



Comprehensive Annual Financial Report

Fiscal Year ended June 30, 2019



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

San Bernardino Lift Station Facility Improvements



Lift Station Force Mains and Meters



Comprehensive Annual Financial Report

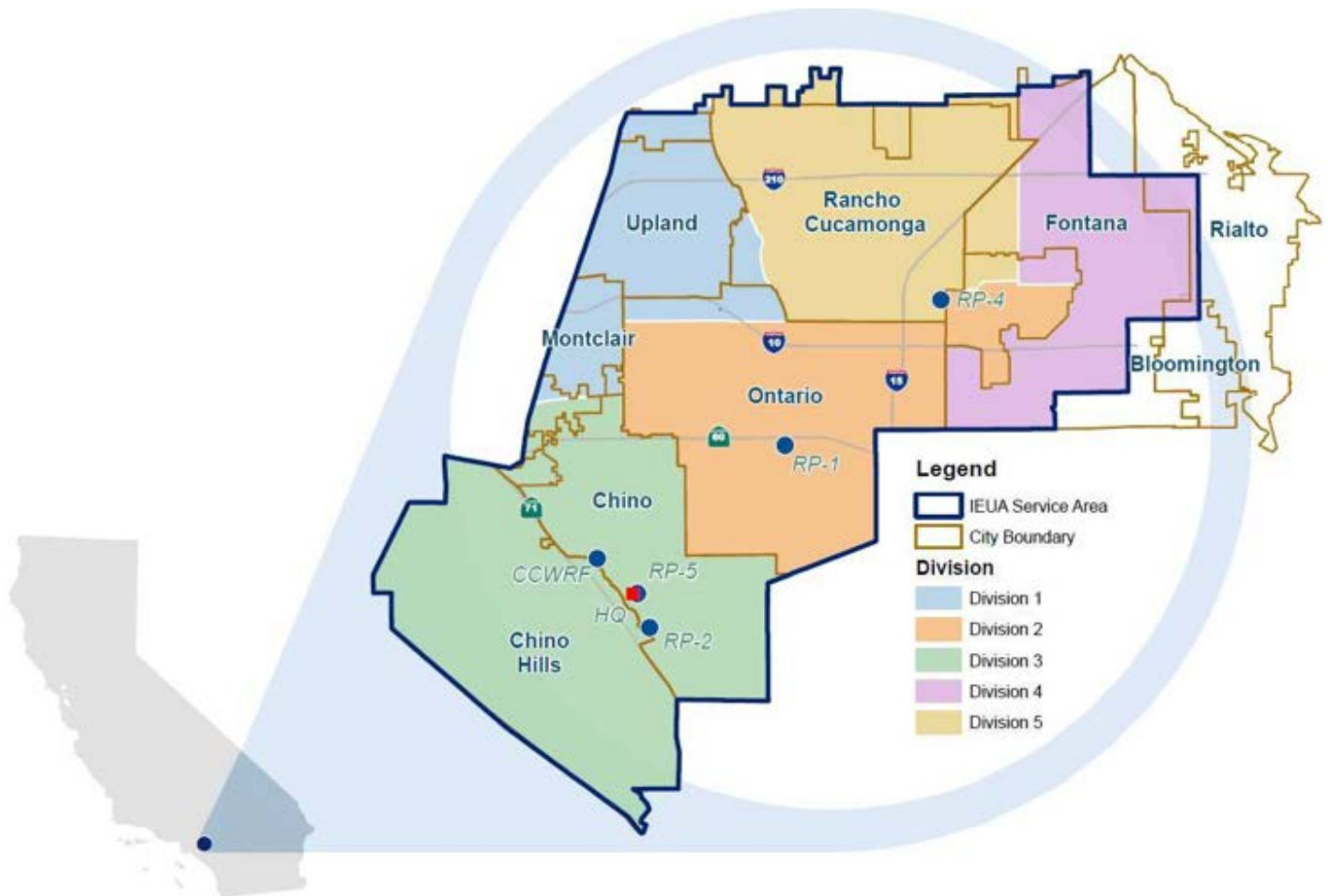
Fiscal Year ended June 30, 2019



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

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, 2019

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December 18, 2019

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 Inland Empire Utilities Agency (IEUA/Agency) to annually publish a comprehensive report of its financial condition and activities, audited in accordance with general accepted auditing standards in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, it is with pleasure that we present the IEUA Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning IEUA's finances. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Since 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.

Lance, Soll & Lunghard, LLP, a firm of certified public accountants, has issued an unmodified opinion on the Agency's financial statements for the year ended June 30, 2019. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

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

Water Smart – Thinking in Terms of Tomorrow

Paul Hofer
President

Jasmin A. Hall
Vice President

Kati Parker
Secretary/Treasurer

Michael E. Camacho
Director

Steven J. Elie
Director

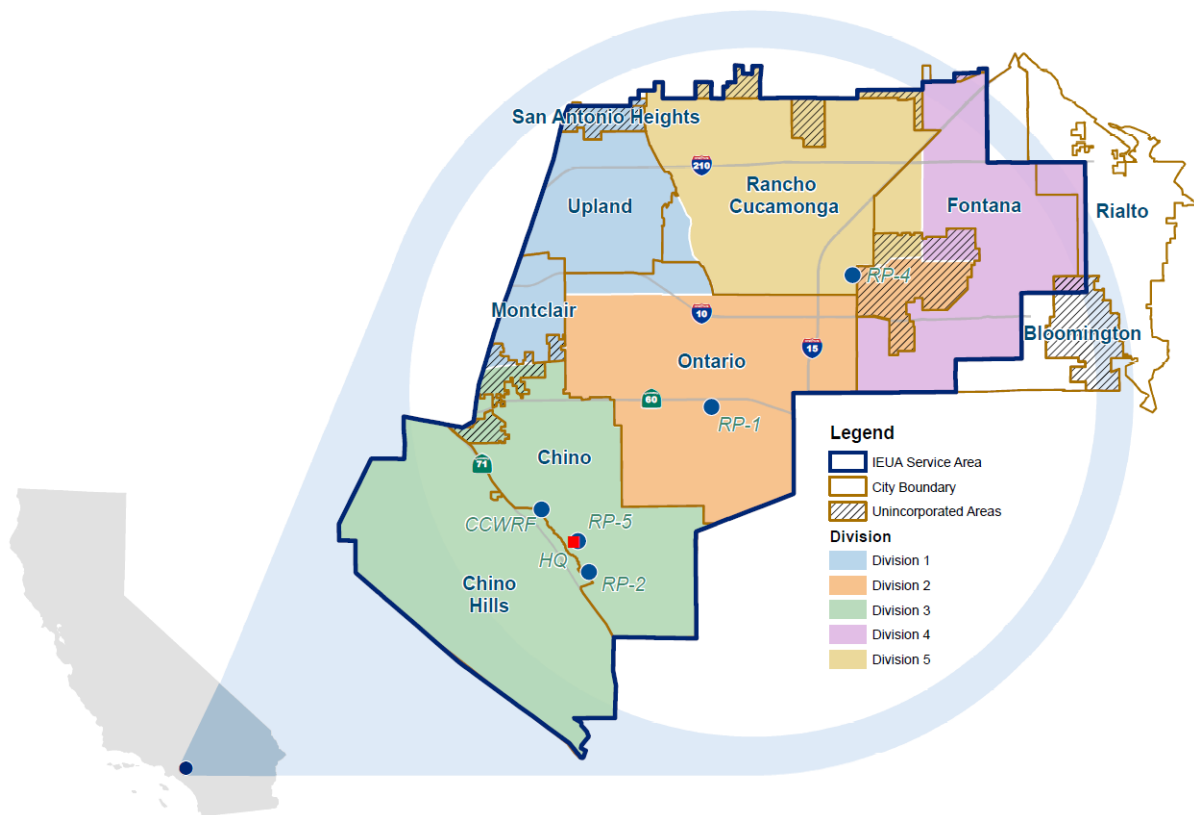
Shivaji Deshmukh
General Manager

INLAND EMPIRE UTILITIES AGENCY PROFILE

UP TO THE PRESENT

The Agency was established by a majority vote in a special election on June 6, 1950, to provide supplemental imported water for an original population of approximately 80,000 people. Organized as a California municipal corporation and a political subdivision of the State under the Municipal Water District Act of 1911, the Agency was known as Chino Basin Municipal Water District until July 1, 1998 when the name was changed to Inland Empire Utilities Agency. 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.

IEUA BOARD OF DIRECTORS BOUNDARIES



The Agency began domestic wastewater collection during the mid-1960s 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 (Regional 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

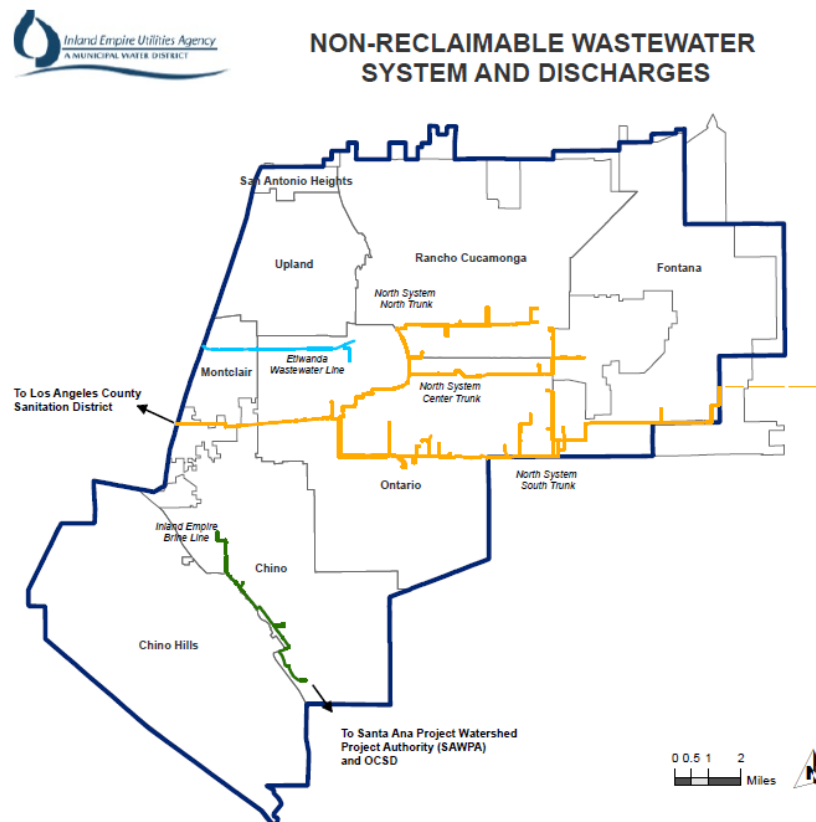
the city of Chino Hills). Pursuant to that contract, the Agency agreed to purchase and operate three local wastewater treatment plants, and to plan and construct all new pipelines, regional interceptor sewer and treatment plants.

Currently the Agency owns and operates four facilities specializing in regional water recycling services. The Agency's water recycling plants collectively take in approximately 50 million gallons of wastewater per day for treatment. Several treatment processes contribute to providing high quality recycled water pursuant to California's Title 22 regulations.

NON-RECLAIMABLE WASTEWATER SYSTEM

The Agency operates the Non-Reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts to be discharged 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 is divided into a Northern and Southern System. The Northern System consists of three trunk lines: north, center, and south trunk lines, which discharge the industrial wastewater into the Sanitation Districts of Los Angeles County (SDLAC) System. The wastewater generated from the Southern portion of the NRWS is diverted to Orange County Sanitation District (OCSD).



As of June 30, 2019, approximately 50 industries (40 in the North NRWS and 10 in the South Inland Empire Brine Line (IEBL)) discharged the brine wastewater generated from their processes. All of these industries are directly connected to the Agency's NRWS. The NRWS also serves approximately seven industrial customers that truck their wastewater to the Agency's dump discharge stations.

RECYCLED WATER DISTRIBUTION SYSTEM

The Agency has been providing recycled water to its member agencies since formation of the Regional Contract in 1972. In the early 1990s, the Agency planned and built the first phase of the Carbon Canyon Water Recycling Facility, which now serves customers in the cities of Chino and Chino Hills. The connected demand for recycled water has more than tripled since FY 2006/07 from 13,000-acre-feet (AF) to 49,665 AF as of June 30, 2019. Recycled water and groundwater recharge deliveries have nearly tripled as well.

Since 2010, the rate of connections for direct use customers to the regional recycled water system has been stagnant primarily due to the economic downturn and changes in land use from agriculture to residential and commercial. As a result, IEUA has shifted its focus from direct connections to pursuing additional regional groundwater recharge projects. The next phase of projects and priorities is currently under development.

GROUNDWATER RECHARGE BASINS

In conjunction with the Chino Basin Watermaster (CBWM), IEUA is implementing the groundwater recharge program to increase groundwater recharge within the 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 periods of droughts and shortages of imported water. Annual recharge varies due to weather patterns and the availability of imported water and recycled water supplies.

In 2013, IEUA, CBWM, Chino Basin Water Conservation District (CBWCD), and their respective member agencies implemented an amendment to the 2010 Recharge Master Plan (2013 Recharge Master Plan Update or RMPU). Following section 8.1 of the Peace II Agreement, CBWM and IEUA must update and obtain Court approval of its RMPU no fewer than every five years. Since February 2018, the RMPU Steering Committee has been working with interested stakeholders toward the development of the updated recharge master plan. The updated RMPU was approved concurrently by IEUA and CBWM in September 2018 to meet the required Court filing deadline.

JOINT POWERS AUTHORITY

CHINO BASIN DESALTER AUTHORITY

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



The CDA is comprised of the cities of Chino, Chino Hills, Ontario, and Norco, as well as the Jurupa Community Services District (JCSD), the Santa Ana River Water Company, Western Municipal Water District, and IEUA as an ex-officio member. The Agency operates the Chino Basin Desalter 1 facility.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

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

The IERCA annually produces 240,000 cubic yards of a wood-based, nutrient-rich compost. The compost produced, marketed and sold under the brand name SoilPro Premium Compost is made from recycled green waste and biosolids, and focuses on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program. SoilPro is sold to landscapers and farmers around southern California to create healthy soils to save water.



