Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Inland Empire Utilities Agency*
Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2015

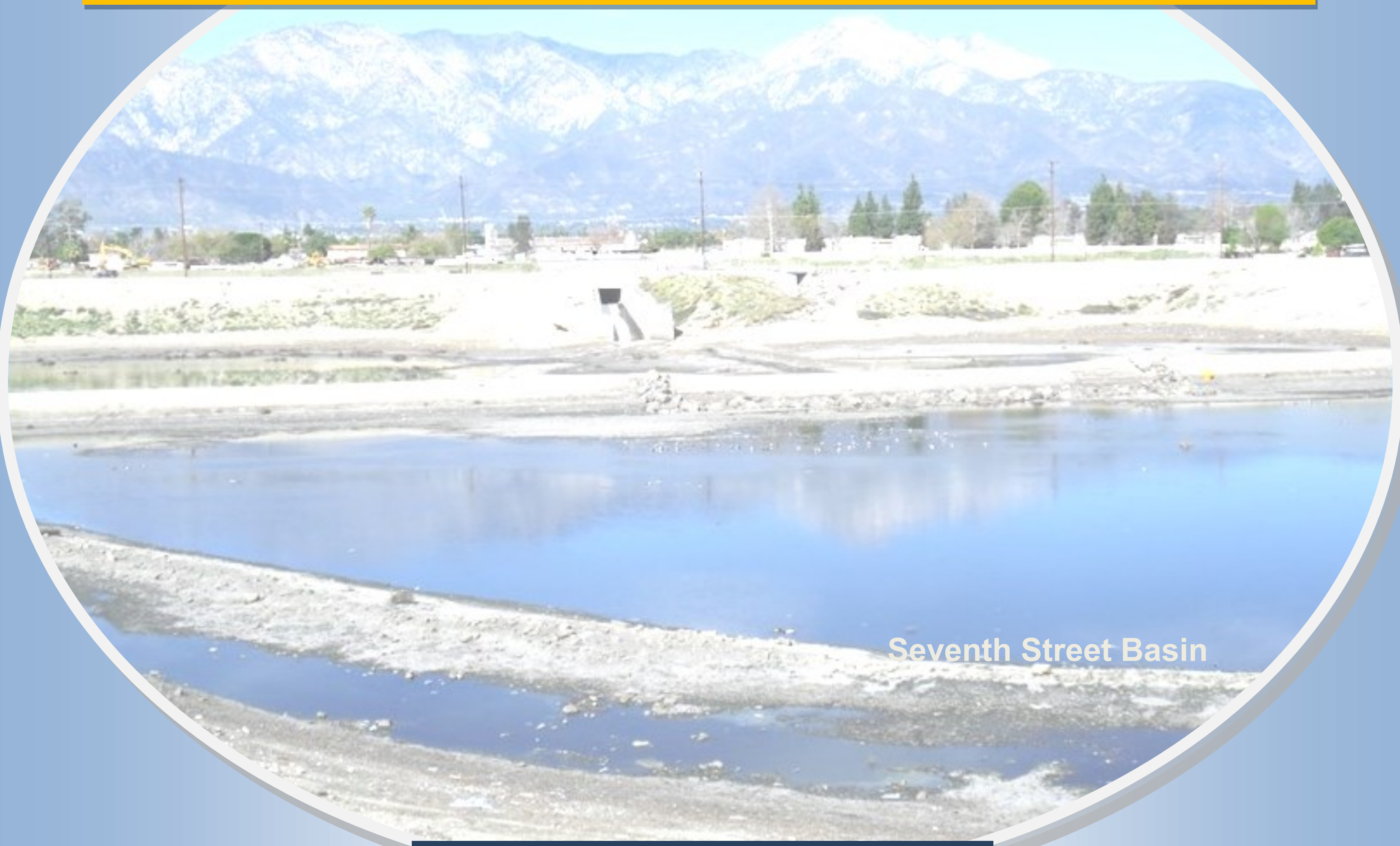
Water Smart—Thinking in Terms of Tomorrow

** A Municipal Water District*

Chino, California

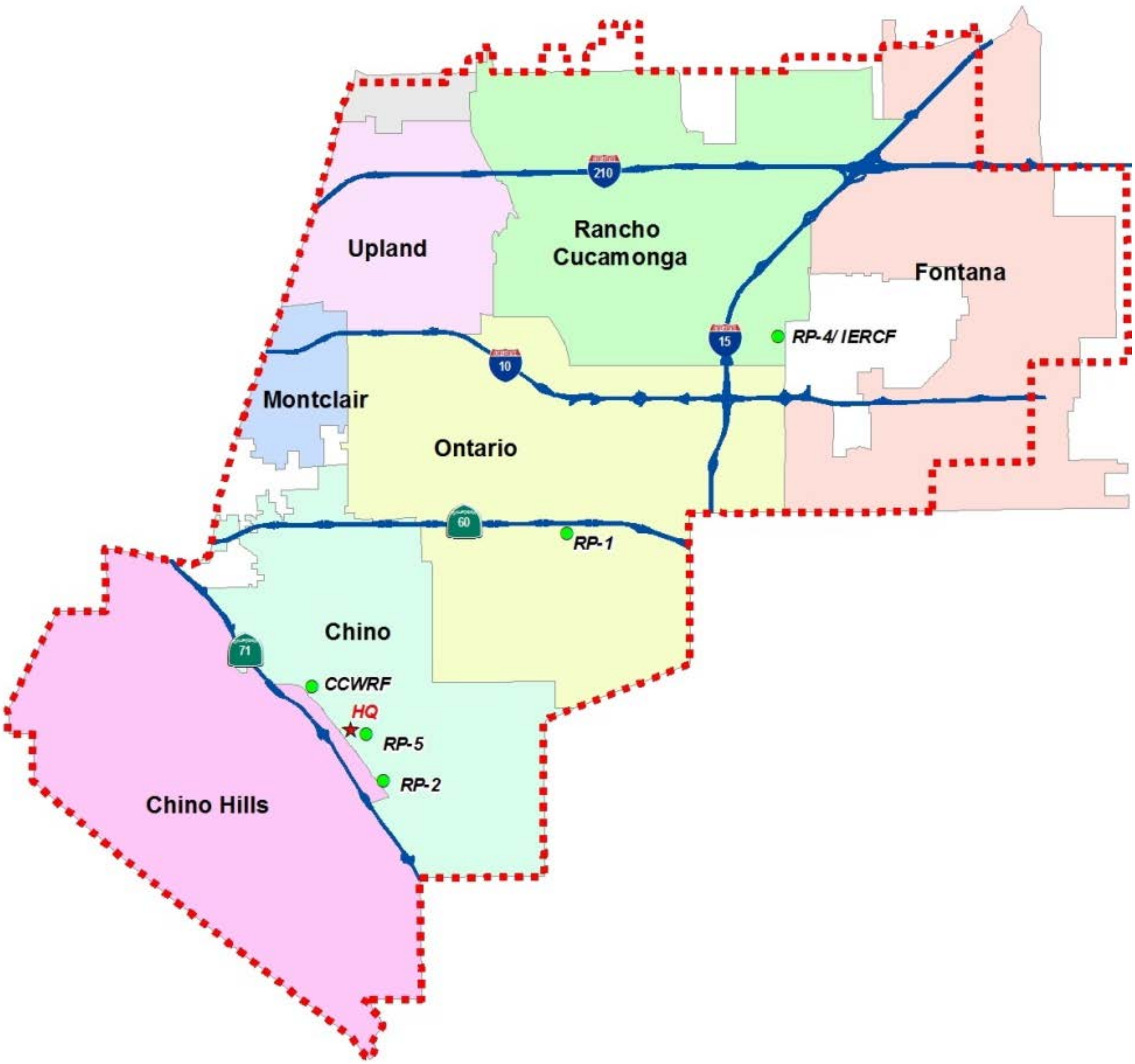
DRIED OUT LAKE ON A GOLF COURSE –
LA QUINTA, CA

Inland Empire Utilities Agency*
Comprehensive Annual Financial Report



Fiscal Year Ended
June 30, 2015

INLAND EMPIRE UTILITIES AGENCY
Service Area



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

AGENCY VISION

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

AGENCY MISSION

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

Key areas of service:

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

AGENCY VALUES

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

The Inland Empire Utilities Agency is:

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

INLAND EMPIRE UTILITIES AGENCY
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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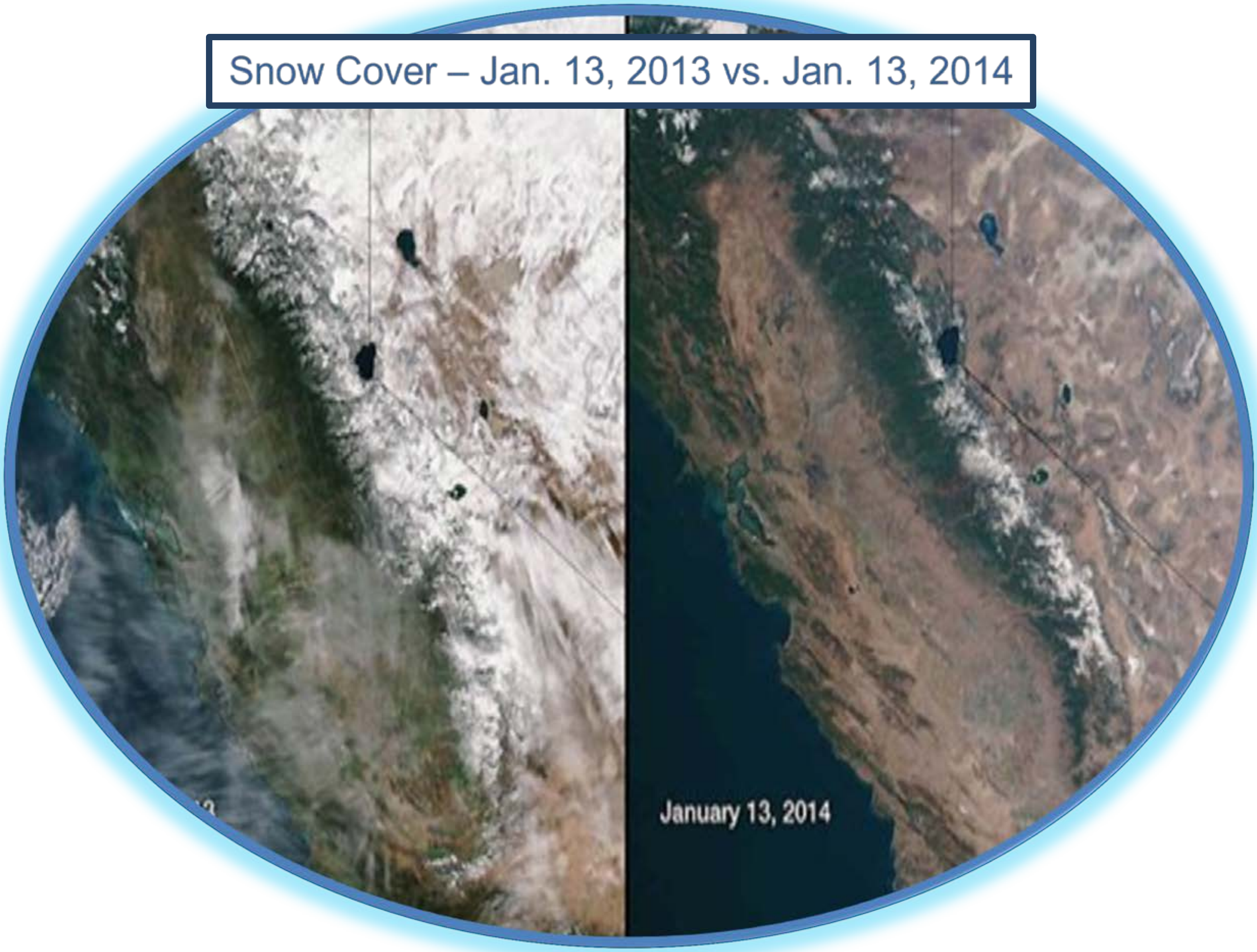

Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

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December 16, 2015

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, 2015.

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

The Agency's financial statements have been audited by White Nelson Diehl Evans LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2015, 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 ("clean") opinion that the Agency's financial statements for the year ended June 30, 2015 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.

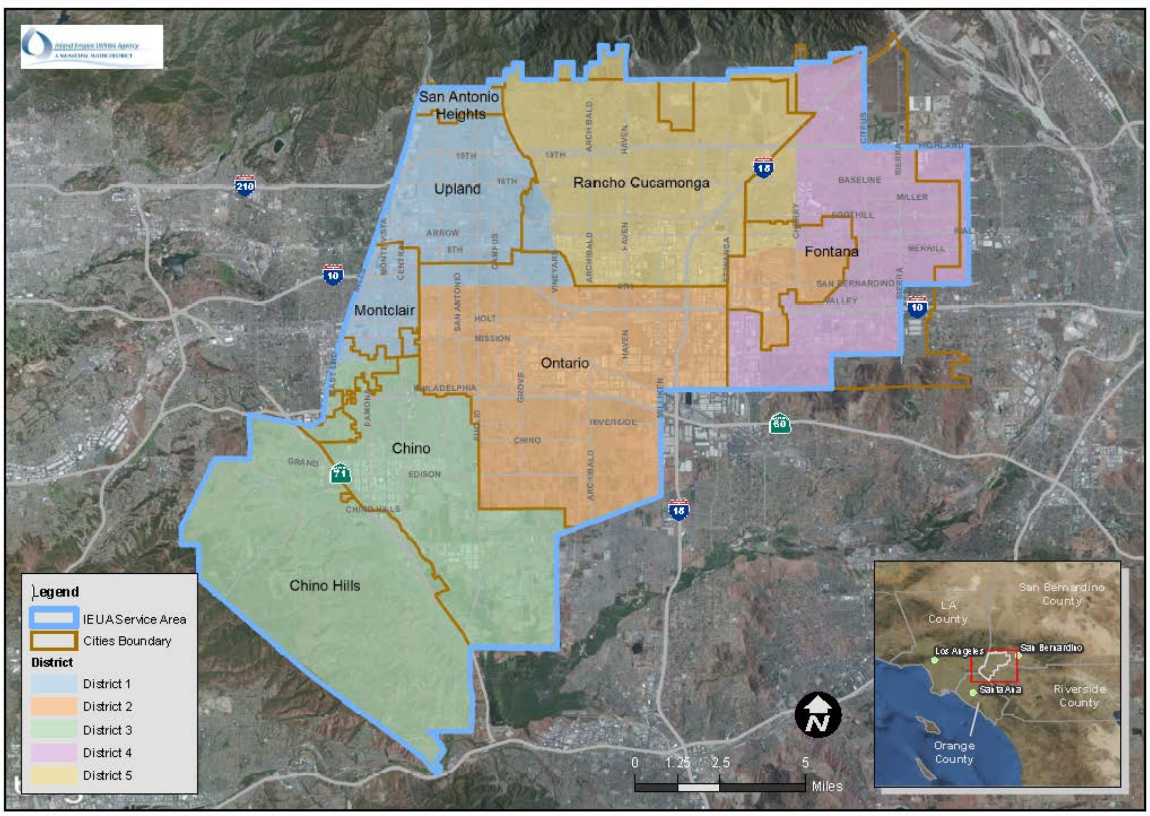
Accounting principles generally accepted in the United States of America requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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

This year the Agency celebrates its 65th anniversary. The Agency was established by a majority vote in a special election on June 6, 1950 to bring supplemental imported water to a semi-arid region, and to meet domestic and agricultural needs for an original population of approximately 80,000 people. Until July 1, 1998, the Agency was known as Chino Basin Municipal Water District, named after the underlying Chino groundwater basin, and was organized as a California municipal corporation and a political subdivision of the State under the Municipal Water District Act of 1911. Once formed, in 1951 the Agency's electorate voted to annex to the Metropolitan Water District of Southern California. The original service area was 91.8 square miles. Land was added to the Agency through three subsequent annexations, bringing the Agency service area to its current total of 242 square miles. This service area includes the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland. From the west, the Agency extends from the Los Angeles County line to a point near the eastern boundary of the City of Fontana; and, from the north it extends from the base of the San Gabriel Mountains and extends south to the Riverside County line and then southwest to the Orange County line.

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.

INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):

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

The Agency currently operates five water recycling plants.

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

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

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

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

Carbon Canyon Water Recycling Facility (CCWRF)

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

INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):

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

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

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

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

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

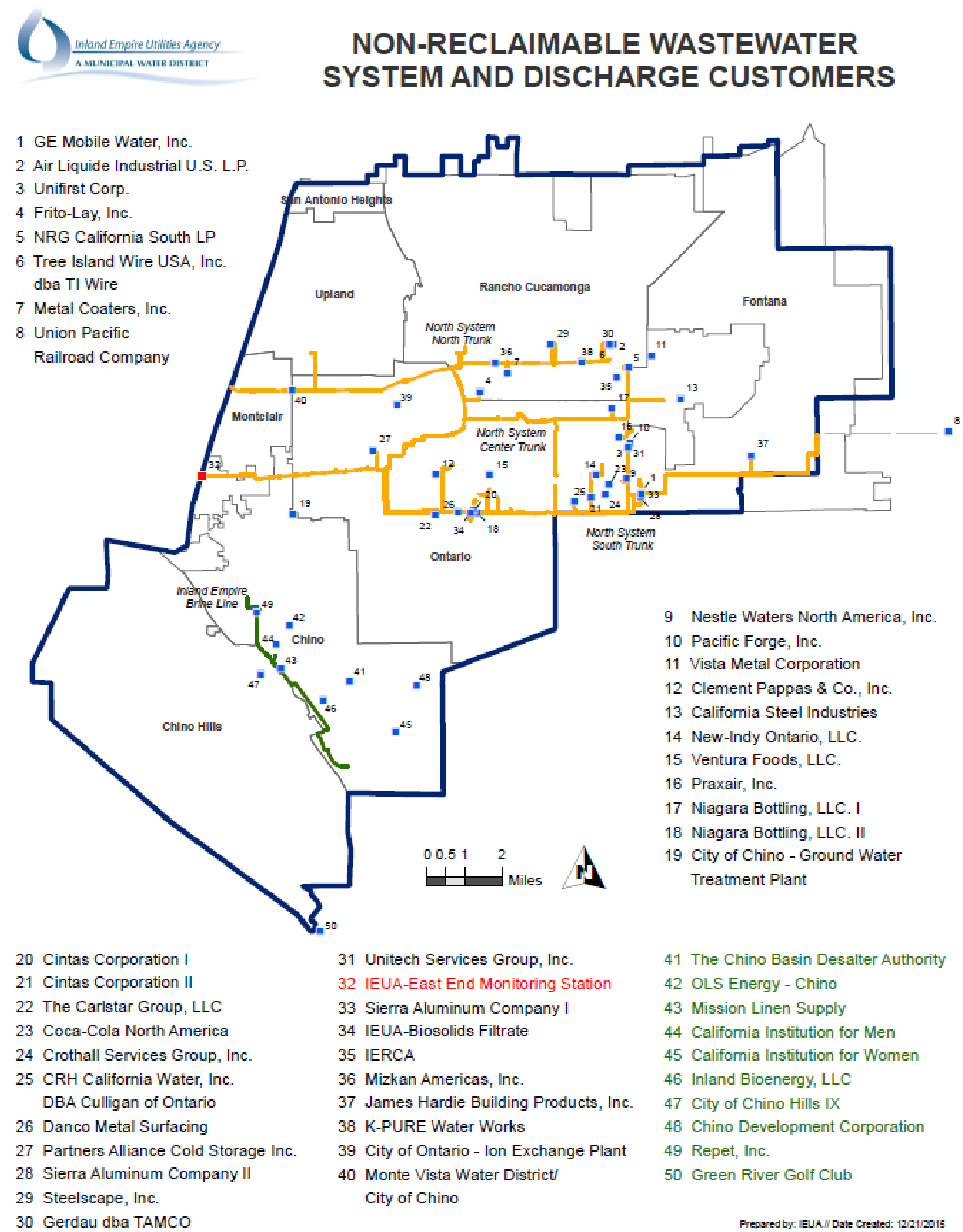
The Agency operates the Non-reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts, for discharge into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of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

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

As of June 30, 2015, approximately 52 industries discharged the brine wastewater generated from their process. Some of the largest industries are California Steel Industries, New-Indy Ontario, Frito Lay Inc., GenOn, Ventura Foods, Mission Uniform and Linen Services, Crothall, GE Mobil Water, Clement Pappas North, Cintas Corporation (I) and (II), Nestle (Arrowhead) Water, Unifirst, Sierra Aluminum (II), and Niagara Bottling I and II. These industries are directly connected to the Agency's NRWS. The NRWS also serves approximately 17 industrial customers that truck their wastewater to the Agency's dump discharge stations.

INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):



INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):

During 1972, bond proceeds were used to purchase treatment capacity in the County Sanitation Districts of Orange County (CSDOC) Fountain Valley treatment facility for the Agency's Southern Non-Reclaimable Wastewater System (NRWS). In 1981, the Santa Ana Watershed Project Authority (SAWPA) assigned the Agency a capacity right of 2.5 million gallons per day (mgd) in the Inland Empire Brine Line (IEBL), formerly known as 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 South NRWS owns a 2.15 mgd of fixed pipeline capacity right in the IEBL, and 2.15 mgd of fixed treatment capacity in the CSDOC treatment plants.

In addition to the pipeline and treatment capacity owned by the South NRWS, the Regional Wastewater System also owns 1.984 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 the County Sanitation Districts of Los Angeles County (SDLAC) entered into agreements dating back to 1966 under which SDLAC agreed to accept the Agency's industrial wastewater flows from the NRWS Northern System. This agreement was set to expire in May 2018. On December 18, 2013, the Agency's Board of Directors approved the new NRWS Wastewater Disposal Agreement between the Agency and SDLAC effective July 1, 2014. The new agreement has a term of 30 years, allowing for four additional five-year extensions. Under the agreement, the Agency is treated as an industrial customer in the SDLAC sewerage system. The Agency has been assigned 15,000 capacity units per year which combines wastewater discharge, discharge flow rate, and strength components to be billed accordingly. The Agency is still responsible for the Agency owned NRWS infrastructure.

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

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

Agency wide – 3.5 MW Photovoltaic System

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

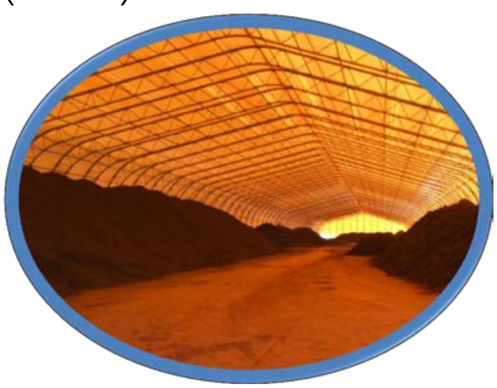
INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):

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, and pictured here, generate 30% more energy than fixed-tilt technology.

Joint Powers of Authorities

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



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

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

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

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

INLAND EMPIRE UTILITIES AGENCY PROFILE (continued):

Up to the Present (continued):

Recycled Water Distribution System

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

- New Water Supply – 30,000 AFY increase in connected demand since FY 2006/07
- Recycled Water Revenues – an estimated $12 million/year (wholesale rate revenue plus MWD rebate). The goal of the program is to be self-funded through recycled water sales revenue.
- The recycled water supply is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.

Since 2010, the rate of connection for direct use customers to the regional recycled water system has been stagnant. The main causes can be attributed to the recession and limited financial resources. As a result, the Agency has shifted its focus from direct connections to pursuing additional regional groundwater recharge projects. The next phase of projects and priorities will be developed in the Recycled Water Program Strategy, scheduled for completion in spring 2016.

Groundwater Recharge Basins

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

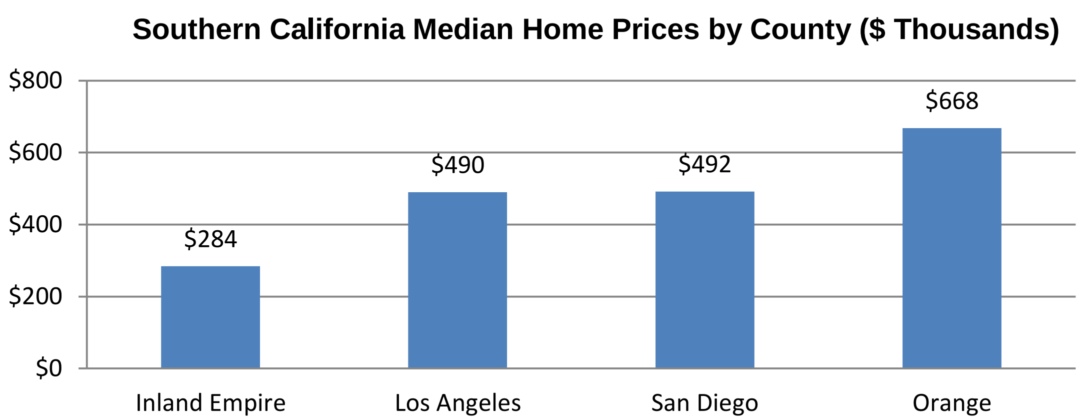
The Agency, CBWM, the Chino Basin Water Conservation District (CBWCD), and their respective member agencies completed in 2013 a review of the 2010 Recharge Master Plan (2013 Recharge Master Plan Update). The Update evaluated 27 yield enhancing capital projects, which are included in the Ten Year Capital Improvement Plan (TYCIP). The remaining projects required additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program. The Agency will continue to work with CBWM and CBWCD toward this end.

ECONOMIC CONDITION AND OUTLOOK

Despite the economic downturn in 2008, its geographic location, rising labor force, outstanding academic resources, and sophisticated logistics infrastructure, position the Inland Empire (IE) with the capacity to effectively handle growth as it returns. In the IE, taxable sales increased by 6.9 percent in 2013, surpassing California's sales growth rate of 6.4 percent. These continued to increase throughout 2014, growing 5.8 percent in the first half of the year. A surge in new development is also a positive sign throughout the region, particularly in the Agency's service area. Finally, with 30,000 jobs added last year and a positive start to 2015, its 6.5 percent unemployment rate has decreased to meet California's 6.5 percent, just slightly higher than the nation's 5.5 percent, as of March 2015. Despite high unemployment in the region, the IE population continued to grow throughout the recession at an average rate of just under 1 percent per year from 2008 to 2014. Now the Agency's service area population is projected to surpass 850,000 by FY 2015/16.

- ***Housing Market –*** The Inland Empire's economy is beginning to gain speed alongside the recovering housing market. According to a recent report by Metrostudy, a national housing data and consulting firm that maintains the most extensive primary database on residential construction in the US housing market, the IE economy began to recover in 2013. Growing numbers of housing starts and escrow closings indicate that the service area has turned a corner, with total escrow closings in the 1st quarter of 2015 increasing by 23.1 percent over the 1st quarter of 2014. More and more people in the region can now afford to buy a median priced home. The only problem they face is that the inventory of available houses still remains relatively low, both in the IE and throughout California. Furthermore, IE's average home price is beginning to rise slightly, although at a much slower pace than that of the rest of Southern California.

  Source: Metrostudy Report, Inland Empire Housing, May 2015



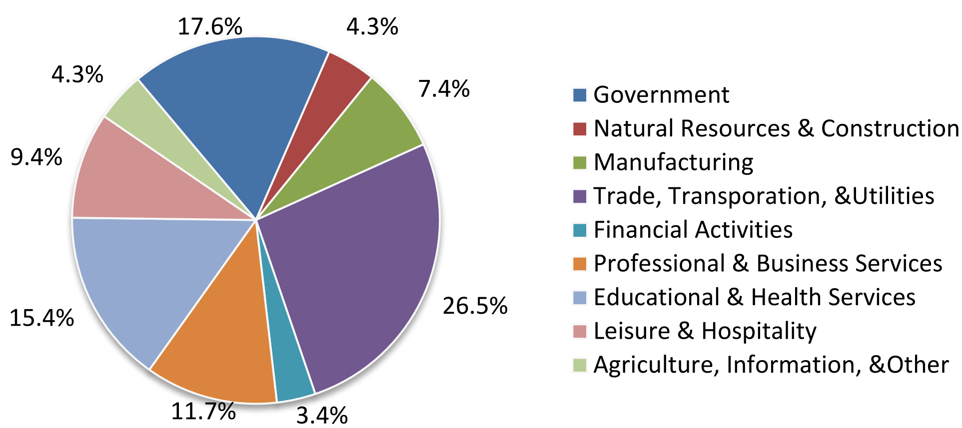
Source: John Husing, April 2015 Inland Empire Quarterly Economic Report

ECONOMIC CONDITION AND OUTLOOK – (continued)

- ***Employment –*** As the IE economy continues to recover, unemployment in the region has finally dropped to meet the state average. As shown below in the three largest employers by industry are transportation (logistics), government, and educational and health services representing nearly 60 percent of the labor market in San Bernardino County. The strong US dollar in 2014 led to a record high volume of imports through Southern California ports. This combined with an increase in the demand for larger warehouses and fulfillment centers by conventional and online retailers has resulted in a surge of logistics related jobs in the region.

  The educational and health services industry is another key employer of the IE. As the lower housing prices in the region continue to entice people moving out of the more expensive areas of Southern California, the need for educators and health care professionals continues to grow to support the moving population. This sector already supplies over 15 percent of the county's jobs. Economist John Husing calculated that the IE has one health care worker for every 35.8 residents, still lagging behind the state average of one per every 28 residents. This factor points to likely continued growth in this sector in the future.

San Bernardino County Jobs by Industry



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

- ***Median Income–***Median annual income is estimated to be $68,184 in the Agency's service area, $54,090 in San Bernardino County, and $61,094 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.

ECONOMIC CONDITION AND OUTLOOK – (continued)

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

Agency Service Area	Median Annual Income
Chino Hills	$96,497
Chino	$71,466
Upland	$62,667
Montclair	$50,220
Ontario	$54,249
Fontana	$64,354
Rancho Cucamonga	$77,835
Service Area Average	**$68,184**
San Bernardino County Average	$54,090
State of California Average	$61,094

Source: www.dof.ca.gov/research - American Community Survey (2013)

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Over the last 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 team. Some of these milestones will help position the Agency in a more stable fiscal and operational status to more effectively execute the planned initiatives as outlined in the Agency's Strategic Plan. Other milestones will help the Agency leverage opportunities and address unplanned challenges that arise along the way.

Significant milestones reached in FY 2014/15 include:

- Adopting the Agency's first biennial Operating Budget for FY's 2015/16 – 2016/17,
- Adopting five year rates and fees for FY's 2015/16-2019/20 for the Agency's regional wastewater and recycled water programs, that will fully recover the cost of providing the service, and
- Establishment of a regional water connection fee to support future expansion and enhancement of the Agency's regional water system.

In late April 2015, the Agency submitted a pre-application for a State Revolving Fund (SRF) loan and Proposition 1A grant for $31 million in support of the 2015 Drought Relief Recycled Water Supply Optimization Program Phase 1 (Optimization Program). The Optimization Program will deliver an estimated 4,000 AFY of recycled water, bringing the Agency closer to its goal of 50,000 AFY of recycled water deliveries by 2025. The Agency will continue to aggressively pursue federal, state and regional grants and incentives, including rebates offered

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15

by MWD, and the low interest SRF loans, to reduce the cost of executing the planned programs and projects included in the adopted biennial budget and TYCIP.

