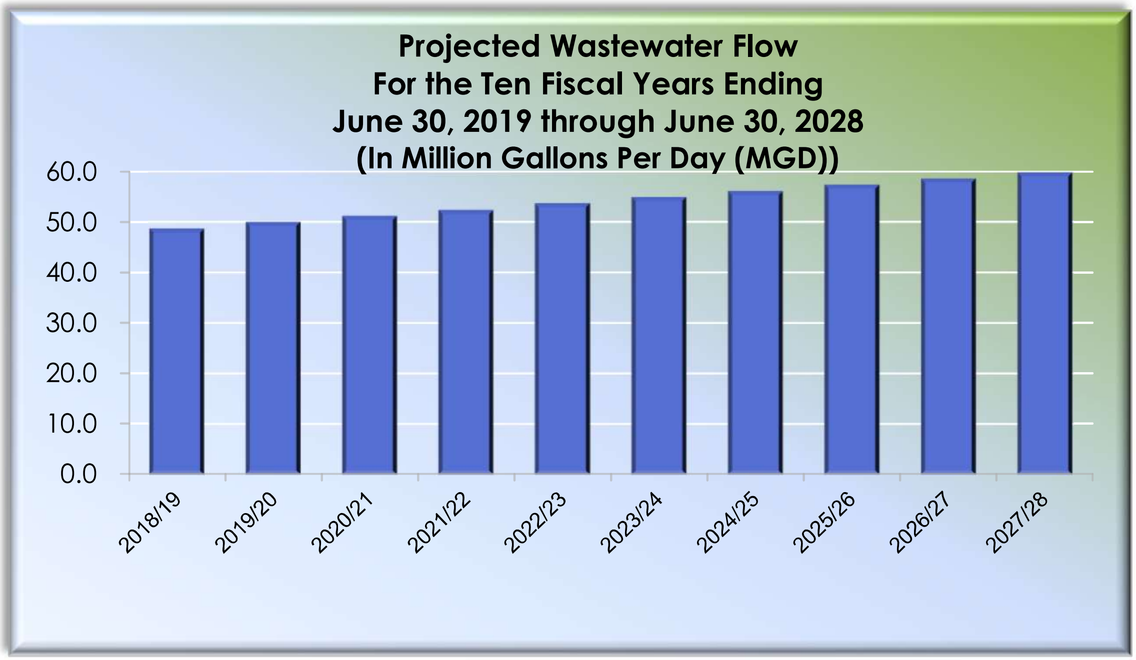
Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
2008/09	39.8	20.0	59.8
2009/10	42.3	16.4	58.7
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.3
2014/15	35.6	15.1	50.7
2015/16	33.5	14.9	48.4
2016/17	31.9	15.8	47.7
2017/18	31.0	16.4	47.4



INLAND EMPIRE UTILITIES AGENCY

Operating Indicator - Projected Wastewater Flow
For the Ten Fiscal Years Ending June 30, 2019 through June 30, 2028*
(In Million Gallons Per Day (MGD))

Fiscal Year	Total (MGD)
2018/19	48.7
2019/20	50.0
2020/21	51.2
2021/22	52.4
2022/23	53.7
2023/24	54.9
2024/25	56.1
2025/26	57.4
2026/27	58.6
2027/28	59.8