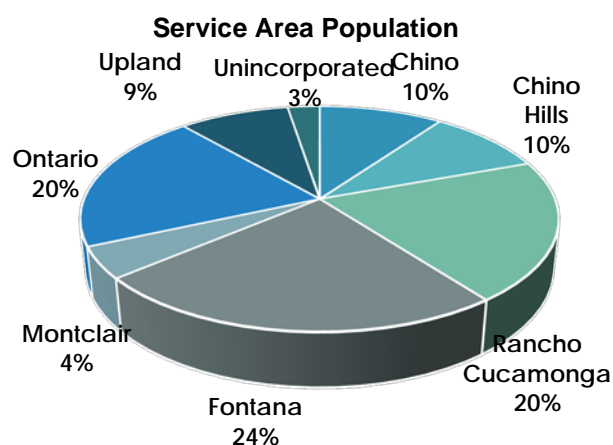
ECONOMIC CONDITION AND OUTLOOK

IEUA is located approximately 35 miles east of Los Angeles in San Bernardino County in an area referred to as the Inland Empire (IE). The Agency's service area is settled in a well-developed transportation center consisting of three major transportation systems: the Metrolink Railway system, the Chino Airport, and the Ontario International Airport. A recent highpoint for the region, which is expected to drive local economic activity, was the city of Ontario's recovery of local

control of the Ontario International Airport after decades under the jurisdiction of the city of Los Angeles. The IE is accessibly connected to Los Angeles County, Orange County, San Bernardino County, and Riverside County through six major freeway systems.

Between 2016 - 2018, the IE added 49,308 jobs, of which 22,408, or about 45 percent, were in the construction, transportation and warehousing (logistics) sector according to Dr. John Husing, an economist with the Inland Empire Economic Partnership (IEEP) and reported in the April 2019 *Quarterly Economic Report*. The IE economy is expected to gain 38,200 jobs (2.5 percent) in 2019, a 3.4 percent increase over 2018. The job expansion will continue partly because of the area's traditional advantages, including available land, modestly priced labor, growing population, as well as continued growth in health care, and a small addition of jobs in higher paying private and public.

The Agency's service area is considered one of the fastest growing regions in the United States. According to the forecasting center at UC Riverside's School of Business, the major growth sectors are transportation (logistics), government, education and health services, as well as the construction industry. The population of IEUA's service area is projected to surpass 875,000 in 2019. Population and demographics within the service area are shown in the following charts.



Source: American Community Survey – www.census.gov/programs-surveys/acs/

The IE's housing market appears to be slowly moving into expansion mode, as the region's residential prices increased significantly in 2019, up 127.5 percent (existing), and 4.2 percent (new) from the all-time lows in 2009 and 2006, respectively. Existing median home prices (\$334,000) remain 9.4 percent below their highest price. Given these figures, the IE is likely to see increased demand for new home construction as the lack of supply is driving up prices. The low median home prices relative to the surrounding counties makes the IE more affordable and is a key incentive for expected growth.

California's unemployment rate was 4.2 percent according to data released by the U.S. Bureau of Labor Statistics in June 2019. Likewise, the unemployment rate in the IE was 4.2 percent in June 2019 and is forecasted to remain the same through 2019. Unemployment in the region is getting closer to meeting the state average.

As the IE economy continues to expand, it has added 15.7 percent to pre-recession levels. The economic recovery has also altered the industrial and employment composition in the IE. The construction and manufacturing industries, which have traditionally been a driving force within the IE economy, have recovered nearly half of the jobs lost since the onset of the recession. The sector that has grown the most since the recession is the Transportation and Warehousing (logistics) industries.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

MAJOR INITIATIVES FOR FY 2018/19

IEUA's Business Goals, updated and adopted by the Board of Directors in December 2016, 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 the Business Goals, objectives are evaluated and formulated into work plans to ensure that the current and future needs of the Agency and region are appropriately met. The IEUA Strategic Business Plan (Plan) developed in 2015, which serves as the basis for the framework for decision making over a five-year period (2015-2019), outlines fundamental decisions that shape what the Agency plans to accomplish and sets rational courses of action.

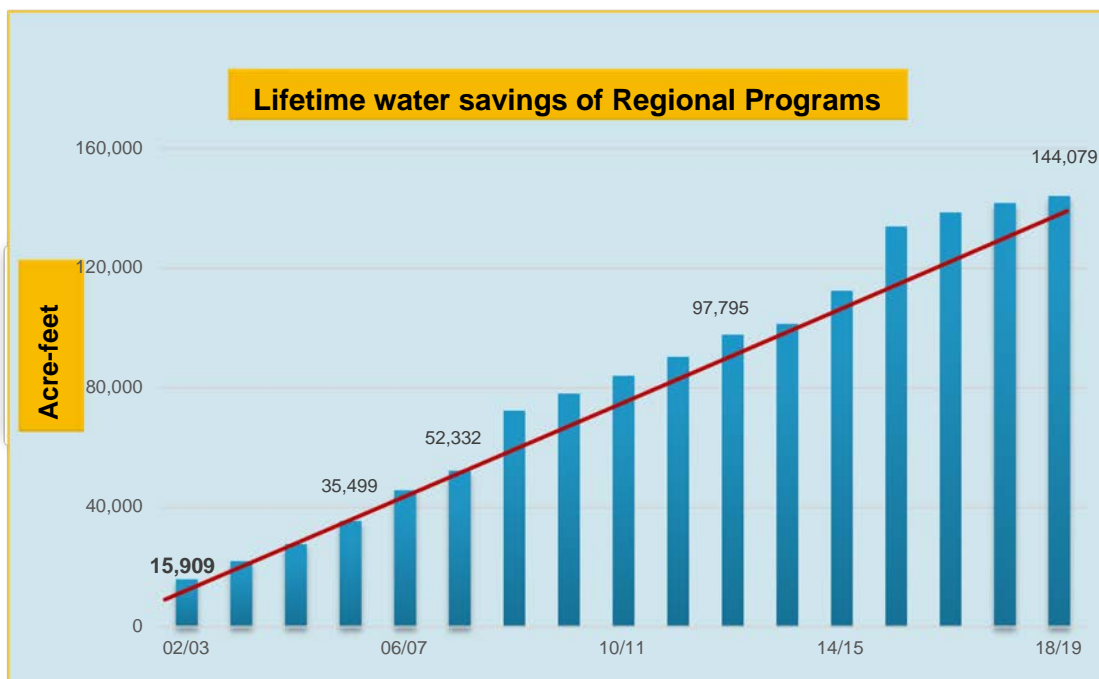
During Fiscal Year (FY) 2018/19, the Agency, in collaboration with its member agencies and key stakeholders in the region, accomplished significant milestones and executed several planned initiatives outlined in the Agency's Strategic Plan. Agency Management also established several important objectives to accomplish during FY 2019/20 and FY 2020/21, which include continued development and implementation of the Integrated Water Resource Management; expansion of the RP-5 facility to meet projected future demand; safely manage and maintain Agency assets efficiently and cost effectively; sustainable cost containment of expenditures within budgeted targets; optimizing federal and state grant funding; and oversight of preparation of long-term planning documents to ensure fiscal stability of the Agency for the next decade.

WATER

IEUA is a wholesaler provider of imported water to five cities and two special districts in the service area. IEUA has multiple wholesale sources of water, including imported water through the Metropolitan Water District of Southern California (MWD), and groundwater recharge from local recycled water. In addition to wholesale supplies, local retail water agencies include local sources of supply, including local ground water, surface water, and desalted ground water.

Water demand within the Agency's service area has changed significantly over the years, shifting the majority of water use throughout the region from agricultural to urban (residential, commercial, industrial, and institutional). IEUA and its member agencies work collaboratively to develop, deliver, and preserve safe and reliable water supplies while employing technologies and activities that maintain and improve region-wide water use efficiencies.

IEUA's water use efficiency programs are fundamental in managing region-wide demand and are a significant impact to sustaining regional water supplies. Imported water purchases have increased, but local groundwater production has decreased in response to new trichloropropane (TCP) water quality standards. While the region is using approximately 11 percent less water than before the most recent drought in 2014, IEUA anticipates a slight increase in water usage due to the persistent higher temperatures the region is experiencing. Since 1992, 144,079 AF of water has been conserved through IEUA's water use efficiency programs.



During coming years, water use efficiency programs in the IEUA service area will continue to play a vital role in stretching existing water supplies and minimizing the economic impact from reduced imported water deliveries.

To effectively manage both imported and local water resources, IEUA works in close coordination with MWD, CBWM, Chino Basin Water Conservation District (CBWCD), Santa Ana River Water Project Authority, San Bernardino County Flood Control (SBCFCD), and other agencies.

GROUNDWATER RECHARGE

IEUA, CBWM, CBWCD, and SBCFCD are partners in the implementation of the Chino Basin Recycled Water Groundwater Recharge Program (GWR). This is part of a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Groundwater Basin by increasing the recharge of storm water, imported water and recycled water. This program is an integral part of the CBWM's Optimum Basin Management Program (OBMP).

IEUA currently recharges between 40,000 and 50,000 AF of stormwater, and between 10,000 and 15,000 AF of recycled water, annually. Annual recharge varies due to weather patterns and the availability of supplemental water supplies (imported and recycled water).

RECYCLED WATER

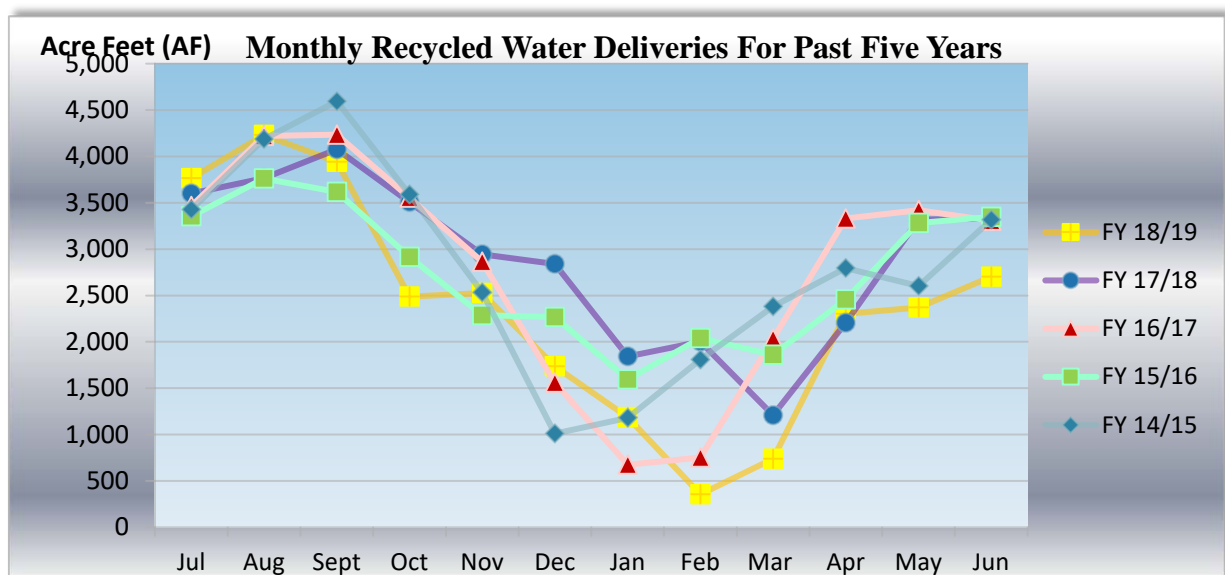
Recycled Water Deliveries by Acre Foot

Type	Actual				Projected		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Direct Use	19,397	19,477	21,132	16,803	22,000	22,000	22,000
GW Recharge	13,222	13,934	13,510	11,542	13,800	14,000	14,200
Total	32,619	33,411	34,642	28,345	35,800	36,000	36,200

New connections to the recycled water system increased by approximately seven percent in FY 2018/19, with 76 new connections versus the prior fiscal year total of 71. Total connected demand for FY 2018/19 decreased approximately one percent from the prior fiscal year total of 50,094 AF due to land use conversion from agricultural use to residential and commercial use. Recycled water deliveries vary seasonally based on a variety of factors. FY 2018/19 was a wet year and had a significant impact on recycled water deliveries due to lower demand which resulted in actual deliveries of 28,345 AF compared to an average of 33,557 AF the prior three years.

- Total member Agency connected meters to-date – 1,260
- Total connected demand to-date – 49,665 AF

Annual Recycled Water Connected Demand Summary (AFY)



ENERGY

IEUA is committed to optimizing facility energy use and effectively managing renewable resources to contain future energy costs. IEUA's diverse renewable portfolio consists of 5.0 MW solar, 1.0 MW of wind, and 4.1 MW of battery storage (included in the 5MW of solar).



Major capital construction projects underway in FY 2018/19 included the RP-5 Expansion; construction of the RP-1 Headworks Primary and Secondary Upgrades; the Supervisory and Control Data Acquisition Enterprise System Phases 3 and 4; San Sevaine Basin Improvements; RP-4 Process Improvements, and design.

RP-5 LIQUIDS TREATMENT AND SOLIDS EXPANSION

As part of IEUA's Wastewater Facilities Master Plan (WFMP), an analysis of the influent wastewater flow and quality data for IEUA's Regional Water Recycling Plants (RWRPs) was performed to establish current average and peak flow



influent flows, concentrations, and loads for developing flow and load projections for the 2035 planning year. The analysis confirmed the plant needs to expand the liquids treatment system to meet service area growth, and to relocate and expand solids treatment from RP-2 to RP-5.

The facility infrastructure will be sized to accommodate future expansion to 30 million gallons per day (MGD).

RP-1 HEADWORKS PRIMARY AND SECONDARY UPGRADES

Due to the similarities of the work for the RP-1 Plant 3 Scum Well Upgrade, the RP-1 Headworks Rehabilitation, and the RP-1 Aeration Basin System C Flowmeter Bypass, identified in the IEUA's WFMP, the scopes of work for each project were combined, and the RP-1 Headworks, Primary and Secondary Upgrades project was developed, inclusive of the RP-1 headworks gate replacement.

SCADA ENTERPRISE SYSTEM PHASES 3 AND 4

IEUA relies heavily on Supervisory Control and Data Acquisition (SCADA) for operation and ensuring regulatory compliance of the various facilities. The Facilities and Recycled Water SCADA Master Plans identified the critical need for an Agency-wide SCADA Enterprise System. The project will convert the existing control and workrooms into new server and control rooms to be utilized in the migration of the SCADA system.

The project will provide the infrastructure, tools, and information to enable Operations to maintain regulatory compliance and meet their levels of service in a more efficient and cost-effective manner. Migration to a uniform SCADA system will allow for the optimization of SCADA assets and maximize their lifecycle, better meet business needs, and mitigate disruptions to operational

continuity. The enterprise system will minimize system delivery risk, reduce system variability, enhance system quality, and ensure that Agency staff members have the support to maintain the system post-commissioning.