One of the challenges the Agency faces is meeting the Governor's mandate to reduce urban water use by 25 percent. Assisting our member agencies to meet this requirement is a top priority for the Agency. Proceeds received from the SAWPA Proposition 84 grant will be used to develop a "toolkit" member agencies can use to enhance water use efficiency, and mitigate the impact of the mandated cutbacks; such as

- Expansion of the turf removal program rebates,
- Compilation of parcel and climate data for use in the implementation of financially stable rate structures, and
- State-of-the-art technology to more effectively detect water leaks.

As the "Steward of the Region", the Agency is committed to sustainability enhancing the quality of life in the Inland Empire by ensuring that a clean, reliable and resilient water supply is available now and in the future. These principles will continue to guide the Agency and its member agencies in developing and prioritizing initiatives to effectively address the effects of climate change and its impact to our region's vital water resources.

Some of the major capital construction projects in FY 2014/15 included:

- ***Wineville Recycled Water Pipeline Extension Segment B***

The Wineville Extension project includes six miles of pipeline, which will primarily build the Regional Recycled Water distribution system in the southern part of the City of Fontana and the eastern part of the City of Ontario (Segments A and B).

The Wineville Pipeline will allow for the connection of commercial, industrial customers, parks, and schools; and also provide RP-3 and Declez Basins recycled water for groundwater recharge.

Wineville Segment B Pipeline Installation

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15 (continued):

The project will connect between 3,000 to 4,000 AFY of recycled water. Segment A was completed in FY 2014/15. At June 30, 2015 Segment B was 93 percent complete, with an anticipated completion date of October 2015.

Electrical Conduit at Trapezoid Channel at RP3

First piece of 24 –inch PVC line installed in trench

- *RP-1 Outfall Relocation and Upsizing*

The layout of the proposed lots and streets in the proposed residential development in the City of Ontario (between Riverside Drive and Chino Avenue), the existing 30-inch RP-1 Outfall recycled water pipeline needed to be relocated outside of its easement into public right-of-way. Two 72-inch triple offset butterfly valves were installed.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15 (continued):

RP1 – Outfall Pipeline located on Riverside Drive

The upsizing of the 30-inch RP-1 Outfall pipeline with a 72-inch pipeline will meet the future demands in the 800 and 930 pressure zones, overcome existing hydraulic issues, and eliminate the need to build a parallel pipeline in the future.

72" Welded Steel Pipe along the Flood Control District right-of-way adjacent to the Cucamonga Channel

- ***Montclair Lift Station Upgrades***

Flow to RP-1 was diverted to accommodate the demand for recycled water at the southern area of the IEUA service area. This additional flow also generated a "ragging" problem at the Montclair Pump Station, requiring frequent de-ragging of the pumps. No manual de-ragging has been required since the completion of the system upgrades.

New Flygt Pumps

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15 (continued):

The pump station upgrades included replacement of piping, valves, pumps, lighting, transformers, hot tap lines, HVAC, and SCADA system installation.

New Control and Electrical Distribution Systems

Recycled Water Projects

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

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

Recycled Water Deliveries by Acre Foot

Type	Existing				Projected		
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Direct Use	20,605	21,840	24,659	22,580	23,700	24,200	22,580
GW Recharge	8,634	10,479	13,593	10,840	11,450	12,900	10,840
Total	29,239	32,319	38,251	33,420	35,150	37,100	33,420

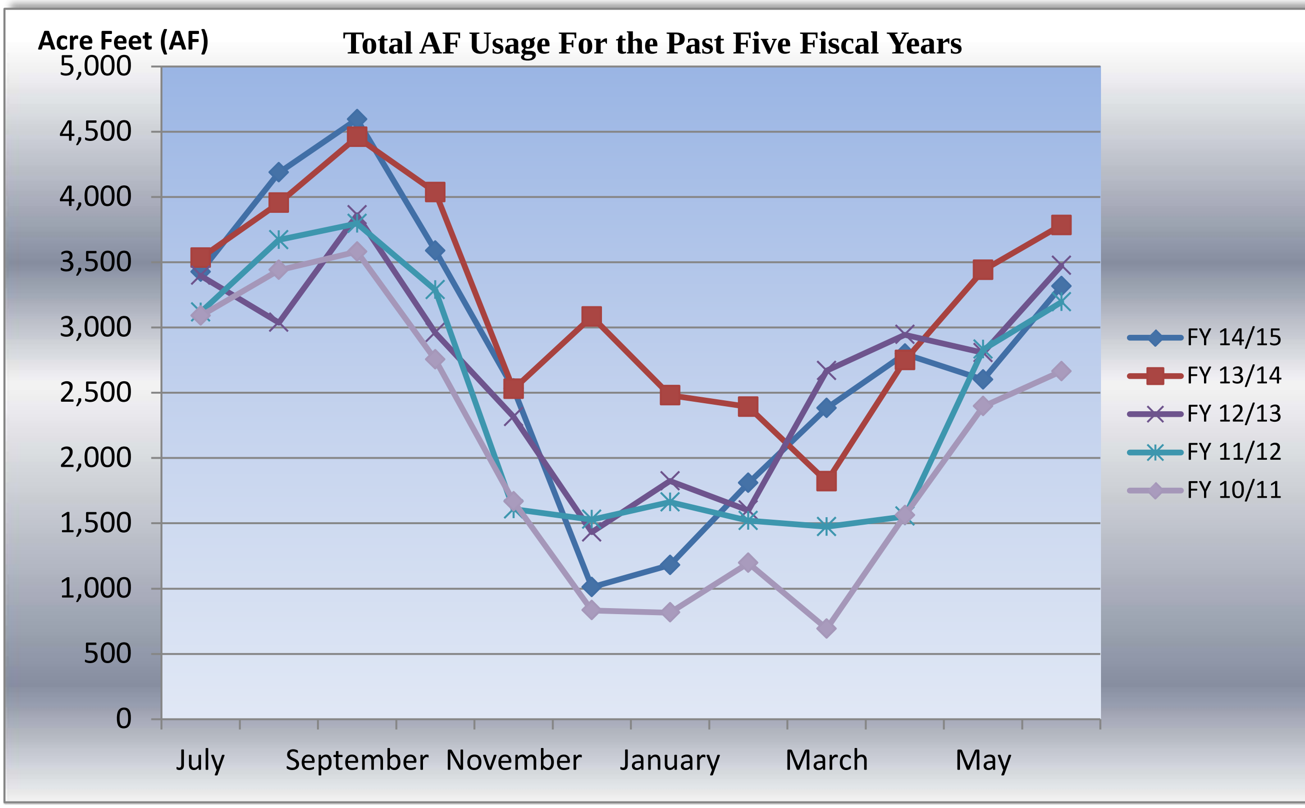
MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15 (continued):

During FY 2014/15, 39 new connections, with a new connected demand of 820 AFY were connected to the recycled water system.

- New connections made for FY 2014/15 – 39
- Total Member Agency Connected Meters to-date – 845

Annual Recycled Water Connected Capacity Summary (AFY)



MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Initiatives for FY 2014/15 (continued):

- *RP-4 Headworks Retrofits*

This project altered the RP-4 headworks building to improve accessibility for operation and maintenance, removing the leaky sluice gates at the bar screens and replacing the gates with steel gates.

Headworks Building Before Construction

The scope of work also included the addition of a speed door on the south side; installation of new fine screens, conveyor modifications; and replacement of the washer/compactor, and installation of a fiberglass reinforced plastic headworks building.

New Headworks Building and Fine Screens

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15

The highlights of major activities and accomplishments are as follows:

Grants are an important source of funding for Agency and Chino Basin Desalter (CDA) projects. In FY 2014/15 federal, state and local grants and loans provided $33.5 million to fund the Agency's capital projects, and $10.6 million to fund the Chino Basin Desalter Authority (CDA) capital projects, for combined funding of $44.1 million. Grant receipts of $5.2 million and State Revolving Fund (SRF) loan proceeds of $28.3 million were invoiced in FY 2014/15. Grant receipts of $10,577,549 were invoiced by IEUA in FY 2014/15 on behalf of and passed-through to the CDA. Cumulative grant and loan funding of $146.4 million has been awarded, with a remaining award balance of $59,860,717 to be completed in future years. Included in the cumulative award is $8,750,000 awarded in FY 2014/15.

Active Grant and SRF Loan Summary
As of June 30, 2015

Funding Agency	Project Name	Award Amount	Award Balance	Invoiced Through (6/30/14)	Invoiced FY14/15 (07/01/14 - 6/30/15)	Award Balance
FEDERAL GRANTS						
Active Federal Grants		$ 1,339,083	$ 1,139,083	$ 1,162,661	$ 149,617	$ 26,805
STATE GRANTS						
Active State & Local Grant		$ 13,973,573	$ 6,418,253	$ 5,605,195	$ 5,028,232	$ 3,340,146
Total Active Federal, State & Local Grant		$ 15,312,656	$ 7,557,336	$ 6,767,856	$ 5,177,849	$ 3,366,951
SRF LOANS						
Sub-total Active SRF Loans		$ 70,208,638	$ 26,608,638	$ 16,836,273	$ 28,319,471	$ 25,052,894
CDA GRANTS						
Sub-total Active CDA Grants		$ 60,846,027	$ 32,054,733	$ 18,827,606	$ 10,577,549	$ 31,440,871
GRAND TOTAL ACTIVE GRANTS & LOANS		$ 146,367,321	$ 34,165,974	$ 42,431,735	$ 44,074,869	$ 59,860,717
Active Grants & Loans		$ 146,367,321	$ 34,165,974	$ 42,431,735	$ 44,074,869	$ 59,860,717
Closed Grants		$ 179,604,064				
Closed SRF loans		$ 86,107,654				
Closed grants and SRF loans		$ 265,711,718				
Total Active and Closed Grants & Loans since 2002		$ 412,079,039	$ 34,165,974	$ 42,431,735	$ 44,074,869	$ 59,860,717

*Includes FY 2014/2015 Accrued Grant Receipts and Loan Proceeds

The grant and loan funding has been used for the Agency's recycled water projects, CDA drinking water desalination facilities, groundwater improvement facilities, and water quality and water conservation projects.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments

The significant impact of Agency grants and loans on the funding of projects:

- ***Federal Grants***

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

USBR awarded to IEUA, in association with Chino Basin Watermaster (CBWM), $750,000 in grant funding to help relieve the drought. Under the CALFED Water Smart Bay-Delta Restoration Water Use Efficiency Grant Program for the Basin Improvement and Storm water Capture Project, the grant funding will be used for the design and construction of the San Sevaine and the Lower Day Groundwater Recharge Basin Improvement projects. These projects will provide approximately 5,537 AFY new local water supplies.

USBR Regional Residential Landscape Surveys & Retrofit Program grant was invoiced for $40,976 to utilize the balance of the $200,000 in grant funding.

USBR grant awarded $5 million to IEUA on behalf of the Chino Basin Desalter Authority (CDA) under the Title XVI Water Reclamation and Reuse Grant Program. The $5 million grant award will be used to support the $64 million Concentrate Reduction Facility (CRF) Project construction, a core component of the $150 Million CDA Phase 3 Expansion Project. IEUA serves as the grant administrator for this grant.

USBR grant awarded $3.9 million to IEUA on behalf of the CDA for the 1010 Zone Pump Station and New Product Water Pipelines. A total of $2,666,474 was invoiced in FY 2014/15.

USBR grants awarded &4.5 million to IEUA on behalf of CDA under the Title XVI program for the Chino Creek Wellfield Wells ($1.5 million) and the Chino Basin Groundwater Wells and Raw Water Pipelines Projects ($3.0 million). A total of $934,017 was invoiced in FY 2014/15.

- ***State and Local Grants***

Drought Response

With California facing one of the most severe droughts on record, Governor Brown declared a drought State of Emergency in January 2014 and directed state officials to take all necessary actions to prepare for water shortages. In November 2014, California voters overwhelmingly passed Proposition 1: the Water Quality, Supply, and Infrastructure Improvement Act of 2014; a $7.5 billion water bond that will make needed investments in the state's water management systems.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments (continued):

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

Drought Response (continued):

The bond dedicated $2.7 billion for investments in water storage projects and designated the California Water Commission as the agency responsible for appropriately allocating these funds. The Commission, through the Water Storage Investment Program, will fund the public benefits of these projects. Eligible projects must also provide measurable benefits to the Delta ecosystem or its tributaries.

The Governor's drought proclamation has made the water recycling funding program of increased importance and urgency. On March 18, 2015 the State Water Resources Control Board (SWRCB) directed the Division of Financial Assistance to offer $800 million in 1% loans from the Clean Water State Revolving Fund for water recycling projects that can be completed within three years of the Governor's drought declaration. Applications for funding were due on by December 2, 2015.

IEUA submitted a pre-application for an SRF loan and Proposition 1 grant for $55 million in support of the 2015 Drought Relief Recycled Water Supply Optimization Program Phase 1 (Optimization Program). The Optimization Program consists of IEUA and member agency water recycling infrastructure projects projected to deliver an estimated 2,500 AFY of recycled water, bringing the Agency closer to its goal of 50,000 AFY of recycled water deliveries by 2025.

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

DWR awarded $11.7 million to SAWPA for the 2014 Integrated Regional Water Management (IRWM) Drought Solicitation Implementation Grant Program. The projects and programs selected help alleviate drought conditions and improve regional drought preparedness. IEUA's turf removal project was included in SAWPA's application. Turf will be removed and replaced with more water-efficient landscaping, permanently reducing wasteful irrigation. IEUA was awarded grant funding of $807,564, with $1,080,050 local match requirement in FY 2014/15, to remove 755,615 square feet of turf from public land, schools, institutional, and homeowner's association landscapes within the IEUA service area. IEUA has been working with Metropolitan Water District of Southern California (MWD) on the Turf Removal Rebate Program. A grant agreement between IEUA and SAWPA will be executed in August 2015.

In FY 2014/15, two Proposition 84 projects grants were invoiced for $984,000 to support the following projects:

1) Wineville Recycled Water Pipeline/GWR System Upgrade - $889,077
2) Regional Residential Landscape Retrofit - $94,660

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments (continued):

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

MWD Foundational Actions Funding (FAF) Program

In FY 2014/15, grants were invoiced for $297,000 to support the following regional water management projects:

1) The Recycled Water Intertie Study Project - $18,139
2) The Pilot Scale Biological Treatment Process Project, BIOTTTA™ - $237,162
3) 3-D Fluorescence Excitation-Emission Matrix Project - $41,277

Department of Parks & Recreation (DPR)

The Chino Creek Park Water Discovery Field Trip & Bus Program grant awarded for $207,900 was invoiced $54,735 in FY 2014/15. A total of 1669 participants were served between November 2014 and June 2015. The Water Discovery Field Trip program has proven to be a great example of a successful environmental outdoor education program.

State Water Resources Control Board (SWRCB)

In FY 2014/15, the Central/Wineville Area Recycled Water Projects $4 million Proposition 50 grant was invoiced $2,628,399 for costs incurred. In June 2015, the SWRCB launched the Proposition 1 Water Recycling Grant Program. Under this program, eligible projects would not only receive the 1% SRF loan but also receive 35% Proposition 1 grant funds up to $15 million. The SWRCB has increased the Wineville Project grant to 35%, which means approximately $4 million in additional grant funding is to be executed by December 2015. The Central Wineville Program will be awarded a total of $8 million dollars grant funding.

The Proposition 13 and 50 grant for Southern Area Recycled Water Facilities was invoiced for $414,868 to utilize the balance of the $4 million dollar award.

The SWRCB/Division of Drinking Water grant of $52,005,716 was awarded in prior years for the CDA Phase III expansion projects. In FY 2014/15, $6,739,896 has been invoiced for costs incurred by the CDA. IEUA serves as the grant administrator for this grant.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments (continued):

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

State Water Resources Control Board (SWRCB)

Central/Wineville Recycled Water SRF loan awarded for $26,500,000 includes the Wineville Extension Recycled Water Pipeline project and the Supervisory Control and Data Acquisition (SCADA) System Improvement projects. In FY 2014/15, $17,895,316 was invoiced for costs incurred.

Southern Area Recycled Water SRF Loan – In FY 2014/15, $10,402,916 was invoiced for costs incurred. The SWRCB approved an additional $6 million dollars of change order costs incurred due to an unexpected condition encountered during the construction of the 930 Zone recycled water pipeline. The contractor found shallow groundwater in the path of the pipeline to be constructed. Normally, change orders over the initially approved schedule of values are not permissible for reimbursement. This special SRWCB approval allowed IEUA to claim 100% of the $26.6 Million dollar SRF loan contract.

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

Installation of pipe on Marlay Avenue

Excavation of pipeline trench on Francis Avenue

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments (continued):

- *State Revolving Fund (SRF) Loans (continued):*

Southern Area, SWRCB Phase 6

Commissioned Recycled Water Pump Station

Overview of 930 Zone Reservoir

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Funding Developments (continued):

Chino Creek Educational Wetlands Park Water Discovery Tour & Bus Program Tour

Students on the Water Discovery Tour

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Other Agency accomplishments included:

Rates:

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

- Completed the Agency's first engineering study analysis of the regional wastewater connection fee. The study identified an adjustment of $1,182 per new connection from $5,107 to $6,289 was needed to support capital investment over the next 20 years.
- Established a new water connection fee to support future expansion and enhancement of the Agency's regional water system. An engineering study set the new connection fee at $1,385 per MEU.
- Phased implementation over the next five years was a collaborative effort with the Building Industry Association (BIA) Baldy View Chapter. The Agency secured approval of the proposed connection fees for both wastewater and water from BIA.

A new rate structure for the NRW North system was implemented in FY 2014/15 as part of the new service contract negotiated by SDLAC.

Long Term Planning:

- Completed an update of the Facilities Master Plan, which was the basis of the engineering study analysis conducted on the Agency's regional wastewater connection fee and establishment of new water connection fee.
- Completed the early repayment of the 2005A Revenue Bonds in November, 2014, set to mature in 2023. Achieved $3.5 million in savings from interest expense.
- Pursuant to the Board's objective to achieve fully funded status in five years of the Agency's Other Post-Employment Benefit (OPEB) liability for retiree medical benefits, the Agency executed the second installment of $3.5 million in July 2014. Cumulative payments of $7 million have been funded to date.

MAJOR INITIATIVES AND ACCOMPLISHMENTS (continued):

Major Accomplishments for FY 2014/15 (continued):

Long Term Planning (continued):

- Processed the first installment of $4.5 million against the Agency's unfunded pension liability to meet the Board's objective to achieve full funded status over a period of 10 years.

Cost Containment / Efficiencies:

- Maintained a weighted average vacancy factor 12%, equivalent to 36 full time employees (FTEs). Recruitment of critical positions as the Agency's baby-boomers retire is underway. Over time this will reduce the overall average; however it is expected to remain well above the budgeted 5%.

- Successfully obtained approval for enrollment in the County Supervisors Association of California Excess Insurance Authority pool for dental, life insurance/accidental death and dismemberment and long term disability benefits through Delta Dental and Cigna, resulting in an annual savings of $126,000 for both the employer and employees.

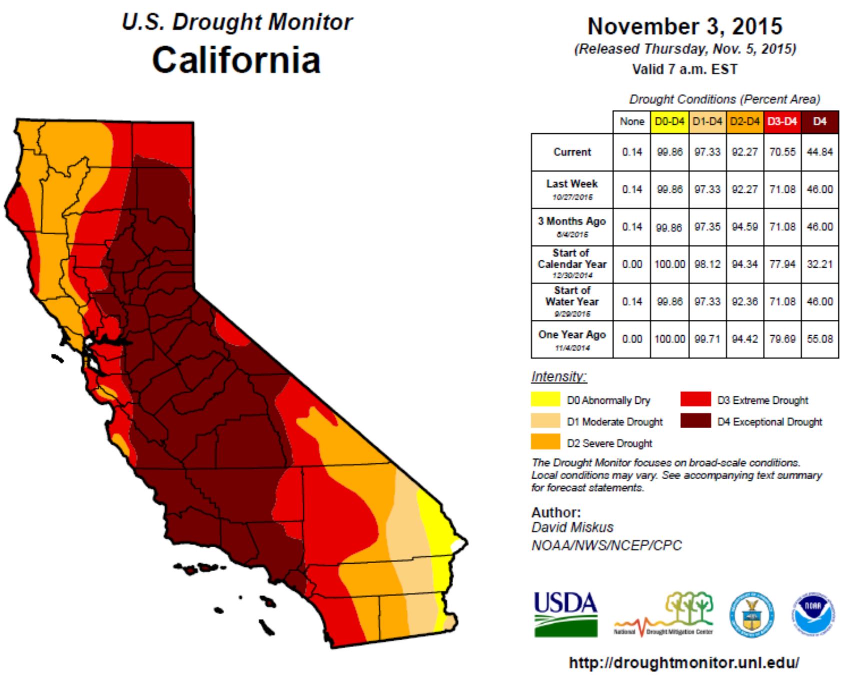
- Assessment of the Agency's Enterprise Content Management (ECM) system was completed in June. Findings/recommendations provided by the various cross functional teams defined the functional requirements of the Agency's document system. An RFP for the ECM system replacement to be issued in November 2015.

FUTURE YEARS

Despite a weakening global economy, nearly every sector of the U.S. economy continues to show signs of steady growth. Employment levels have returned to their pre-recession levels, and California economy outperforms the rest of the nation. With the state's economy in stronger footing, attention has shifted to the water shortages caused for the ongoing drought.

The severity of the drought, maintains over 40% of the state in a situation of exceptional drought, that has prompted the Governor to issue another Executive Order(B-29-15) calling for a mandatory reduction in urban water use of 25 percent from 2013 levels by February 2016. The statewide mandate was the first in California's history and underscores the severity of the current drought and the need to conserve diminishing water supplies across the state.

FUTURE YEARS (continued):



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

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

The IEUA Business Goals align with the Agency's Mission, Vision and Values which are defined by the needs of our stakeholders and the public value provided to the community. Within each Business Goal category, several Objectives were established to support the Business Goal. For each Objective, a Commitment was developed to define the level of service that IEUA will provide. These Objectives and Commitments will be evaluated and derived into work plans to ensure that current and future needs of the Agency and region are appropriately met. The Strategic Work Plan serves as the basis for setting individual department goals and objectives.

Water Reliability

The Agency, in partnership with its member agencies, invests in a wide range of regional programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency. In support of the Governor's statewide mandate to reduce water use, the IEUA Board of Directors adopted Drought Resolution (2015-5-8) in May 2015. The Drought Resolution calls for aggressive actions to reduce outdoor water use and preserve remaining water supplies in the Chino Basin. Included in the FYs 2015/16 – 2016/17 biennial budgets is an

FUTURE YEARS (continued):

Water Reliability (continued):

expansion of the Agency's regional conservation program including: rebates for turf removal, landscape equipment upgrades, indoor water saving devices, free landscape evaluations, and increased public outreach and messaging to heighten public awareness on the urgency to preserve our regional water supplies.

Also in support of the Governor's Executive Order, MWD implemented a Water Supply Allocation Plan (WASP) Level 3, declaring a regional shortage level and reducing tier 1 allocations by 15 percent effective July 1, 2015. As a member of MWD, all of the water imported into the region by the Agency is through the State Water Project (SWP). About one fourth of the water used in the region is imported from MWD. The reduced allocation directly impact wholesale deliveries by the Agency to its member agencies. Pursuant to the Governor's Executive Order B-29-15, all of Agency's member agencies are required to reduce urban water use between 24 to 36 percent by February 2016.

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

The Recycled Water Program Strategy (RWPS), one of the Agency's master plans, will be updated to help maximize the beneficial use of recycled water throughout the year by shifting towards groundwater recharge, injection and possibly direct potable reuse. The projects proposed through 2035, with a focus on the first ten years (TYCIP), will address improvements necessary to either increase the ability to deliver reuse supply to groundwater recharge, or relieve capacity constraints in order to meet the demand forecast.

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

Environmental Stewardship

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

FUTURE YEARS (continued):

Environmental Stewardship (continued):

The Agency is also a key participant in the Santa Ana River Watershed-Scale Conjunctive Use Program (SARCUP), along with SBVMWD, Eastern Municipal Water District (EMWD), Western Municipal Water District (WMWD), and Orange County Water District (OCWD). The primary objective of the participants, known as the Santa Ana River Watermaster Action Team (Action Team), is to develop cooperative plans for SARCUP 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 for SARCUP. These projects will be the basis for the 2015 One Water One Watershed (OWOW) grant application for $60 million from the Department of Water Resources (DWR) Proposition 84 grant funding. The Action Team will also work collaboratively on regional water use efficiency programs and habitat restoration/Arundo removal programs.

Wastewater Management

Although the pace of new development lost some momentum in 2015 compared to the prior fiscal year, forecasts by the Agency's member agencies indicate a rebound in new development over the next five to ten years. As a regional wastewater service provider, the Agency is required to maintain capacity within systems and facilities to meet essential service demands to protect public health and the environment. One of the key objectives included in the IEUA Business Goal Wastewater Management is to ensure that systems are managed and constructed so that 90 percent of capacity is never exceeded.

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

As identified in the updated WFMP, member agencies project a total of 40,523 new equivalent dwelling units (EDU) connections over the next ten years. Approximately 60 percent of the growth is expected in the southern section of the Agency's service area; predominantly in the cities of Ontario and Fontana. Some of the major construction projects to be executed over the next ten years include: the relocation of the Regional Water Recycling Plant No. 2 (RP-2) solids handling processes to the Regional Water Recycling Plant No. 5 (RP-5) facility, expansion of RP-5 liquid treatment, rehabilitation and expansion of the Regional Water Recycling Plant No. 1 (RP-1) solids and liquid treatment processes. The RP-2 solids handling facility is located in the

FUTURE YEARS (continued):

Wastewater Management (continued):

City of Chino on land leased from the U. S. Army Corps of Engineers (Army Corps). Portions of the RP-2 facility are located in the 100-year flood plain. Triggering the relocation of the RP-2 facility is the proposed raising of the maximum operation water level behind the Prado Dam to allow for greater water storage and conservation by the Army Corps and Orange County Flood Control District. As reported in the adopted TYCIP, the estimated cost of these major construction projects is about $400 million, excluding the ultimate decommission of the RP-2 site prior to expiration of the lease in 2035.

The acquisition, construction, improvement and expansion of the Agency's regional wastewater system are supported by the regional wastewater connection fee. To ensure timely completion of capital projects, the Agency conducted an engineering study of its regional wastewater connection fee. The study determined an adjustment of $1,182 to the existing fee of $5,107 per new EDU connection was needed to adequately support future expansion of the regional wastewater system. A phased implementation of the necessary adjustment is included in the adopted multi-year rates.

Fiscal Responsibility

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

Other key policy principles defining the adopted multi-year rates include: ensuring rates are reasonable and equitable by establishing a clear nexus between what a customer pays and the benefit of the services received, as legally mandated; making growth pay for growth by establishing a new regional water connection fee and adjusting the regional wastewater connection fee to adequately fund future capacity expansion and enhancement of existing facilities to support future growth; and eliminating reliance on property taxes to subsidize day-today operating costs and ensure uninterruptible service during times of revenue shortfall.

Another significant milestone for the Agency is the establishment of a regional water connection fee to support future expansion and enhancement of its regional water system. Premised on the policy principle "growth pays for growth", the new water connection fee will ensure that future users pay for the benefit provided by the regional water system comprised of potable water, recycled water and groundwater recharge facilities.

FUTURE YEARS (continued):

Fiscal Responsibility (continued):

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

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

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

Optimization of state and federal grants and low interest financing is another component in the cost containment strategy. Over the years, the Agency has been very successful in securing both grant funding and low interest rate loans to support capital investment and water conservation programs in the region. The Agency will continue to aggressively pursue federal, state and regional grants and incentives, including rebates offered by MWD, and low interest SRF loans, to reduce the cost of executing the planned programs and projects included in the adopted biennial budget and TYCIP.

FINANCIAL INFORMATION

Internal Controls

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

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

FINANCIAL INFORMATION (continued):

Budgetary Controls

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the sixteenth consecutive year the Agency has received this prestigious award.

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

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

Additionally, in April 2015 the Agency was awarded the Transparency Certificate of Excellence by the California Special District Association.