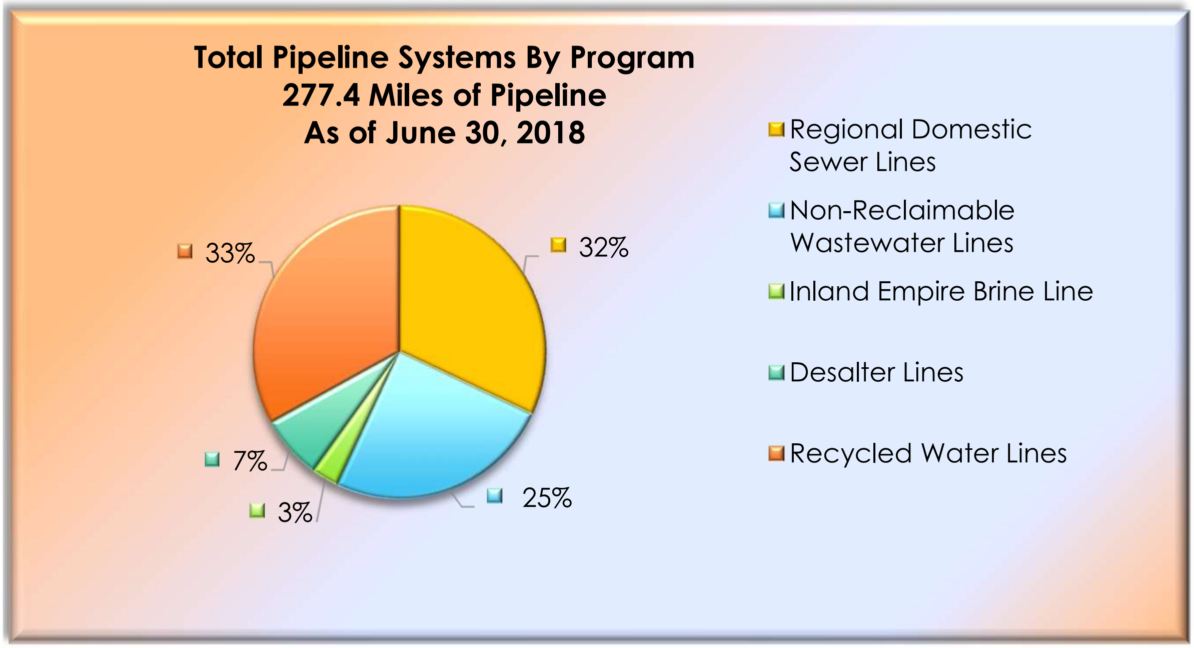
*** *Source: Statistics were Provided by IEUA Planning and Water Resources Department.*

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 increase gradually as the new housing development is on an increase in Inland Empire. The Agency is currently evaluating other limiting wastewater treatment capacity factors such as strength loading (BOD, TSS, Ammonia).

INLAND EMPIRE UTILITIES AGENCY

Operating and Capacity Indicators - Pipeline Systems By Program
As of June 30, 2018

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	90.1	32%
Non-Reclaimable Wastewater Lines	66.7	25%
Inland Empire Brine Line	9.0	3%
Desalter Lines	19.6	7%
Recycled Water Lines	92.0	33%
Total Miles of Pipeline	**277.4**	**100%**



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

INLAND EMPIRE UTILITIES AGENCY

Operating Indicators - FY 2017/18 Staffing Allocations
As of June 30, 2018

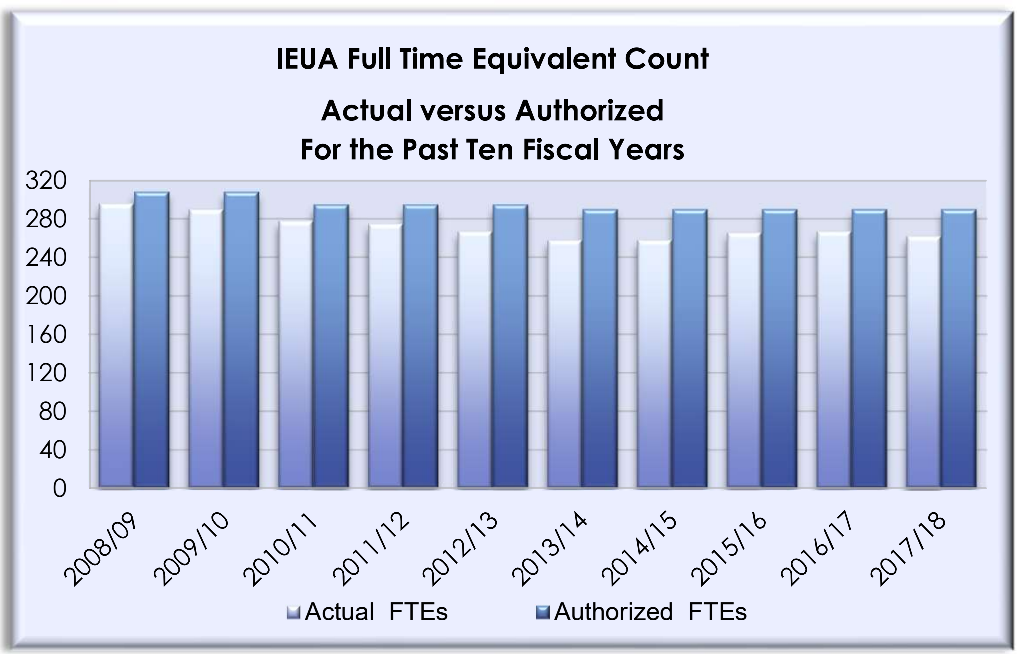
Actual staffing allocation by Agency Program	*FTE
Regional Wastewater Operations	153.3
Regional Wastewater Capital Programs	22.6
Recycled Water Programs	20.8
Inland Empire Regional Composting Authority Operations	25.6
Non-reclaimable Wastewater System Programs	12.6
Chino Basin Desalter Operations & Capital Programs	8.1
Recharge Water Programs	3.6
Water Related Activities & Conservation Programs	13.6
General Administration	1.8
Total FTE Count	**262**
Total Authorized FTE	**290**
Vacancy Factor Percentage	**9.7%**