SAN SEVAINE BASIN IMPROVEMENTS

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

RP-4 PROCESS IMPROVEMENTS

RP-4 began operation in July 1997 with an average daily liquid treatment capacity of seven million gallons per day (MGD). In September 2009, the average daily liquid treatment capacity was expanded to 14 MGD. Since that time, there are areas in need of process improvements to enhance operational flexibility, and address wear of existing facilities.

RP-4 is entirely a liquids wastewater treatment plant, including the following treatment processes: preliminary, primary, secondary (activated sludge), and tertiary treatment. Solids are diverted to the Etiwanda Sewer and treated at RP-1. All wastewater is treated to Title 22 recycled water standards and is pumped directly into the Agency's regional recycled water distribution system.

CHINO BASIN PROGRAM

As of May 16, 2019, IEUA, in partnership with 14 cities and agencies within the Chino Basin, have approved an agreement in support of evaluating the benefits of the Chino Basin Program (CBP). The CBP, which would include construction of an advanced water treatment facility and distribution system to treat and store up to 15,000 acre-feet per year of recycled water in the Chino Basin, was conditionally awarded \$207 million from Proposition 1, a state water bond approved by voters in 2014 that provides funding for new and innovative water storage projects. IEUA will continue to work closely with its partners to further define the project vision and develop the institutional agreements to achieve the CBP vision.

MAJOR ACCOMPLISHMENTS FOR FY 2018/19

GRANTS/STATE REVOLVING FUND LOANS

FUNDING DEVELOPMENTS

Grants and loans currently support approximately half of the Agency's annual funding for capital improvement programs, which include the rehabilitation, replacement, and expansion of facilities owned or operated by the Agency. In FY 2018/19 actual capital project expenses were \$55.5 million. The Agency's Ten-Year Capital Improvement Plan (TYCIP), adopted in June 2019 for FYs 2019/20 to 2028/29, is estimated at \$921 million dollars, of which approximately 54 percent is projected to be financed by a combination of grants, State Revolving Fund (SRF) loans and bonds.

In FY 2018/19, the Agency submitted grant and loan applications to the State Water Resources Control Board (SWRCB), US Bureau of Reclamation (USBR), Santa Ana Watershed Project Authority (SAWPA), California Natural Resources Agency (CNRA), and the US Environmental Protection Agency (EPA) under the Water Infrastructure Finance and Innovation Act (WIFIA) for a total of \$183.7 million, comprised of \$5.4 million in grants and \$178.2 million in loans.

APPLICATIONS SUBMITTED			
	Grants	Loans	Total
EPA WIFIA- RP-5 Expansion		\$178,274,250	\$178,274,250
SAWPA IEUA-JCSD Intertie (WRCWRA)	\$2,617,971		\$ 2,617,971
CNRA-Wetlands Education Center Expansion	\$1,480,717		\$ 1,480,717
USBR-Chino Basin Program Pre-Design Report	\$ 300,000		\$ 300,000
CNRA- Wetlands Improvements Project	\$1,095,174		\$ 1,095,174
Total Applications Submitted	\$5,493,862	\$178,274,250	\$183,768,112

The Agency also has a USBR grant application and several SWRCB SRF loan applications in process, in addition to a USBR grant contract for \$400,000 and SRF loan contracts for \$164 million. The SWRCB SRF loan applications are listed on the SWRCB's Clean Water SRF Intended Use Plan (IUP) Fundable List for FY 2019/20.

CONTRACTS IN NEGOTIATION STAGE			
	Grants	Loans	Total
SWRCB RP-5 Expansion		\$101,530,000	\$101,530,000
SWRCB IEUA-JCSD Intertie (WRCWRA)	\$ 5,000,000	\$ 27,000,000	\$ 32,000,000
SWRCB RMPU Wineville/Jurupa/RP-3 Recharge Improvement		\$ 8,763,381	\$ 8,763,381
SWRCB Baseline Extension	\$ 2,500,000	\$ 4,194,013	\$ 6,694,013
SWRCB RP-1 1158 Pump Station Upgrades	\$ 2,500,000	\$ 4,193,000	\$ 6,693,000
SWRCB RP-5 Recycled Water Pipeline Bottleneck	\$ 1,568,585	\$ 1,568,585	\$ 3,137,169
SWRCB RMPU Lower Day Basin Improvement		\$ 2,883,000	\$ 2,883,000
SWRCB RMPU Montclair Basin Improvement		\$ 1,788,100	\$ 1,788,100
USBR Chino Basin Water Bank Strategic Plan	\$ 400,000		\$ 400,000
Total Contracts in Negotiation Stage	\$11,968,585	\$151,920,079	\$163,888,663

RP-5 EXPANSION PROJECT

The RP-5 Expansion Project was placed on the SWRCB FY 2018/19 IUP Fundable List for a total loan of \$101.5 million. IEUA has also applied for a low-interest federal WIFIA loan in the amount of \$178.3 million to fund the project. Final design is estimated to be completed in October 2019 and the construction contract is planned to be awarded in March 2020. The RP-5 solids facility is expected to be completed in March 2023 and the liquids treatment system in December 2024.

The RP-5 Expansion is required in order to accommodate future growth, primarily in Ontario which is expected to double in population in the next decade. The RP-5 liquids treatment facility will be expanded from 15 MGD average capacity to 30 MGD average capacity. The RP-5 solids treatment facility will relocate the RP-2 solids treatment facility and treat 30 MGD of solids. The project will produce public benefits by treating domestic wastewater to the U.S. Clean Water Act (CWA) required levels and generate an additional 7.5 MGD of recycled water to provide a reliable local water supply.

OTHER AGENCY ACCOMPLISHMENTS INCLUDED

WATER QUALITY LABORATORY

The Water Quality Laboratory was completed in FY 2018/19. It is a 16,000 square foot state-of-the-art laboratory located at the IEUA Headquarters Campus, in the city of Chino. The new facility was constructed in accordance with the *Leadership in Energy and Environmental Design* (L.E.E.D) Silver rating for energy efficiency, inclusive of solar panel integration into roof joists. The Water Quality Laboratory will provide numerous benefits to the Agency as well as stakeholders within the Agency's service area, such as energy savings, environmental compliance, adaptation to future complex analytical needs, enhanced performance and safety, public educational tours, and solar power generation.

COST CONTAINMENT / EFFICIENCIES

At the end of the fourth quarter FY 2018/19, total regular filled positions were 259 compared to the 281 budgeted positions and 290 authorized positions, resulting in a vacancy factor of 10.7 percent. The Agency currently employs 14 limited term (LT) employees, compared to the adopted staffing plan of 16 LT positions. Recruitment of key positions as part of the Agency's succession planning effort is expected to lower the vacancy factor going forward.

FUTURE YEARS

ASSET MANAGEMENT

As a regional wastewater service provider, the Agency is required to maintain capacity and service within systems and facilities to meet essential service demands to protect public health and the environment. A dedicated team of staff are developing an Assets Management Needs Assessment in order to develop an efficient and workable Asset Management Program focusing on ensuring the efficient rehabilitation, repair, or replacement of physical assets. An assessment done as part of the two-year budget cycle will ensure that probability of failure and consequence of failure are evaluated in the process of developing priority projects that are designed to extend the service life of most critical assets.

TRAINING, DEVELOPMENT, AND SUCCESSION PLANNING

Over the next few years, approximately 30 percent of the current workforce is eligible for retirement. During FY 2019/20 the Agency will continue to support succession planning by filling vacancies previously on hold to streamline operations and more effectively support staffing throughout the Agency.

FISCAL RESPONSIBILITY

The Operating Budget for Fiscal Years (FYs) 2019/20 - 2020/21 is the Agency's third biennial budget. The Agency will continue to focus on top initiatives and long-term planning. Sustainable cost containment continues to be in the forefront of all planning and the basis for an overall increase of two percent in FYs 2019/20 and 2020/21 annual budgets over FY 2018/19. Increases in employment expenses due to increases in pension contribution rates, benefit costs, cost of living adjustments and succession planning will be offset by a reduction in contract work and non-capital project costs as part of the Agency's commitment to cost containment.

FINANCIAL INFORMATION

INTERNAL CONTROLS

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

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

BUDGETARY CONTROLS

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

OTHER INFORMATION

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, 2018. This was the 20th consecutive year the Agency has received this prestigious award.

To be awarded a Certificate of Achievement, a government entity 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.

ACKNOWLEDGEMENTS

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

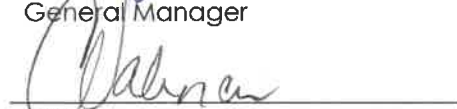
We further acknowledge the thorough and professional way our auditors, Lance, Soll & Lunghard, LLP conducted the audit.

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

Respectfully submitted,



Shivaji Deshmukh, P.E.
General Manager



Christina Valencia
Executive Manager of Finance
and Administration/Assistant
General Manager



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, 2018

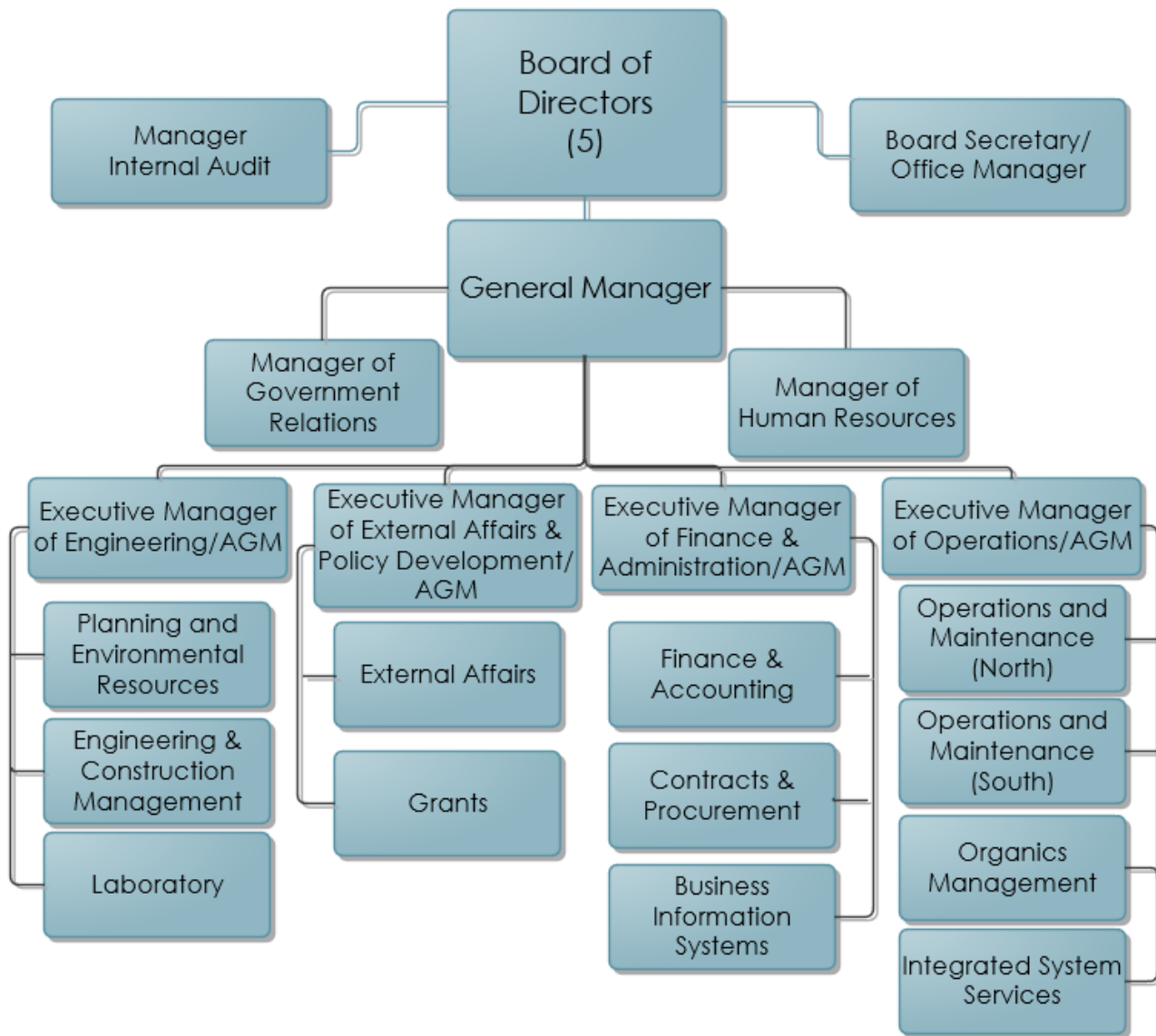
Christopher P. Morill

Executive Director/CEO

Inland Empire Utilities Agency

FY 2018/19

Organizational Chart



INLAND EMPIRE UTILITIES AGENCY

Principal Officials

June 30, 2019

BOARD OF DIRECTORS

<i>Paul Hofer</i>	<i>President</i>
<i>Jasmin A. Hall</i>	<i>Vice President</i>
<i>Kati Parker</i>	<i>Secretary/Treasurer</i>
<i>Michael E. Camacho</i>	<i>Director</i>
<i>Steven J. Elie</i>	<i>Director</i>

EXECUTIVE STAFF

<i>Shivaji Deshmukh</i>	<i>General Manager</i>
<i>Shaun Stone</i>	<i>Acting Executive Manager - Engineering/AGM</i>
<i>Kathy Besser</i>	<i>Executive Manager - External Affairs & Policy Development/AGM</i>
<i>Randy Lee</i>	<i>Executive Manager - Operations/AGM</i>
<i>Christina Valencia</i>	<i>Executive Manager - Finance & Administration/AGM</i>

MANAGEMENT STAFF

<i>Blanca Arambula</i>	<i>Acting Manager - Human Resources</i>
<i>Warren Green</i>	<i>Manager - Contracts & Procurement</i>
<i>Nelletje Groenveld</i>	<i>Manager - Laboratories</i>
<i>Jason Gu</i>	<i>Manager - Grants</i>
<i>Javier Chagoyen-Lazaro</i>	<i>Manager - Finance and Accounting</i>
<i>Sylvie Lee</i>	<i>Manager - Planning and Environmental Resources</i>
<i>Chander Letulle</i>	<i>Manager - Operations & Maintenance, South</i>
<i>Scott Oakden</i>	<i>Manager - Operations & Maintenance, North</i>
<i>Kanes Pantayatiwong</i>	<i>Manager - Business Information Services</i>
<i>Vacant</i>	<i>Manager - Engineering</i>
<i>Teresa Velarde</i>	<i>Manager - Internal Audit</i>
<i>April Woodruff</i>	<i>Board Secretary/Office Manager</i>
<i>Jeff Ziegenbein</i>	<i>Manager of Organics Management - IERCA</i>
<i>Suresh Malkani</i>	<i>Principal Accountant</i>
<i>Tina Cheng</i>	<i>Budget Officer</i>

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 2018/2019:

First Half FY 2018/2019

Finance/Administration

Alvin Glenn Edwards Jr.