OTHER INFORMATION (continued):

Acknowledgements

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

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

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

Respectfully submitted,

P. Joseph Grindstaff
General Manager

Christina Valencia
Chief Financial Officer/AGM

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Inland Empire Utilities Agency
A Municipal Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

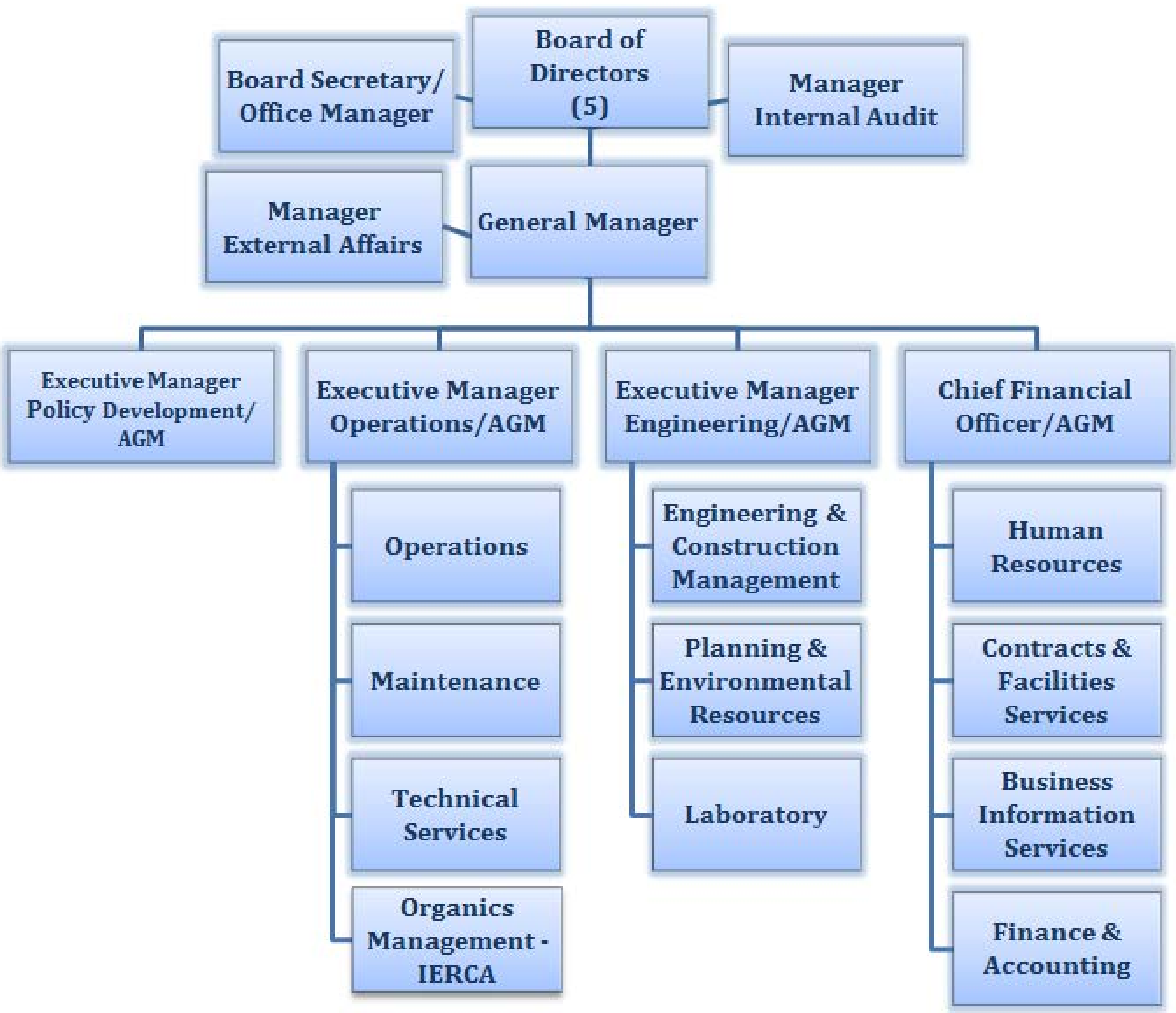
Jeffrey R. Emer

Executive Director/CEO

INLAND EMPIRE UTILITIES AGENCY

FY 2014/2015

Organizational Chart



INLAND EMPIRE UTILITIES AGENCY
Principal Officials
June 30, 2015

BOARD OF DIRECTORS

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

EXECUTIVE STAFF

P. Joseph Grindstaff	*General Manager*
Christina Valencia	*Chief Financial Officer/AGM*
Martha Davis	*Executive Manager – Policy Development/AGM*
Chris Berch	*Executive Manager of Engineering/AGM*
Ernest Yeboah	*Executive Manager of Operations/AGM*

MANAGEMENT STAFF

Kathryn Besser	*Manager - External Affairs*
Sharmeen Bhojani	*Manager - Human Resources*
Javier Chagoyen-Lazaro	*Manager - Finance and Accounting*
Tina Y. Cheng	*Budget Officer*
Warren Green	*Manager - Contracts & Facilities Services*
Nelletje Groenveld	*Manager – Laboratories*
Jason Gu	*Grants Officer*
Sylvie Lee	*Manager - Planning and Environmental Resources*
Jeff Noelte	*Manager of Technical Services*
Kanes Pantayatiwong	*Manager - Business Information Services*
Teresa Velarde	*Manager – Internal Audit*
April Woodruff	*Board Secretary/Office Manager*
Jeff Ziegenbein	*Manager of Organics Management - IERCA*

MILLERTON LAKE – SAN JOAGUIN RIVER

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 2014/2015:

First Half FY 2014/2015

Finance/Administration
Claudia Neighbors – Safety Officer

Engineering/Planning
Christopher Cole – Construction Inspector

Operations
Gabriel Chico – Operator V

Second Half FY 2014/2015

Finance/Administration
Torres Waters-Leiva – Procurement Specialist I

Engineering/Planning
Bonita Fan – Senior Environmental Resources Planner

Operations
Adolfo Zavala – Collections System Operator

Employee of the Year
For FY 2014/15, Claudia Neighbors was chosen by the Selection Committee as the Employee of the Year.

IEUA STAR AWARD RECIPIENT
EMPLOYEE OF THE YEAR 2014/2015

Claudia Neighbors

Safety Officer

Claudia Neighbors is the Safety Officer in the Human Resources Department. Claudia has independently learned a lot of different aspects of safety and worker's compensation with minimal guidance. She has a great rapport with field staff, but at the same time, she has the ability to be firm in making sure that the IEUA team is compliant with policies and regulations. Claudia helps to ensure that IEUA is a safe place to work.

Claudia was awarded STAR employee for the first half of the Fiscal Year 14/15, for her hard work and exceptionally positive attitude over the last year, and was selected as STAR Employee of the Year.


PARCHED AQUEDUCT
VICTORVILLE, CA

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Empire Utilities Agency
Chino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Inland Empire Utilities Agency (the Agency) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Inland Empire Utilities Agency as of June 30, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

Emphasis of Matters

As discussed in Notes 1c and 17 to the financial statements, the Agency adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $41,841,115 reduction of previously reported net position. Also, as discussed in Note 17 net pension was reduced by $2,999,726 to adjust the capital asset balances. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the financial activities of the Inland Empire Utilities Agency for the fiscal year ended June 30, 2015. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

Agency's Fund Financial Statement

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

The Agency's Operations – an Overview

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

Total revenues, including grants and subsidies, of $180,066,641 for Fiscal Year (FY) 2014/15 reported an increase of $15,000,381 compared to $165,066,260 recorded for FY 2013/14. The net increase was primarily due to: 1) $7,784,418 increase in service charges mainly due to an increase in capacity fees for the NRW South system and higher strength fees as a result of the renewed SDLAC contract; 2) $5,285,248 increase in wastewater capital connection fees due to a higher number of new connections reported by member agencies; 3) $3,254,273 increase in capital grants; 4) $2,459,273 increase in property tax receipts; 5) $1,216,664 increase in recycled water sales; and 6) $1,206,740 increase in other non-operating revenue. These increases were partially offset by a decrease of $6,078,105 in imported water sales, mainly due to a drop in total deliveries, and $128,130 decrease in interest income.

Total expenses of $157,939,314 for FY 2014/15 reported a decrease of $26,265,670 compared to $184,204,984 recorded in FY 2013/14. The overall decrease includes operating expenses of $4,633,475 and non-operating expense of $21,632,195. The decrease in operating expenses was primarily due to: 1) a decrease of $1,765,291 in administration and general expenses; 2) a cumulative increase of $1,253,021 in wastewater collection, treatment, and disposal costs; 3) an increase of $138,451 in operation and maintenance expenses; and 4) an increase of $1,818,449 in depreciation and amortization.

The decrease in non-operating expenses of $22,660,401 includes $24,885,997 for the write-off of intangible assets related to the early negotiation of the new contract with SDLAC recognized in FY 2013/14. This was offset by an increase of $2,225,596 due to the reclassification of completed projects from capital to operations and maintenance (O&M).

FINANCIAL HIGHLIGHTS

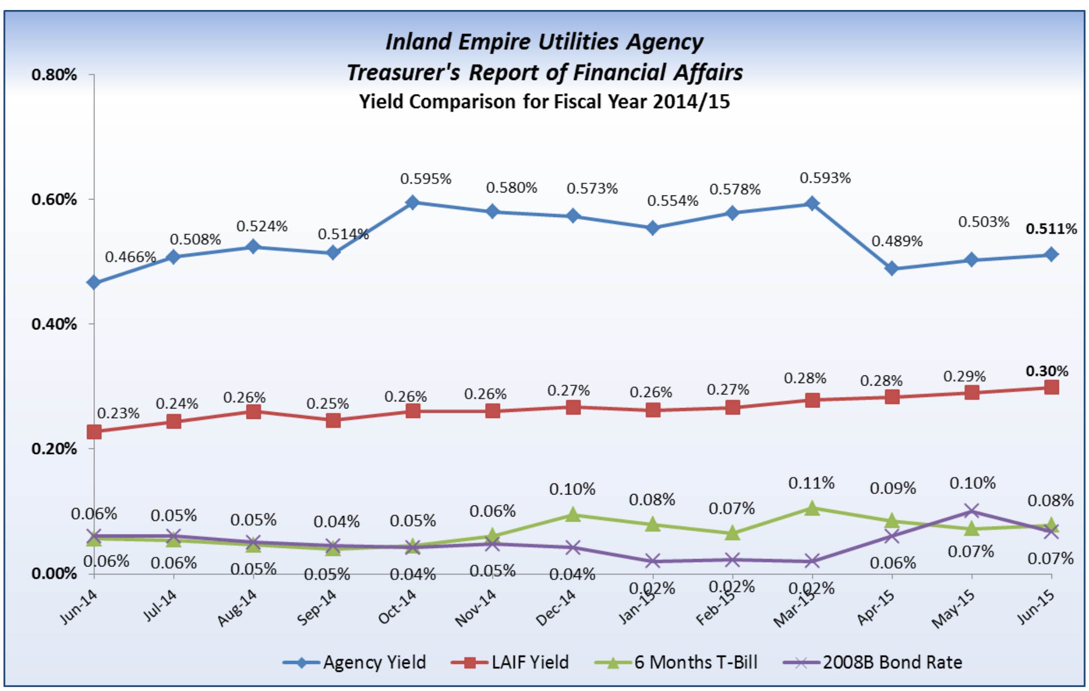
Cash and Investment Management

The Agency has a comprehensive cash and investment program subject to California State Code and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution which identify the authorized investment types and any restrictions. Consistent with the State of California Government Code, the Agency annually adopts an investment policy that is intended to remain sufficiently liquid to meet all operating requirements reasonably anticipated, safeguard the principal investment and minimize credit and market risks, while maintaining a competitive yield on the overall portfolio. The Agency's cash management system is also designed to forecast revenues and expenditures in order to identify and invest idle funds to the fullest extent possible. During the fiscal year ended June 30, 2015, idle funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities, state issued municipal bonds, medium term notes and deposits in a pooled investment fund administered by the State of California.

Investment Portfolio Performance

In spite of the US economic recovery, the Agency's interest yield remains level with the prior fiscal year performance. The Agency's overall portfolio rate of return slightly increased from 0.466% in June 2014 to 0.511% by June 30, 2015.

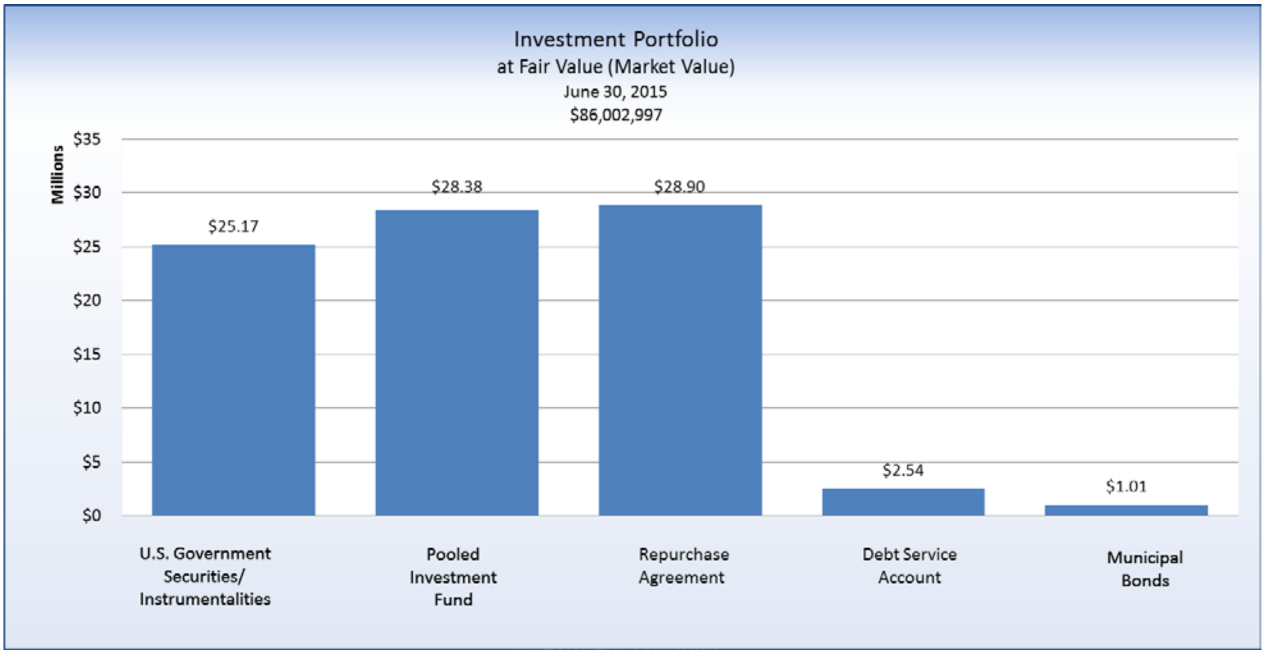
Total interest income for FY 2014/15 of $436,200 dropped 23.0% as compared to $564,330 in FY 2013/14; the decrease in interest income is primarily due to lower interest yield from the pooled investments.



FINANCIAL HIGHLIGHTS (continued):

Investment Portfolio Performance (continued):

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



The Agency's portfolio fund balance for the fiscal years ended June 30, 2015 and June 30, 2014 were $86,002,997 and $98,189,138 respectively.

Chino Basin Desalter Operations

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

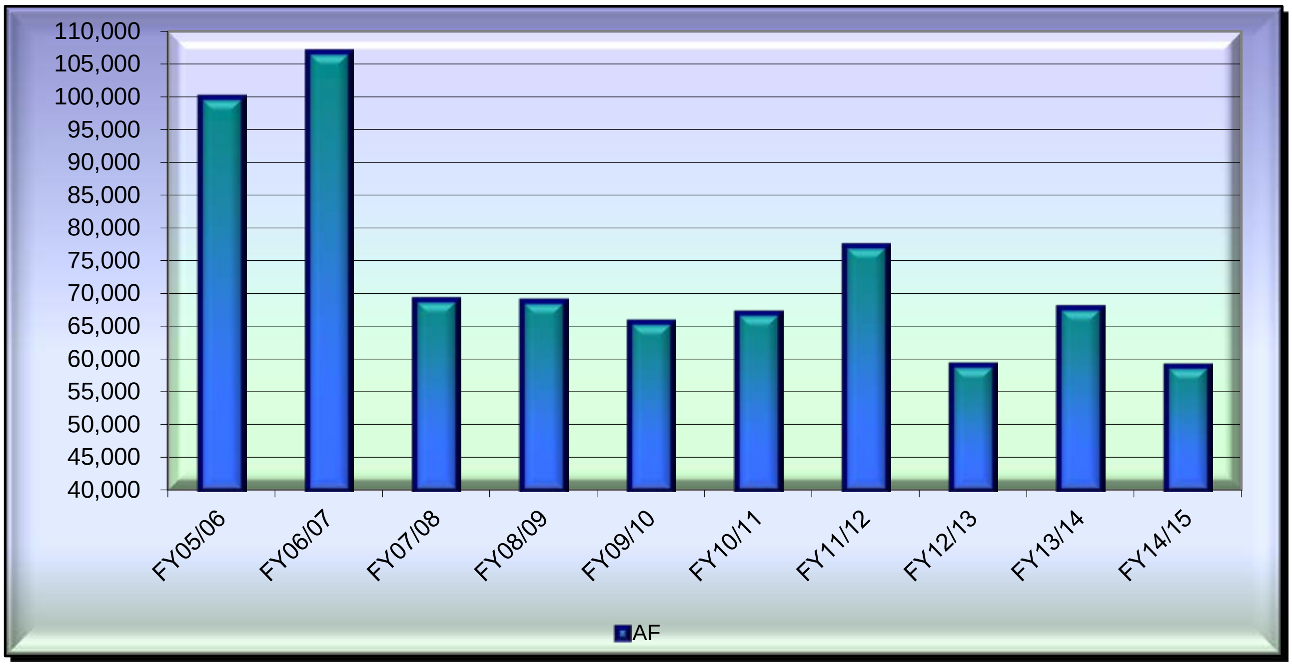
All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Service Fund. These expenses are billed to the CDA monthly. In FY 2014/15, the total amount billed and reimbursed was $1,232,562 and reported as non-operating revenue.

FINANCIAL HIGHLIGHTS (continued):

Imported Water Deliveries

Imported water deliveries for FY 2014/15 were 58,908 acre feet (AF) compared to 67,833 AF reported in FY 2013/14, a decrease of 8,925 AF. A surcharge of $15 per AF was levied by the Agency for all imported water deliveries to support the conservation program, water resources planning, and drought related projects, and program operations. Below is a comparative of imported water deliveries for the past ten fiscal years; the decline of imported water deliveries beginning in FY 2007/08 is a result of water conservation measures and state legislative and regulatory requirements designed to sustain and meet future water supply needs.

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



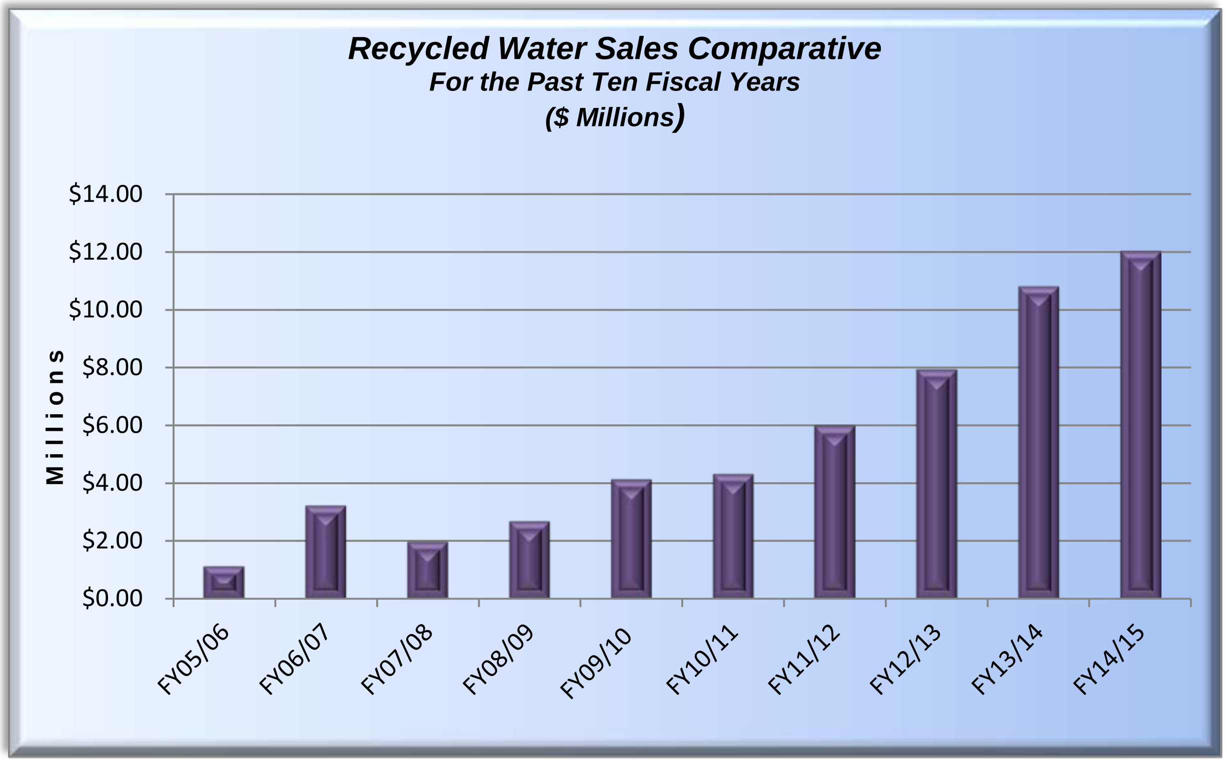
This fiscal year, the Agency is reinstating the reporting of pass-through water sales and purchases to reflect overall water activity. The total operating revenue in FY 2014/15 was $39,837,285 compared to $45,148,681 the prior fiscal year. The decrease was primarily due to lower imported water deliveries and a price decrease from $608 to $597 (effective January 2015). The meter service charge revenue for FY 2014/15 increased from $1.755 cents to $2.105 cents per unit, or from $4,024,903 to $4,789,827. This revenue is used to meet the Readiness to Serve (RTS) obligation to MWD, and to support water use efficiency programs. Additionally, revenue from the $15 per AF surcharge decrease by 4% as a result of lower imported water deliveries.

The total operating expenses decreased from $45,253,097 in FY 2013/14 to $40,146,766 in FY 2014/15. The decrease was due to less imported water purchases from MWD. Total net position balance at June 30, 2015, decreased $908,982 to $1,101,913.

FINANCIAL HIGHLIGHTS (continued):

Recycled Water Sales

Total recycled water sales increased by $1,216,664 to $12,047,164 in FY 2014/15, compared to $10,830,500 in FY 2013/14.



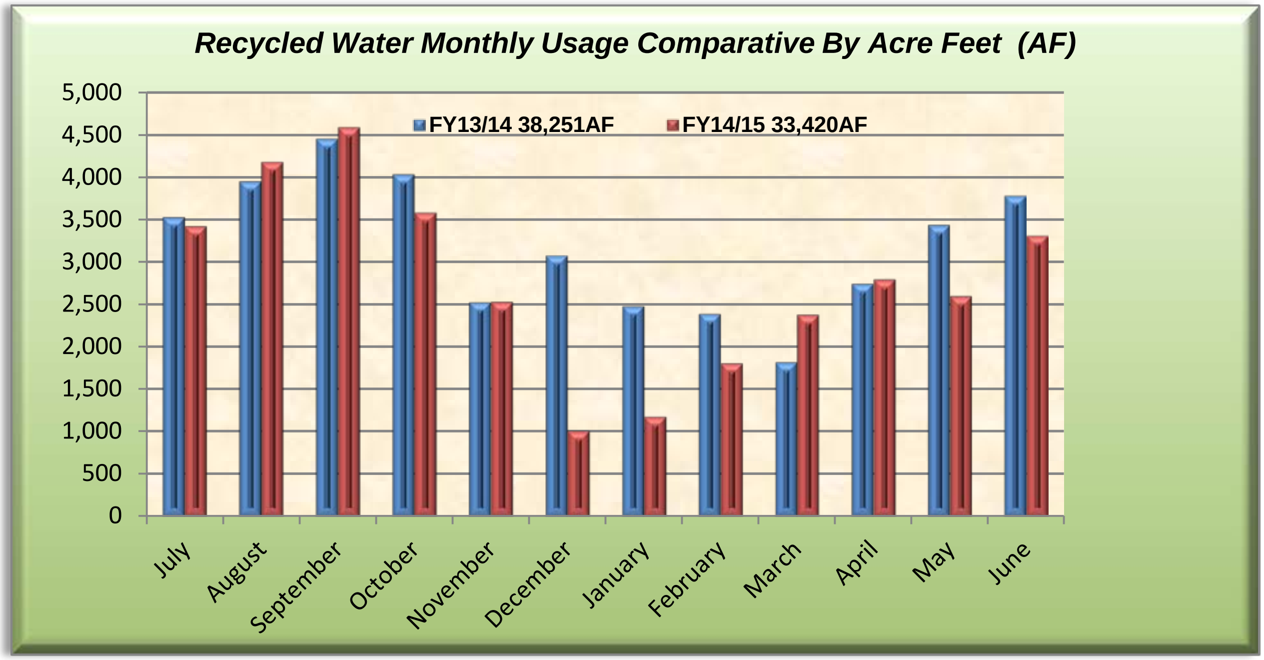
The 11% increase in revenues was primarily driven by a 35% increase in recycled water rates for direct deliveries from $215 to $290 per AF (acre foot). Additionally, there was a 24% increase in the groundwater recharge rate from $255 to $335 per AF. Included in total operating revenues was $2,079,000 for the MWD rebate of $154 per AF for recycled water sales above 3,500 AF and up to 17,000 AF. The MWD rebate was the same as in FY 2013/14. Grants receipts totaled $4,901,476 in support of the Regional Recycled Water Expansion capital construction programs. Total operating expenses increased by $1,889,699 or 15%, to $14,369,047, including $6,990,988 of depreciation expense.

The total net position for the Recycled Water Fund at June 30, 2015 was $67,296,922, a decrease of $173,128. The decrease was primarily due to a reduction in interest on long term debt, and other non-operating expenses.

FINANCIAL HIGHLIGHTS (continued):

Recycled Water Sales (continued):

A total of 33,420 AF were registered for direct and recharged recycled water deliveries, compared to 38,251 AF for last fiscal year. The decrease in recycled water sales is due to the increase of storm water available for recharge in the months of December and January.



FINANCIAL HIGHLIGHTS (continued):

Regional Wastewater Program Activities

The Regional Wastewater program, comprised of the Regional Wastewater Capital Improvement (RC) and Regional Wastewater Operations and Maintenance (RO) funds, reported combined total revenue of $102,202,231 in FY 2014/15, an increase of $11,892,914, or 13% over last fiscal year.

Revenues by Category – Regional Wastewater Program

For the Fiscal Year Ended June 30, 2015

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

Revenue Category	2014/15		2013/14		Increase/<Decrease> from 2013/14	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	$ 47,022,954	46.0%	$ 43,047,559	48.0%	$ 3,975,395	9.0%
Property Tax Receipts	35,554,077	35.0%	33,393,487	37.0%	2,160,590	6.0%
Wastewater Connection Fees	15,073,882	15.0%	9,788,634	11.0%	5,285,248	54.0%
Other Non-operating Revenues	4,262,635	4.0%	3,781,194	4.0%	481,441	13.0%
Interest Income	288,683	0.0%	298,443	0.0%	(9,760)	(3.0)%
Total Revenues	**$ 102,202,231**	**100.0%**	**$ 90,309,317**	**100.0%**	**$ 11,892,914**	**13.0%**

The Regional Wastewater program service charges were $47,022,954, 9% higher, compared to FY 2013/14 total of $43,047,559. The increase is primarily due to an equivalent dwelling unit (EDU) rate increase from $13.39 to $14.39 per EDU and a slight increase in the number of billable EDU volumetric units of 2%.

Property tax receipts allocated to the Regional Wastewater program increased by 6% from $33,393,487 in FY 2013/14 to $35,554,077 in FY 2014/15. The primary reason for the increase is the continuing recovery of the real estate market and improvement of assessed property values.

New wastewater connections reported by the contracting agencies in FY 2014/15 were 2,953 units compared to 1,969 units reported in FY 2013/14, an increase of approximately 984 units at $5,107 per unit. The cities of Chino, Fontana, and Ontario reported a combined number of new wastewater connections of approximately 2,413 EDU units, or 82% of the Agency wide total.

Other non-operating revenues were $4,262,635 in FY 2014/15 compared to $3,781,194 in FY 2013/14. The increase is primarily due to labor cost reimbursement received from Inland Empire Regional Composting Authority (IERCA). The Agency operates the composting facility jointly owned by IEUA and the SDLAC.

Interest income decreased from $298,443 in FY 2013/14 to $288,683 in FY 2014/15 due to historically low interest rates.

FINANCIAL HIGHLIGHTS (continued):

Regional Wastewater Program Activities (continued):

Expenses by Category – Regional Wastewater Program

For the Fiscal Year Ended June 30, 2015

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

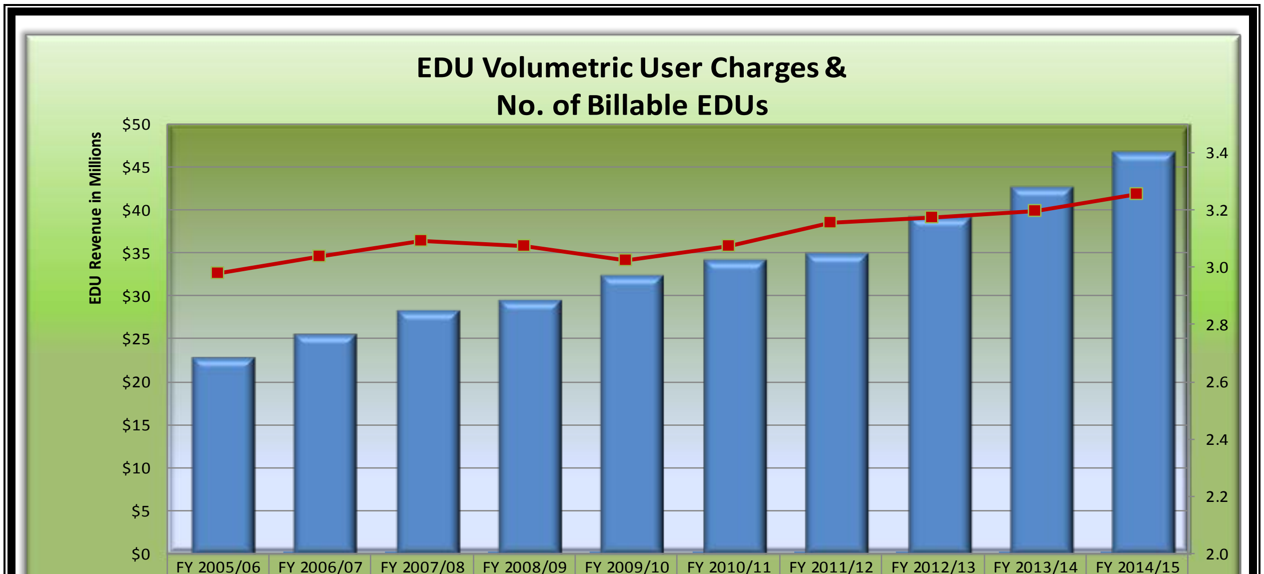
Expense Category	2014/15		2013/14		Increase/<Decrease> from 2013/14	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	$ 805,353	1.0%	$ 1,248,892	2.0%	$ (443,539)	(36.0)%
Wastewater Treatment	19,001,130	23.0%	20,505,666	26.0%	(1,504,536)	(7.0)%
Wastewater Disposal	7,996,871	10.0%	7,705,551	10.0%	291,320	4.0%
Total Wastewater Expenses	**27,803,354**	**34.0%**	**29,460,109**	**38.0%**	**(1,656,755)**	**(6.0)%**
Administration & General	20,262,896	25.0%	16,399,276	21.0%	3,863,620	24.0%
Depreciation & Amortization	23,154,752	28.0%	22,644,933	29.0%	509,819	2.0%
Interest on long-term debt	6,368,586	8.0%	6,723,540	9.0%	(354,954)	(5.0)%
Other nonoperating exp	4,523,072	5.0%	3,232,292	3.0%	1,290,780	40.0%
Total Expenses	**82,112,660**	**100.0%**	**78,460,150**	**100.0%**	**3,652,510**	**5.0%**

Total expenses for the Regional Wastewater program for FY 2014/15 were $82,112,660 or a 5% increase compared to FY 2013/14 actual of $78,460,150. Total wastewater collection, treatment, and disposal costs decreased by $1,656,755 from $29,460,109 in FY 2013/14 to $27,803,354 in FY 2014/15. The decrease was primarily the result of lower utilities, chemicals, and operating expenses.

Total other non-operating expenses of $4,523,072 represent a 40% increase compared to FY 2013/14 actual of $3,232,292. The increase in this category is primarily due to 1) a decrease in the Agency's investment in the IERCA; 2) higher IERCA labor costs; 3) full amortization of 2005A revenue bond premium following the early repayment in November 2014; and 4) the reclassification of project costs from capital to operations and maintenance (O&M) expenses. Identified as part of the fiscal year-end process of closing completed projects a final evaluation was performed by Finance and Accounting to determine whether the actual project costs were capital or O&M in nature. This is particularly important for replacement and refurbishment related projects in excess of the $5,000 established capitalization threshold, and determined to either enhance the functionality or extend the original useful life of the assets, which are capitalized. Costs not meeting these criteria are classified as O&M expenses.