Source: IEUA June 2018 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
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
2017/18	262	290



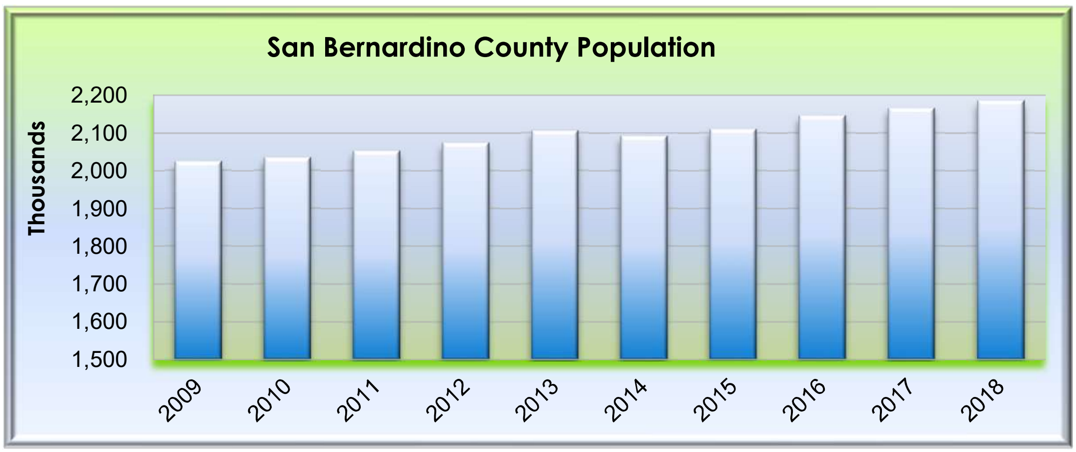
The chart and table above compared the number of authorized full time equivalent (FTE) positions to actual employees at the end of the fiscal year for the past ten years.

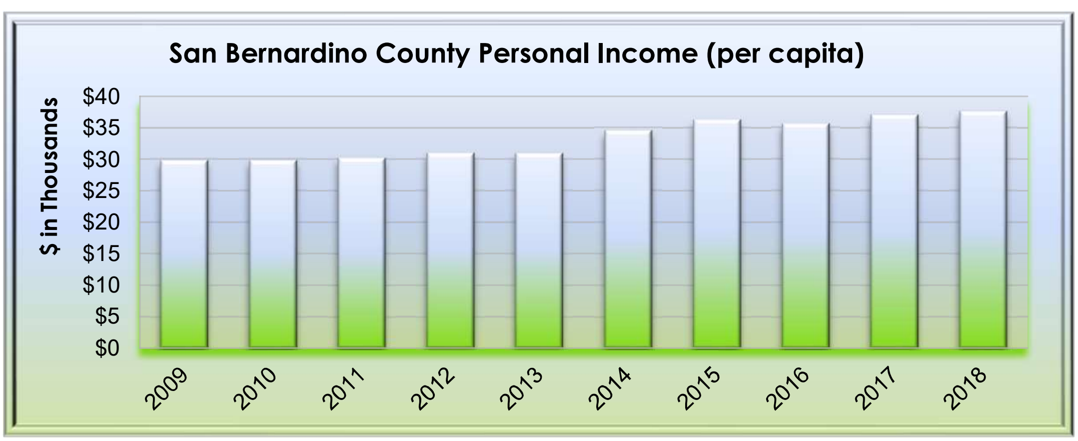
INLAND EMPIRE UTILITIES AGENCY

Demographic and Economic Statistics - Population and Personal Income Statistics
For the Past Ten Fiscal Years

San Bernardino County (1)

Year	Population	Personal Income (billions)	Personal Income (per capita)
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
2018	2,186,527	86.3	37,628





Footnotes:

(1) Source: San Bernardino County Economic Forecast 2017-2050.