Engineering/Planning

Jeffrey P. Traugott

Operations

Adolfo Zavala

Second Half FY 2018/2019

Finance/Administration

Carolyn Echavarria

Engineering/Planning

Travis Sprague

Operations

Joseph Cundiff

Employee of the Year

For FY 2018/19, Joseph Cundiff was chosen by the Selection Committee as the Employee of the Year.



IEUA STAR AWARD RECIPIENT EMPLOYEE OF THE YEAR 2018/19

Joseph exhibits integrity and leads by example. He is responsible, professional, and has a positive and enthusiastic attitude. He is a strong problem solver and extremely reliable, always willing to assist others at a moment's notice. During a recent SAP upgrade, the team encountered a problem that delayed the upgrade by several hours. Joseph helped create a backup of the live system prior to the system down time in case a system restoration would be required. He immediately completed the tasks and remained available for any additional support throughout the whole upgrade.

Joseph shows excellent performance and consistency. He assisted the BIS team in troubleshooting the security with Laserfiche web access. Joseph patiently worked with the team and made numerous security changes for the BIS team to test and verify. He takes on any challenge with enthusiasm and is quick to comprehend complex issues. Joseph has pride for high quality work and getting the job done right

Joseph is flexible and always takes immediate action when requested for assistance on any given task. He is efficient and enthusiastic about his work while his skill with creative troubleshooting of network problems make him an excellent member of the Agency. Joseph's commitment to high quality work, willingness to help, positive and friendly attitude are all qualities deserving of a STAR Award.

Wineville/Jurupa/Force Main Improvements



Jurupa Basin



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency, (the Agency) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.



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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
December 3, 2019

Fine Screens Relocation



RP-5 Headworks

INLAND EMPIRE UTILITIES AGENCY

Management Discussion and Analysis

The intent of management's discussion and analysis is to provide highlights of the financial activities of the Inland Empire Utilities Agency for the fiscal year ended June 30, 2019. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

AGENCY'S FUND FINANCIAL STATEMENT

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

Due to the nature of the Agency's business, all funds are classified as "Proprietary" funds using the full accrual method of accounting. The full accrual method recognizes transactions when they occur, regardless of when cash is exchanged.

THE AGENCY'S OPERATIONS – AN OVERVIEW

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

Total revenues, including grants and subsidies, of \$244,886,628 for Fiscal Year (FY) 2018/19 reported a net decrease of \$6,853,017 compared to \$251,739,645 recorded for FY 2017/18. The overall decrease includes a lower non-operating revenue of \$4,229,925 and a \$3,938,685 decrease in capital grants due to rescheduling of the South Archibald Trichloroethylene (TCE) Plume Cleanup Project. These decreases were partially offset by an increase of \$1,315,593 in operating revenue. The net decrease in non-operating revenue was primarily due to: 1) a \$9,935,875 decrease in wastewater capital connection fees due to fewer new connections as a result of slower building activities; and 2) a \$1,972,987 decrease in water capital connection fees due to an increase in lower priced small size meters installed compared to higher priced large size meters. These decreases were offset by: 1) a \$4,626,635 increase in property tax revenue due an increase in assessed property values; 2) a \$2,051,748 increase in interest incomes; and 3) a \$1,000,554 increase in other non-operating revenues.

The increase in operating revenue of \$1,315,593 is primary due to an increase of \$4,770,951 increase in service charges as a result of an increase in the volumetric fee. The increase was partially offset by 1) a \$2,975,971 decrease in recycled water due to reduced demand as a result of rainy weather and 2) a \$479,387 decrease in imported water sales due to lower deliveries.

Total expenses of \$183,199,940 for FY 2018/19 reported a decrease of \$1,294,725 compared to \$184,494,665 recorded in FY 2017/18. The overall decrease includes a higher operating expense of \$1,400,395 offset by a decrease in non-operating expense of \$2,695,120. The increase in operating expenses was primarily due to 1) a \$2,043,043 increase in administration and general as a result of higher work orders assigned to administration and general and cost associated with the regional sewage service contract negotiations; 2) a \$599,976 increase in depreciation and amortization; and 3) a \$593,971 increase in operations and maintenance. These increases were partially offset by 1) a \$1,357,208 decrease in wastewater collection, treatment, and disposal due to lower contracted labor and material costs and 2) a \$479,387 decrease in imported water purchases due to lower deliveries.

FINANCIAL HIGHLIGHTS

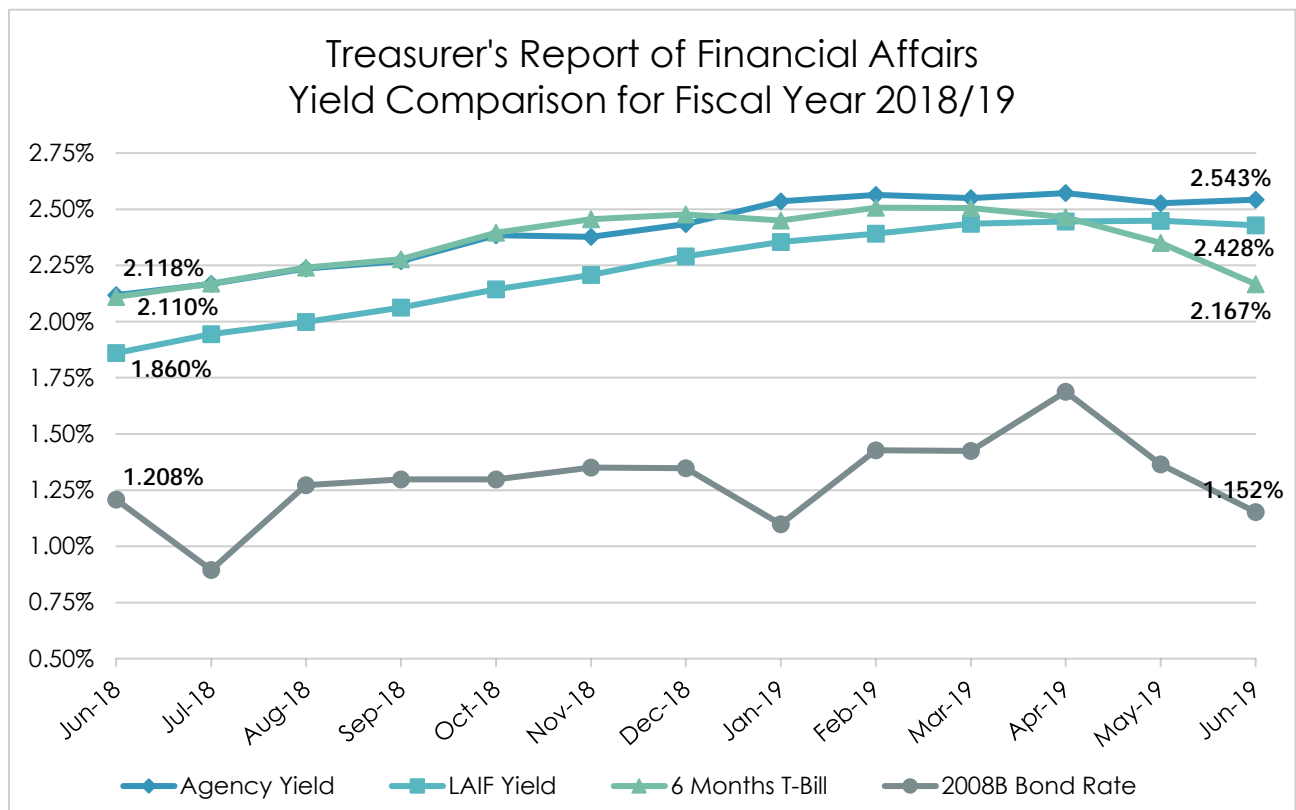
CASH AND INVESTMENT MANAGEMENT

The Agency has a comprehensive cash and investment program subject to the California State Government Code (CSG) and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution which identify the authorized investment types and any restrictions. Consistent with the CSG, the Agency adopts an investment policy annually that is intended to safeguard the principal investment and minimize credit and market risks, remain sufficiently liquid to meet all reasonably anticipated operating requirements for six months, while maintaining a competitive yield on the overall portfolio. The Agency's cash management system is also designed to forecast revenues and expenditures in order to identify and invest idle funds to the fullest extent possible. During the fiscal year ended June 30, 2019, idle funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities, state issued municipal bonds, medium term notes, and deposits in pooled investment funds.

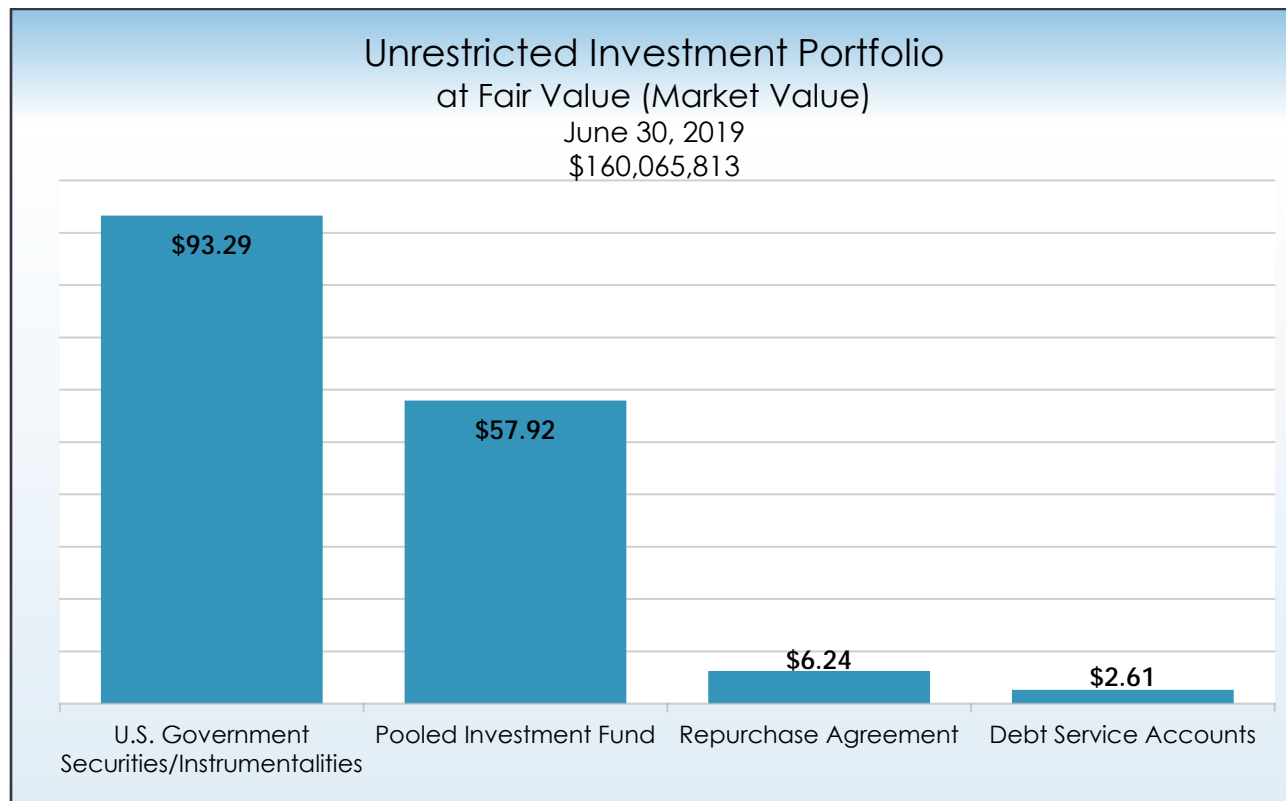
INVESTMENT PORTFOLIO PERFORMANCE

The Agency's overall portfolio rate of return increased from 2.12 percent in June 2018 to 2.54 percent by June 30, 2019.

Total interest income for FY 2018/19 of \$4,453,305 increased eighty five percent compared to \$2,401,557 in FY 2017/18. The increase in interest income is primarily due to higher interest yield in the investment funds that are actively managed by PFM Asset Management LLC and in the pooled investment accounts, such as Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) managed by the Agency.



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



The Agency's portfolio market value for the fiscal years ended June 30, 2019 and June 30, 2018 were \$160,065,813 and \$143,461,466 respectively. Not included are restricted funds held in trust or by member agencies, such as deposits held by CalPERS to support the Agency's OPEB unfunded accrued liability, water connection reserves held in a separate pooled investment fund account, and wastewater connection fees held by member agencies in Capital Construction Reimbursement Accounts (CCRA's).

CHINO BASIN DESALTER OPERATIONS

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

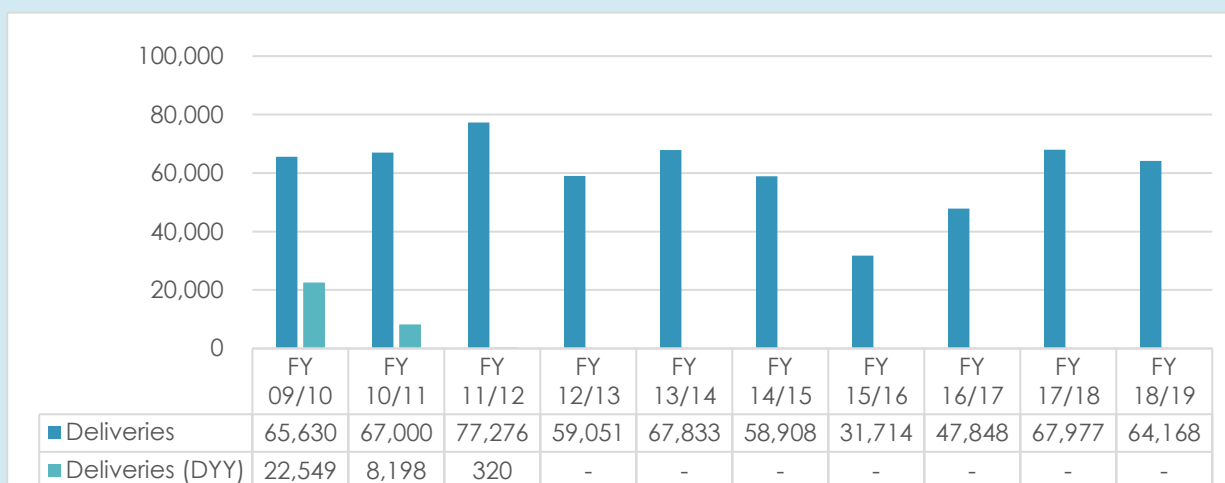
All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Services Fund. These expenses are billed to the CDA monthly. In FY 2018/19, the total amount billed was \$1,109,443 and reported as non-operating revenue.