FINANCIAL HIGHLIGHTS (continued):

Regional Wastewater Program Activities (continued):



	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
EDU Rate	$7.69	$8.44	$9.19	$9.62	$10.75	$11.14	$11.14	$12.39	$13.39	$14.39
Dollars	$22,918,107	$25,638,891	$28,406,759	$29,569,994	$32,526,058	$34,256,970	$35,127,592	$39,338,356	$42,778,892	$46,837,147
Units	2,980,248	3,037,783	3,091,051	3,073,804	3,025,680	3,075,132	3,153,285	3,175,009	3,194,839	3,254,840

Non-Reclaimable Wastewater (NRW) Treatment

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

Effective July 1, 2014, IEUA and SDLAC entered into a new 30 year NRWS Wastewater Disposal Agreement. The new agreement offers several advantages that will be beneficial to both IEUA and its industries including more stable and predictable rates and the ability to acquire additional capacity through purchases or lease.

FINANCIAL HIGHLIGHTS (continued):

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

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

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

Total service charges in FY 2014/15, for the North and South systems, increased $3,042,314 to $11,242,300, compared to $8,199,986 reported in FY 2013/14. The increase in revenues is primarily due to 1) higher strength fees as a result of the change in the SDLAC contract which eliminated the prior threshold, and 2) an increase in monthly capacity fees for the South system customers from $318 to $334.43 per capacity unit.

Total operating expenses in FY 2014/15 decreased $1,872,151 to $10,092,342 compared to $11,964,493 in FY 2013/14. The decrease in operating expenses is mainly due to the retirement of intangible assets $4,960,331 in FY13/14 associated with the old contract with SDLAC. The net position balance at June 30, 2015, increased $698,069 to $22,018,577.

A total of 55 users were connected to the NRW System (North and South) during FY 2014/15, with a total flow of 1,727 million gallons.

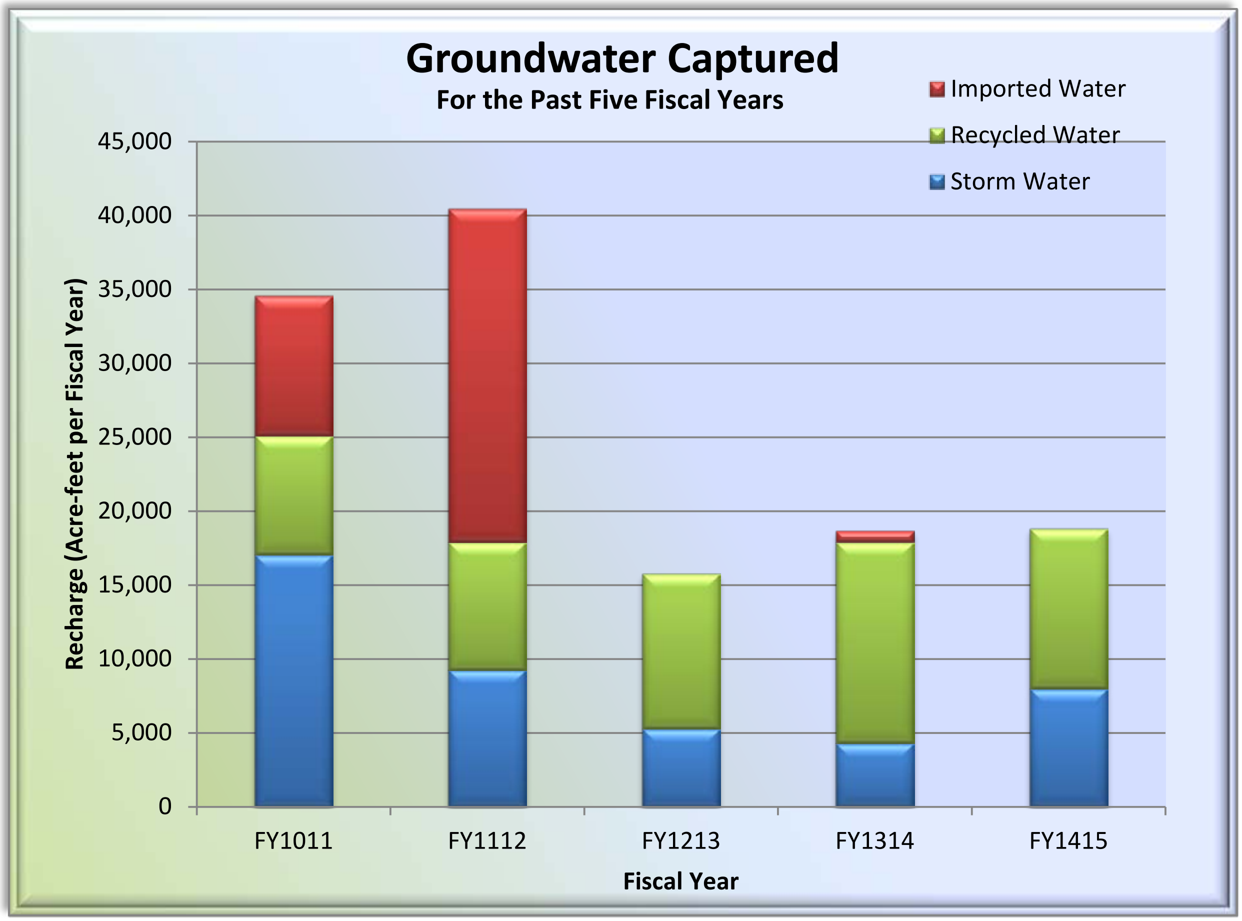
Recharge Water Fund

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

Total operating expenses recorded in FY 2014/15 were $2,435,603 compared to $2,362,352 in FY 2013/14, resulting in an increase of $73,251. The increase was due to higher expenses for professional and contract services related to basin repairs. At June 30, 2015, total net position for the Recharge Water Fund was $32,168,440, a decrease of $136,081 over the prior fiscal year.

FINANCIAL HIGHLIGHTS (continued):

Recharge Water Fund (continued):



Total Revenues

Four years of ongoing drought conditions have resulted in minimal to no recharge of imported water in the Chino Basin. Combined revenues and other funding sources for the fiscal year totaled $180,066,641, an increase of $15,000,381, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2014/15 and 2013/14.

FINANCIAL HIGHLIGHTS (continued):

Revenues (continued):

Combined Revenues and Other Funding Sources by Category - All Funds

For the Fiscal Year Ended June 30, 2015

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

Revenue & Other Funding Sources	2014/15 AMOUNT	2014/15 % OF TOTAL	2013/14 AMOUNT	2013/14 % OF TOTAL	Increase/<Decrease> from 2013/14 AMOUNT	Increase/<Decrease> from 2013/14 % OF CHANGE
Service Charges	$ 63,955,616	36.0%	$ 56,171,198	34.0%	$ 7,784,418	14.0%
Water Sales	34,146,923	19.0%	40,225,028	24.0%	(6,078,105)	(15.0)%
Recycled Water Sales	12,047,164	7.0%	10,830,500	7.0%	1,216,664	11.0%
Interest Income	436,200	1.0%	564,330	1.0%	(128,130)	(23.0)%
Property Tax Receipts	40,946,003	22.0%	38,486,730	22.0%	2,459,273	6.0%
Wastewater Connection Fees	15,073,882	8.0%	9,788,634	6.0%	5,285,248	54.0%
Other Non-operating Revenues	7,543,289	4.0%	6,336,549	4.0%	1,206,740	19.0%
Capital Grants	5,917,564	3.0%	2,663,291	2.0%	3,254,273	122.0%
Total Revenues & Contributions	**$ 180,066,641**	**100.0%**	**$ 165,066,260**	**100.0%**	**$ 15,000,381**	**9.0%**

Service Charges

Increase is primarily due to a volumetric fee increase from $13.39 to $14.39 per EDU and higher strength fees for the NRW system as a result of the change in the SDLAC contract.

Water Sales

Decrease is primarily due to a $9/AF decrease in imported water rates, from $606 in FY 2013/14 to $597 in FY 2014/15, and reduced deliveries from 67,833 AF to 58,908 AF.

Recycled Water Sales

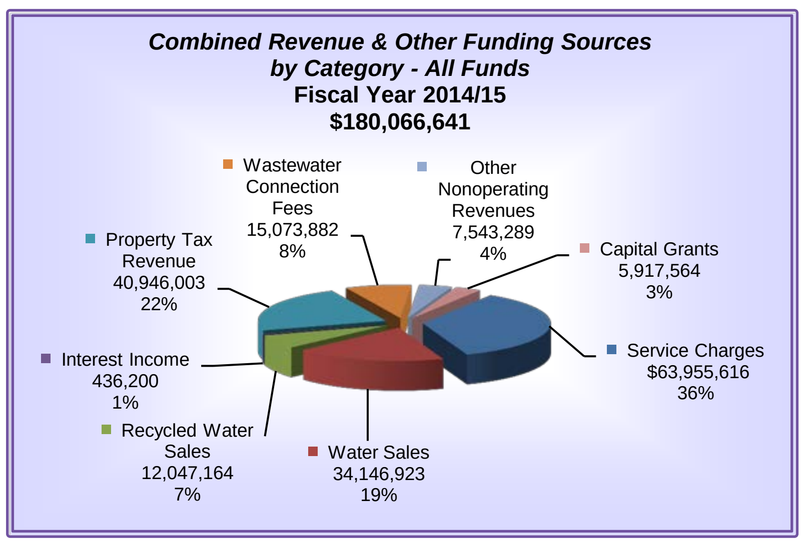
Increase is primarily due to a $75/AF increase in direct rates, from $215 to $290 per AF.

Wastewater Connection Fees

Increase is primarily due to a 50% increase in new connections from 1,969 in FY2013/14 to 2,953 in FY2014/15 and a 2% fee increase from $5,007 to $5,107 per connection.

Capital Grants

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



FINANCIAL HIGHLIGHTS (continued):

Total Expenses

Combined expenses for fiscal year ended June 30, 2015 totaled $157,939,314, a decrease of $26,265,670 over the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2014/15 and 2013/14.

Combined Expenses by Category - All Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

Expense Category	2014/15		2013/14		Increase/<Decrease> from 2013/14	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Water Purchases	$ 34,146,923	22.0%	$ 40,225,028	22.0%	$ (6,078,105)	(15.0)%
Wastewater Collection	$8,088,875	5.0%	$5,622,638	3.0%	$2,466,237	44.0%
Wastewater Treatment	19,001,130	12.0%	20,505,666	11.0%	(1,504,536)	(7.0)%
Wastewater Disposal	7,996,871	5.0%	7,705,551	4.0%	291,320	4.0%
Operations and Maintenance	4,393,265	3.0%	4,254,814	2.0%	138,451	3.0%
Administration and General	33,425,981	20.0%	35,191,272	19.0%	(1,765,291)	(5.0)%
Depreciation and Amortization	34,113,030	22.0%	32,294,581	18.0%	1,818,449	6.0%
Interest on Long-Term Debt	9,592,866	6.0%	8,564,660	5.0%	1,028,206	12.0%
Non-operating Expenses	7,180,373	5.0%	29,840,774	16.0%	(22,660,401)	(76.0)%
Total Expenses	**$ 157,939,314**	**100.0%**	**$ 184,204,984**	**100.0%**	**$ (26,265,670)**	**(34.0)%**

Water Purchases

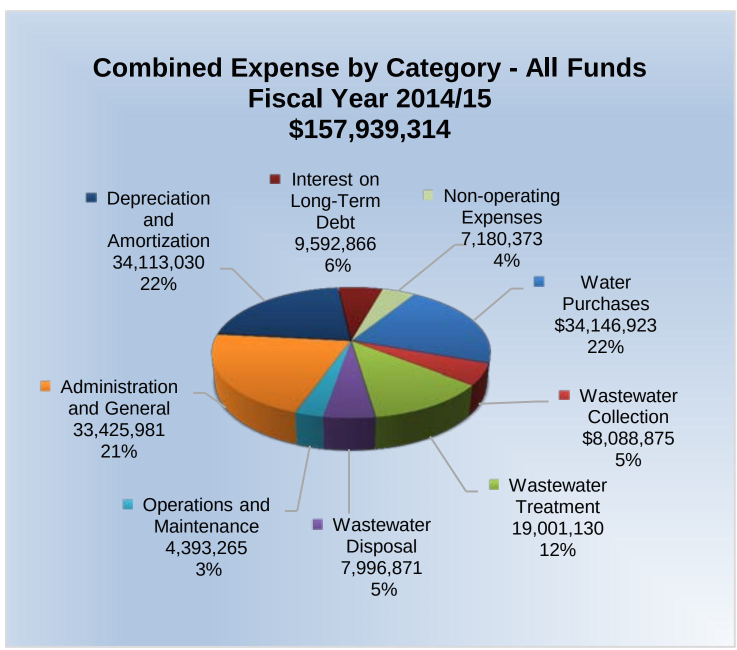
Decrease is due to the drought and the Governor's Executive Order requiring statewide water reductions of 25%.

Wastewater Collection

Increase is primarily due to increased strength charges, RP-4 digester mobilization and cleaning, and SDLAC's capacity unit charges under the new SDLAC contract.

Non-operating Expenses

Decrease primarily due to the write-off of intangible assets related to negotiation of a new contract with SDLAC for the NRW North System.



FINANCIAL HIGHLIGHTS (continued):

Changes in Financial Conditions of the Agency

Combined Net Position-All Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	FY 2014/15	FY 2013/14	Increase/<Decrease> from FY 2013/14	
Assets				
Current assets	$ 140,136,167	$ 144,690,966	$ (4,554,799)	(3.1)%
Restricted assets	44,990,323	43,554,049	1,436,274	3.3%
Capital assets	656,581,668	642,131,331	14,450,337	2.3%
Other assets	85,086,463	71,589,244	13,497,219	18.9%
Total Assets	926,794,621	901,965,590	24,829,031	2.8%
Deferred Outflows of Resources				
Deferred loss on refunding	1,102,641	2,094,485	(991,844)	(47.4)%
Deferred outflow-net pension liability	8,354,702	0	8,354,702	100.0%
Total deferred outflows	9,457,343	2,094,485	7,362,858	351.5%
Liabilities				
Current liabilities	47,244,777	45,579,890	1,664,887	3.7%
Non-current liabilities	386,369,706	341,058,275	45,311,431	13.3%
Total liabilities	433,614,483	386,638,165	46,976,318	12.1%
Deferred Inflows of Resources				
Deferred inflow-net pension liability	7,929,085	0	7,929,085	100.0%
Total deferred inflows	7,929,085	0	7,929,085	100.0%
Net Position				
Net investment in capital assets	333,274,074	318,292,331	14,981,743	4.7%
Restricted	67,080,838	63,073,206	4,007,632	6.4%
Unrestricted	94,353,484	136,056,373	(41,702,889)	(30.7)%
TOTAL NET POSITION	**$ 494,708,396**	**$ 517,421,910**	**$ (22,713,514)**	**(4.4)%**

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

- The increase in Other Assets of $13.5 million is primarily due interfund loans. The Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of $10.5 million and the Administrative Services (GG) Fund reported an advance to the Water Resources (WW) Fund, in the amount of $4.3 million. The offsetting decrease is primarily due to the loss in investment in the Inland Empire Regional Composting Authority of $0.9 million and the $0.3 million reduction in long-term receivables.

- The Deferred Outflow and Deferred Inflow of Resources for the net pension liability are the result of the implementation of GASB 68, Accounting and Financial Reporting for Pensions; and GASB 71, Pension Transition for contributions made subsequent to the measurement date. The FY 2013/14 comparative totals were not restated since related prior year pension information was not available.

Changes in Financial Conditions of the Agency (continued):

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

Item Category	FY 2014/15		FY 2013/14		Increase/<Decrease> from FY 2013/14	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Total Revenue	$ 174,149,077	35.2%	$ 162,402,969	31.5%	$ 11,746,108	7.2%
Total Expenses	157,939,314	31.9%	184,204,984	35.6%	(26,265,670)	(14.3)%
Excess (deficiency) before contrib.	16,209,763	3.3%	(21,802,015)	(4.2)%	38,011,778	174.3%
Capital Grants	5,917,564	1.1%	2,663,291	0.4%	3,254,273	122.2%
Change in Net Position	22,127,327	4.5%	(19,138,724)	(3.7)%	41,266,051	215.6%
Prior Period Adjustment	(44,840,841)	(9.1)%	-	0.0%	(44,840,841)	100.0%
Beginning Net Position	517,421,910	104.6%	536,560,634	103.7%	(19,138,724)	(3.6)%
Ending Net Position	**$ 494,708,396**	**100.0%**	**$ 517,421,910**	**100.0%**	**$ (22,713,514)**	**(4.4)%**

The prior period adjustment of $44,840,841 is comprised of $41,841,116 for the reduction of equity related to the beginning balance of FY 2012/13 net pension liability with the application of GASB 68, and $2,999,725 related to the prior year project costs reclassified from capital to operations and maintenance costs.

Capital Assets

The Agency had total net capital assets of $656,581,668 in FY 2014/15, compared to $639,131,606 in FY 2013/14. The $17,450,062 increase is primarily due to an increase in the capitalization of completed capital projects of $51,253,357 which was partially offset by an increase in accumulated depreciation of $33,803,295.

FINANCIAL HIGHLIGHTS (continued):

Capital Assets (continued):

Capital Asset Summary – All Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

Asset Category	2014/15	2013/14	Increase/<Decrease> from 2013/14	% of Change
Land	$ 14,067,874	$ 14,067,874	$ -	0.0%
Land Improvements	29,863,055	25,977,548	3,885,507	15.0%
Structures and Improvements	704,331,463	663,203,509	41,127,954	6.2%
Equipment	203,549,709	160,774,493	42,775,216	26.6%
Capacity Rights	14,826,589	14,826,589	-	0.0%
Computer Software	10,937,114	10,735,955	201,159	1.9%
Jobs in Progress	45,211,138	81,947,617	(36,736,479)	(44.8%)
Sub-total	**1,022,786,942**	**971,533,585**	**51,253,357**	**5.3%**
Less: Accumulated Depreciation & Amortization	(366,205,274)	(332,401,979)	(33,803,295)	10.2%
Net Capital Assets	**$ 656,581,668**	**$ 639,131,606**	**$ 17,450,062**	**2.7%**

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

Debt Management

At June 30, 2015, the Agency had outstanding principal bond debt of $200,010,000.

Bond Issue	Principal	Premium (discount)	Outstanding on 06/30/15
2008A Revenue Bonds	125,000,000	3,883,951	128,883,951
2008B Variable Rate	44,060,000	0	44,060,000
2010A	30,950,000	2,043,477	32,993,477
TOTAL	**$ 200,010,000**	**$ 5,927,428**	**$ 205,937,428**

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

FINANCIAL HIGHLIGHTS (continued):

Debt Management (continued):

Included in Notes and Loans Payable at June 30, 2015, are:

1) A note from the Santa Ana Watershed Project Authority (SAWPA) pertaining to the purchases of pipeline capacity, with an outstanding balance of $714,196.

2) Various State Revolving Financing (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of $108,453,732.

3) A loan from the City of Fontana for the Agency's cost share of the San Bernardino Regional Lift Station and Force Main capital project with an outstanding balance of $6,486,690.

4) A reimbursement agreement with SDLAC for the Agency's proportionate share of 4R's (Repair, Replace, Refurbish, and Rehabilitation) capital charges, funded with SRF loans with an outstanding balance of $3,446,445.

In June 2015, the Agency's credit rating for long-term debt was affirmed by two major credit rating agencies:

Moody's: Aa2
Standard and Poor's: AA

Contacting the Agency's Financial Management

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

Lake Ghisolfo, Calistoga

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, 2015, and the results of operations and the cash flows of its proprietary fund types for the fiscal year then ended.

All individual enterprise funds are classified as either Major fund groups or Non-major fund groups. The Administrative Service Fund is used to monitor the general and administrative expenses of the Agency.

The Basic Financial Statements consist of:

1) Statement of Net Assets – the statement denotes the increase/(decrease) of net assets of the Agency.

2) Statement of Revenues, Expenses and Changes in Fund Net Assets – the statement shows all revenue and expense sources recorded for the period, and their effects on the net assets of the Agency.

3) Statement of Cash Flows – the statement reflects the Agency's financial activities and their effect on cash. It also denotes the cash position of the Agency at the end of the fiscal period.

4) Notes to the Basic Financial Statements.

INLAND EMPIRE UTILITIES AGENCY
Statement of Net Position
June 30, 2015

	Enterprise Funds	
ASSETS	Regional Wastewater	Recycled Water
Current assets		
Cash and investments (note 3)	$ 50,543,386	$ 890,023
Accounts receivable	9,924,678	21,761,530
Interest receivable	169,539	1,148
Taxes receivable	300,611	17,433
Other receivables	69,655	110,023
Inventory	0	0
Prepaid items	1,200	3,500
Total current assets	61,009,069	22,783,657
Restricted assets (note 3)		
Deposits held by governmental agencies	41,023,148	0
Assets held with trustee/fiscal agent	1,780,556	1,254,993
Total restricted assets	42,803,704	1,254,993
Noncurrent assets		
Capital assets (note 7)		
Land	14,047,045	0
Jobs in progress	13,977,033	28,372,402
Capital assets, net of accumulated depreciation	352,329,573	163,199,526
Intangible assets, net of accumulated amortization	5,432,679	745,436
Total capital assets	385,786,330	192,317,364
Other assets		
Long-term agreements (note 11)	45,577,499	0
Long-term receivables (note 10)	2,634,337	1,180,243
Advances to other funds (note 14)	13,500,000	0
Prepaid bond insurance	423,863	140,151
Prepaid interest -SRF loans	1,043,432	1,244,678
Total other assets	63,179,131	2,565,072
Total noncurrent assets	448,965,461	194,882,436
Total assets	552,778,234	218,921,086
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	1,102,641	0
Deferred outflow related to net pension liability	6,209,683	775,759
Total deferred outflows of resources	7,312,324	775,759

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

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Water Resources	Non-Major	Totals
$ 5,998,121	$ 28,880,156	$ 86,311,686
5,414,083	13,680,761	50,781,052
4,238	512,858	687,783
0	28,115	346,159
0	43,663	223,341
0	1,660,129	1,660,129
0	121,317	126,017
11,416,442	44,926,999	140,136,167
0	0	41,023,148
0	931,626	3,967,175
0	931,626	44,990,323
0	20,829	14,067,874
211,275	2,650,428	45,211,138
19,928	69,514,190	585,063,217
24,829	6,036,495	12,239,439
256,032	78,221,942	656,581,668
0	0	45,577,499
0	0	3,814,580
0	19,308,104	32,808,104
0	34,156	598,170
0	0	2,288,110
0	19,342,260	85,086,463
256,032	97,564,202	741,668,131
11,672,474	143,422,827	926,794,621
0	0	1,102,641
281,261	1,087,999	8,354,702
281,261	1,087,999	9,457,343

(continued)

	Enterprise Fund Types	
LIABILITIES	Regional Wastewater	Recycled Water
Current liabilities		
Accounts payable	$ 3,575,639	$ 3,014,354
Accrued liabilities	41,685	72,895
Compensated absences (note 1)	0	0
Retentions payable	149,878	787,258
Notes payable, due within one year (note 12)	1,896,195	3,962,026
Long-term debt, due within one year (note 12)	5,177,797	0
Interest payable	1,369,844	1,240,475
Retention deposits and escrows	95,146	0
Total current liabilities	12,306,184	9,077,008
Noncurrent liabilities		
Compensated absences (note 1)	0	0
Long-term debt, due in more than one year (note 12)	148,266,334	30,197,511
Notes payable, due in more than one year (note 12)	29,087,817	80,213,554
Advances from other funds (note 14)	0	28,500,000
Other noncurrent liabilities	0	267,184
Net pension liability (note 5)	27,283,277	3,408,427
Net OPEB liability (note 1d.)	0	0
Total noncurrent liabilities	204,637,428	142,586,676
Total liabilities	216,943,612	151,663,684
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	5,893,340	736,239
Total deferred inflows of resources	5,893,340	736,239
NET POSITION		
Net Investment in capital assets	202,229,783	77,944,273
Restricted for:		
Capital construction	41,023,148	0
SRF Loan debt service	1,447,479	5,162,397
Bond operating contingency requirement	16,022,083	0
Total restricted	58,492,710	5,162,397
Unrestricted	76,531,113	(15,809,748)
Total net position	$ 337,253,606	$ 67,296,922

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

Water Resources	Non-Major	Totals
$ 4,500,290	$ 14,465,888	$ 25,556,171
513,208	3,096,707	3,724,495
0	1,606,386	1,606,386
27,520	0	964,656
0	807,888	6,666,109
0	632,203	5,810,000
0	139,171	2,749,490
0	72,324	167,470
5,041,018	20,820,567	47,244,777
0	2,732,734	2,732,734
0	21,663,583	200,127,428
0	3,133,583	112,434,954
4,308,104	0	32,808,104
0	0	267,184
1,235,767	4,780,307	36,707,778
0	1,291,524	1,291,524
5,543,871	33,601,731	386,369,706
10,584,889	54,422,298	433,614,483
266,933	1,032,573	7,929,085
266,933	1,032,573	7,929,085
256,032	52,843,986	333,274,074
0	0	41,023,148
0	0	6,609,876
0	3,425,731	19,447,814
0	3,425,731	67,080,838
845,881	32,786,238	94,353,484
$ 1,101,913	$ 89,055,955	$ 494,708,396

INLAND EMPIRE UTILITIES AGENCY
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
OPERATING REVENUES		
Service charges	$ 47,022,954	$ 0
Water Sales	0	0
Recycled water sales	0	12,047,164
Total operating revenues	47,022,954	12,047,164
OPERATING EXPENSES		
Water Purchases	0	0
Wastewater collection	805,353	0
Wastewater treatment	19,001,130	0
Wastewater disposal	7,996,871	0
Operations and maintenance	0	3,262,561
Administration and general	20,262,896	4,115,498
Depreciation and amortization	23,154,752	6,990,988
Total operating expenses	71,221,002	14,369,047
Operating income (loss)	(24,198,048)	(2,321,883)
NONOPERATING REVENUES (EXPENSES)		
Interest income	288,683	132
Property tax revenue	35,554,077	2,063,827
Wastewater capital connection fees	15,073,882	0
Other nonoperating revenues	4,262,635	511,095
Interest on long-term debt	(6,368,586)	(2,744,069)
Other nonoperating expenses	(4,523,072)	(188,763)
Total nonoperating revenues (expenses)	44,287,619	(357,778)
Income (loss) before capital contributions and transfers	20,089,571	(2,679,661)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in (note 15)	1,273,557	0
Transfers out (note 15)	(1,373,285)	(2,048,687)
Capital grants	381,525	4,901,476
Change in net position	20,371,368	173,128
Total net position - beginning, as restated	316,882,238	67,123,794
Total net position - ending	$ 337,253,606	$ 67,296,922

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

Water Resources	Non-Major	Totals
$ 5,690,362	$ 11,242,300	$ 63,955,616
34,146,923	0	34,146,923
0	0	12,047,164
39,837,285	11,242,300	110,149,703
34,146,923	0	34,146,923
0	7,283,522	8,088,875
0	0	19,001,130
0	0	7,996,871
1,130,704	0	4,393,265
4,863,772	4,183,815	33,425,981
5,367	3,961,923	34,113,030
40,146,766	15,429,260	141,166,075
(309,481)	(4,186,960)	(31,016,372)
11,732	135,653	436,200
1,500,000	1,828,099	40,946,003
0	0	15,073,882
137,947	2,631,612	7,543,289
0	(480,211)	(9,592,866)
(995,857)	(1,472,681)	(7,180,373)
653,822	2,642,472	47,226,135
344,341	(1,544,488)	16,209,763
0	2,185,745	3,459,302
0	(37,330)	(3,459,302)
564,641	69,922	5,917,564
908,982	673,849	22,127,327
192,931	88,382,106	472,581,069
$ 1,101,913	$ 89,055,955	$ 494,708,396

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows
For the Fiscal Year ended June 30, 2015

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 46,662,899	$ 12,329,097
Cash received from interfund services provided	0	0
Cash payments to suppliers for goods and services	(16,326,917)	(2,237,842)
Cash payments to employees for services	(16,386,341)	(1,108,838)
Cash payments for interfund services used	(19,125,086)	(3,465,876)
Net cash provided by (used for) operating activities	(5,175,445)	5,516,541
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	1,273,557	0
Transfers out	(1,373,285)	(2,048,687)
Contract reimbursement from others	4,262,635	511,096
Tax revenues	35,668,009	2,070,439
Collection of long-term receivable	141,226	110,023
Cash paid to others	(4,320,720)	(220,170)
Investment in IERCA	864,374	0
Advances from other funds	0	10,500,000
Advances to other funds	(10,500,000)	0
Net cash provided by (used for) noncapital financing activities	26,015,796	10,922,701
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(13,546,823)	(34,341,664)
Proceeds from State Revolving Funds	27,033	9,818,036
Connection fees on deposit held by members	15,073,882	0
Capital grants received	381,525	4,901,476
Principal paid on capital debt	(22,565,747)	0
Interest paid on capital debt	(5,450,392)	(2,353,729)
Payments on State Revolving Funds	(1,332,709)	(2,772,546)
Bond administration fees	(202,352)	(38,182)
Contractor deposits collected	0	0
Net cash provided by (used for) capital and related financing activities	(27,615,583)	(24,786,609)

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

Water Resources	Non-Major	Totals
$ 44,341,459	$ 7,754,662	$ 111,088,117
0	25,642,003	25,642,003
(43,195,699)	(8,463,944)	(70,224,402)
(936,254)	(25,924,205)	(44,355,638)
(402,641)	(1,780,495)	(24,774,098)
(193,135)	(2,771,979)	(2,624,018)
0	2,185,745	3,459,302
0	(37,330)	(3,459,302)
137,947	2,449,132	7,360,810
1,500,000	1,838,764	41,077,212
0	0	251,249
(995,856)	(1,397,811)	(6,934,557)
0	0	864,374
4,308,104	0	14,808,104
0	(4,308,104)	(14,808,104)
4,950,195	730,396	42,619,088
(211,275)	(3,153,599)	(51,253,361)
0	(216,378)	9,628,691
0	0	15,073,882
564,641	69,922	5,917,564
0	(1,391,403)	(23,957,150)
0	(570,153)	(8,374,274)
0	0	(4,105,255)
0	(7,882)	(248,416)
0	(393)	(393)
353,366	(5,269,886)	(57,318,712)

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows (Continued from previous page)
For the Fiscal Year ended June 30, 2015

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$ 323,577	$ 12,249
Purchase of investments	0	0
Net cash provided by (used for) investing activities	323,577	12,249
Net increase (decrease) in cash and cash equivalents	(6,451,655)	(8,335,118)
Cash and cash equivalents - beginning	99,798,745	10,480,134
Cash and cash equivalents - ending	$ 93,347,090	$ 2,145,016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ (24,198,048)	$ (2,321,883)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	23,154,752	6,990,988
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(309,552)	206,584
Other receivables	0	0
Short-term receivable	(50,503)	75,349
Inventory	0	0
Prepaid items	0	0
Increase (decrease) in		
Deferred outflow related to net pension liability	(3,434,675)	(429,085)
Accounts payable	316,300	1,092,089
Accrued liabilities	(56,916)	(33,023)
Net pension liability	(6,590,392)	(823,320)
Deferred inflow related to net pension liability	5,893,340	736,239
Other liabilities	0	79,323
Change in contractor deposits	100,249	(56,720)
Compensated absences	0	0
Net cash provided by (used for) operating activities	$ (5,175,445)	$ 5,516,541

Water Resources	Non-Major	Totals
$ 8,617	$ 132,858	$ 477,301
0	(61,472)	(61,472)
8,617	71,386	415,829
5,119,043	(7,240,083)	(16,907,813)
879,078	37,051,865	148,209,822
$ 5,998,121	$ 29,811,782	$ 131,302,009
$ (309,481)	$ (4,186,960)	$ (31,016,372)
5,367	3,961,923	34,113,030
4,478,806	(3,507,813)	868,025
0	28,503	28,503
25,368	(8,328)	41,886
0	(43,841)	(43,841)
0	(9,172)	(9,172)
(155,570)	(601,789)	(4,621,119)
(4,201,369)	4,687,069	1,894,089
(32,204)	(200,619)	(322,762)
(298,505)	1,032,573	(6,679,644)
266,933	(1,154,703)	5,741,809
0	(3,063,798)	(2,984,475)
27,520	0	71,049
0	294,976	294,976
$ (193,135)	$ (2,771,979)	$ (2,624,018)

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

	Enterprise Funds	
	Regional Wastewater	Recycled Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash and short-term investments	$ 50,543,386	$ 890,023
Restricted assets	42,803,704	1,254,993
Cash & cash equivalents at end of year	$ 93,347,090	$ 2,145,016

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

Water Resources	Non-Major	Totals
$ 5,998,121	$ 28,880,156	$ 86,311,686
0	931,626	44,990,323
$ 5,998,121	$ 29,811,782	$ 131,302,009

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

June 30, 2015

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

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

Subject to the limitation imposed by the Constitution of California, and pursuant to its charter, all powers of the Agency are vested in a five-member Board of Directors. Each Director serves a four-year term and is elected by and represents the voters of a specific geographic area within the Agency's boundaries, identified as a Division. As of June 30, 2015, the Agency's staff is led by the Board-appointed General Manager, Executive Manager of Policy Development/Assistant General Manager (AGM), Executive Manager of Operations/AGM, Executive Manager of Engineering/AGM, and the Chief Financial Officer/AGM. The Agency's staff consisted of 290 authorized positions, of which 289 were filled as of June 30, 2015. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

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

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

b. Fund Financial Statements

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

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

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

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

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

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

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

Enterprise Funds

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

The Regional Wastewater Capital Improvement Fund

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

Regional Wastewater Operations and Maintenance Fund

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

Recycled Water Fund

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

Water Resources Fund

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

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

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

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 new connections are reported by contracting agencies. New connection fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

Effective June 30, 2015, the Agency reinstated the recording of pass-through imported water deliveries from MWD to contracting agencies as water sales and corresponding imported water purchases. For these transactions, the Agency is merely a conduit or accommodator for the transactions between the MWD, and the contracting agencies. The Agency, other than its role as a member of the MWD, has no control over the pricing of the imported water delivered to the Agency's contracting agencies by MWD.