(2) The County data is representative of the conditions and experience of the Agency's service area.

(3) Data for Year 2018 has been estimated.

INLAND EMPIRE UTILITIES AGENCY
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	5,745
Fontana Unified School District	Fontana	4,560
Ontario-Montclair School Distsrict	Montclair	2,610
Chino Valley Unified School District	Chino	2,509
San Antonio Community Hospital	Upland	2,200
Inland Empire Health Plan	Rancho Cucamonga	2,200
Chaffey Community College District	Rancho Cucamonga	2,064
Chaffey Joint Union High School District	Rancho Cucamonga	1,930
City of Ontario	Ontario	1,207

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.*

INLAND EMPIRE UTILITIES AGENCY

Appropriations Limit

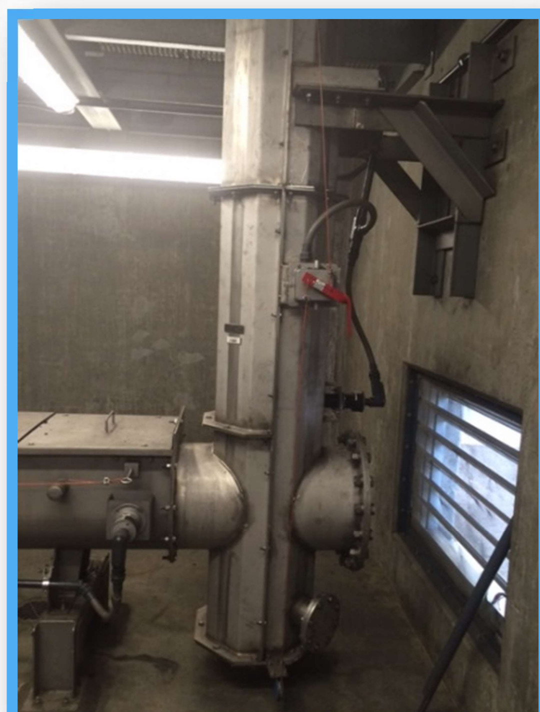
Fiscal Years Ended June 30, 2014 through 2018*

Fiscal Year	Annual Appropriations Limit	Proceeds of Taxes (Appropriations)
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
2017/18	$ 178,006,894	$ 46,046,000

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

RP-1 Safety Improvements/Dewatering
Vertical Conveyors

Housing Removed During Construction



New Conveyor Housing

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, 2018. 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.

LSL
CPAs AND ADVISORS

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

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

Lance, Soll & Lunghard, LLP

Brea, California
May 18, 2017

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2017-2018
APPROPRIATIONS LIMIT CALCULATION

A.	2016-2017 APPROPRIATIONS LIMIT:	$ 169,703,311	
B.	2017-2018 CHANGE IN PER CAPITA PERSONAL INCOME:		1.03690
C.	2017-2018 CHANGE IN POPULATION:		1.01160
D.	RATIO OF CHANGE (1.03690 X 1.01160):	x 1.04893	
E.	2017-2018 APPROPRIATIONS LIMIT: ($169,703,311 X 1.04893)	$ 178,006,894	

General Counsel
JC Law
5871 Pine Ave., Suite 200
Chino Hills, CA 91709

Auditor
Lance, Soll & Lunghard, LLP
203 N. Brea Blvd., Suite 203
Brea, CA 92821

Labor Counsel
Dorgan Legal Services, LLP
790 E. Colorado Blvd., 9th Floor
Pasadena, CA 91101