IMPORTED WATER DELIVERIES

Imported water deliveries for FY 2018/19 were 64,168-acre feet (AF) compared to 67,977 AF in FY 2017/18, a decrease of 3,809 AF. The decrease is due to lower demand as a result of extremely rainy weather in FY 2018/19, partially offset by changes in water quality restrictions, primarily on 1,2,3-Trichloropropane (TCP) that limits the use of Chino Basin groundwater by affected member agencies. TCP has been used as an industrial solvent, cleaning and degreasing agent, and paint remover, and is persistent in the environment. It is mainly found in groundwater and is a known human carcinogen. The California State Water Resources Control Board (SWRCB) finalized the maximum contaminant level of 0.000005 mg/L (5 ppt) in December 2017. Drinking water agencies began quarterly monitoring in January 2018. As a result, member agencies were unable to use local supply. They have increased imported water purchases to blend with local water to reduce contamination and meet demand.

A comparative of imported water deliveries for the past ten fiscal years shows an overall decline in imported water deliveries beginning in FY 2009/10, followed by an upwards swing in the last three years as a result of the end of drought and water quality restrictions.

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



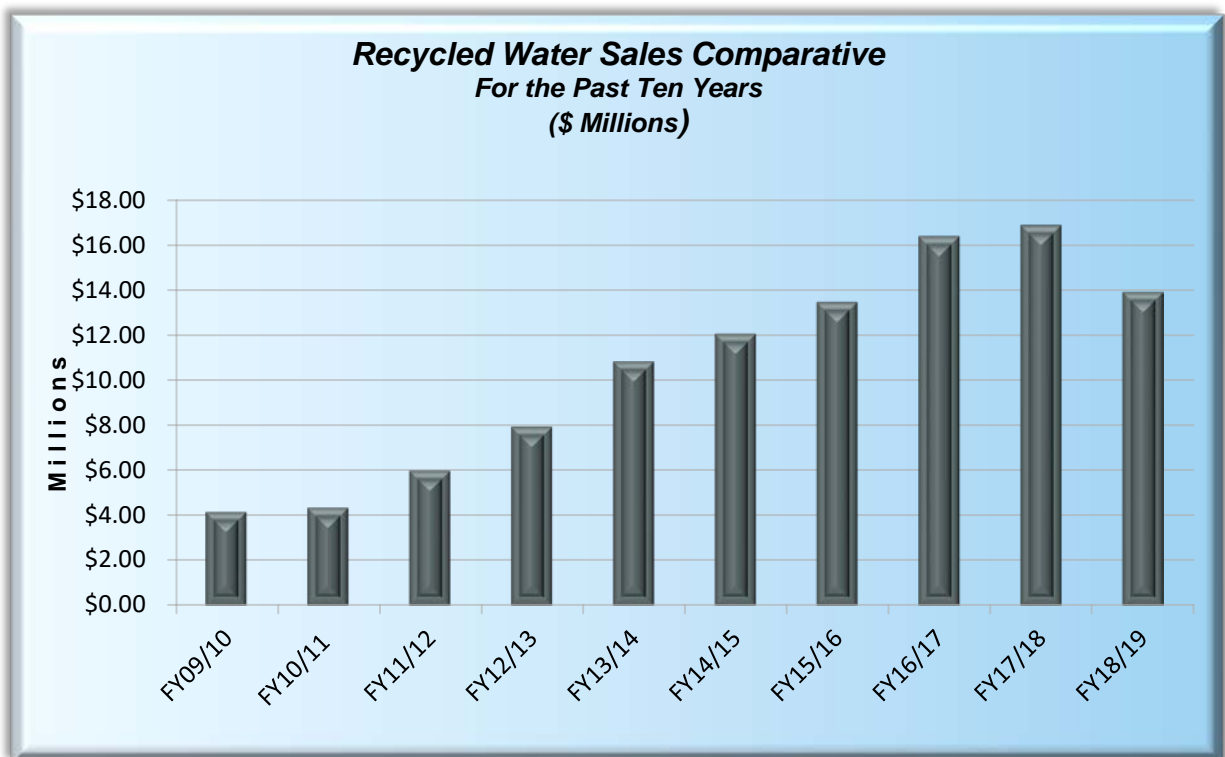
The total operating revenue in the Water Resources Fund increased by \$441,995 in FY 2018/19 to \$51,785,207 from \$51,343,212 in FY 2017/18, primarily due to increased price for imported water, partially offset by decreased volume of deliveries.

The Meter Equivalent Unit (MEU) service charge increased to \$4,920,078 in FY 2018/19 from \$4,417,489 in FY 2017/18, due to a higher number of MEUs; 414,148 units in FY2018/19 versus 387,499 units in FY 2017/18, and a price adjustment to \$0.99 per MEU in FY 2018/19 from \$0.95 per MEU in FY 2017/18. With the implementation of MEU charges in October 2016, the Agency also restructured the recovery of MWD readiness-to-serve (RTS) fees. Previously, these fees were supported by meter account service charges, under the new fee structure, RTS fees are fully pass-through to those customers receiving the service, consistent with MWD's ten year rolling average (TYRA) calculations. As requested by member agencies, recovery of the pass-through rate will be phased in over a seven-year period beginning in FY 2016/17.

The total operating expenses decreased to \$52,235,265 in FY 2018/19 from \$52,285,750 in FY 2017/18. The decrease was primarily due to lower imported water purchases from MWD, partially offset by increased expenses on operations and maintenance, general and administration.

RECYCLED WATER SALES

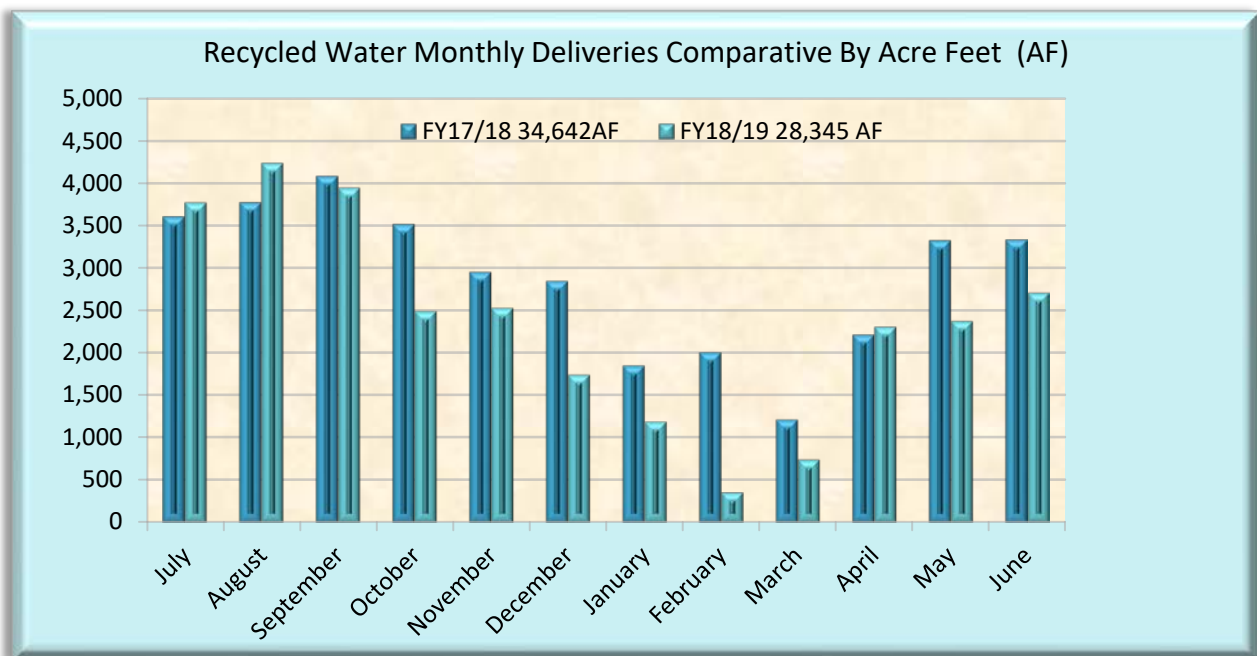
Total recycled water sales decreased by \$2,975,971 to \$13,901,786 in FY 2018/19, compared to \$16,877,757 in FY 2017/18.



The eighteen percent decrease in revenues was primarily due to reduced demand as a result of extremely rainy weather in FY 2018/19, partially offset by an increase in recycled water rates for direct deliveries from \$470 to \$480 per acre foot (AF) and groundwater deliveries from \$530 to \$540 per AF, effective July 1, 2018. Grant receipts totaled \$752,789, mainly from the State Water

Resources Control Board for the Central Area Wineville Recycled Water project, and from the US Bureau of Reclamation for the Groundwater Recharge Yield Enhancement Conjunctive Use Project for Stormwater Capture. Total operating expenses increased by \$1,251,230 to \$17,566,879 in FY 2018/19 from \$16,315,649 in FY 2017/18, due to an increase in expenses for general administration, and operations and maintenance, partially offset by a decrease in depreciation and amortization expenses.

Total net position at June 30, 2019 was \$83,161,674, an increase of \$2,461,440 from \$80,700,234 at June 30, 2018. The increase was primarily due to increased interest revenue, grants received from Federal and State sources to improve water infrastructure, property taxes, and water capital connection fees collected.



A total of 28,345 AF of direct and recharged recycled water deliveries were made, compared to 34,642 AF for last fiscal year, a decrease of 18.18 percent primarily due to extremely wet weather in FY 2018/19.

REGIONAL WASTEWATER PROGRAM ACTIVITIES

The Regional Wastewater program, comprised of the Regional Wastewater Capital Improvement (Wastewater Capital) and Regional Wastewater Operations and Maintenance (Wastewater Operations) funds, reported combined total revenue before grants and transfers of \$140,555,092 in FY 2018/19, a decrease of \$2,510,211, or two percent over last fiscal year's total of \$143,065,303.

Revenues by Category – Regional Wastewater Program

For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Revenue Category	2018/19		2017/18		Increase/<Decrease> from 2017/18	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 66,498,642	48%	\$ 62,144,346	43%	\$ 4,354,296	7%
Property Tax Receipts	44,024,651	31%	41,017,338	29%	3,007,313	7%
Wastewater Connection Fees	22,914,037	16%	32,849,912	23%	(9,935,875)	(30)%
Other Non-operating Revenues	4,556,315	3%	5,632,415	4%	(1,076,100)	(19)%
Interest Income	2,561,447	2%	1,421,292	1%	1,140,155	80%
Total Revenues	\$ 140,555,092	100%	\$ 143,065,303	100%	\$ (2,510,211)	(2)%

The Agency's FY 2018/19 service charges were \$66,498,642, which was \$4,354,296 or seven percent higher compared to FY 2017/18 total of \$62,144,346. The increase is primarily due to an equivalent dwelling unit (EDU) rate adjustment from \$18.39 to \$19.59 per EDU (effective July 1, 2018), plus an increase of two percent or 55,589 in the number of billable EDU's to 3,426,229 in FY 2018/19 from 3,370,640 in FY 2017/18. Rate adjustments were adopted by the Agency Board of Directors in 2015 through FY 2019/20 to establish rates which over time will recover the full cost of service.

Property tax receipts allocated to the Regional Wastewater Program increased \$3,007,313, or seven percent from \$41,017,338 in FY 2017/18 to \$44,024,651 in FY 2018/19. The primary reason for the increase is an improvement of assessed property values.

Wastewater connection fees decreased \$9,935,875, or thirty percent in FY 2018/19 to \$22,914,037 from \$32,849,912 in FY 2017/18, primarily due to the decreased number of new connections as a result of slower building activities in FY 2018/19 than prior year, partially offset by an increased rate. The EDU connection fee increased to \$6,624 per equivalent dwelling unit (EDU) in FY 2018/19 compared to \$6,309 per EDU in FY 2017/18, an increase of \$315 per EDU. However, total number of EDUs reported by the contracting agencies in FY 2018/19 were 3,390 units compared to 5,223 units in FY 2017/18. Cucamonga Valley Water District, Cities of Ontario, Chino, Fontana, and Upland accounted for approximately ninety percent of the total number of new connections.

The Agency has planned to expand RP-5 wastewater processing facility located in the City of Chino, to meet demand from future growth. Construction is expected to begin in 2020.

Other non-operating revenues were \$4,556,315 in FY 2018/19 compared to \$5,632,415 in FY 2017/18, a decrease of \$1,076,100 or nineteen percent. The decrease is primarily due to lower reimbursements in FY 2018/19 for construction of the San Bernardino Avenue Gravity Sewer Pipeline from California Steel Industries, Prologis, and Auto Club Speedway from the prior fiscal year.

Interest income increased from \$1,421,292 in FY 2017/18 to \$2,561,447 in FY 2018/19 due to rising interest rates and higher reserve levels.