Operating and Non-operating Revenues and Expenses

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

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

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

Operating and Non-operating Revenues and Expenses(Continued):

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

Budgetary Policy and Control

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

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

New Accounting Pronouncements

Current Year Standards

In fiscal year 2014/15, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these Statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by $41,841,117.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was also required to be implemented in the current fiscal year. This Statement had no impact the Agency.

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

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

New Accounting Pronouncements

Pending Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

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

Cash and Investments

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

For the purpose of the Statement of Cash Flows at June 30, 2015, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency’s cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts that are readily available on demand. All short-term cash surpluses are maintained in a cash and investment pool, and allocated to each fund based on month-end cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

Interest Income Allocation Method

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

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

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

Receivables and Payables

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

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

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

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

Inventories and Prepaids

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

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

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

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

Restricted Assets

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

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

Capital Assets

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

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

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

During the year ended June 30, 2015, total interest of $203,663 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds and is comprised of $73,793 recorded in the Regional Wastewater Capital Improvement Fund, $74,474 in the Recycled Water Fund and $55,396 in the Regional Wastewater and Operations and Maintenance Fund.

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

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

Capital Assets (continued):

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has two items that qualify for reporting in this category. One is the deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other is the deferred outflow of resources related to net pension liability equal to employer contributions made in the current year after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. It is the deferred inflow for the net difference between projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a five year period 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 City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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, 2014 was $1,799,725 with additions and deletions during the year of $566,048, and $419,876 respectively, resulting in an ending June 30, 2015 balance of $1,945,897. There was a net increase of $146,172 over the previous fiscal year.

The sick and compensatory leave balance at July 1, 2014 was $2,244,418 with additions and deletions during the year of $1,551,301 and $1,402,496 respectively, resulting in an ending June 30, 2015 balance of $2,393,223. There was a net increase of $148,805 over the previous fiscal year.

The compensated absences liability has been recorded in the Administrative Service (Non-Major) Fund as a combined total of $4,339,120. The current year liability is estimated to be $1,606,386.

Other Post - Employment Benefits

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

The Agency contributes an additional monthly longevity benefit to each retiree minus the minimum PEMHCA contribution or $122.00, whichever is greater, according to the chart below to each retiree who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55).

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

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

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

Other Post - Employment Benefits (continued):

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

In accordance with GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension (OPEB), public entities are required to accrue OPEB costs throughout the employee's working lifetime and record the actuarially calculated cost as a liability. The Agency contracted an independent pension consultant and actuaries to perform an actuarial valuation of the OPEB as of June 30, 2015. The report used the "Entry Age Normal" actuarial cost method and an attribution period that runs from the date of hire until the expected retirement date. Normal costs can be defined to be the present value of future benefits that are "earned" by employees for service rendered during the current year. The report used the level-percentage of pay method with which the Agency's unfunded actuarial accrued liability is being amortized over a 22 year closed period. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.

On June 4, 2014, the Agency entered into an agreement to prefund OPEB through CalPERS CERBT trust fund. As of June 30, 2015, the Agency has funded $7,000,000 into the CERBT trust fund towards the OPEB obligation.

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets, and Annual Required Contribution for the Fiscal Year 2014/15.

Valuation as on July 1, 2014	2014/15
Annual Required Contribution (ARC)	$937,681
Interest on Net OPEB Obilgation	266,546
Adjustment to ARC	(266,025)
Annual OPEB Costs	**$938,202**
IEUA Contribution	(4,002,000)
Percentage Contributed	426%
Increase or Decrease in Net OPEB	**($3,063,798)**
Net OPEB Obligation - Beginning of Year	4,355,322
Net OPEB Obligation - End of Year	1,291,524
Annual Covered Payroll	$23,048,949

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

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

Other Post - Employment Benefits (continued):

Three-year trend information for OPEB

Fiscal Year Ending	Annual OPEB Costs	% of OPEB Contributed	Net OPEB Obligation
6/30/2013	$1,424,675	31%	$6,833,724
6/30/2014	$1,516,123	262%	$4,355,322
6/30/2015	$ 938,202	426%	$1,291,524

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 48% funded. The actuarial accrued liability (AAL) for benefits was $15,050,188 and the actuarial value of assets was $6,992,580, resulting in unfunded actuarial accrued liabilities (UAAL) of $8,087,608. The covered-employee payroll (annual total payroll of active employees covered by the plan) was $23,048,949, and the ratio of the UAAL to the covered-employee payrolls was 35.09%.

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

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

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

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

Other Post - Employment Benefits (continued):

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan between the employer and the plan members and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefits costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Since retiree health benefits will be paid over the next 50 years or more, a projection of future benefits payments and liabilities requires the use of actuarial assumptions to reflect the estimate of what is likely to occur over the long-term.

The valuation process uses a mathematical model to project the number of retirees and dependents in each future year based on the retirees at the beginning of the year who are expected to survive until the end of the year, and the active employees expected to retire during the year. The expected benefits payable in future years are calculated based on the number of projected retirees and dependents and the anticipated future per capita costs. Actuarial assumptions used for the June 30, 2015 valuation were:

Actuarial report makes use of the following assumptions:

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

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

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

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

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

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

Other Post - Employment Benefits (continued):

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.

II. STEWARDSHIP

(2) Stewardship, Compliance & Accountability

Encumbrances

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

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

III. DETAILED NOTES ON ALL FUNDS

(3) Cash and Investments

The Agency follows the practice of pooling cash and investments of all funds, except for restricted funds generally held by outside custodians and funds in its employees' deferred compensation plans, held in trust. 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.

Cash and investments as of June 30, 2015 are classified in the accompanying financial statement as follows*:*

Statement of net position:	
Cash and investments	$86,311,686
Restricted deposits held by governmental agencies	41,023,148
Restricted assets held with trustee/fiscal agent	3,967,175
Total cash and investments	**$131,302,009**
Cash and investments as of June 30, 2015 consist of the following:	
Cash on hand (Petty Cash)	$1,885
Deposits with financial institutions	4,273,979
Deposits held by other governmental agencies	41,023,148
Investments	86,002,997
Total cash and investments	**$131,302,009**

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, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

(3) Cash and Investments (continued):

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

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

Authorized Investment Type	Maximum 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
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
Local Agency Investment Pools	N/A	$20M/Acct	None
Bank Deposits	N/A	None	None

Investments Authorized by Debt Agreements

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

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

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

(3) Cash and Investments (continued):

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Investment Pool Oversight

Local Agency Investment Fund (LAIF)

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

Investment Trust of California (CalTRUST)

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

Deposits

At June 30, 2015, the carrying amount of the Agency's deposits was $4,273,979 and the bank balance was $4,881,497. The $607,518 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure public agencies deposits by pledging government securities with a value of 110% of a public agency's deposits. California law also allows financial institutions to secure entity's deposits by pledging first mortgage notes having a value of 150% of the Agency's total deposits. California law also allows financial institutions to secure Entity deposits by pledging first mortgage notes having a value of 150% of the District's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

(3) Cash and Investments (continued):

Deposits (continued):

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency has no formal policy for managing risks.

Presented below is the minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2015 for each investment type:

			Moody's Rating as of June 30, 2015			
Investment Type		**Minimum Legal Rating**	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Unrated**
Repurchase Agreement	$28,898,737	N/A	$0	$0	$0	$28,898,737
U.S. Agency Securities	16,999,140	N/A	16,999,140	0	0	0
Medium Term Notes	4,001,690	A	1,000,190	3,001,500	0	0
State Municipal Bonds	1,011,420	A	1,011,420	0	0	0
LAIF	24,835,685	N/A	0	0	0	24,835,685
Cal Trust	3,539,402	N/A	0	0	0	3,539,402
CBB Certificate of Deposit	4,172,210	N/A	0	0	0	4,172,210
Held by Bond Trustee:						
Money Market Mutual Funds	2,544,713	N/A	0	0	0	2,544,713
Total	**$86,002,997**		**$19,010,750**	**$3,001,500**	**$0**	**$63,990,747**

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount	Percentage
Citizen Business Bank	Repurchase Agreement	$28,898,737	33.6%
FHLMC	U.S. Agency Securities	6,990,710	8.13%

(3) Cash and Investments (continued):

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

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

As of June 30, 2015, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to $250,000 and the remaining balances were collateralized under California law.

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

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

Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to securities with a final state maturity not to exceed five years. The Agency manages its exposure to interest rate risk is by purchasing a combination of short term and long term investments. Investment maturities are spread out evenly to provide the cash flow and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

(3) Cash and Investments (continued):

Interest Rate Risk (continued):

As of June 30, 2015, 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	$28,898,737	$0	$0	$0	$28,898,737
U.S Agency Securities	1,998,660	4,003,690	2,998,030	7,998,760	16,999,140
Medium Term Notes	3,003,020	0	998,670	0	4,001,690
State Municipal Bonds	1,011,420	0	0	0	1,011,420
State Investment Pool	24,835,685				24,835,685
Cal Trust	3,539,402	0	0	0	3,539,402
CBB Certificate of Deposit	4,172,210	0	0	0	4,172,210
Held by Bond Trustee:					
Money Market Mutual Fund	2,544,713	0	0	0	2,544,713
Total	**$70,003,847**	**$4,003,690**	**$3,996,700**	**$7,998,760**	**$86,002,997**

(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 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 is expected to contribute up to 10% of their employee's earnings up to a maximum of $53,000 for 2015. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current IRS regulations once an employee elects to participate in the plan, he/she cannot change his/her contribution amount or withdraw from the plan until he/she leaves Agency employment.

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

(5) Defined Benefit Pension Plan

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, 2015, 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
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%
FY2013/14 required employee contribution rates*	8%	7%	6.25%
FY2013/14 required employer contribution rates	16.105%	16.105%	16.105%

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

(5) Defined Benefit Pension Plan (continued):

General information about the Pension Plans (continued)

Fiscal Year	*Hired Prior to January 1, 2012*	*Hired On or After January 1, 2012*	*Hired After January 1, 2013*
2014/15	*4.0%*	*5.0%*	*6.25%*
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	***8.0%***	***7.0%***	***6.25%***

Employees Covered

At June 30, 2015, the following employees were covered by the Plans' terms:

Inactive employees or beneficiaries currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	182
Active employees	273
Total	**650**

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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

(5) Defined Benefit Pension Plan (continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
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, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% 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.

(5) Defined Benefit Pension Plan (continued):

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

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

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%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

(5) Defined Benefit Pension Plan (continued):

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, 2013	$ 145,020,505	$ 99,445,805	$ 45,574,700
Changes in the Year:			
Service cost	3,768,503	-	3,768,503
Interest on the total pension liability	10,818,920	-	10,818,920
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benfit terms	-		-
Contribution - employer	-	3,733,583	(3,733,583)
Contribution - employee (paid by employer)	-	-	-
Contribution - employee	-	2,374,649	(2,374,649)
Net investment income	-	17,346,113	(17,346,113)
Administrative expenses	-	-	-
Benefit payments, including refunds of employee contributions	(5,304,990)	(5,304,990)	-
Net Changes	**$ 9,282,433**	**$ 18,149,355**	**$ (8,866,922)**
Balance at June 30, 2014	**$ 154,302,938**	**$ 117,595,160**	**$ 36,707,778**

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% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Net Pension Liability	$ 58,006,751	$ 36,707,778	$ 19,059,357

Source: CalPERS GASB 68 Accounting Valuation Report with measurement date of June 30, 2014.

Pension Plan Fiduciary Net Position

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

(5) Defined Benefit Pension Plan (continued):

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 measurement period ended June 30, 2014, the Agency recognized pension expense of $2,795,746. As of June 30, 2014, 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	$ 8,354,702	0
Differences between actual and expected experience	0	0
Change in assumptions	0	0
Net differences between projected and actual earnings on plan investments	0	(7,929,085)
Total	**$ 8,354,702**	**$ (7,929,085)**

(5) Defined Benefit Pension Plan (continued):

Deferred outflows of resources related to contributions subsequent to the measurement date of $8,354,702 will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

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

Measurement Period Ending June 30:	Deferred Outflows/(Inflows) of Resources
2015	$ (1,982,272)
2016	(1,982,271)
2017	(1,982,271)
2018	(1,982,271)
2019	0
Thereafter	0

Payable to the Pension Plan

As of June 30, 2015, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

(6) Risk Management

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

- General and auto liability, public officials and employees’ error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to $500,000 per person per occurrence.

- The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to $25,000.

(6) Risk Management (continued):

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

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

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

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

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

- Property damage has a $1,000,000,000 per occurrence coverage limit, subject to a $25,000 deductible per occurrence. All other claims categories provide coverage up to $800,000,000 on an annual aggregate basis.

- 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 reimbursed to 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 (Non-Major) 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, 2015, 2014, and 2013. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

Claim Liabilities

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

(6) Risk Management (continued):

Claim Liabilities (continued):

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

	Worker's Compensation		General Liability	
	2014/15	2013/14	2014/15	2013/14
Unpaid Claims, beginning of fiscal year	$229,358	$263,382	$500,000	$500,000
Incurred claims (including IBNRs)	123,752	76,768	15,661	14,998
Claim payments	(103,231)	(110,792)	(15,661)	(14,998)
Unpaid claims, end of fiscal year	**$249,879**	**$229,358**	**$500,000**	**$500,000**

(7) Changes in Capital Assets

Jobs in Progress

At fiscal year ended June 30, 2015, the Agency had several jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the amendments to the Recycled Water Business Plan adopted in December 2007. Other significant projects are also underway to expand, improve, and refurbish existing treatment facilities in the Agency's Regional Wastewater Program, including the disposition of wastewater by-products and provide for ancillary facilities that support operating activities.

Other Projects (less than $1,000,000 each)	$ 9,653,393
Wineville Extension Recycled Water Pipeline Segment A	13,397,648
Wineville Recycle Water Extension Segment B	9,091,627
RP-1 Outfall Relocation & Upsizing	3,924,409
Montclair Lift Station Upgrades	2,847,940
RP-4 Headworks Retrofit	2,556,600
Philadelphia Pump Station Upgrades	2,157,943
Supervisory Control and Data Acquisition Enterprise System	1,581,578
Total Jobs in Progress	**$ 45,211,138**

(7) Changes in Capital Assets (continued):

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2015:

Capital Assets

Capital Assets	Balance at 6/30/14 (As Restated)	Additions	Transfers & Retirements	Balance at 6/30/15	Accumlated Depreciation at 6/30/15	Net Book Value at 6/30/15
Capital Assets-not being depreciated:						
Land	$ 14,067,874	$ -	$ -	$ 14,067,874	$ -	$ 14,067,874
Jobs in Progress	84,947,342	48,563,364	(88,299,568)	45,211,138	-	45,211,138
Total Capital Assets, not being depreciated	$ 99,015,216	$ 48,563,364	$ (88,299,568)	$ 59,279,012	$ -	$ 59,279,012
Capital Assets-being depreicated:						
Interceptors, trunk lines and inter-ties	$ 36,078,588	$ 642,658	$ -	$ 36,721,246	$ (9,969,038)	$ 26,752,208
Office facilities	12,076,617	-	-	12,076,617	(2,708,841)	9,367,776
Collection, outfall, and transmission lines	122,175,508	1,467,592	-	123,643,100	(68,895,584)	54,747,516
Reservoirs, setting basins, ponds, and chlorination station	114,988,821	4,415,575	-	119,404,396	(26,979,216)	92,425,180
Recycled water distribution system	119,180,002	21,427,470	-	140,607,472	(17,939,453)	122,668,019
Treatment plants, pump stations and office buildings	258,703,973	13,174,659	-	271,878,632	(117,327,511)	154,551,12
Equipment	160,774,493	43,084,943	(309,728)	203,549,708	(98,653,715)	104,895,993
Land improvement	25,977,548	3,885,507	-	29,863,055	(10,207,651)	19,655,404
Total capital assets, being depreciated	$ 849,955,550	$ 88,098,404	$ (309,728)	$ 937,744,226	$ (352,681,009)	$ 585,063,217
Less accumulated deprecition for:						
Interceptors, trunk lines and inter-ties	$ (9,123,088)	$ (845,950)	$ -	$ (9,969,038)		
Office facilities	(2,469,806)	(239,035)		(2,708,841)		
Collection, outfall, and transmission lines	(65,226,463)	(3,669,121)		(68,895,584)		
Reservoirs, setting basins, ponds, and chlorination station	(24,187,697)	(2,791,519)		(26,979,216)		
Recycled water distribution system	(14,943,016)	(2,996,437)		(17,939,453)		
Treatment plants, pump stations and office buildings	(110,707,427)	(6,620,084)		(117,327,511)		
Equipment	(84,590,904)	(14,372,539)	309,728	(98,653,715)		
Land improvement	(8,981,503)	(1,226,148)		(10,207,651)		
Total accumulated depreciation	$ (320,229,904)	$ (32,760,833)	$ 309,728	$ (352,681,009)		
Total capital assets, being depreciated, net	$ 529,725,646	$ 55,337,571	$ -	$ 585,063,217		
Total capital assets- Enterprise Funds, Net	**$ 628,740,862**	**$ 103,900,935**	**$ (88,299,568)**	**$ 644,342,229**		

(7) Changes in Capital Assets (continued):

Intangible Assets

.

Intangible Assets	Balance at 6/30/14	Additions	Transfers & Retirements	Balance at 6/30/15	Accumlated Amortization at 6/30/15	Net Book Value at 6/30/15
Intangible assets-being amortized:						
Computer software	$ 10,735,955	$ 201,160	$ -	$ 10,937,115	$ (6,245,908)	$ 4,691,207
Contributed capital-lease	129,324	-	-	129,324	(9,699)	119,625
Metropolitan Water District connections	198,891	-	-	198,891	(177,013)	21,878
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(26,449)	17,040
San Bernardino Conty Flood Control-Chino Road Barrier	48,078	-	-	48,078	(18,432)	29,646
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(6,394,747)	6,072,255
Organization and master planning	1,939,805	-	-	1,939,805	(652,017)	1,287,788
Total intangible assets being-amortized	$ 25,562,544	$ 201,160	$ -	$ 25,763,704	$ (13,524,265)	$ 12,239,439
Less accumulated amortization for:						
Computer software	$ (5,241,694)	$ (1,004,214)	$ -	$ (6,245,908)		
Contributed capital-lease	(3,233)	(6,466)	-	(9,699)		
Metropolitan Water District connections	(173,035)	(3,978)	-	(177,013)		
Corps of Engineers-Cucamonga Creek	(25,579)	(870)	-	(26,449)		
San Bernardino Conty Flood Control-Chino Road Barrier	(16,829)	(1,603)	-	(18,432)		
Santa Ana Watershed Project Authority capacity rights	(6,097,163)	(297,584)	-	(6,394,747)		
Organization and master planning	(614,542)	(37,475)	-	(652,017)		
Total accumulated amortization	$ (12,172,075)	$ (1,352,190)	$ -	$ (13,524,265)		
Total intangible assets-Enterprise Funds, Net	$ 13,390,469	$ (1,151,030)	$ -	$ 12,239,439		
Total capital assets-Enterprise Funds, net	$ 642,131,331	$ 102,439,817	$ (87,989,480)	$ 656,581,668		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2015 (rounding difference). For the Fiscal year ended June 30, 2015, depreciation was $32,760,833 and amortization expense was $1,352,190

(8) Construction Commitments

The Agency is committed to several significant construction contracts. Total outstanding obligations were $4,600,521 at June 30, 2015. Some of the contracts for ongoing projects at the Agency's regional plants are: 1) One Agency wide project totaling $2,124,606; 2) Two major recycled water projects totaling $1,930,109; 3) Two projects on-going at RP-1 totaling $373,304; 4) One retrofit project on-going at RP-4 with a contract balance totaling $99,928; 5) One Agency wide HVAC project with a contract balance totaling $38,731; and 6) One major project on-going at the Carbon Canyon facility totaling $33,843.

The major projects include:

- **Supervisory Control and Data Acquisition (SCADA) Enterprise System - EN13016.** The SCADA Enterprise system will eliminate the multi-vendor platforms currently operating as islands of automation. The design and construction of a highly-reliable and scalable Enterprise SCADA system that enables the control of any facility from any location, remote operations as well as integration with the Business system, and supports wastewater treatment, recycled water, and groundwater supply-demand management. This project has an outstanding obligation of $2,124,606.

- **Wineville Recycled Water Extension Pipeline Segment A – EN06025.** This project will plan, design and construct a 24 and 20-inch recycled water pipeline from the Wineville Recycled Water Pipeline at Jurupa and Wineville, to the RP-3 basins at Beech and Jurupa. The pipeline is located in the cities of Ontario and Fontana. The project consists of approximately 24,000 lineal feet of pipe, and will serve recycled water customers as well as provide recycled water for ground water recharge at the RP-3 and Declez Basins. This project has an outstanding obligation of $1,096,429.

- **Wineville Recycled Water Extension Pipeline Segment B - EN13045.** The Wineville Recycled Water Extension Pipeline Segment B will install 2.8 miles of 30-inch recycled water pipeline in addition to the associated appurtenances, and is located in the central service area. The new pipeline consists of approximately 12,000 linear feet of 36-inch cement lined and coated steel pipeline in the City of Fontana. The pipeline connects to Segment A terminus on one end (west), and terminates at RP-3 and Declez recharge basins where approximately 1,000 linear feet of 16-inch PVC is installed inside RP-3. The pipeline will provide recycled water of approximately 4,100 acre-feet per year for direct use and groundwater recharge. This project has an outstanding obligation of $833,680.

- **RP-1 Digester Gas System Evaluation & Improvements - EN15056.** The RP-1 digester gas system is subject to large fluctuations in gas consumption due to the inconsistent nature of the fuel cell operation and its gas cleaning system. The RP-1 flare and associated digester gas piping area will be paved to provide access for operations and maintenance staff. This project will include the necessary equipment to enhance the digester gas system reliability, safety, and ensure compliance. This design build project involves the investigations and evaluations of the pressure losses in the digester gas system piping, and provides recommendations for repairs and upgrades.

  The project will also include the installation of a new automatic sludge direct feed valve for Digester No. 1, and modifications of the digester loop emergency release valve controls with full interface with the SCADA system in the control room; and, new pavement to replace the dirt area surrounding the flare and gas piping area to provide convenient and safe access to the equipment. This project has an outstanding obligation of $356,935.

(8) Construction Commitments (continued):

- **RP-4 Headworks Retrofit – EN09021.** This project entails altering the headworks building to improve accessibility for operations and maintenance, and replacing the leaky sluice gates at the bar screen. Two options have been presented for evaluation. One option is to have the headworks building altered by adding a speed door on the south side while the gates will be replaced with stainless steel ones. Another option that is being evaluated is to cover all screens and the opening above the lower level with aluminum sheets. The foul air duct would be extended to the lower level. This would eliminate the need for the building entirely. The conceptual design drawings are being finalized for the second design option. The project has an outstanding obligation of $99,928.

- **Agency-Wide HVAC Improvements - EN13056.** The scope of this project is to evaluate electrical and control building HVAC systems, and provide solutions/upgrades for the RP-4 Motor Control Center #5, Carbon Canyon Facility switchgear room, RP-4 main building, and the RP-1 maintenance building. It will also replace the evaporative coolers for the Carbon Canyon Facility switchgear with an air conditioning system, and modify the ventilation system configuration. This project scope includes the design, procurement and installation of all necessary HVAC equipment. This project has an outstanding obligation of $38,731.

- **Carbon Canyon Facility Secondary Clarifier No. 3 Rehabilitation - EN14027.** The Carbon Canyon Facility has three secondary clarifiers that have been in service since 1993. With the clarifiers and their associated equipment approaching their service life, it is vital to rehabilitate the clarifiers and replace antiquated equipment. Within the last two years two secondary clarifiers (I & 2) were rehabilitated. This project will rehabilitate the Secondary Clarifier No. 3 and replace most of its equipment. This project will recoat the concrete walls of the clarifier from the bottom elevation to the top, excluding the base; weld the eroded metal work; sandblast and recoat the metal work; replace the valves at the dewatering, return sludge, effluent and influent; and, construct a new sludge level indictor. The project has a contract with an outstanding obligation of $33,843.

- **Major Facilities Repairs/Replacements – EP14002.** Throughout the year, Maintenance is required to repair and/or replace major assets/equipment. This project encompasses several items for multiple facilities, and includes 15 luminescent dissolved oxygen (LDO) meters; 3 anoxic mixers; a uninterrupted power supply (UPS) for the chemical system; RP1/TP1 Waste Wash Water (WWW) basin Motor Control Centers (MCC) cubicle replacement; Gravity thickener (GT) scum pumps; Air Flow meters; actuators for aeration basins; a mixed liquor pump; MCC6; digester hot water valves; a shower trailer; a 6-inch trash pump; a mobile air compressor; a headworks conveyor; a swing heat exchanger; and, brush holder assemblies for secondary clarifiers. The project has a remaining obligation of $16,369.

(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, 2015, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with worker's compensation and general liability matters. Based on legal counsel's opinion, the potential losses and/or resolutions of these cases will not materially affect the financial condition of the Agency.

(10) Long-Term Receivables

City of Ontario

On June 4, 2004, the Agency entered into an amendment to its original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project. The project was completed on March 31, 2008, and as of June 30, 2015, the long term receivable amount is $2,634,337 and is recorded in the Regional Wastewater Capital Improvement (RC) Fund.

Monte Vista Water District

On February 2, 2008, the Agency entered into an agreement with Monte Vista Water District (MVWD) for the construction of the regional recycled water distribution system that resides within the MVWD service area. Monte Vista Water District agreed to reimburse the Agency $1,068,418 for the construction costs, payable yearly beginning June, 2009, plus interest at an annum rate of 2.2% for 20 years. As of June 30, 2015, the long term receivable amount is $695,835, and is recorded in the Recycled Water (WC) Fund.

Cucamonga Valley Water District

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. CVWD agreed to reimburse the Agency $690,648 for the construction costs, payable yearly beginning June, 2011, plus interest at an annum rate of 0.74% for 20 years. As of June 30, 2015, the long term receivable amount is $484,408, and is recorded in the Recycled Water (WC) Fund.

(11) Joint Ventures - Long-Term Agreements

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

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana 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, 2015 is summarized as follows:

	2015
Total Assets	$ 173,051,031
Deferred Outflows of Resources	273,547
Total Liabilities	107,505,347
Deferred Inflows of Resources	784,673
Total Net Position	65,034,558
Total Revenues	15,228,824
Total Expenses	(14,084,505)
Net Change in Net Position	$ 1,144,319

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).

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

Santa Ana Watershed Project Authority (continued):

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

A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Non-reclaimable Capital Improvement (NC) Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of $2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were $3,318,846, which brought the total expenditures to $9,871,856 as of June 30, 2001.

B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.

C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement (RC) Fund 1.5 mgd of IEBL pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of 0.4 mgd IEBL discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of IEBL pipeline and 1.5 mgd capacity is $4,650,970. Subsequent annual capital replacement and supplemental costs were $1,442,010, which brought the total expenditures to $6,092,980 as of June 30, 2001.

D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of IEBL pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Wastewater Capital Improvement (RC) Fund, purchased 0.5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-reclaimable Capital Improvement (NC) Fund. The total cost of the purchase was $5,625,000, with a 5% down payment. The balance is payable over 20 years with a zero interest rate, and has been discounted by $2,095,253 at an imputed interest rate of 6%.

E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of IEBL pipeline capacity from SAWPA. The purchase price was $3,750,000, and is recorded in the Non-reclaimable Wastewater (NC) Fund. The agreement called for a 5% down payment of $187,500, and the balance of $3,562,500 to be financed by SAWPA for a 20 year-period at a 6% interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of $2,961,171 plus accrued interest of $167,935.

F) On April 21, 2004, the Agency Board of Directors of approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority (CDA). The sale price totaled $14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with $4.73 million going to the Regional Wastewater Capital Improvement (RC) Fund and $9.52 million going to the Non-reclaimable Wastewater (NC) Fund.

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

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 finance and administration support for the JPA, as well as operational support for the Desalter 1 facility. In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2015, Desalter 1 and Desalter 2 delivered a total of 25,795 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 Plant No. 4 (RP-4) was acquired in December, 2001 at a cost of $15,116,229. Subsequent to the property acquisition, preliminary and final designs were launched to modify the building. The facility started operation in FY 2006/2007 and is currently staffed by twenty-four full time IEUA employees who provide all operational activities including production, maintenance, safety and industrial hygiene training, and sales and administration. The IERCA reimburses IEUA 100% of employment costs. A tipping fee is paid by JPA partners for biosolids deliveries to IERCA, to recover O&M and R&R costs. The agency records biosolids tipping fees in the RO fund.