Acknowledgements

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

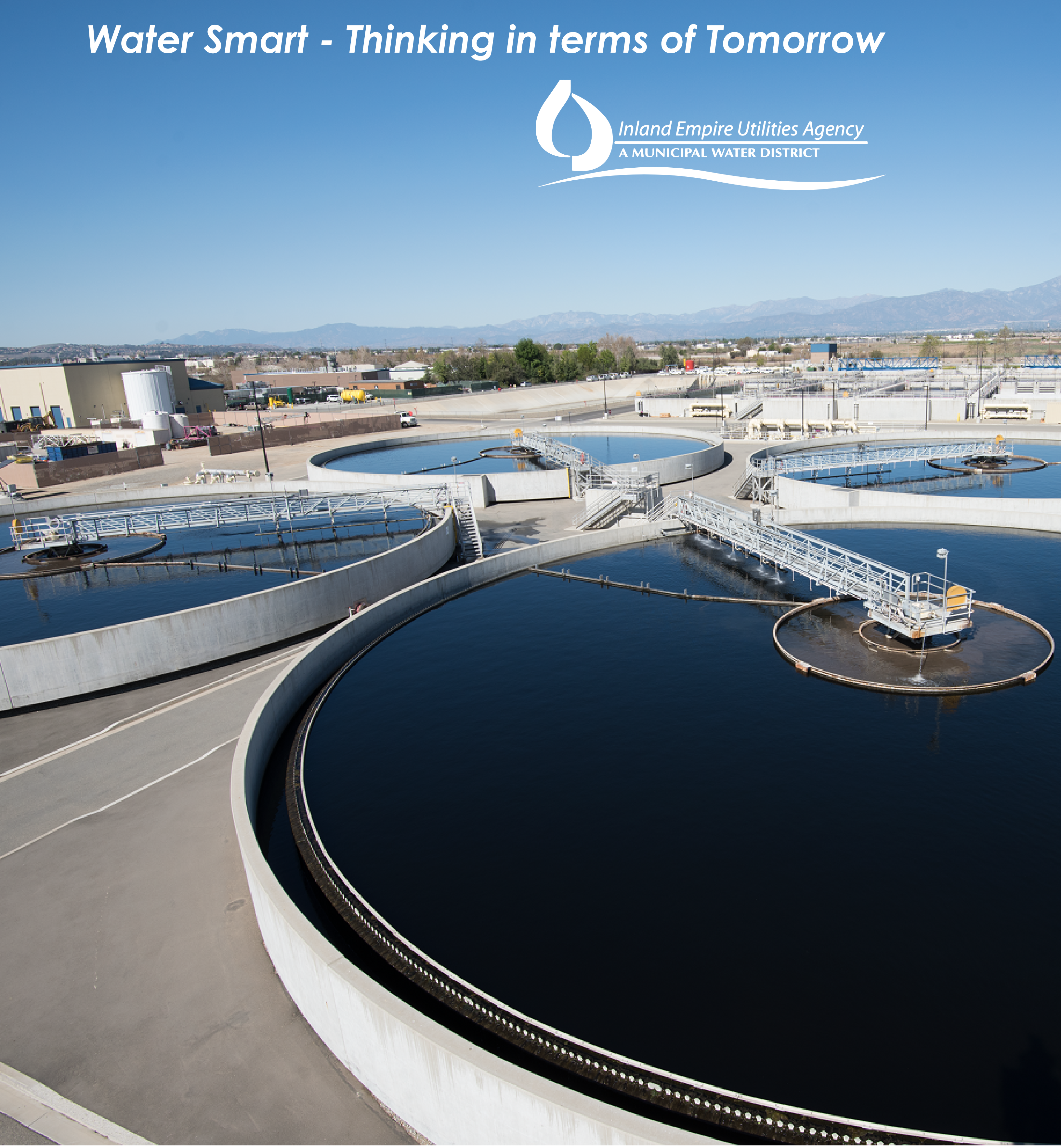
RP-1 Liquid Treatment Capacity Recovery Project

Membrane Bio-Reactor

RP-1 Biofilter Trickling Filter

Water Smart - Thinking in terms of Tomorrow

Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT



Inland Empire Utilities Agency
A Municipal Water District
6075 Kimball Avenue
Chino, CA 91708

P.O. Box 9020
Chino Hills, CA 91709

Phone: 909-993-1600
Fax: 909-993-1986
www.ieua.org

@ieuawater