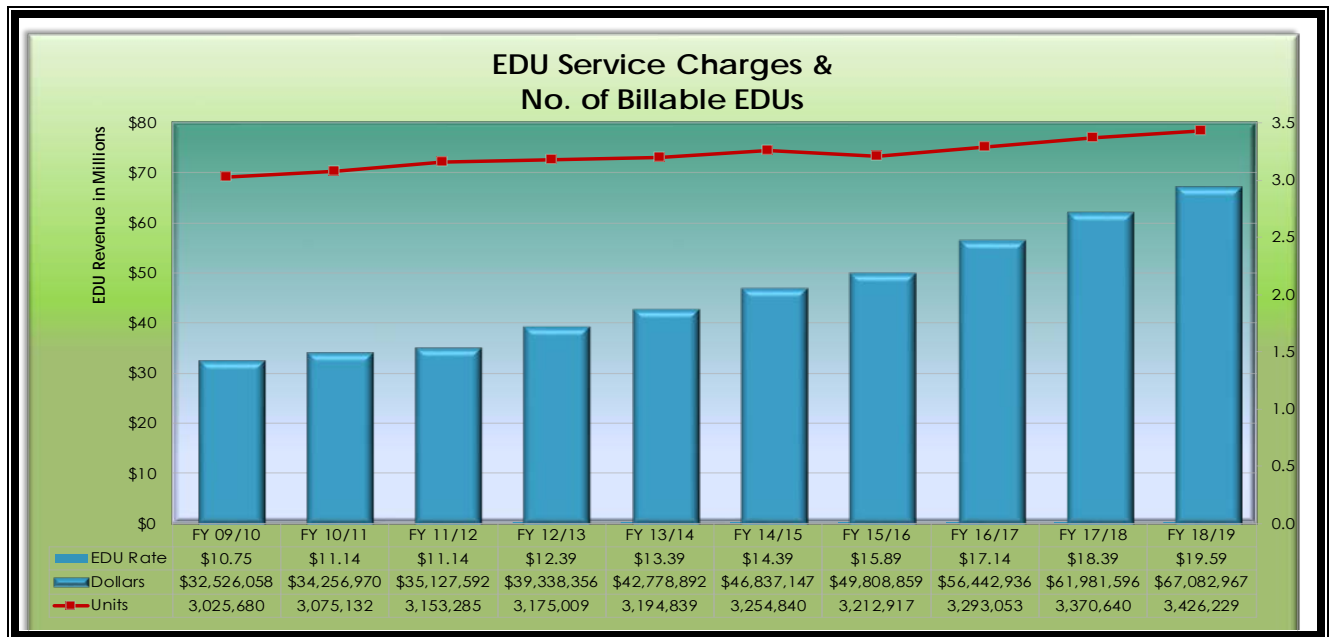
Expenses by Category – Regional Wastewater Program
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Expense Category	2018/19		2017/18		Increase/<Decrease> from 2017/18	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	\$ 1,940,237	2%	\$ 1,704,444	2%	\$ 235,793	14%
Wastewater Treatment	23,829,235	27%	26,617,534	29%	(2,788,299)	(10)%
Wastewater Disposal	11,316,753	12%	10,236,087	11%	1,080,666	11%
Total Wastewater Expenses	37,086,225	41%	38,558,065	42%	(1,471,840)	(4)%
Administration & General	21,356,387	24%	20,895,540	22%	460,847	2%
Depreciation & Amortization	23,739,557	26%	22,860,802	25%	878,755	4%
Interest on long-term debt	3,631,625	4%	3,183,046	3%	448,579	14%
Other nonoperating exp	4,987,476	5%	7,629,833	8%	(2,642,357)	(35)%
Total Expenses	90,801,270	100%	93,127,286	100%	(2,326,016)	(2)%

Total expenses for FY 2018/19 were \$90,801,270 a decrease of \$2,326,016 or two percent compared to FY 2017/18 total of \$93,127,286. Total wastewater collection, treatment, and disposal costs decreased by \$1,471,840, or four percent to \$37,086,225 in FY 2018/19 from \$38,558,065 in FY 2017/18, primarily due to lower contracted labor costs. Interest on long-term debt increased by \$448,579, or fourteen percent to \$3,631,625 in FY 2018/19 from \$3,183,046 in FY 2017/18, mainly due to increased interest payments of State revolving fund loans for the construction of the regional water quality laboratory.

Total other non-operating expenses of \$4,987,476 represents a thirty-five percent decrease compared to FY 2017/18 actual of \$7,629,833. The decrease in this category is primarily due to a rescheduling of the South Archibald Trichloroethylene Plume clean-up project.

Comparative EDU Service Charges



NON-RECLAIMABLE WASTEWATER TREATMENT

The Non-Reclaimable Wastewater system provides pipelines and pump stations to export 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 compliance with the Regional Board and state regulations related to environmental criteria. By diverting high nitrogen brine to the NRW system and away from Regional Wastewater system, the quality of the recycled water produced from the treatment of municipal wastewater is improved for local use and helps ensure that the Agency complies with final effluent permit requirements. The NRW system is operated by the Agency and is comprised of two sectors; the North and the South systems. The North system conveys wastewater to sewer lines owned and operated by the Sanitation Districts of Los Angeles County (SDLAC). Flows in the South system, known as the Inland Empire Brine Line (IEBL), are conveyed through pipelines operated by the Santa Ana Watershed Project Authority (SAWPA) to the County Sanitation Districts of Orange County (CSDOC) facility. Both systems ultimately discharge to the Pacific Ocean.

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

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

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

Total service charges in FY 2018/19 for the North and South systems decreased \$504,727 to \$12,455,880, compared to \$12,960,607 reported in FY 2017/18. The decrease in revenues is primarily due to lower flows than prior year, partially offset by higher pass through fees for Total Suspended Solids (TSS), monthly capacity fee, and monthly volumetric fee.

Total operating expenses in FY 2018/19 increased by \$115,112 to \$11,280,327 compared to \$11,165,215 in FY 2017/18. The increase is mainly due to excess capacity unit lease charges from County Sanitation Districts of Los Angeles County, and higher allocated labor costs for program services. The net position at June 30, 2019, increased \$1,570,235 to \$30,342,300.

NRW Pass through Rates
For the Fiscal Year Ended June 30, 2019

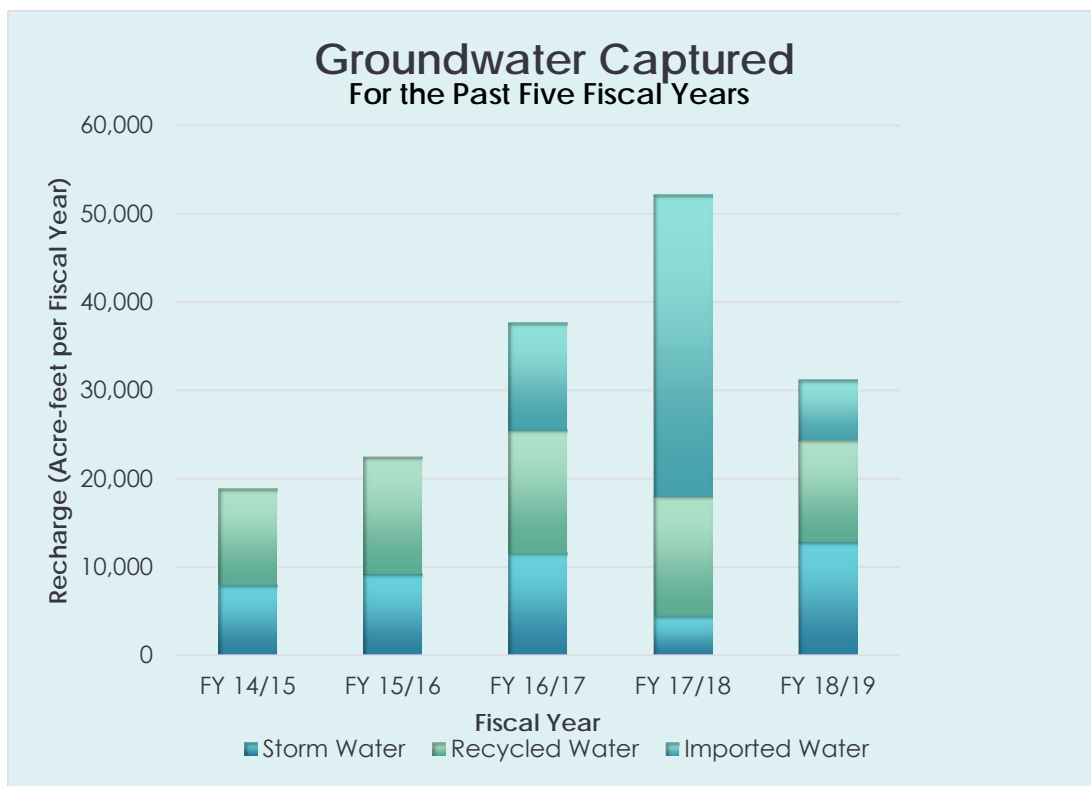
Rate Description	2018/19	2017/18
<i>North System</i>		
Monthly Capital Improvement Fee	\$7.60	\$7.00
Operation & Maintenance Charge	\$19.90	\$18.75
Monthly Volumetric Fee	\$912.00	\$919.00
Total Suspended Solids (TSS)	\$456.00	\$446.00
Chemical Oxygen Demand (COD)	\$161.00	\$172.00
Peak Flow Fee	\$346.00	\$349.00
<i>South System</i>		
Monthly Capital Improvement Fee	\$90.00	\$90.00
Monthly Capacity Unit Fee	\$406.60	\$387.24
Monthly Volumetric Fee	\$946.00	\$901.00
Total Suspended Solids (TSS)	\$429.00	\$429.00
Biochemical Oxygen Demand (BOD)	\$307.00	\$307.00

A total of fifty-one users were connected to the NRW System (North and South) during FY 2018/19, with a total flow of 1,630 million gallons per annum.

RECHARGE WATER FUND

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

Total operating expenses recorded in FY 2018/19 were \$3,297,744, an increase of \$359,281 compared to \$2,938,463 in FY 2017/18. The increase was due to higher general and administration expenses, consisting of higher professional and contractual service fees, and higher labor rates. Grant revenues totaled \$481,860 in FY 2018/19, mainly from the State Water Resource Control Board for capital projects at Wineville, Jurupa, and RP-3 basin aimed at storm water management. As of June 30, 2019, total net position was \$34,316,715, an increase of \$1,290,348 over the prior fiscal year of \$33,026,367.



REVENUES

Combined revenues and other funding sources for the fiscal year totaled \$244,886,628, a decrease of \$6,853,017, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2018/19 and 2017/18.

Combined Revenues and Other Funding Sources by Category - All Funds

For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Revenue & Other Funding Sources	2018/19		2017/18		Increase/(Decrease) from 2017/18	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 85,220,297	35%	\$ 80,449,346	33%	\$ 4,770,951	6%
Water Sales	45,519,432	19%	45,998,819	18%	(479,387)	(1)%
Recycled Water Sales	13,901,786	5%	16,877,757	7%	(2,975,971)	(18)%
Interest Income	4,453,305	2%	2,401,557	1%	2,051,748	85%
Property Tax Receipts	53,040,078	22%	48,413,443	19%	4,626,635	10%
Water Connection Fees	5,916,291	2%	7,889,278	3%	(1,972,987)	(25)%
Wastewater Capital Connection Fees	22,914,037	9%	32,849,912	13%	(9,935,875)	(30)%
Other Non-operating Revenues	11,752,555	5%	10,752,001	4%	1,000,554	9%
Capital Grants	2,168,847	1%	6,107,532	2%	(3,938,685)	(64)%
Total Revenues & Contributions	\$ 244,886,628	100%	\$ 251,739,645	100%	\$ (6,853,017)	(3)%

Wastewater Connection Fees

Decrease is primarily due to fewer connections from 5,223 units to 3,390 units as a result of slower building activities, partially offset by a fee adjustment from \$6,309 to \$6,624 per connection.

Capital Grants

Funding decrease is primary due to rescheduling of the South Archibald Trichloroethylene (TCE) Plume Cleanup Project.

Recycled Water Sales

Decrease is primarily due to reduced demand as a result of rainy weather.

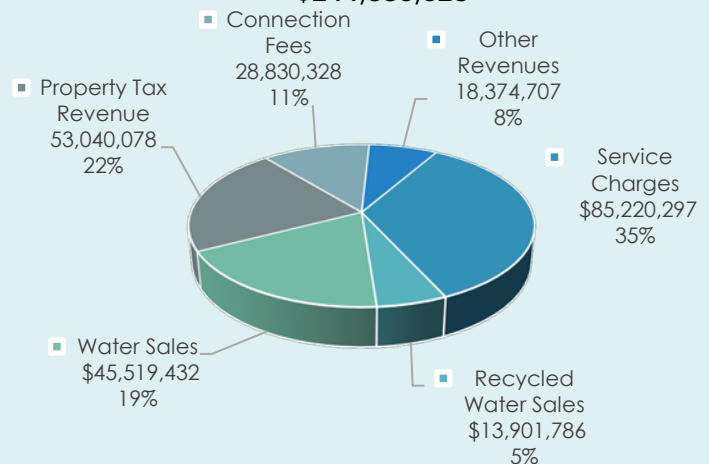
Water Capital Connection Fees

Number of installed meters increased from 1964 to 2030 however decrease is due to lower priced small size meters installed compared to higher priced large size meters.

Service Charges

Increase is primarily due to a volumetric fee adjustment from \$18.39 to \$19.59 per EDU.

Combined Revenue & Other Funding Sources by Category - All Funds Fiscal Year 2018/19 \$244,886,628



EXPENSES

Combined expenses for the fiscal year totaled \$183,199,940 an increase of \$1,294,725, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2018/19 and 2017/18.

Combined Expenses by Category - All Funds
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Expense Category	2018/19		2017/18		Increase/(Decrease) from 2017/18	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Water Purchases	\$ 45,519,432	25%	\$ 45,998,819	25%	\$ (479,387)	(1)%
Wastewater Collection	10,341,109	6%	9,990,684	5%	350,425	4%
Wastewater Treatment	23,829,235	13%	26,617,534	14%	(2,788,299)	(10)%
Wastewater Disposal	11,316,753	6%	10,236,087	6%	1,080,666	11%
Operations and Maintenance	5,317,391	3%	4,723,420	3%	593,971	13%
Administration and General	36,610,462	20%	34,567,419	19%	2,043,043	6%
Depreciation and Amortization	36,303,555	20%	35,703,579	19%	599,976	2%
Interest on Long-Term Debt	6,333,589	3%	5,998,675	3%	334,914	6%
Other Non-Operating Expenses	7,628,414	4%	10,658,448	6%	(3,030,034)	(28)%
Total Expenses	\$ 183,199,940	100%	\$ 184,494,665	100%	\$ (1,294,725)	(1)%

Wastewater Collection/Treatment

Decrease is primarily due to lower contracted labor and material costs.

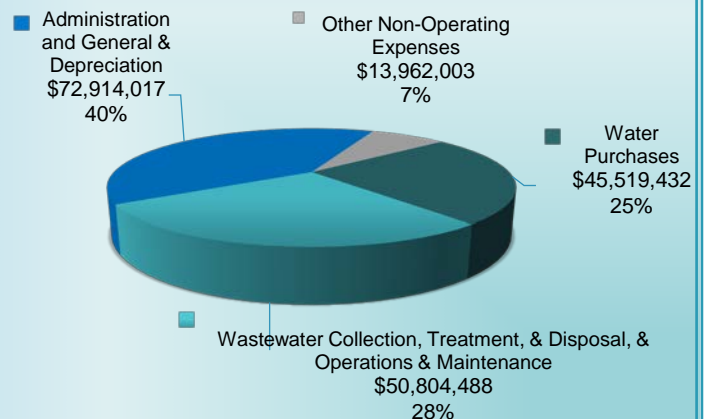
Administration and General

Increase is primarily due to higher work orders assigned to administration and general and costs associated with the Regional Sewage Service Contract negotiations.

Non-Operating Expense

Decrease is primarily due to rescheduling of the South Archibald Trichloroethylene (TCE) Plume Cleanup Project.