As of June 30, 2015, the Agency's equity share is $45,577,499 recorded in the Regional Wastewater Capital Improvement (RC) Fund. There was an additional write-down of $864,373 (50% of the Agency's equity share) of the JPA's net position at June 30, 2015; this reduction is recorded in the non-operating expenses on the statement of revenues in RC Fund. The Agency records the JPA labor costs for operating the facility in the RO Fund. IERCA financial data is available at the Agency's main office.

Santa Ana River Watermaster

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

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

Santa Ana River Watermaster (continued):

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

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

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

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 for the operation of Watermaster as of and for the fiscal year ended June 30, 2014 is summarized as follows:

	2014
Total Assets	$12,701
Fund Balance	**12,701**
Total Revenues	14,000
Total Expenses	(14,000)
Net Increase/(Decrease) in Equity	**$0**

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

(12) Long-term Debt and Notes Payable

Long-term Debt

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Amounts Due after One Year
Bonds Payable:						
2005A Revenue Bonds (1999 Refinancing)	$ 16,200,000	$ -	$ 16,200,000	$ -	$ -	$ -
2008A Revenue Bonds	125,000,000	-	-	125,000,000	-	125,000,000
2008B Variable Rate (2002A Refinancing)	45,850,000	-	1,790,000	44,060,000	1,865,000	42,195,000
2010A Revenue Bonds (1994 Refinancing)	34,760,000	-	3,810,000	30,950,000	3,945,000	27,005,000
Sub-Total	221,810,000	-	21,800,000	200,010,000	5,810,000	194,200,000
Bond Premium	6,794,318		866,890	5,927,428		5,927,428
Revenue Bonds	**$ 228,604,318**	**$ -**	**$ 22,666,890**	**$ 205,937,428**	**$ 5,810,000**	**$ 200,127,428**

2005A Revenue Bonds

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

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

2008A Revenue Bonds

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

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

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

Long-term Debt (continued):

2008A Revenue Bonds (continued):

- The bonds maturing through 2028 are Serial Bonds payable in annual installments ranging from $2,620,000 to $4,305,000 with an interest rate of 5.00%.

- The bonds maturing through 2034 are Term Bonds payable in annual installments ranging from $5,495,000 to $10,735,000 with an interest rate of 5.00%.

- The bonds maturing through 2039 are Term Bonds payable in annual installments ranging from $11,285,000 to $13,785,000 with an interest rate of 5.00%.

- The balance outstanding at June 30, 2015 is comprised of the principal of $125,000,000, plus a bond premium of $3,883,951, for a total of $128,883,951.

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 $1,865,000 to $3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2015 comprised the principal amount of $44,060,000.

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 next 13 years. Net present value of this economic gain was $8,022,916.

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

Long-term Debt (continued):

2010A Refunding Revenue Bonds (continued):

- The bonds maturing through 2022 are payable in annual installments ranging from $3,945,000 to $5,075,000 with an interest rate from 1.35% to 5.00% per annum, payable semi-annually. The balance outstanding on June 30, 2015 is comprised of the principal amount of $30,950,000, plus unamortized deferred bond premium of $2,043,477, for a total of $32,993,477.

Aggregate Long Term Debt

As of June 30, 2015, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2016	$ 5,810,000	$ 7,680,840	$ 13,490,840
2017	6,015,000	7,516,020	13,531,020
2018	6,180,000	7,346,590	13,526,590
2019	6,380,000	7,151,975	13,531,975
2020	6,800,000	6,924,990	13,724,990
2021-2025	27,550,000	31,750,205	59,300,205
2026-2030	38,495,000	26,754,365	65,249,365
2031-2035	51,545,000	19,544,289	71,089,289
2036-2039	51,235,000	5,283,375	56,518,375
Subtotal	200,010,000	119,952,649	319,962,649
Plus: Net Premium	5,927,428		5,927,428
Total Debt Service Payable	$ 205,937,428	$ 119,952,649	$ 325,890,077

The 2008B Variable Rate Demand Revenue bond interest payments are calculated using a 0.2% interest rate.

Debt Covenants

In accordance with bond covenants, system generated revenues comprised of user charges and connection fees and property tax revenues are pledged to fund bond debt service costs. San Bernardino County property tax revenues are distributed November through June annually. Each fiscal year end the Agency is required to reserve six months of tax receipts to fund debt service requirements due July through November of the following fiscal year. Management has determined that the Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2015. (*Refer to the Agency System Total Debt Coverage Ratio Schedule included in the statistical section*).

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

Notes Payable

Summary of notes payable activity for the Fiscal Year ended June 30, 2015 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	$ 925,834	$ -	$ 211,638	$ 714,196	$ 224,334	$ 489,862
State Revolving Fund Loan	88,017,521	24,541,466	4,105,255	108,453,732	5,300,865	103,152,867
City of Fontana	6,969,268	-	482,578	6,486,690	482,578	6,004,112
CSDLAC Past 4R's	4,089,976	-	643,531	3,446,445	658,332	2,788,113
Total Notes Payable	**$ 100,002,599**	**$ 24,541,466**	**$ 5,443,002**	**$ 119,101,063**	**$ 6,666,109**	**$ 112,434,954**

Santa Ana Watershed Project Authority

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

The balance of $5,343,750 is payable in 20 annual installments of $267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at 6%, to derive a principal balance of $2,981,310. The eighteenth installment is due on July 15, 2015. This is a combined note payable recorded in the Non-reclaimable Wastewater Capital Improvement (NC) and Regional Wastewater Capital Improvement (RC) Funds.

As of June 30, 2015, the future payments for the remaining note payable obligation by year is as follows:

Year Ending June 30	Principal Payments	Imputed Interest	Total
2016	$ 224,334	$ 42,854	$ 267,188
2017	237,797	29,391	267,188
2018	252,065	15,122	267,187
Total SAWPA Note	**$ 714,196**	**$ 87,367**	**$ 801,563**

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

Notes Payable (continued):

State Water Resources Control Board

- The Regional Recycled Water Distribution System Phase I-V projects are in part funded by the State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2007, the five projects in Phase I had been completed and received $15,141,192 of SRF funding. Payments on SRF loans commenced one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%. As of June 30, 2015, the balance is $8,455,918.

- The RP-1 Pump Station and West Edison SAC Recycled Water Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). The three projects were completed as of June 30, 2010 and received $14,752,201 of SRF funding. The current balance as of June 30, 2015 is $10,473,993.

- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by the State Revolving Fund (SRF). The three projects were completed as of June 30, 2010 and received $10,862,198 of SRF funding, with a current balance as of June 30, 2015 of $7,635,806.

- The Recycled Water projects included in Phase IV are also in part funded by the State Revolving Fund (SRF). As of June 30, 2012, the four projects were completed and received $15,061,175 of SRF funding. The current balance as of June 30, 2015 is $12,087,681.

- The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by the State Revolving Fund (SRF). The project was completed by June 30, 2011 and received $999,024 of SRF funding. The current balance at June 30, 2015 is $767,255.

- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by the State Revolving Fund (SRF). As of June 30, 2015, we reflect a current balance of $27,137,673.

- The Recycled Water Project (Central Area) in Phase X is also partially funded by the State Revolving Fund (SRF). As of June 30, 2015, we reflect a current balance of $17,617,254.

- The RP-1 Dewatering Facility Expansion project is also in part funded by the State Revolving Fund (SRF) and received $27,546,972 of SRF funding. As of June 30, 2015, we reflect a current balance of $23,617,422.

- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2015, 50% of the design phase has been completed and has a current balance of $660,730.

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

Notes Payable (continued):

State Water Resources Control Board (continued):

As of June 30, 2015, the future payments for the remaining loan obligations by year are as follows:

Year Ending June 30	Principal Payments	Interest Payment	Total
2016	$ 5,300,865	$ 1,170,379	$ 6,471,244
2017	5,770,002	1,383,940	7,153,942
2018	5,862,038	1,321,749	7,183,787
2019	5,940,017	1,243,770	7,183,787
2020	6,019,682	1,164,105	7,183,787
2021/2025	31,272,438	4,563,723	35,836,161
2026/2030	26,069,196	2,572,846	28,642,042
2031/2035	14,827,798	1,147,860	15,975,658
2036/2040	3,242,647	320,074	3,562,721
2041/2045	3,415,163	147,557	3,562,720
2046/2049	733,886	8,592	742,478
Total SRF Loans	$ 108,453,732	$ 15,044,595	$ 123,498,327

City of Fontana

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

As of June 30, 2015, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
2016	$ 482,578	$ 79,824	$ 562,402
2017	482,578	79,824	562,402
2018	482,578	79,824	562,402
2019	482,578	79,824	562,402
2020	482,578	79,824	562,402
2021/2025	2,412,890	399,120	2,812,010
2026/2029	1,660,910	245,192	1,906,102
Total SRF Loans	$ 6,486,690	$ 1,043,432	$ 7,530,122

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

Notes Payable (continued):

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 Capital Charges that were allowed to be funded to SDLAC by State Revolving Fund loans under Prior Contracts. The Agency has agreed to pay SDLAC the balance in annual installments over a six year term with an interest rate of 2.3%. As of June 30, 2015, the remaining note payable obligation is $3,446,445.

Year Ending June 30		Principal Payments
2016	$	658,332
2017		673,473
2018		688,963
2019		704,809
2020		720,868
Total SDLAC Loans	$	3,446,445

(13) Arbitrage Rebate Obligation

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

- The 2008A Revenue, 2008B Variable Rate Demand, and 2010A Refunding Revenue bonds are all subject to arbitrage limitations.
- On the 2008A and 2008B bonds, the initial arbitrage rebate will be due in June, 2018.
- The initial arbitrage rebate on the 2010A bonds will be due in July, 2015.

No arbitrage liability is currently due at June 30, 2015.

(14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2015, is as follows:

	Advances To Other Funds: Recycled Water Fund	Advances To Other Funds: Water Resources Fund	Total
Advances From Other Funds:			
Regional Wastewater Capital Improvement Fund	$ 13,500,000	$ -	$ 13,500,000
Non-Major Funds	15,000,000	4,308,104	19,308,104
Total Advances	**$ 28,500,000**	**$ 4,308,104**	**$ 32,808,104**

Regional Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2015, the Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of $13,500,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water sales.

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

At June 30, 2015, the Non-Reclaimable Wastewater (NC) Fund reported an advance to the Recycled Water (WC) Fund, in the amount of $15,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

At June 30, 2015, the Administrative Services (GG) Fund reported an advance to the Water Resources (WW) Fund, in the amount of $4,308,104. This advance will support the implementation of regional drought and conservation projects. Repayment is scheduled over several fiscal years from meter equivalent revenues.

(15) Interfund Transfers

The Regional Wastewater Operations & Maintenance (RO) Fund received capital support from the Recycled Water (WC) Fund in the amount of $1,273,557.

Non-Major enterprise funds received transfers in the amount of $2,185,745 including $1,373,285 from the Regional Wastewater Funds. These transfers included $1,097,945 in capital support from various funds to the Administrative Services (GG) Fund. The remaining amount consisted of $350,000 in debt service support, $400,000 in operating support, and $337,800 in capital support to the Recharge Water (RW) Fund.

(15) Interfund Transfers (continued):

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2015.

	Transfers In:		
Transfers Out:	Regional Wastewater	Non-Major Enterprise Funds	Total
Regional Wastewater Funds	$ -	$ 1,373,285	$ 1,373,285
Recycled Water Fund	1,273,557	775,130	2,048,687
Non-Major Enterprise Funds		37,330	37,330
Total Transfers	$ 1,273,557	$ 2,185,745	$ 3,459,302

(16) Operating Leases

The Agency has two operating leases at June 30, 2015:

- One postage meter lease extending to June 30, 2016
- One lease for fourteen copiers for $21,176 for the year ended June 30, 2015.

Total operating lease costs were $24,498 for the year ended June 30, 2015. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	Amount
2016	21,811
2017	22,465
	44,276

(17) Restatement of Net Position and Related Accounts

Regional Wastewater Capital Improvement Fund

Net Position as of July 1, 2014 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, 2014 as previously reported	$348,543,926
GASB 68 Net Equity Adjustment	(31,098,660)
Cost for prior year recorded as capital assets	(563,028)
Net position at July 1, 2014 as restated	$316,882,238

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

Recycled Water Fund

Net Position as of July 1, 2014 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, 2014 as previously reported	$71,717,820
GASB 68 Net Equity Adjustment	(3,885,073)
Cost for prior year recorded as capital assets	(708,953)
Net position at July 1, 2014 as restated	$67,123,794

Water Resources Fund

Net Position as of July 1, 2014 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, 2014 as previously reported	$3,065,128
GASB 68 Net Equity Adjustment	(1,408,581)
Cost for prior year recorded as capital assets	(1,463,616)
Net position at July 1, 2014 as restated	$ 192,931

Non-Major Funds

Net Position as of July 1, 2014 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, 2014 as previously reported	$94,095,036
GASB 68 Net Equity Adjustment	(5,448,801)
Cost for prior year recorded as capital assets	(264,129)
Net position at July 1, 2014 as restated	$88,382,106

(18) Subsequent Event

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 3, 2015, the date the financial statements were available to be issued, and found no subsequent events that would affect the 2015 financial statements.

FOLSOM LAKE

July 20, 2011

January 16, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

Schedule of Contributions

Other Post-Employment Benefit Plan Funding Progress

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

	2015
Total Pension Liability:	
Service cost	$ 3,768,503
Interest on total pension liability	10,818,920
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(5,304,990)
Net Change in Total Pension Liability	**9,282,433**
Total Pension Liability - Beginning of Year	**145,020,505**
Total Pension Liability - End of Year (a)	**$ 154,302,938**
Plan Fiduciary Net Position:	
Contributions - employer	$ 3,733,583
Contributions - employee	2,374,649
Net investment income	17,346,113
Benefit payments	(5,304,990)
Net Change in Plan Fiduciary Net Position	**18,149,355**
Plan Fiduciary Net Position - Beginning of Year	**99,445,805**
Plan Fiduciary Net Position - End of Year (b)	**$ 117,595,160**
Net Pension Liability - Ending (a)-(b)	**$ 36,707,778**
Plan fiduciary net position as a percentage of the total pension liability	**76.21%**
Covered - employee payroll	**$ 23,048,949**
Net pension liability as percentage of covered- employee payroll	**159.26%**

Notes to Schedule:

Benefit Changes:
There were not changes in benefits.

Changes in Assumptions:
There were not changes in assumptions

* - Fiscal year 2014/15 was the 1st year of implementation, therefore only one year is shown.

CalPERS Miscellaneous Pension Plan
Schedule of Contributions
As of June 30, 2015
Last Ten Years*

	2015
Actuarially determined contribution	$ 8,354,702
Contributions in relation to the actuarially determined contributions	(8,354,702)
Contribution deficiency (excess)	**$ -**
Covered - employee payroll	$ 23,048,949
Contributions as a percentage of covered - employee payroll	16.20%

Notes to Schedule:

Valuation Date	6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years as of the valuation report
Asset valuation method	15 years smooth market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expense, includes inflation
Retirement age	55 years (2.5%@55, 2%@55, and 2%@62)
Mortality	Morality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2014/15 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION (continued)

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

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

SUPPLEMENTARY SCHEDULES

Non-Major Enterprise Fund Statements.

Non-Reclaimable Wastewater Fund

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

Recharge Water Fund

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

Administrative Services Fund

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

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Net Position

June 30, 2015

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
ASSETS		
Current assets		
Cash and investments	$ 2,941,110	$ 2,540,082
Accounts receivable	1,904,191	195,172
Interest receivable	497,187	1,916
Taxes receivable	0	0
Other receivables	0	0
Inventory	0	0
Prepaid items	0	0
Total current assets	5,342,488	2,737,170
Restricted assets		
Assets held with trustee/fiscal agent	72,324	859,302
Total restricted assets	72,324	859,302
Noncurrent assets		
Capital assets		
Land	0	0
Jobs in progress	2,320,840	160,308
Capital assets, net of accumulated depreciation	13,008,162	44,193,141
Intangible assets, net of accumulated amortization	2,187,760	21,768
Total capital assets	17,516,762	44,375,217
Other assets		
Advances to other funds	15,000,000	0
Prepaid bond insurance	34,156	0
Total other assets	15,034,156	0
Total noncurrent assets	32,550,918	44,375,217
Total assets	37,965,730	47,971,689
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to net pension liability	474,230	158,012
Total deferred outflows of resources	474,230	158,012

Administrative Services	Totals
$ 23,398,964	$ 28,880,156
11,581,398	13,680,761
13,755	512,858
28,115	28,115
43,663	43,663
1,660,129	1,660,129
121,317	121,317
36,847,341	44,926,999
0	931,626
0	931,626
20,829	20,829
169,280	2,650,428
12,312,887	69,514,190
3,826,967	6,036,495
16,329,963	78,221,942
4,308,104	19,308,104
0	34,156
4,308,104	19,342,260
20,638,067	97,564,202
57,485,408	143,422,827
455,757	1,087,999
455,757	1,087,999

(continued)

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Net Position (Continued from previous page)

June 30, 2015

	Non-Major Enterprise Funds	
LIABILITIES	Non-reclaimable Wastewater	Recharge Water
Current liabilities		
Accounts payable	$ 2,369,579	$ 179,615
Accrued liabilities	6,658	145
Compensated absences	0	0
Retentions payable	0	0
Notes payable, due within one year	807,888	0
Long-term debt, due within one year	0	632,203
Interest payable	138,398	773
Retentions deposits and escrows	72,324	0
Total current liabilities	3,394,847	812,736
Noncurrent liabilities		
Compensated absences	0	0
Long-term debt, due in more than one year	7,359,275	14,304,308
Notes payable, due in more than one year	3,133,583	0
Net pension liability	2,083,607	694,254
Net OPEB liability	0	0
Total noncurrent liabilities	12,576,465	14,998,562
Total liabilities	15,971,312	15,811,298
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	450,071	149,963
Total deferred inflows of resources	450,071	149,963
NET POSITION		
Net investment in capital assets	6,216,016	30,298,007
Restricted for:		
Bond operating contingency requirement	3,092,159	0
Total restricted	3,092,159	0
Unrestricted	12,710,402	1,870,433
Total net position	$22,018,577	$ 32,168,440

Administrative Services	Totals
$ 11,916,694	$ 14,465,888
3,089,904	3,096,707
1,606,386	1,606,386
0	0
0	807,888
0	632,203
0	139,171
0	72,324
16,612,984	20,820,567
2,732,734	2,732,734
0	21,663,583
0	3,133,583
2,002,446	4,780,307
1,291,524	1,291,524
6,026,704	33,601,731
22,639,688	54,422,298
432,539	1,032,573
432,539	1,032,573
16,329,963	52,843,986
333,572	3,425,731
333,572	3,425,731
18,205,403	32,786,238
$ 34,868,938	$ 89,055,955

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Revenues, Expenses, and

Changes in Net Position

For the Fiscal Year Ended June 30, 2015

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
OPERATING REVENUES		
Service charges	$ 11,242,300	$ 0
Total operating revenues	11,242,300	0
OPERATING EXPENSES		
Wastewater collection	7,283,522	0
Administration and general	1,992,955	1,190,144
Depreciation and amortization	815,865	1,245,459
Total operating expenses	10,092,342	2,435,603
Operating income (loss)	1,149,958	(2,435,603)
NONOPERATING REVENUES (EXPENSES)		
Interest income	35,461	13,409
Property tax revenue	4	0
Other nonoperating revenues	15,135	1,221,438
Interest on long-term debt	(472,828)	(7,383)
Other nonoperating expenses	7,669	(85,664)
Total nonoperating revenues (expenses)	(414,559)	1,141,800
Income (loss) before capital contributions and transfers	735,399	(1,293,803)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	0	1,087,800
Transfers out	(37,330)	0
Capital grants	0	69,922
Change in net position	698,069	(136,081)
Total net position - beginning, as restated	$21,320,508	32,304,521
Total net position - ending	$ 22,018,577	$ 32,168,440

Administrative Services	Totals
$ 0	$ 11,242,300
0	11,242,300
0	7,283,522
1,000,716	4,183,815
1,900,599	3,961,923
2,901,315	15,429,260
(2,901,315)	(4,186,960)
86,783	135,653
1,828,095	1,828,099
1,395,039	2,631,612
0	(480,211)
(1,394,686)	(1,472,681)
1,915,231	2,642,472
(986,084)	(1,544,488)
1,097,945	2,185,745
0	(37,330)
0	69,922
111,861	673,849
34,757,077	88,382,106
$ 34,868,938	$ 89,055,955

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 10,944,794	$ 0
Cash received from interfund services provided	0	0
Cash payments to suppliers for goods and services	(5,879,431)	(829,805)
Cash payments to employees for services	(1,443,150)	(246,403)
Cash payments for interfund services used	(1,602,804)	(177,691)
Net cash provided by (used for) operating activities	2,019,409	(1,253,899)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	0	1,087,800
Transfers out	(37,330)	0
Contract reimbursment from others	15,137	1,070,834
Tax revenues	6	0
Cash paid to others	0	(6,288)
Advances to other funds	0	0
Net cash provided by (used for) noncapital financing activities	(22,187)	2,152,346
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,115,978)	(331,547)
Proceeds from capital debt	0	0
Capital grants	0	69,922
Principal paid on capital debt	(784,623)	(606,780)
Interest paid on capital debt	(480,312)	(86,677)
Bond administration fees	(7,882)	0
Contractor deposits collected	37,785	0
Net cash provided by (used for) capital and related financing activities	(3,351,010)	(955,082)

Administrative Services	Totals
$ (3,190,132)	$ 7,754,662
25,642,003	25,642,003
(1,754,708)	(8,463,944)
(24,234,652)	(25,924,205)
0	(1,780,495)
(3,537,489)	(2,771,979)
1,097,945	2,185,745
0	(37,330)
1,363,161	2,449,132
1,838,758	1,838,764
(1,391,523)	(1,397,811)
(4,308,104)	(4,308,104)
(1,399,763)	730,396
(706,074)	(3,153,599)
(216,378)	(216,378)
0	69,922
0	(1,391,403)
(3,164)	(570,153)
0	(7,882)
(38,178)	(393)
(963,794)	(5,269,886)

(Continued)

INLAND EMPIRE UTILITIES AGENCY

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

For the Fiscal Year Ended June 30, 2015

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$ 14,795	$ 15,087
Sale of investments	0	0
Net cash provided by (used for) investing activities	14,795	15,087
Net increase (decrease) in cash and cash equivalents	(1,338,993)	(41,548)
Cash and cash equivalents - beginning	4,352,427	3,440,932
Cash and cash equivalents - ending	$ 3,013,434	$ 3,399,384
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$ 1,149,958	$ (2,435,603)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	815,865	1,245,459
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(326,009)	0
Other receivables	28,503	0
Short term receivables	0	0
Inventory	0	0
Prepaid items	0	0
Increase (decrease) in		
Deferred outflow related to net pension liability	(262,304)	(87,399)
Accounts payable	1,676,099	41,338
Accrued liabilities	(1,009,470)	43
Other noncurrent liabilities	0	0
Deferred Inflow related to net pension liability	450,071	149,963
Net pension liability	(503,304)	(167,700)
Compensated absences	0	0
Net cash provided by (used for) operating activities	$ 2,019,409	$ (1,253,899)

Administrative Services	Totals
$ 102,976	$ 132,858
(61,472)	(61,472)
41,504	71,386
(5,859,542)	(7,240,083)
29,258,506	37,051,865
$ 23,398,964	$ 29,811,782
$ (2,901,315)	$ (4,186,960)
1,900,599	3,961,923
(3,181,804)	(3,507,813)
0	28,503
(8,328)	(8,328)
(43,841)	(43,841)
(9,172)	(9,172)
(252,086)	(601,789)
2,969,632	4,687,069
808,808	(200,619)
(3,063,798)	(3,063,798)
432,539	1,032,573
(483,699)	(1,154,703)
294,976	294,976
$ (3,537,489)	$ (2,771,979)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash and short-term investments	$ 2,941,110	$ 2,540,082
Restricted assets	72,324	859,302
Cash & cash equivalents at end of year	$ 3,013,434	$ 3,399,384

	Administrative Services	Totals
	$ 23,398,964	$ 28,880,156
	0	931,626
	$ 23,398,964	$ 29,811,782

DROUGHT EFFECTS – LAKE MEAD, CA

INLAND EMPIRE UTILITIES AGENCY
REGIONAL WASTEWATER FUND

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

Regional Wastewater Capital Improvement (RC) Fund

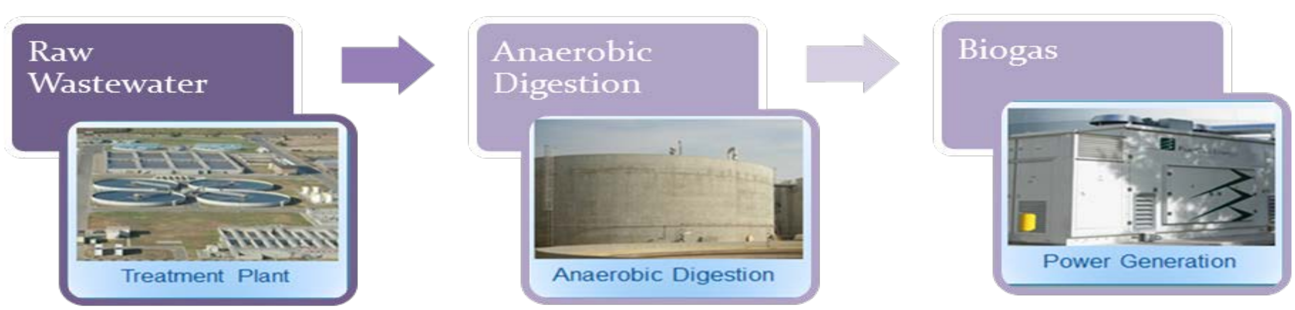
The RC fund records the activities associated with the acquisition, construction, replacement, and expansion of the Agency's wastewater treatment facilities, energy cogeneration, solids handling facilities, large sewer interceptors, and appurtenant facilities. In addition the fund also records, principal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

The RC Fund revenues include property tax receipts, fees levied for new connections to the regional wastewater system which are referred to as connection fees, and interest income earned. Additionally, the fund may record state loans and grants received for various capital projects within the fund.

Regional Wastewater Operations and Maintenance (RO) Fund

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

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



INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Fund
Combining Schedule of Net Position by Subfund
June 30, 2015

	Regional Capital Improvement	Regional Operations & Maintenance	Totals 2015
ASSETS			
Current assets			
Cash and investments	$ 10,896,529	$ 39,646,857	$ 50,543,386
Accounts receivable	1,448,885	8,475,793	9,924,678
Interest receivable	140,548	28,991	169,539
Taxes receivable	223,389	77,222	300,611
Other receivables	69,655	0	69,655
Prepaid items	1,200	0	1,200
Total current assets	12,780,206	48,228,863	61,009,069
Restricted assets			
Deposits held by governmental agencies	41,023,148	0	41,023,148
Assets held with trustee/fiscal agents	1,685,410	95,146	1,780,556
Total restricted assets	42,708,558	95,146	42,803,704
Noncurrent assets			
Capital assets			
Land	14,047,045	0	14,047,045
Jobs in progress	4,049,191	9,927,842	13,977,033
Capital assets, net of accumulated depreciation	334,640,347	17,689,226	352,329,573
Intangible assets, net of accumulated amortization	5,300,284	132,395	5,432,679
Total capital assets	358,036,867	27,749,463	385,786,330
Other assets			
Long-term investments	45,577,499	0	45,577,499
Advances to other funds	13,500,000	0	13,500,000
Long-term receivables	2,634,337	0	2,634,337
Prepaid bond insurance	403,346	20,517	423,863
Prepaid Interest -SRF loans	1,043,432	0	1,043,432
Total other assets	63,158,614	20,517	63,179,131
Total noncurrent assets	421,195,481	27,769,980	448,965,461
Total assets	476,684,245	76,093,989	552,778,234
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	1,102,641	0	1,102,641
Deferred outflow related to net pension liability	1,004,837	5,204,846	6,209,683
Total deferred outflows of resources	2,107,478	5,204,846	7,312,324

(Continued)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals 2015
LIABILITIES			
Current liabilities			
Accounts payable	$ 484,137	$ 3,091,502	$ 3,575,639
Accrued liabilities	30,350	11,335	41,685
Retentions payable	27,474	122,404	149,878
Notes payable, due within one year	1,896,195	0	1,896,195
Long-term debt, due within one year	5,177,797	0	5,177,797
Interest payable	1,334,205	35,639	1,369,844
Retention deposits and escrows	0	95,146	95,146
Total current liabilities	8,950,158	3,356,026	12,306,184
Noncurrent liabilities			
Long-term debt, due in more than one year	143,845,617	4,420,717	148,266,334
Notes payable, due in more than one year	28,427,087	660,730	29,087,817
Net pension liability	4,414,918	22,868,359	27,283,277
Total noncurrent liabilities	176,687,622	27,949,806	204,637,428
Total liabilities	185,637,780	31,305,832	216,943,612
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to net pension liability	953,647	4,939,693	5,893,340
Total deferred inflows of resources	953,647	4,939,693	5,893,340
NET POSITION			
Net Investment in capital assets	179,561,768	22,668,015	202,229,783
Restricted for:			
Capital construction	41,023,148	0	41,023,148
SRF Loan debt service	1,447,479	0	1,447,479
Bond operating contingency requirement	1,610,010	14,412,073	16,022,083
Total restricted	44,080,637	14,412,073	58,492,710
Unrestricted	68,557,891	7,973,222	76,531,113
Total net position	$ 292,200,296	$ 45,053,310	$ 337,253,606

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, 2015

	Regional Capital Improvement	Regional Operations & Maintenance	Totals 2015
OPERATING REVENUES			
Service charges	$ 0	$ 47,022,954	$ 47,022,954
Total operating revenues	0	47,022,954	47,022,954
OPERATING EXPENSES			
Wastewater collection	0	805,353	805,353
Wastewater treatment	0	19,001,130	19,001,130
Wastewater disposal	0	7,996,871	7,996,871
Administration and general	4,830,029	15,432,867	20,262,896
Depreciation and amortization	21,952,204	1,202,548	23,154,752
Total operating expenses	26,782,233	44,438,769	71,221,002
Operating income (loss)	(26,782,233)	2,584,185	(24,198,048)
NONOPERATING REVENUES (EXPENSES)			
Interest income	93,720	194,963	288,683
Property tax revenue	26,413,822	9,140,255	35,554,077
Wastewater capital connection fees	15,073,882	0	15,073,882
Other nonoperating revenues	12,061	4,250,574	4,262,635
Interest on long-term debt	(6,203,904)	(164,682)	(6,368,586)
Other nonoperating expenses	(1,071,836)	(3,451,236)	(4,523,072)
Total nonoperating revenues (expenses)	34,317,745	9,969,874	44,287,619
Income (loss) before capital contributions and transfers	7,535,512	12,554,059	20,089,571
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	0	1,273,557	1,273,557
Transfers out	(1,373,285)	0	(1,373,285)
Capital grants	49,813	331,712	381,525
Change in net position	6,212,040	14,159,328	20,371,368
Total net position - beginning, as restated	285,988,256	30,893,982	316,882,238
Total net position - ending	$ 292,200,296	$ 45,053,310	$ 337,253,606