Combined Expense by Category - All Funds
Fiscal Year 2018/19
\$183,199,940



CHANGES IN FINANCIAL CONDITIONS OF THE AGENCY

Combined Net Position-All Funds					
For the Fiscal Year Ended June 30, 2019					
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)					
	FY 2018/19		FY 2017/18		Increase/(Decrease) from FY 2017/18
Assets					
Current assets	\$	205,462,501	\$	193,754,286	\$ 11,708,215 6%
Restricted assets		83,338,385		69,925,961	13,412,424 19%
Capital assets		671,939,759		651,502,440	20,437,319 3%
Other assets		73,786,181		78,645,966	(4,859,785) (6)%
Total Assets		1,034,526,826		993,828,653	40,698,173 4%
Deferred Outflows of Resources					
Deferred outflow-debt refunding		3,848,349		4,239,020	(390,671) (9)%
Deferred outflow-net other					
postemployment benefit liability		2,924,839		2,759,030	165,809 6%
Deferred outflow-net pension liability		17,362,927		20,832,012	(3,469,085) (17)%
Total deferred outflows		24,136,115		27,830,062	(3,693,947) (13)%
Liabilities					
Current liabilities		46,229,441		47,688,004	(1,458,563) (3)%
Non-current liabilities		300,697,975		324,552,530	(23,854,555) (7)%
Total liabilities		346,927,416		372,240,534	(25,313,118) (7)%
Deferred Inflows of Resources					
Deferred inflow-net other					
postemployment benefit liability		929,409		-	929,409 100%
Deferred inflow-net pension liability		2,054,481		2,353,234	(298,753) (13)%
Total deferred inflows		2,983,890		2,353,234	630,656 27%
Net Position					
Net investment in					
capital assets		441,826,556		394,964,660	46,861,896 12%
Restricted		112,710,449		99,176,035	13,534,414 14%
Unrestricted		154,214,631		152,924,252	1,290,379 1%
TOTAL NET POSITION	\$	708,751,636	\$	647,064,947	\$ 61,686,689 10%

Changes in FY 2018/19 compared to FY 2017/18 were:

- 💧 The Restricted Assets increased \$13.4 million primarily due to an \$10.9 million increase in wastewater capital connection deposits held by contracting Agencies and \$3.2 million increase in water connection fees being deposited into a California Asset Management Program account.
- 💧 The Deferred Outflow of Resources for net pension liability decreased by \$3.5 million, primarily due to the amortization of the FY16/17 change in assumption.
- 💧 The Deferred Inflows of Resources for net other postemployment benefit liability increased \$.9 million due to change in assumptions.

- The Deferred Inflows of Resources for net pension liability decreased \$.3 million. This is due to amortization of changes in investment of \$.2 million, an increase in change in experience of \$.9 million and a decrease in change in assumption of \$.4 million.

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Item Category	FY 2018/19		FY 2017/18		Increase/(Decrease) from FY 2017/18	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Total Revenue	\$ 242,717,781	34%	\$ 245,632,113	38%	\$ (2,914,332)	(1)%
Total Expenses	183,199,940	26%	184,494,665	29%	(1,294,725)	(1)%
Excess (Deficiency) before Contribution	59,517,841	8%	61,137,448	9%	(1,619,607)	(3)%
Capital Grants	2,168,847	0%	6,107,532	1%	(3,938,685)	(65)%
Change in Net Position	61,686,688	9%	67,244,980	10%	(5,558,292)	(8)%
Beginning Net Position	647,064,947	91%	579,819,967	90%	67,244,980	12%
Ending Net Position	\$ 708,751,635	100%	\$ 647,064,947	100%	\$ 61,686,688	10%

CAPITAL ASSETS

The Agency had total net capital assets of \$671,939,759 in FY 2018/19, compared to \$651,502,440 in FY 2017/18. The \$20,437,319 increase is due to an increase in jobs in progress and the completion of the Water Quality Laboratory and the RP-1 Mixed Liquor Return Pump projects, partially offset by a \$34,477,922 increase in accumulated depreciation and amortization.

Capital Asset Summary – All Funds
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Asset Category	2018/19	2017/18	Increase/ <Decrease> from 2017/18	% of Change
Land	\$ 14,067,874	\$ 14,067,874	\$ -	0%
Land Improvements	30,459,847	30,147,850	311,997	1%
Structures and Improvements	761,896,943	739,353,241	22,543,702	3%
Equipment	247,886,004	231,146,923	16,739,081	7%
Capacity Rights	14,826,587	14,826,587	-	0%
Water Rights	587,587	433,519	154,068	36%
Computer Software	13,418,337	13,144,087	274,250	2%
Jobs in Progress	96,650,607	81,758,464	14,892,143	18%
Sub-total	1,179,793,786	1,124,878,545	54,915,241	5%
Less: Accumulated Depreciation & Amortization	(507,854,027)	(473,376,105)	(34,477,922)	7%
Net Capital Assets	\$ 671,939,759	\$ 651,502,440	\$ 20,437,319	3%

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

DEBT MANAGEMENT

At June 30, 2019, the Agency had outstanding principal bond debt of \$112,140,000.

Bond Issue	Principal	Premium (discount)	Outstanding on 06/30/19
2008B Variable Rate	\$ 36,175,000	\$ -	\$ 36,175,000
2010A Revenue Bonds	14,450,000	699,821	15,149,821
2017A Revenue Bonds	61,515,000	10,003,783	71,518,783
TOTAL	\$ 112,140,000	\$ 10,703,604	\$ 122,843,604

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

Additionally, the Agency had outstanding Notes and Loans Payable at June 30, 2019:

- 1) Various State Revolving Fund (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of \$119,330,235.
- 2) A loan from the City of Fontana for the Agency's cost share of the San Bernardino Regional Lift Station and Force Main capital project with an outstanding balance of \$4,556,378.
- 3) A reimbursement agreement with SDLAC for the Agency's proportionate share of Relocation, Reconstruction, Repair or Replacement (4R's) capital charges, funded by SRF loans with an outstanding balance of \$720,868.
- 4) An On-Bill Financing loan from Southern California Edison for installation of energy efficient lighting at Agency facilities with an outstanding balance of \$880,846.

In June 2019, 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 for the revenues it receives. If you have any questions about this report or need additional financial information, please contact the Agency's Finance and Accounting Department at departmentaccounting@ieua.org.

INLAND EMPIRE UTILITIES AGENCY

Basic Financial Statements

OVERVIEW

FINANCIAL STATEMENTS

The following Basic Financial Statements, along with the supplementary Notes to the Basic Financial Statements, convey a summary of the Agency's financial position as of June 30, 2018, and the results of operations and the cash flows of its proprietary fund types for the fiscal year then ended.

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

The Basic Financial Statements consist of:

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

INLAND EMPIRE UTILITIES AGENCY**Statement of Net Position****June 30, 2019**

(With Comparative Totals for June 30, 2018)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
ASSETS		
Current assets		
Cash and investments (note 3)	\$ 96,498,334	\$ 17,257,245
Accounts receivable	14,912,369	7,363,143
Interest receivable	1,205,909	78,133
Taxes receivable	147,678	8,422
Other receivables	508,328	89,268
Inventory	-	-
Water inventory (note 17)	-	-
Prepaid items	1,201	3,500
Total current assets	113,273,819	24,799,711
Noncurrent assets		
Restricted assets (note 3)		
Deposits held by governmental agencies	66,473,575	-
Restricted short-term investments	-	14,137,212
Assets held with trustee/fiscal agent	1,804,530	42,967
Total restricted assets	68,278,105	14,180,179
Capital assets (note 7)		
Land	14,047,045	-
Jobs in progress	72,561,061	15,263,126
Capital assets, net of accumulated depreciation	323,273,108	163,907,439
Intangible assets, net of accumulated amortization	6,161,768	566,342
Total capital assets	416,042,982	179,736,907
Other assets		
Long-term agreements (note 11)	42,545,055	-
Long-term receivables (note 10)	3,255,780	830,283
Advances to other funds (note 14)	13,500,000	-
Prepaid interest - SRF loans	724,136	882,614
Total other assets	60,024,971	1,712,897
Total noncurrent assets	544,346,058	195,629,983
Total assets	657,619,877	220,429,694
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	2,212,454	1,315,335
Deferred outflow net other postemployment benefit liability	2,199,080	240,467
Deferred outflow related to net pension liability	12,957,267	1,535,028
Total deferred outflows of resources	17,368,801	3,090,830

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

Water Resources	Non-Major	Totals	
		2019	2018
\$ 11,949,268	\$ 36,478,575	\$ 162,183,422	\$ 147,163,884
9,624,874	4,260,264	36,160,650	40,092,173
54,102	1,367,790	2,705,934	1,927,687
7,574	7,634	171,308	440,997
-	38,146	635,742	346,842
-	1,220,849	1,220,849	1,389,712
2,275,783	-	2,275,783	2,277,467
-	104,112	108,813	115,524
23,911,601	43,477,370	205,462,501	193,754,286
-	-	66,473,575	55,559,538
-	-	14,137,212	10,882,109
-	880,101	2,727,598	3,484,314
-	880,101	83,338,385	69,925,961
-	20,829	14,067,874	14,067,874
1,799,827	7,026,593	96,650,607	81,758,464
17,744	63,930,412	551,128,703	544,934,799
5,967	3,358,498	10,092,575	10,741,303
1,823,538	74,336,332	671,939,759	651,502,440
-	-	42,545,055	43,482,843
48,313	-	4,134,376	4,886,033
-	12,000,000	25,500,000	28,500,000
-	-	1,606,750	1,777,090
48,313	12,000,000	73,786,181	78,645,966
1,871,851	87,216,433	829,064,325	800,074,367
25,783,452	130,693,803	1,034,526,826	993,828,653
-	320,560	3,848,349	4,239,020
113,724	371,568	2,924,839	2,759,030
766,572	2,104,060	17,362,927	20,832,012
880,296	2,796,188	24,136,115	27,830,062

(continued)

INLAND EMPIRE UTILITIES AGENCY**Statement of Net Position (Continued from previous page)****June 30, 2019**

(With Comparative Totals for June 30, 2018)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
LIABILITIES		
Current liabilities		
Accounts payable	\$ 6,942,310	\$ 1,393,750
Accrued liabilities	82,902	9
Compensated absences	-	-
Retentions payable	1,031,619	110,093
Long-term debt, due within one year (note 12)	7,706,884	1,249,599
Notes payable, due within one year (note 12)	2,546,760	4,124,795
Interest payable	757,188	2,494,618
Retention deposits and escrows	78,394	42,767
Total current liabilities	19,146,057	9,415,631
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year (note 12)	68,138,813	26,678,467
Notes payable, due in more than one year (note 12)	43,874,040	74,221,864
Advances from other funds (note 14)	-	25,500,000
Other noncurrent liabilities	-	589,298
Net other postemployment benefit liability (note 1d)	1,549,030	163,633
Net pension liability (note 5)	28,354,810	3,501,299
Total noncurrent liabilities	141,916,693	130,654,561
Total liabilities	161,062,750	140,070,192
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	687,790	89,734
Deferred inflow related to net pension liability	1,526,384	198,924
Total deferred inflows of resources	2,214,174	288,658
NET POSITION		
Net Investment in capital assets	296,299,758	87,599,595
Restricted for:		
Capital construction	65,994,860	14,137,212
SRF Loan debt service	2,453,127	6,859,156
Bond operating contingency requirement	19,483,899	-
Total restricted	87,931,886	20,996,368
Unrestricted	127,480,110	(25,434,289)
Total net position	\$ 511,711,754	\$ 83,161,674

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

Water Resources		Totals	
	Non-Major	2019	2018
\$ 8,806,987	\$ 2,397,134	\$ 19,540,181	\$ 22,139,329
569,170	2,025,107	2,677,188	2,936,725
-	1,957,526	1,957,526	1,706,458
-	70,644	1,212,356	1,079,120
-	1,043,517	10,000,000	9,470,000
-	720,868	7,392,423	6,746,714
-	76,800	3,328,606	2,689,340
-	-	121,161	920,318
9,376,157	8,291,596	46,229,441	47,688,004
-	3,501,078	3,501,078	3,428,764
-	18,026,324	112,843,604	123,877,456
-	-	118,095,904	120,047,244
-	-	25,500,000	28,500,000
-	-	589,298	579,358
75,304	266,494	2,054,461	4,885,907
1,386,758	4,870,763	38,113,630	43,233,801
1,462,062	26,664,659	300,697,975	324,552,530
10,838,219	34,956,255	346,927,416	372,240,534
47,699	104,186	929,409	-
33,451	295,722	2,054,481	2,353,234
81,150	399,908	2,983,890	2,353,234
1,823,538	56,103,665	441,826,556	394,964,660
-	-	80,132,072	66,441,647
-	-	9,312,283	9,176,652
-	3,782,195	23,266,094	23,557,736
-	3,782,195	112,710,449	99,176,035
13,920,841	38,247,968	154,214,630	152,924,252
\$ 15,744,379	\$ 98,133,828	\$ 708,751,635	\$ 647,064,947

INLAND EMPIRE UTILITIES AGENCY
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
OPERATING REVENUES		
Service charges	\$ 66,498,642	\$ -
Water Sales	-	-
Recycled water sales	-	13,901,786
Total operating revenues	66,498,642	13,901,786
OPERATING EXPENSES		
Water purchases	-	-
Wastewater collection	1,940,237	-
Wastewater treatment	23,829,235	-
Wastewater disposal	11,316,753	-
Operations and maintenance	-	3,860,564
Administration and general	21,356,387	5,177,780
Depreciation and amortization	23,739,557	8,528,535
Total operating expenses	82,182,169	17,566,879
Operating income (loss)	(15,683,527)	(3,665,093)
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,561,447	768,635
Property tax revenue	44,024,651	2,170,100
Water connection fees	-	5,916,291
Wastewater capital connection fees	22,914,037	-
Other nonoperating revenues	4,556,315	24,240
Interest on long-term debt	(3,631,625)	(2,225,914)
Other nonoperating expenses	(4,987,476)	(901,472)
Total nonoperating revenues (expenses)	65,437,349	5,751,880
Income (loss) before capital contributions and transfers	49,753,822	2,086,787
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in (note 15)	11,946,221	2,558,566
Transfers out (note 15)	(14,873,736)	(2,936,702)
Capital grants	711,676	752,789
Change in net position	47,537,983	2,461,440
Total net position - beginning	464,173,771	80,700,234
Total net position - ending	\$ 511,711,754	\$ 83,161,674