INLAND EMPIRE UTILITIES AGENCY
Index of Statistical Section Schedules

June 30, 2015

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

Historical Operating Results

Wastewater Revenue Funds' Combined Statement of Revenues, Expenses
and Changes in Fund Net Position
Fiscal Years Ended June 30, 2006 through 2015
(Dollars in Thousands)

	2014/15	2013/14	2012/13	2011/12	2010/11
Operating revenues					
Service charges	$ 58,265	$ 51,248	$ 47,891	$ 42,209	$ 41,544
Other charges	12,047	10,830	7,952	6,009	4,353
Total operating revenues	70,312	62,078	55,843	48,218	45,897
Operating expenses					
Wastewater collection	8,089	5,623	4,656	5,629	6,517
Wastewater treatment	19,001	20,506	18,908	17,377	17,208
Wastewater disposal	7,997	7,705	8,613	11,316	10,664
Operations and maintenance	3,262	3,765	3,195	2,987	2,600
Administration and general	28,562	30,658	20,714	21,398	20,465
Depreciation and amortization	34,108	32,289	31,928	30,168	29,993
Total operating expenses	101,019	100,546	88,014	88,875	87,447
Operating income (loss)	(30,707)	(38,468)	(32,171)	(40,657)	(41,550)
Non-operating revenues (expenses)					
Interest income	424	555	809	951	1,159
Property tax revenue	39,446	38,487	48,087	32,695	33,419
Wastewater capital connection fees	15,074	9,789	14,614	7,686	5,398
Other nonoperating revenues	7,405	6,311	7,486	8,160	6,008
Interest on long-term debt	(9,593)	(7,120)	(8,321)	(7,447)	(7,803)
Other nonoperating expenses	(6,184)	(31,066)	(9,407)	(8,907)	(7,626)
Total nonoperating revenues (expenses)	46,572	16,956	53,268	33,138	30,555
Income (loss) before contributions and transfers	15,865	(21,512)	21,097	(7,519)	(10,995)
Capital grants	5,353	2,314	2,561	4,263	6,852
Contribution in aid	-	-	-	-	-
Transfers (to non-sewer funds)	-	100	200	300	300
Change in net position	**$ 21,218**	**$ (19,098)**	**$ 23,858**	**$ (2,956)**	**$ (3,843)**
Total net position - beginning	513,805	532,113	512,616	515,572	518,244
Prior period adjustment	(41,968)	790	(4,361)		1,171
Total net position - ending	**$ 493,055**	**$ 513,805**	**$ 532,113**	**$ 512,616**	**$ 515,572**

INLAND EMPIRE UTILITLIES AGENCY

Historical Operating Results

Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position

Fiscal Years Ended June 30, 2006 through 2015

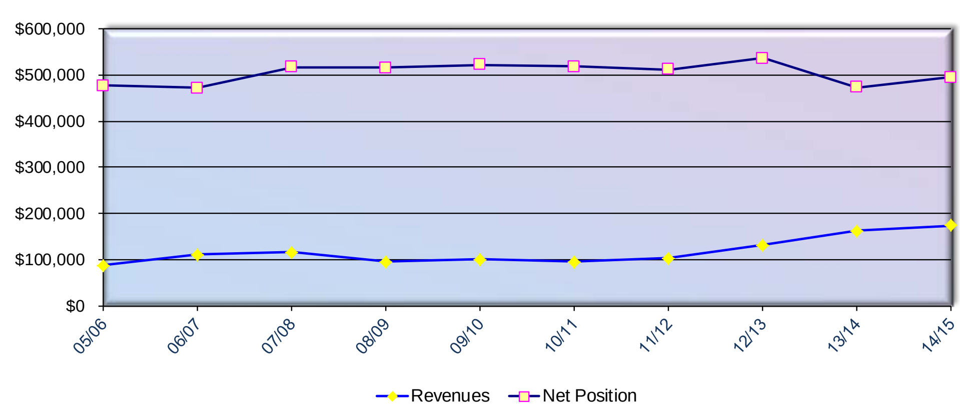
(Dollars in Thousands)

2009/10	2008/09	2007/08	2006/07	2005/06
$ 42,108	$ 41,575	$ 38,021	$ 36,132	$ 31,716
4,162	2,715	-	-	-
46,270	44,290	38,021	36,132	31,716
7,338	5,939	5,361	1,086	1,143
19,016	20,049	22,430	25,082	22,694
10,030	12,885	12,722	7,434	6,235
-	-	2,135	4,442	42
22,018	25,685	12,728	17,650	16,607
26,168	22,179	17,289	17,603	18,261
84,570	86,737	72,665	73,297	64,982
(38,300)	(42,447)	(34,644)	(37,165)	(33,266)
1,684	2,742	4,659	5,226	3,670
34,355	36,325	34,451	31,018	20,070
7,753	5,753	16,626	24,672	20,896
7,566	3,098	15,280	5,711	6,302
(9,891)	(13,498)	(10,101)	(8,419)	(7,029)
(7,283)	(3,268)	(1,224)	(15,275)	(1,415)
34,184	31,152	59,691	42,933	42,494
(4,116)	(11,295)	25,047	5,768	9,228
10,163	12,275	1,095	3,380	2,493
-	-	-	-	75
300	300	(4,546)	(14,358)	(3,107)
$ 6,347	**$ 1,280**	**$ 21,596**	**$ (5,210)**	**$ 8,689**
511,897	434,393	412,797	422,441	413,752
	76,224		(4,434)	
$ 518,244	**$ 511,897**	**$ 434,393**	**$ 412,797**	**$ 422,441**

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

	2014/15	2013/14	2012/13	2011/12
Operating revenues				
Service charges	$ 63,956	$ 56,171	$ 52,153	$ 46,468
Water sales	34,147	40,225		
Other Charges	-	-	-	-
Recycled water sales	12,047	10,831	7,952	6,009
Total operating revenues	110,150	107,227	60,105	52,477
Operating expenses				
Water purchases	34,147	40,225		
Wastewater collection	8,089	5,623	4,656	5,629
Wastewater treatment	19,001	20,506	18,908	17,378
Wastewater disposal	7,997	7,705	8,613	11,316
Administration and general	4,393	4,255	3,868	24,755
Depreciation and amortization	33,426	35,191	26,582	30,173
Operations and maintenance	34,113	32,295	31,933	3,725
Total operating expenses	141,166	145,800	94,560	92,976
Operating income (loss)	(31,016)	(38,573)	(34,455)	(40,499)
Non-Operating revenues (expenses)				
Interest income	436	564	819	963
Property tax revenue	40,946	38,487	48,087	32,695
Wastewater capital connection fees	15,074	9,789	14,614	7,686
Other non-operating revenues	7,543	6,337	7,510	8,562
Interest on long-term debt	(9,593)	(8,565)	(9,958)	(7,447)
Other non-operating expenses	(7,180)	(29,841)	(7,936)	(9,014)
Total non-operating revenues (expenses)	47,226	16,771	53,136	33,445
Income (loss) before contributions and transfers	16,210	(21,802)	18,681	(7,054)
Capital grants	5,917	2,663	3,152	4,841
Contributions in aid	-	-	-	-
Change in net position	**$ 22,127**	**$ (19,139)**	**$ 21,833**	**$ (2,213)**
Total net position - beginning	$472,581	$491,720	$513,938	$518,455
Net position by component:				
Net Investment in capital assets	333,274	318,292	354,124	362,673
Restricted for Debt service & Capital construction	67,081	63,073	50,036	42,798
Unrestricted	94,353	136,056	131,611	106,357
Total net position - ending	**$ 494,708**	**$ 517,421**	**$ 535,771**	**$ 511,828**

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



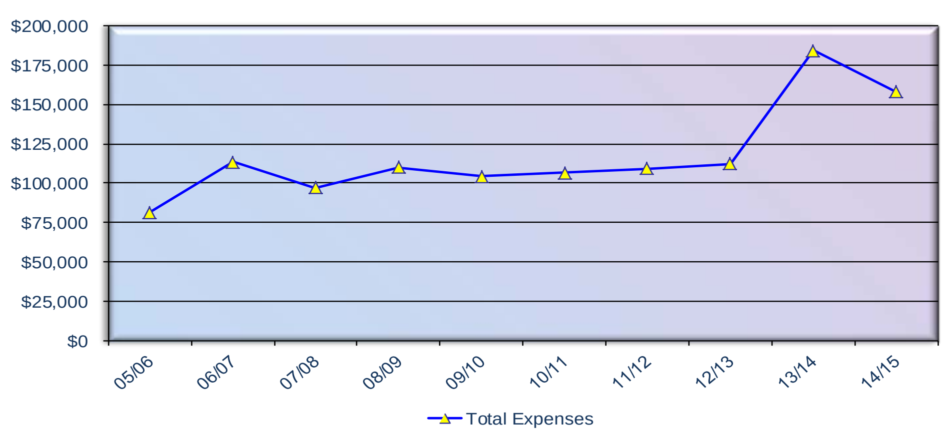
INLAND EMPIRE UTILITIES AGENCY

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds – (continued)

For The Past Ten Fiscal Years
(Dollars in Thousands)

2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
$ 44,776	$ 44,545	$ 43,832	$ 39,459	$ 37,964	$ 33,837
-	-	-	-	-	-
4,352	4,162	2,716	2,007	3,254	1,147
49,128	48,707	46,548	41,466	41,218	34,984
6,517	7,338	2,351	5,361	1,086	1,143
17,208	19,016	23,640	22,429	25,082	22,694
10,664	10,030	9,885	12,723	7,434	6,236
23,266	21,567	25,101	22,322	24,447	23,568
29,999	26,173	22,185	19,054	18,944	18,719
3,230	2,760	5,539	2,175	7,431	67
90,884	86,884	88,701	84,064	84,423	72,427
(41,756)	(38,177)	(42,154)	(42,598)	(43,205)	(37,443)
1,179	1,715	2,796	5,006	5,325	3,868
33,419	34,355	36,325	34,451	31,018	20,070
5,398	7,753	5,753	16,626	24,671	20,895
6,090	7,638	3,543	17,720	8,645	8,007
(8,058)	(9,891)	(13,498)	(11,278)	(9,540)	(7,796)
(7,773)	(7,684)	(8,031)	(1,890)	(19,678)	(1,478)
30,255	33,886	26,888	60,635	40,441	43,566
(11,501)	(4,291)	(15,266)	18,036	(2,765)	6,123
7,587	10,387	13,924	12,373	13,883	6,656
-	-	-	-	-	68
$ (3,914)	**$ 6,096**	**$ (1,342)**	**$ 30,409**	**$ 11,118**	**$ 12,847**
$522,370	$515,104	$516,446	$472,192	$476,440	$463,594
372,277	377,512	370,516	355,794	330,897	339,320
50,378	63,545	81,418	123,620	66,071	59,447
95,800	81,313	63,170	37,032	75,224	77,673
$ 518,455	**$ 522,370**	**$ 515,104**	**$ 516,446**	**$ 472,192**	**$ 476,440**

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



INLAND EMPIRE UTILITIES AGENCY

Wastewater Capital Connection Deposits Held

For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
2005/06	1,687,180	977,463	257,703	1,600,188
2006/07	2,788,920	2,416,243	911,522	2,351,750
2007/08	1,603,879	1,217,755	2,360,905	2,711,172
2008/09	1,228,895	901,211	977,018	2,288,501
2009/10	2,133,583	836,680	641,780	2,509,193
2010/11	3,713,185	1,425,146	861,408	4,128,203
2011/12	3,527,692	2,031,803	843,754	4,269,896
2012/13	6,929,682	6,872,100	933,078	5,210,856
2013/14	8,831,383	9,492,302	2,918,210	6,041,082
2014/15	7,149,423	11,203,738	2,905,891	6,502,473
Percentage	**17.4%**	**27.3%**	**7.1%**	**16.0%**

Wastewater Capital Connection Fee Agreement

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

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

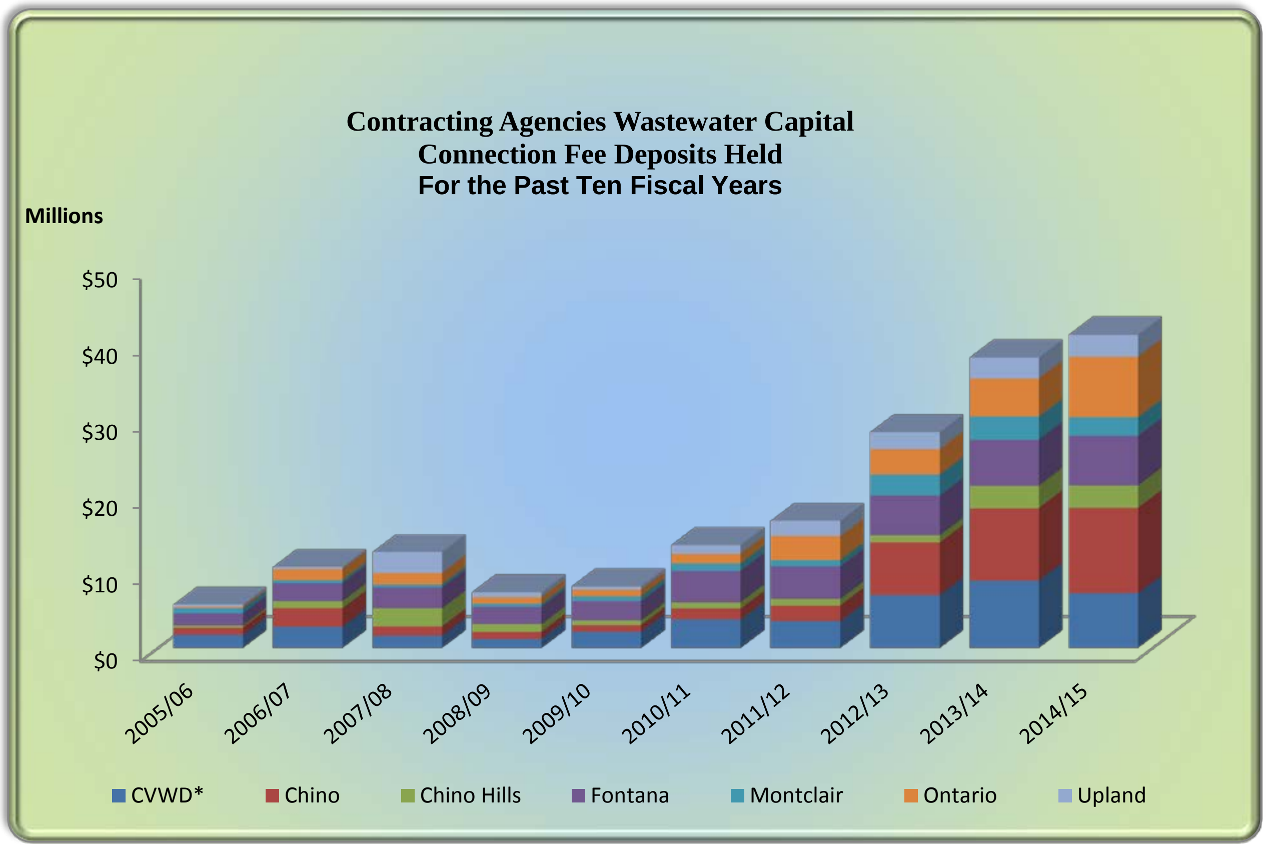
Connection fee payments to IEUA are calculated based on the percentage of each Contracting Agency's Reimbursement Account balance relative to the total balance of all Contracting Agency held funds. That percentage is then utilized to calculate each Contracting Agency's (pro rata) contribution of an IEUA "Capital Call" for funds from the Reimbursement Accounts. Table 1 & 2 represent the connection fee balances reported in the respective Contracting Agency's Annual Financial Reports. Balances reported for FY 2014/2015 are subject to further adjustment after audit.

*Cucamonga Valley Water District

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

Table 2

Year	Montclair	Ontario	Upland	Total
2005/06	645,129	241,894	259,375	**5,668,934**
2006/07	400,636	1,478,984	243,823	**10,591,879**
2007/08	417,175	1,498,502	2,732,573	**12,541,961**
2008/09	372,384	921,436	605,408	**7,294,853**
2009/10	651,837	842,484	432,863	**8,048,420**
2010/11	930,082	1,282,000	1,106,443	**13,446,467**
2011/12	825,708	3,151,337	1,982,403	**16,632,593**
2012/13	2,746,961	3,337,340	2,216,963	**28,246,980**
2013/14	3,009,462	5,011,733	2,731,441	**38,035,613**
2014/15	2,450,727	7,945,174	2,865,723	**41,023,148**
Percentage	6.0%	19.4%	7.1%	100.0%



INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Program Capital Requirements
For the Ten Fiscal Years Ending June 30, 2025*

Project Description	Actual 2014/15	Projected 2015/16	Projected 2016/17
Replacement Projects			
TP-1 Disinfection Pump Improvements	2,928	95,000	225,000
Montclair Diversion Structure Rehabilitation	166,055	850,000	
RP-1 Flare System Improvements	112,378	400,000	
RP-1 Headworks Gate Replacement		700,000	2,700,000
Collection System Manhole Upgrades FY 15/16	107,660	500,000	
Collection System Upgrades			500,000
RP-1 Flare Improvements			
CCWRF Aeration Blower Replacement			
CCWRF Backup Generator Control Upgrade			
Regional Wastewater Projects AMP			
Process Automation Controls IT Improvements	124,577		
Kimball Bypass Hardware Replacement		15,000	
Replace Control Net at Prado and 1630 E Pump Station		90,000	
Plant Operations Workstation Replacement Project		23,360	
Replace UPS		60,000	
RP-1 Filter PLC Upgrade Project		97,500	52,500
RACO Alarm System Replacement Project			61,100
Virtualization Host Server Replacement Project			100,000
Various Replacement Projects	1,299,183		
Total Replacement Projects	***1,812,781***	***$2,830,860***	***$3,638,600***
Equipment Projects			
RP-1 Mixed Liquor Return Pump Improvements		1,000,000	3,000,000
Major Equipment Rehab/Replace		500,000	400,000
Agency Bypass Pumping Project		1,000,000	1,000,000
Agencywide Security Equipment Upgrade			
Various Equipment Projects	1,014,212		
Total Equipment Projects	***$1,014,212***	***$2,500,000***	***$4,400,000***

*Source: Projections were derived from the 2015/16 IEUA Ten Year Capital Improvement Plan.

Projected								
2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
								320,000
								850,000
								400,000
								3,400,000
								500,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	4,500,000
600,000	2,600,000	800,000						4,000,000
500,000	1,500,000	500,000						2,500,000
250,000								250,000
			10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000
300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	2,400,000
								15,000
								90,000
								23,360
								60,000
								150,000
								61,100
								100,000
								-
$2,150,000	***$4,900,000***	***$2,100,000***	***$10,800,000***	***$10,800,000***	***$10,800,000***	***$10,800,000***	***$10,800,000***	***$69,619,460***
								4,000,000
400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	4,100,000
								2,000,000
50,000								50,000
$450,000	***$400,000***	***$400,000***	***$400,000***	***$400,000***	***$400,000***	***$400,000***	***$400,000***	***$10,150,000***

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Program Capital Requirements
For the Ten Fiscal Years Ending June 30, 2025*

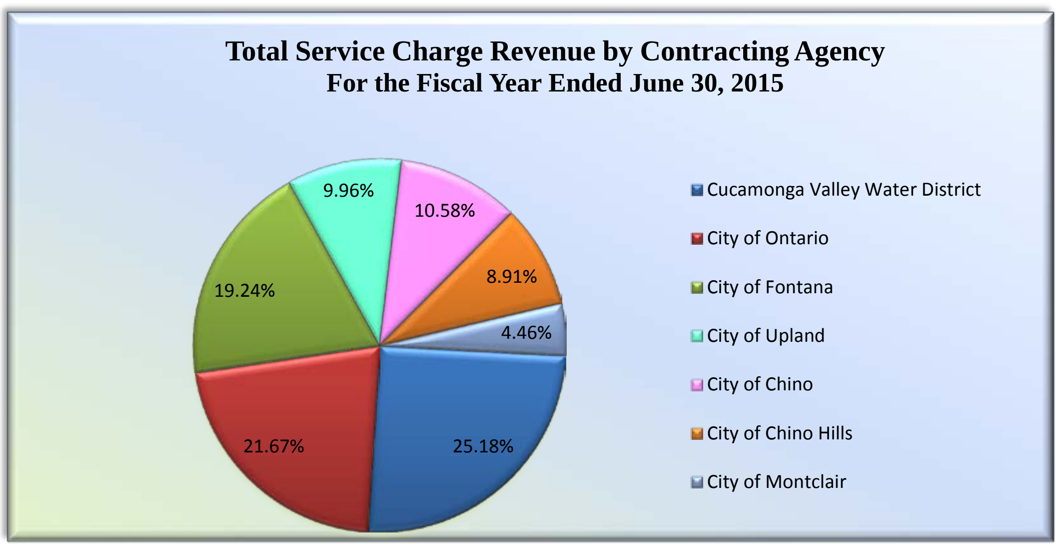
Project Description	Actual 2014/15	Projected 2015/16	2016/17
Construction Projects			
RP-1 Asset Replacement	358,787.87	1,000,000	
RP-4 Headworks Retrofit	1,695,529.00	25,000	
RP-5 Flow Equalization and Effluent Monitoring	117,108	1,200,000	
SCADA Enterprise System	989,759	4,200,000	1,000,000
Montclair Lift Station Communication System	81,185	400,000	
Montclair Lift Station Upgrades	2,192,588	50,000	
Agency-Wide HVAC Improvements - Pckg No. 2	729,467	50,000	
RP-4 Chlorination Facility Retrofit	75,522	550,000	1,500,000
CCWRF Secondary Clarifier #3 Rehabilitation	837,135	20,000	
New Water Quality Laboratory-RO	30,557	1,700,000	7,000,000
RP-1 East Primary Effluent Pipe Rehab	2,465	600,000	1,400,000
RP-1 TWAS and Primary Effluent Piping Replacement 2014	10,891	350,000	
RP-1 Odor Control Improvements Evaluation	-	300,000	
RP-1 Plant 3 Primary Scum Well Upgrade	217	325,000	
Agency-Wide HVAC Improvements- Pckg No. 3	98,306	1,000,000	100,000
CCWRF Lagoon Riprap Reinforcement	66,291	50,000	
RP-1 Digester Gas System Evaluation and Improvement	71,392	475,000	
Whispering Lakes LS Improvements			
Agencywide Energy Efficiency Improvements		300,000	500,000
RP-1 Expansion PDR		1,000,000	500,000
RP-5 Expansion PDR		1,000,000	500,000
RC Planning Documents		1,000,000	1,000,000
RP-1 NGO Meters Interconnection Agreement Installation		800,000	100,000
Aeration System Improvements			
Agencywide Energy Efficiency Study		200,000	
CCWRF Odor Control and Headworks Replacements (AMP)		30,000	570,000
RP-4 Process Improvements		20,000	180,000
RP-1 IPS System Improvements			
RP-5 Liquid Treatment Expansion			
Haven LS SCADA Improvements			
RP-5 Solids Treatment Facility - RC			4,000,000
RP-1 Primary Effluent EQ Elimination and Odor Control			
RP-1 Digester Mixing Upgrade			
RP-5 Process Improvements			
Chino Creek Wetlands and Educational Park Upgrades			
RP-1 Liquid Treatment Expansion			
RP-1 Solids Treatment Expansion			
Install SAN (Storage) RP-4		20,000	
CEQA document		500,000	250,000
Investment in IERCA		500,000	
Various Capital Construction Projects	3,474,960		
Total Construction Projects	***$10,832,161***	***$17,665,000***	***$18,600,000***
Total Capital Projects	***$13,659,154***	***$22,995,860***	***$26,638,600***

Projected								
2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
								1,000,000
								25,000
								1,200,000
3,000,000	500,000							8,700,000
								400,000
								50,000
								50,000
								2,050,000
								20,000
7,000,000	5,000,000	100,000						20,800,000
								2,000,000
								350,000
								300,000
								325,000
								1,100,000
								50,000
								475,000
					500,000	2,500,000	2,000,000	5,000,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	4,800,000
								1,500,000
								1,500,000
								2,000,000
								900,000
					250,000	3,000,000	3,000,000	6,250,000
					-	-	-	200,000
2,500,000	3,900,000							7,000,000
3,000,000	2,000,000							5,200,000
250,000	750,000							1,000,000
2,000,000	10,000,000	19,000,000	29,000,000	29,000,000	29,000,000	7,000,000		125,000,000
-	300,000	500,000	200,000	-				1,000,000
10,000,000	36,000,000	36,000,000	34,000,000	16,000,000				136,000,000
						2,750,000	2,750,000	5,500,000
						250,000	500,000	750,000
		300,000	3,500,000	2,500,000				6,300,000
			900,000	958,000				1,858,000
						5,700,000	5,700,000	11,400,000
						1,617,500	1,617,500	3,235,000
								20,000
								750,000
500,000								1,000,000
								-
$28,750,000	***$58,950,000***	***$56,400,000***	***$68,100,000***	***$48,958,000***	***$30,250,000***	***$23,317,500***	***$16,067,500***	***$367,058,000***
$31,350,000	***$64,250,000***	***$58,900,000***	***$79,300,000***	***$60,158,000***	***$41,450,000***	***$34,517,500***	***$27,267,500***	***$446,827,460***

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Funds
Service Charge Revenue and Rates by Contracting Agency
For the Fiscal Year Ended June 30, 2015

Through hard work, commitment and discipline, the IEUA team provides the communities they live and work in, with wastewater and related utiltiy services, at some of the lowest rates in the State. The following table displays data for FY 2014/2015.

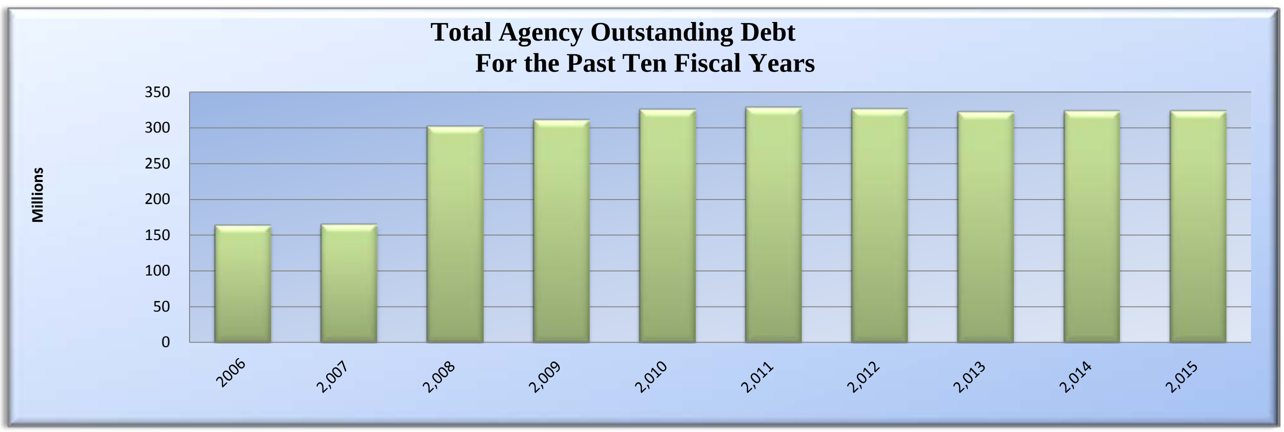
Contracting Agency	Total EDU's	Rate	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	819,522	$ 14.39	$ 11,792,929	25.18%
City of Ontario	705,341	$ 14.39	10,149,854	21.67%
City of Fontana	626,168	$ 14.39	9,010,561	19.24%
City of Chino	344,326	$ 14.39	4,954,854	10.58%
City of Upland	324,329	$ 14.39	4,667,090	9.96%
City of Chino Hills	290,117	$ 14.39	4,174,785	8.91%
City of Montclair	145,037	$ 14.39	2,087,075	4.46%
Total Contracting Agencys' Service Charge Revenue	**3,254,840**		**$ 46,837,147**	**100.00%**



INLAND EMPIRE UTILITIES AGENCY
Ratios of Outstanding Debt
For the Past Ten Fiscal Years

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

Fiscal Year Ended	IEUA Revenue Bonds (2)	State of California Loans (2)	SDLAC Note (2)	SAWPA Note (2)	City of Fontana(2)	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
2006	$ 147,608,907.00	$ 14,547,366.00	$ -	$ 2,225,451.00	$ -	$ 164,381,724.00	$ 83.16	0.264%
2,007	143,140,252	20,490,644	-	2,107,273	-	165,738,169	83	0.262%
2,008	271,851,506	28,984,381	-	1,966,522	-	302,802,409	150	0.486%
2,009	266,575,303	43,887,866	-	1,817,326	-	312,280,495	154	0.503%
2,010	259,825,394	56,246,235	-	1,659,178	8,899,580	326,630,387	160	0.528%
2,011	247,096,595	72,620,998	-	1,491,542	8,417,002	329,626,137	160	0.530%
2,012	240,428,398	77,865,387	-	1,313,848	7,934,424	327,542,057	157	0.513%
2,013	236,017,294	78,764,115	-	1,125,493	7,451,846	323,358,748	154	0.495%
2,014	228,604,318	88,017,521	-	925,834	6,969,268	324,516,941	155	0.449%
2,015	205,937,429	108,453,732	3,446,445	714,196	6,486,690	325,038,493	154	0.424%



(1) Statistical information derived from San Bernardino County demographics at California Department of Transportation and quickfacts.

(2) Data Source: Inland Empire Utilities Agency - Finance & Accounting Department

INLAND EMPIRE UTILITIES AGENCY
Agency System Total Debt Coverage Ratio
For The Fiscal Years Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 2014)

	2015	2014
Revenues:		
Wastewater System Service Charges	$ 47,022,954	$ 43,047,559
Wastewater Capital Connection Fees	15,073,882	9,788,634
Property Tax	39,446,003	38,486,730
NRW System Service Charges	11,242,300	8,199,986
Interest	395,668	510,114
Recycled Water Sales	12,047,164	10,830,500
Desalter/Composter Services	4,655,432	4,231,808
Other	2,339,576	1,688,917
Total Revenues	$ 132,222,977	$ 116,784,249
Operation and Maintenance Costs:		
Wastewater Treatment	$ 19,001,130	$ 20,505,666
Administration and General	28,562,209	30,658,425
Wastewater Disposal	7,996,871	7,705,551
Wastewater Collection	8,088,875	5,622,638
Operations and maintenance	3,262,561	3,764,958
Desalter/Composter Services	4,655,377	4,231,808
Other	1,529,144	457,439
Total Operation and Maintenance Costs:	$ 73,096,167	$ 72,946,485
Revenues Available to Pay Senior Debt Service	$ 59,126,810	$ 43,837,764
Senior Obligation Debt Service		
1994 Installment Payments	$ -	$ -
1999 Installment Payments	-	-
Total Senior Obligation Debt Service	$ -	$ -
Senior Obligation Debt Service Coverage	**-**	**-**
Net Revenues	$ 59,126,810	$ 43,837,764
Parity Obligation Debt Service		
2005A Installment Payments	$ 1,873,854	$ 2,135,933
2008A Installment Payments	6,250,000	6,250,000
2008B Installment Payments	1,811,533	1,750,447
2010A Installment Payments	5,292,500	5,295,150
Total Parity Obligation Debt Service	$ 15,227,888	$ 15,431,530
Parity Obligation Debt Service Coverage	**3.88**	**2.84**
Net Revenues	$ 43,898,922	$ 28,406,233
Subordinate Obligations		
State Revolving Fund Loan	$ 4,720,863	$ 4,709,347
SAWPA Sari Capacity Purchase	267,188	267,188
City of Fontana	562,402	562,402
Total Subordinate Obligations	$ 5,550,453	$ 5,538,937
Other Debt Service Coverage	**7.91**	**5.13**
Remaining Net Revenue	**$ 38,348,470**	**$ 22,867,296**
Revenues available after O&M expenses	**$ 59,126,810**	**$ 43,837,764**
Total debt service	**$ 20,778,340**	**$ 20,970,467**
Total debt coverage ratio	**2.85**	**2.09**

In July 2003, the Chino Basin Regional Financing Authority issued Variable Rate Revenue Bonds, Series 2002A. In March 2008, the Chino Basin regional Financing Authority issued Variable Rate Demand Revenue Refunding Bonds, Series 2008B to refund all of the outstanding 2002A Bonds.

In May 2005, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2005A. In November 2014, the Revenue Bonds, Series 2005A were redeemed in full.

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

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

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

- The amended budget FY 2014/15 for operating and maintenance expenses for four months was $27,916,217.
- As of the Fiscal Year Ended June 30, 2015, the Agency had designated debt service reserves of $2,544,713, which has been included in Net Investment in Capital Assets.

INLAND EMPIRE UTILITIES AGENCY
Computation of Direct and Overlapping Bonded Debt

As of June 30, 2015

2014/15 Assessed Valuation: $89,216,910,321

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/15	% Applicable (1)	Agency's Share of Debt 6/30/15
Metropolitan Water District	$110,420,000	3.853%	$ 4,254,483
Chaffey Community College District	153,151,539	98.730	151,206,514
San Bernardino Community College District	436,185,141	0.832	3,629,060
Chino Valley Unified School District	128,418,434	100.	128,418,434
Colton Joint Unified School District	173,651,963	1.112	1,931,010
Fontana Unified School District	216,818,223	91.422	198,219,556
Rialto Unified School District	101,759,819	5.860	5,963,125
Upland Unified School District	93,812,967	99.749	93,577,496
Chaffey Union High School District	318,851,255	99.838	318,334,716
Alta Loma School District	12,915,317	99.807	12,890,390
Central School District	38,379,543	100.	38,379,543
Mountain View School District and School Facilities Improvement District No. 1	12,810,645	100.	12,810,645
Ontario-Montclair School District	49,013,187	100.	49,013,187
Inland Empire Utilities Agency	**0**	**100.**	**0** (2)
City of Chino Community Facilities Districts	124,025,000	100.	124,025,000
City of Chino Hills Community Facilities Districts	39,415,000	100.	39,415,000
Etiwanda School District Community Facilities Districts	92,390,000	100.	92,390,000
Upland Unified School District Community Facilities Districts	3,868,000	100.	3,868,000
City of Fontana Community Facilities Districts	70,505,000	4.930-100.	51,452,972
Mountain View School District Community Facilities Districts	829,000	100.	829,000
San Bernardino County Community Facilities District No. 2002-1	20,710,000	100.	20,710,000
City of Ontario Community Facilities Districts	6,805,000	100.	6,805,000
City of Rancho Cucamonga Community Facilities Districts	79,049,000	100.	79,049,000
City of Upland Community Facilities Districts	40,375,000	100.	40,375,000
City of Chino Hills 1915 Act Bonds	2,165,000	100.	2,165,000
City of Ontario 1915 Act Bonds	7,920,000	100.	7,920,000
City of Rancho Cucamonga 1915 Act Bonds	1,475,000	100.	1,475,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			**$1,489,107,131**

OVERLAPPING GENERAL FUND DEBT:			
San Bernardino County General Fund Obligations	$470,135,000	49.948%	$ 234,823,030
San Bernardino County Pension Obligation Bonds	455,796,704	49.948	227,661,338
San Bernardino County Flood Control General Fund Obligations	97,230,000	49.948	48,564,440
Chaffey Community College District Certificates of Participation	11,515,666	98.730	11,369,417
Chino Valley Unified School District Certificates of Participation	16,600,000	100.	16,600,000
Colton Joint Unified School District Certificates of Participation	3,378,942	1.112	37,574
Fontana Unified School District Certificates of Participation	46,015,000	91.422	42,067,833
Rialto Unified School District Certificates of Participation	6,250,000	5.860	366,250
Cucamonga School District Certificates of Participation	9,270,000	100.	9,270,000
City of Chino Hills Certificates of Participation	17,105,000	100.	17,105,000
City of Fontana Certificates of Participation	43,780,000	82.199	35,986,722
City of Montclair General Fund Obligations	45,000,000	100.	45,000,000
City of Ontario General Fund Obligations	70,625,000	100.	70,625,000
Other City General Fund Obligations	3,210,000	9.553 & 100.	754,364
West Valley Vector Control District Certificates of Participation	3,130,000	100.	3,130,000
TOTAL OVERLAPPING GENERAL FUND DEBT			**$763,360,968**
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$1,072,875,994	13.875-100.%	$864,159,214
DIRECT DEBT			**$0**
TOTAL OVERLAPPING DEBT			**$3,116,627,313**
NET COMBINED TOTAL DEBT			**$3,116,627,313** (2)

INLAND EMPIRE UTILITIES AGENCY
Computation of Direct and Overlapping Bonded Debt (continued)

As of June 30, 2015

Ratios to 2014-15 Assessed Valuation:

Direct Debt.. 0.00%

Total Direct and Overlapping Tax and Assessment Debt....... 1.67%

Combined Direct Debt... 3.49%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($28,644,578,363):

Total Overlapping Tax Increment Debt 3.02%

Source: California Municipal Statistics, Inc.

Footnotes:

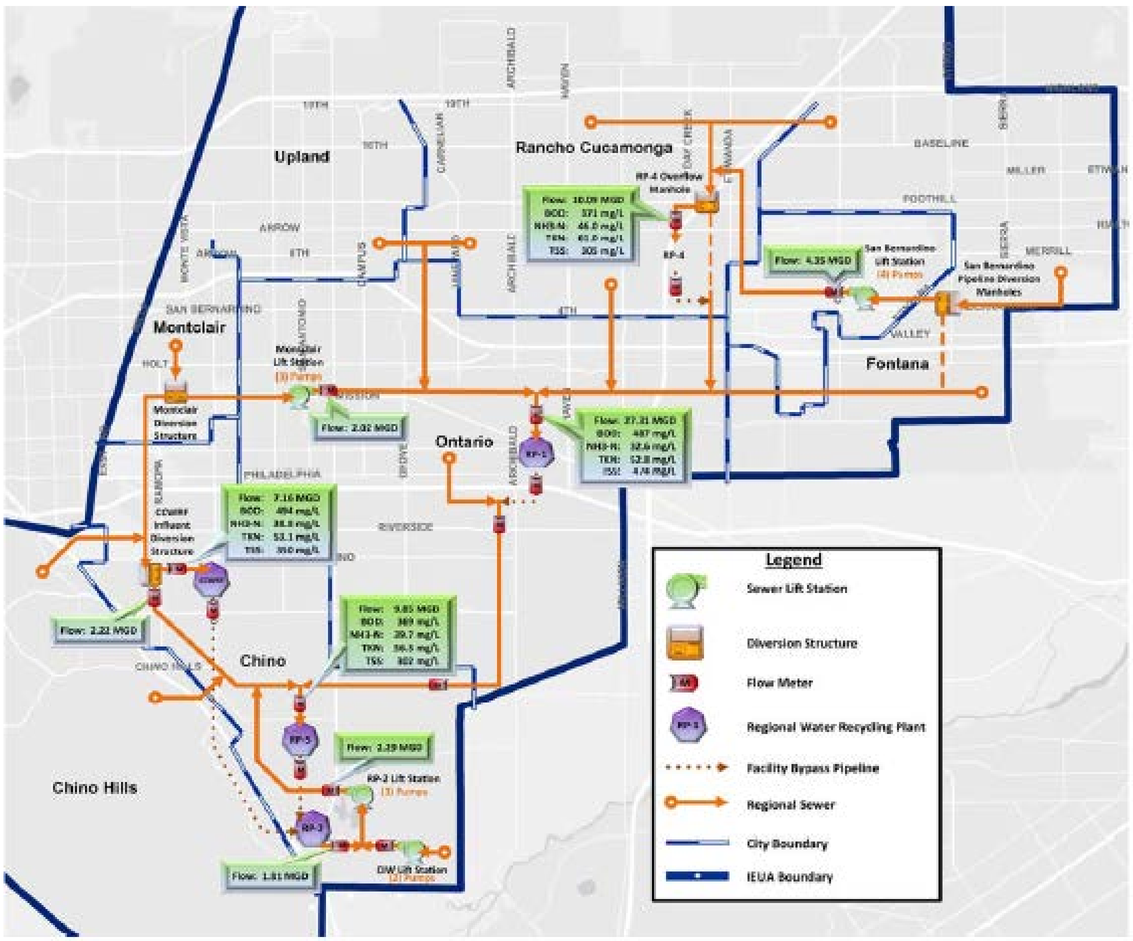
(1) The percentage of overlapping debt applicable to the agency is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the agency divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

INLAND EMPIRE UTILITIES AGENCY
Operating Indicators - Wastewater Facilities
Design Capacity and Average Flow
As of June 30, 2015

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

IEUA Wastewater Flows



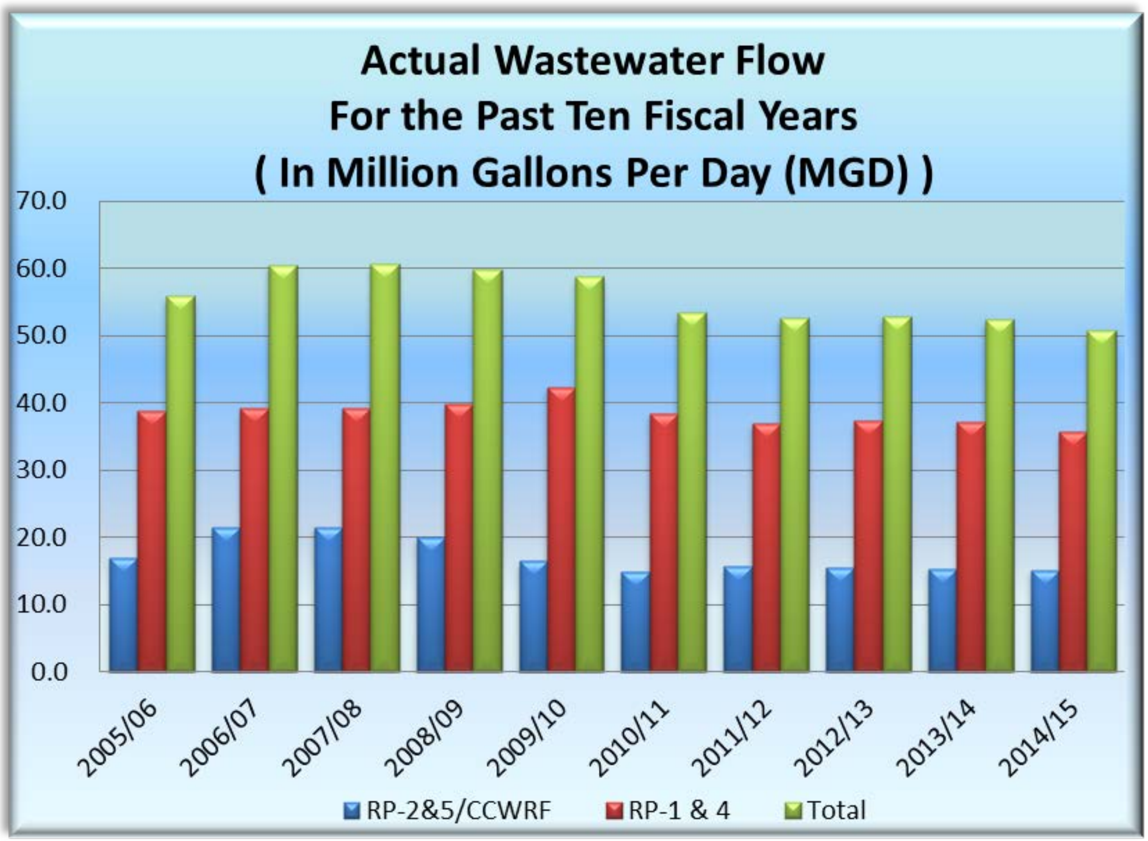
The following table presents the current design capacities and flows of the Agency's water recycling facilities as of June 30, 2015:

Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	25.8	58.7%
RP-4	14.0	9.8	70.0
RP-5	15.0	8.0	53.3
CCWRF	12.0	7.1	59.2
Total	**85.0**	**50.7**	**59.7%**

**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)
2005/06	38.8	17.0	55.8
2006/07	39.1	21.4	60.5
2007/08	39.1	21.5	60.6
2008/09	39.8	20.0	59.8
2009/10	42.3	16.4	58.7
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.3
2014/15	35.6	15.1	50.7

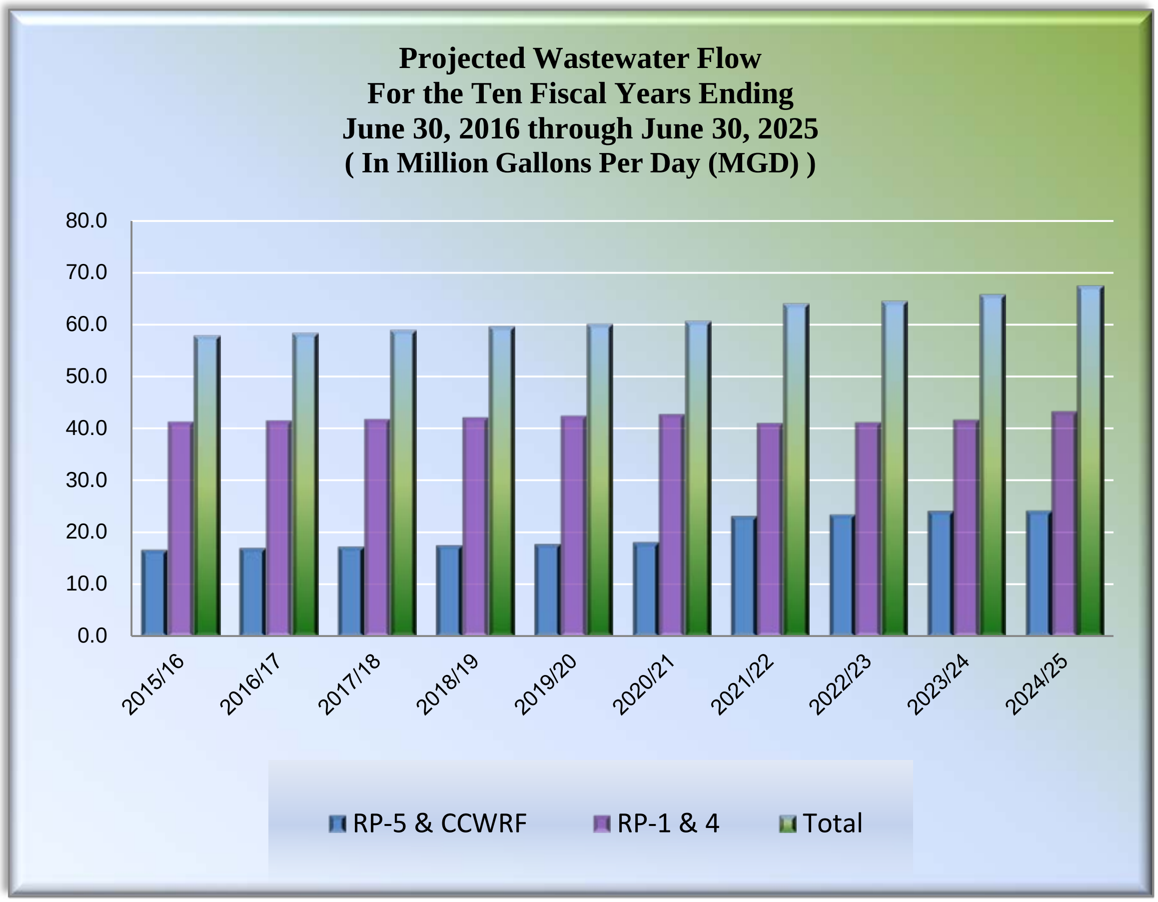


INLAND EMPIRE UTILITIES AGENCY

Operating Indicators – Projected Wastewater Flow

For the Ten Fiscal Years Ending June 30, 2015 through June 30, 2024*
(In Million Gallons Per Day [MGD])

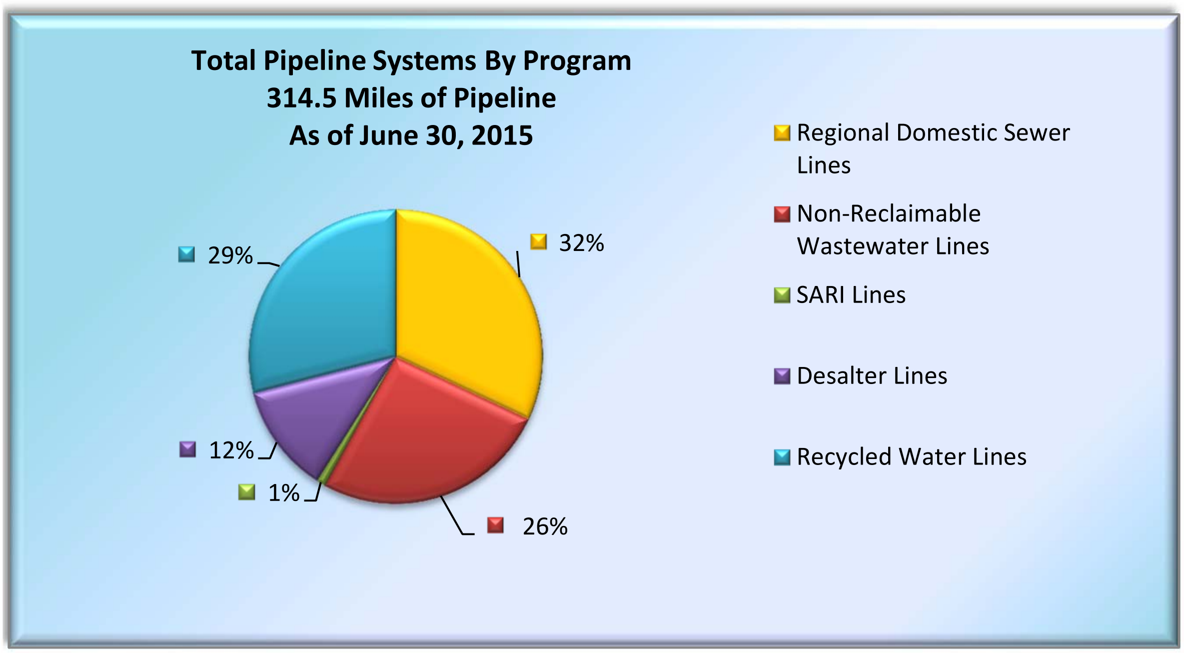
Fiscal Year	RP-5 & CCWRF (MGD)	RP-1 & 4 (MGD)	Total (MGD)
2015/16	16.7	41.3	58.0
2016/17	16.9	41.5	58.4
2017/18	17.2	41.8	59.0
2018/19	17.5	42.1	59.6
2019/20	17.7	42.4	60.1
2020/21	18.1	42.7	60.8
2021/22	23.1	41.0	64.1
2022/23	23.4	41.2	64.6
2023/24	24.1	41.7	65.8
2024/25	24.2	43.3	67.5



Source: Statistics were provided by IEUA Planning and Environmental Resources Department.

INLAND EMPIRE UTILITIES AGENCY
Operating and Capacity Indicators - Pipeline Systems By Program
As of June 30, 2015

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	99.7	32%
Non-Reclaimable Wastewater Lines	83.2	26%
SARI Lines	4.3	1%
Desalter Lines	37.8	12%
Recycled Water Lines	89.5	29%
Total Miles of Pipeline	**314.5**	**100%**



Source: IEUA Engineering Dept.

No data available prior to most recent information.

INLAND EMPIRE UTILITIES AGENCY
Operating Indicators – FY 2013/14 Staffing Allocations

As of June 30, 2014

Actual staffing allocation by Program	*FTE
Regional Wastewater Operations	173.4
Regional Wastewater Capital Programs	24.9
Recycled Water Programs	24.9
Inland Empire Regional Composting Authority Operations	24.9
Non-reclaimable Wastewater System Programs	15.9
Chino Basin Desalter Operations & Capital Programs	9.0
Recharge Water Programs	6.0
Water Related Activities & Conservation Programs	8.0
General Administration	2.0
Total FTE Count	**289**
Total Authorized FTE	**290**
Vacancy Factor Percentage	**0.3%**

Source: IEUA June 2015 Position Control Report

***FTE- Full Time Equivalent**

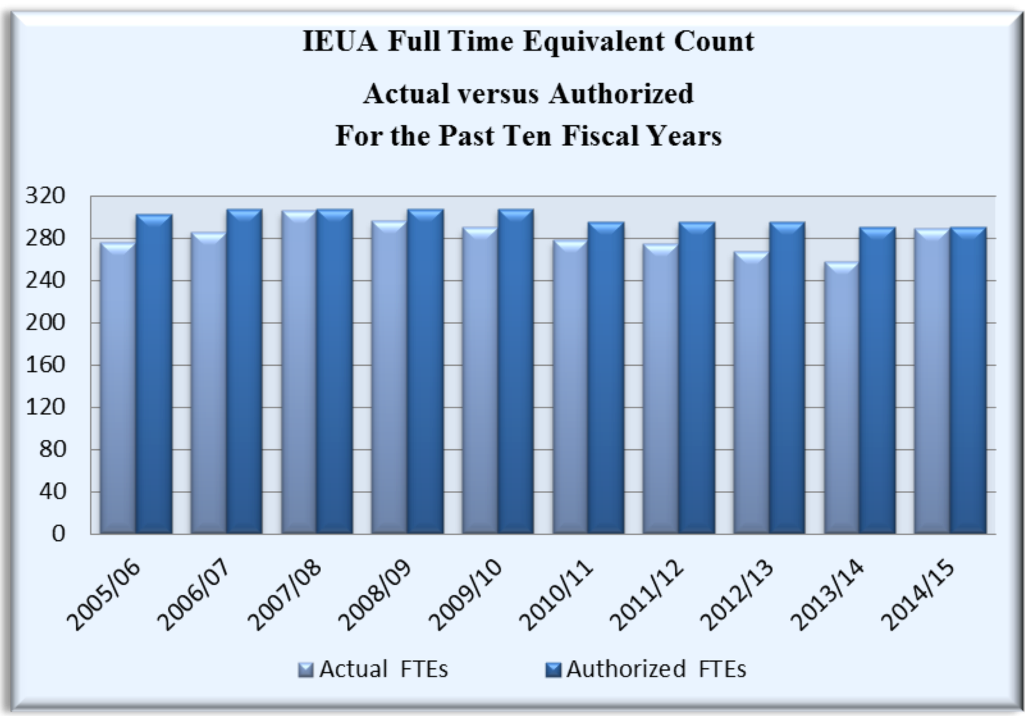
INLAND EMPIRE UTILITIES AGENCY

Operating Indicators – Comparison of Authorized and Actual Staffing Level

For the Past Ten Fiscal Years

Fiscal Year	Actual FTEs	Authorized FTEs
2005/06	276	303
2006/07	286	308
2007/08	306	308
2008/09	296	308
2009/10	290	308
2010/11	278	295
2011/12	275	295
2012/13	267	295
2013/14	258	290
2014/15	289	290

FTE – full time employment

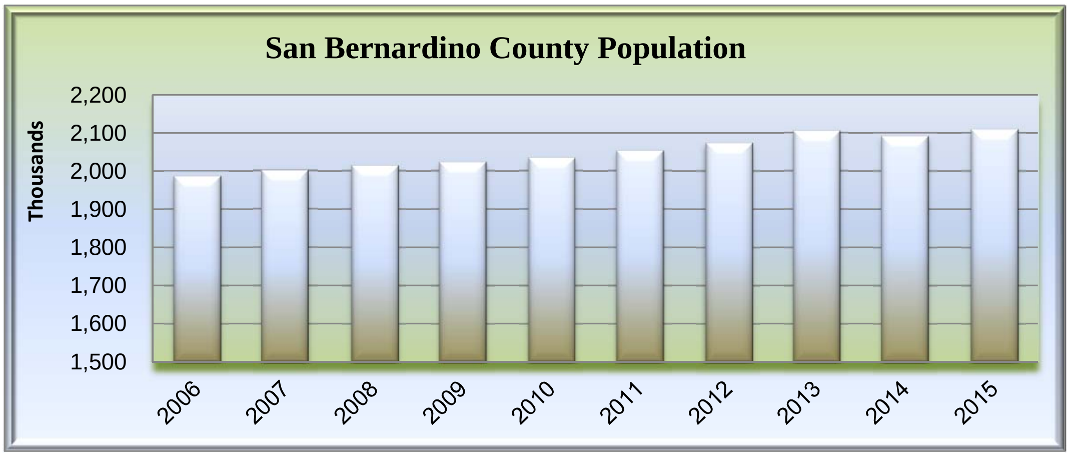


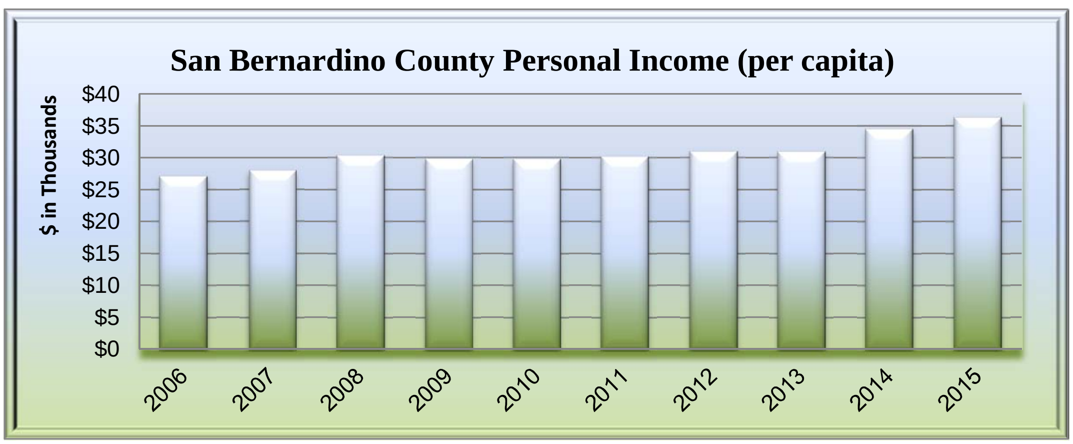
The chart and table above reflect the number of authorized full time equivalent (FTE) positions versus actual employees by fiscal year for the past ten fiscal years.

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

San Bernardino County (1)

Year	Population	Personal Income (billions)	Personal Income (per capita)
2006	1,987,505	53.9	27,134
2007	2,002,208	56.1	28,024
2008	2,015,355	60.9	30,363
2009	2,024,760	59.7	29,859
2010	2,035,210	60.8	29,848
2011	2,053,974	63.6	30,245
2012	2,074,668	67.3	31,007
2013	2,106,217	68.1	30,990
2014	2,092,660	73.5	34,561
2015	2,110,557	77.4	36,335





Footnotes:

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

(2) Data for Year 2015 has been estimated.

Areas Largest Public and Private Employers

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,695
Kaiser Permanente Fontana Medical Center	Fontana	6,000
Fontana Unified School District	Fontana	5,600
San Antonio Community Hospital	Upland	1,998
California Institution for Men	Chino	1,696
Chino Valley Unified School District	Chino	1,400
North American Medical Management	Ontario	1,304
Chaffey Community College District	Rancho Cucamonga	1,229
Upland Unified School District	Upland	1,200
City of Fontana	Fontana	1,061
Swift Transportation Co., Inc.	Fontana	1,035

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

Footnote: *No data available prior to most recent information.*

INLAND EMPIRE UTILITIES AGENCY
Appropriation Limits
Fiscal Years Ended June 30, 2011 through 2015*

Fiscal Year	Annual Appropriations Limit	Proceeds of Taxes (Appropriations)
2010/11	$ 129,973,153	$ 33,821,422
2011/12	$ 134,634,452	$ 32,965,008
2012/13	$ 140,911,109	$ 32,607,254
2013/14	$ 149,385,503	$ 33,351,677
2014/15	$ 150,204,136	$ 40,203,474

* Source: IEUA FY2014_15 Operating Capital Budget

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the Inland Empire Utilities Agency for the year ended June 30, 2015. These procedures, which were agreed to by the Inland Empire Utilities Agency and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the Inland Empire Utilities Agency in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The Inland Empire Utilities Agency's management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the 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 Worksheet No. 6 for the year ended June 30, 2015, and compared the limit and annual adjustment factors included in that worksheet 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 worksheet to those that were selected by a recorded vote of the Board of Directors.

   No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factor and the adjustment for inflation and population, and compared the results to the amounts on Worksheet No. 6.

   No exceptions were noted as a result of this procedure.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

3. 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.

   No exceptions were noted as a result of our performing this procedure.

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 appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines".

This report is intended solely for the information and use of the Board of Directors and management of the Inland Empire Utilities Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
December 3, 2015

INLAND EMPIRE UTILITIES AGENCY

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2015

Appropriations limit for fiscal year ended June 30, 2014 (see Note 2)				$ 149,385,503
Adjustment factors for the fiscal year ended June 30, 2015 (see Note 2):				
	Inflation Factor (Note 3)	Population Factor (Note 4)	Combined Factor	
	0.99770000	1.00780000	1.00548000	x 0.00548000
Adjustment for inflation and population				818,633
Other adjustments (Note 5)				-
Total adjustments				818,633
Appropriations limit for fiscal year ended June 30, 2015				$ 150,204,136

See Accompanying Notes to Appropriations Limit Worksheet No. 6.

INLAND EMPIRE UTILITIES AGENCY

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2015

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

   Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIIB, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

   Under Section 10.5 of Article XIIIB, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

   A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the Inland Empire Utilities Agency (the Agency) for the fiscal year 2014-2015 represents the annual percentage change per capital personal income.

4. POPULATION FACTORS:

   A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the Agency for fiscal year 2014-2015 represents the annual percentage change in population for the County in which the Agency is located.

5. OTHER ADJUSTMENTS:

   A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The Agency had no such adjustments for the year ended June 30, 2015.

Inland Empire Utilities Agency

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Acknowledgements:

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the IEUA employees who contributed

photographs, articles, and their expertise for this

Comprehensive Annual Financial Report

Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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