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

Water Resources	Non-Major	Totals	
		2019	2018
\$ 6,265,775	\$ 12,455,880	\$ 85,220,297	\$ 80,449,346
45,519,432	-	45,519,432	45,998,819
-	-	13,901,786	16,877,757
51,785,207	12,455,880	144,641,515	143,325,922
45,519,432	-	45,519,432	45,998,819
-	8,400,872	10,341,109	9,990,684
-	-	23,829,235	26,617,534
-	-	11,316,753	10,236,087
1,456,827	-	5,317,391	4,723,420
5,254,061	4,822,234	36,610,462	34,567,419
4,945	4,030,518	36,303,555	35,703,579
52,235,265	17,253,624	169,237,937	167,837,542
(450,058)	(4,797,744)	(24,596,422)	(24,511,620)
225,741	897,482	4,453,305	2,401,557
4,873,127	1,972,200	53,040,078	48,413,443
-	-	5,916,291	7,889,278
-	-	22,914,037	32,849,912
268,229	6,903,771	11,752,555	10,752,001
-	(476,050)	(6,333,589)	(5,998,675)
(518,514)	(1,220,952)	(7,628,414)	(10,658,448)
4,848,583	8,076,451	84,114,263	85,649,068
4,398,525	3,278,707	59,517,841	61,137,448
436,414	2,998,649	17,939,850	8,931,059
-	(129,412)	(17,939,850)	(8,931,059)
222,522	481,860	2,168,847	6,107,532
5,057,461	6,629,804	61,686,688	67,244,980
10,686,918	91,504,024	647,064,947	579,819,967
\$ 15,744,379	\$ 98,133,828	\$ 708,751,635	\$ 647,064,947

INLAND EMPIRE UTILITIES AGENCY**Statement of Cash Flows****For the Fiscal Year ended June 30, 2019**

(With Comparative Totals for June 30, 2018)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 65,656,238	\$ 16,796,421
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(26,915,779)	(4,939,278)
Cash payments to employees for services	(14,362,858)	(1,299,270)
Cash payments for interfund services used	(21,555,539)	(3,392,474)
Net cash provided by (used for) operating activities	2,822,062	7,165,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	11,946,221	2,558,566
Transfers out	(14,873,736)	(2,936,702)
Contract reimbursement from others	4,556,316	24,240
Tax revenues	44,256,973	2,183,418
Collection of long-term receivable	662,389	89,268
Cash paid to others	(4,229,357)	(718,253)
Investment in IERCA	937,788	-
Advances from other funds	-	(3,000,000)
Advances to other funds	-	-
Net cash provided by (used for) noncapital financing activities	43,256,594	(1,799,463)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(45,081,395)	(6,635,768)
Proceeds from State Revolving Funds	2,518,913	-
Connection fees on deposit held by members	22,914,037	-
Water connection Fees	-	5,916,291
Capital grants received	711,676	752,789
Principal paid on capital debt	(8,028,098)	(1,479,190)
Interest paid on capital debt	(3,238,969)	(1,424,870)
Payments on State Revolving Funds	(1,357,400)	(1,688,244)
Bond administration fees	(758,119)	(183,217)
Contractor deposits collected	-	-
Net cash provided by (used for) capital and related financing activities	(32,319,355)	(4,742,209)

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

Water Resources	Non-Major	Totals	
		2019	2018
\$ 51,796,997	\$ 12,965,825	\$ 147,215,481	\$ 150,141,345
-	28,331,470	28,331,470	27,129,610
(50,379,718)	(18,293,289)	(100,528,064)	(101,338,930)
(1,005,920)	(23,809,259)	(40,477,307)	(39,233,966)
(933,440)	(1,445,123)	(27,326,576)	(25,902,312)
(522,081)	(2,250,376)	7,215,004	10,795,747
436,414	2,998,649	17,939,850	8,931,059
-	(129,412)	(17,939,850)	(8,931,059)
268,229	5,770,869	10,619,654	9,988,257
4,885,103	1,984,273	53,309,767	48,342,526
-	-	751,657	88,067
(518,515)	(1,162,075)	(6,628,200)	(9,646,636)
-	-	937,788	952,176
-	-	(3,000,000)	-
-	3,000,000	3,000,000	-
5,071,231	12,462,304	58,990,666	49,724,390
(1,402,864)	(3,619,311)	(56,739,338)	(55,574,969)
-	-	2,518,913	11,310,182
-	-	22,914,037	32,849,912
-	-	5,916,291	7,889,277
222,521	481,860	2,168,846	6,107,531
-	(1,775,465)	(11,282,753)	(10,854,838)
-	(713,182)	(5,377,021)	(5,405,258)
-	-	(3,045,644)	(2,200,089)
-	22,364	(918,972)	(874,233)
-	23,615	23,615	3,466
(1,180,343)	(5,580,119)	(43,822,026)	(16,749,019)

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows (Continued from previous page)
For the Fiscal Year ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$ 2,197,895	\$ 759,841
Purchase of investments	-	-
Net cash provided by (used for) investing activities	2,197,895	759,841
Net increase (decrease) in cash and cash equivalents	15,957,196	1,383,568
Cash and cash equivalents - beginning	148,810,160	30,053,857
Cash and cash equivalents - ending	<u>\$ 164,767,356</u>	<u>\$ 31,437,425</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (15,692,611)	\$ (3,665,093)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	23,739,557	8,528,535
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(540,820)	2,895,834
Water inventory	-	-
Short-term receivable	(301,584)	(1,199)
Long-term receivable	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	2,676,126	189,152
Deferred outflow related to net other post employment benefit	(123,290)	(15,298)
Accounts payable	(773,655)	(186,792)
Accrued liabilities	49,879	(30,681)
Net other postemployment benefits liability	(2,126,941)	(235,114)
Net pension liability	(3,903,599)	(355,637)
Deferred inflow related to net pension liability	(215,464)	(21,772)
Deferred inflow related to net other post employment benefit	687,790	89,734
Other liabilities	-	9,940
Change in contractor deposits	(653,326)	(36,210)
Compensated absences	-	-
Net cash provided by (used for) operating activities	<u>\$ 2,822,062</u>	<u>\$ 7,165,399</u>

Water Resources	Non-Major	Totals	
		2019	2018
\$ 203,128	\$ 514,193	\$ 3,675,057	\$ 1,640,978
-	2,364,179	2,364,179	(343,029)
203,128	2,878,372	6,039,236	1,297,949
3,571,935	7,510,181	28,422,880	45,069,067
8,377,333	29,848,495	217,089,845	172,020,778
<u>\$ 11,949,268</u>	<u>\$ 37,358,676</u>	<u>\$ 245,512,725</u>	<u>\$ 217,089,845</u>
\$ (450,059)	\$ (4,797,745)	\$ (24,605,508)	\$ (24,511,618)
4,946	4,030,518	36,303,556	35,703,578
10,105	496,061	2,861,180	6,947,843
1,684	-	1,684	(15,736)
-	13,884	(288,899)	(68,370)
-	-	0	(48,313)
-	168,863	168,863	164,008
-	6,711	6,711	(14,002)
109,248	874,783	3,849,309	(12,349,686)
(7,893)	(19,328)	(165,809)	-
87,551	(1,726,252)	(2,599,148)	(6,049,318)
(3,934)	(274,800)	(259,536)	(15,082)
(112,109)	(357,281)	(2,831,445)	4,654,078
(142,395)	(374,818)	(4,776,449)	578,615
(66,924)	(718,540)	(1,022,700)	4,416,926
47,699	104,186	929,409	-
-	-	9,940	106,368
-	-	(689,536)	1,237,670
-	323,382	323,382	58,786
<u>\$ (522,081)</u>	<u>\$ (2,250,376)</u>	<u>\$ 7,215,004</u>	<u>\$ 10,795,747</u>
(Continued)			

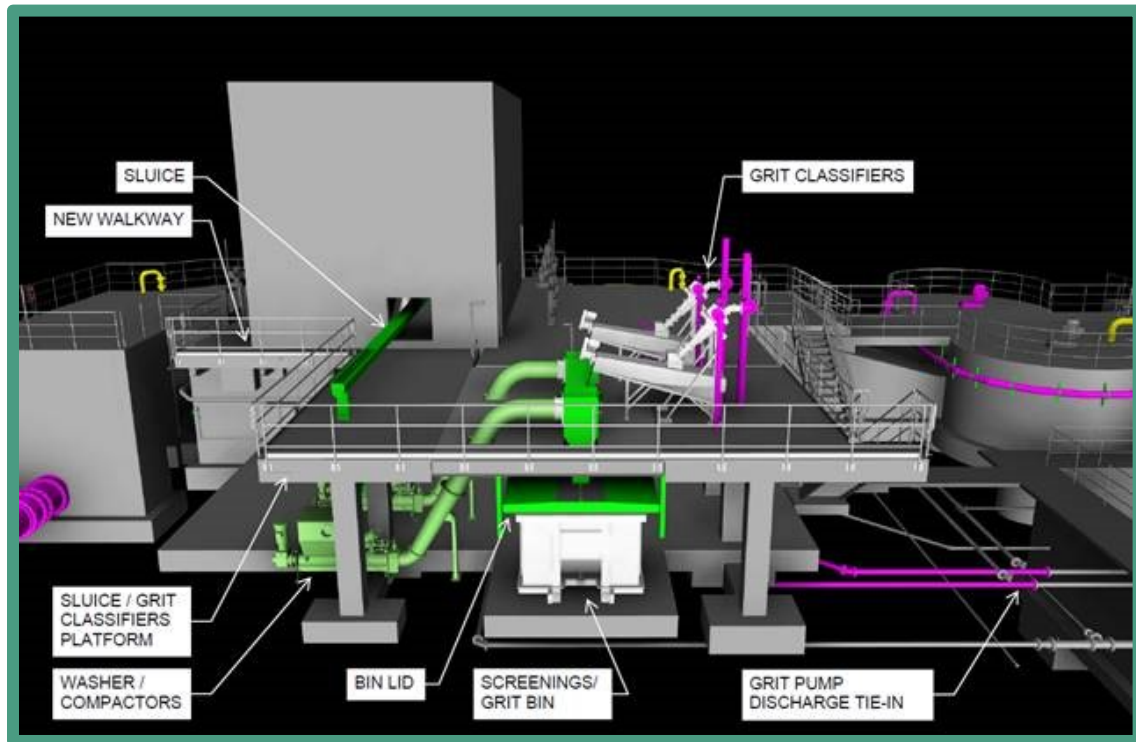
INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and short-term investments	\$ 96,489,250	\$ 17,257,245
Restricted assets	68,278,106	14,180,180
Cash & cash equivalents at end of year	<u>\$ 164,767,356</u>	<u>\$ 31,437,425</u>

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

Water Resources	Non-Major	Totals	
		2019	2018
\$ 11,949,268	\$ 3,375,549	\$ 129,071,312	\$ 122,387,190
-	33,983,127	116,441,413	94,702,655
<u>\$ 11,949,268</u>	<u>\$ 37,358,676</u>	<u>\$ 245,512,725</u>	<u>\$ 217,089,845</u>

RP-5 Liquids Treatment Expansion



INLAND EMPIRE UTILITIES AGENCY

Index of Notes to the Basic Financial Statements

JUNE 30, 2019

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE REPORTING ENTITY

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

The Authority was established on May 1, 1993 as a joint power authority (JPA) pursuant to California Government Code, Section 6500. The Authority was established to provide, through the issuance of debt, financing necessary for the acquisition, construction, and public capital improvements, working capital requirements, or insurance programs for JPA members, or other local agencies. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the Agency. The payments are reported in the Regional Wastewater, Recycled Water, Non-reclaimable Wastewater, and Recharge Water Funds.

Subject to the limitation imposed by the Constitution of California, and pursuant to its charter, all powers of the Agency are vested in a five-member Board of Directors. Each Director serves a four-year term and is elected by and represents the voters of a specific geographic area, identified as a Division within the Agency's boundaries. As of June 30, 2019, the Agency's staff is led by the General Manager who is appointed by the Board, Executive Manager of External Affairs and Policy Development/Assistant General Manager (AGM), Executive Manager of Operations/AGM, Executive Manager of Engineering/AGM, and the Executive Manager of Finance and

Administration/AGM. The Agency's staff consisted of 290 regular authorized positions, of which 259 were filled as of June 30, 2019. The Board also appoints legal counsel and independent auditors to serve as consultants to Agency staff.

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

FUND FINANCIAL STATEMENTS

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenues of the Agency's enterprise funds include: service charges for the treatment of domestic wastewater flows based on equivalent dwelling units (EDU's) connected to the contracting agencies local collection systems recorded in the Regional Wastewater Operational Maintenance Fund, user charges for the export of high-salinity and industrial wastewater generated within the Agency's service area and eventual discharge to the Pacific Ocean recorded in the Non-Reclaimable Wastewater (NRW) Fund, revenues from the sale of recycled water to member agencies and commercial customers are recorded in the Recycled Water Fund, imported water sales and meter equivalent unit (MEU) charge for the Agency's administrative and operational costs associated in providing water resources and water use efficiency programs within the Agency's service area recorded in the Water Resources Fund.

The Agency's principal operating expenses include the costs associated with the collecting primary, secondary and tertiary treatment of domestic wastewater delivered to the regional sewage system, treatment and export costs of industrial waste delivered to the NRW North and South systems, purchase of water from Metropolitan Water District of Southern California (MWD), biosolids recycling, expenses associated with the operations, maintenance and capital improvements of the facilities that support the distribution of recycled water and direct and recharged deliveries of recycled water, and water use efficiency and conservation program costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

ENTERPRISE FUNDS

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

MAJOR FUNDS

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND

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

REGIONAL WASTEWATER OPERATIONS AND MAINTENANCE FUND

The Regional Wastewater Operations and Maintenance Fund accounts for the revenues and operating expenses associated with the collecting, treatment, and disposal of domestic wastewater delivered by the contracting agencies to the Agency's regional

interceptors and water recycling facilities. These costs are associated with the domestic wastewater delivered to the regional sewage system, which serves the residential, commercial, and industrial entities (with low salinity) within the Agency's 242 square-mile service area. The treatment process includes tertiary chlorination and dechlorination to remove excess chlorine residuals thus protecting the habitats in the receiving waters, as required by the Agency's National Pollution Discharge Elimination System (NPDES) permits.

RECYCLED WATER FUND

The Recycled Water Fund records the revenues and expenses associated with the operations and maintenance of the facilities used to distribute recycled water supplied from the Agency's water recycling plants. Additionally, the Recycled Water Fund records all of the costs associated with the construction and financing of recycled water capital projects. In response to the potential shortage and reduction of imported water supplies, the Agency adopted the Recycled Water Business Plan (RWBP) in December 2007. The RWBP was updated in 2015 with the Recycled Water Program Strategy (RWPS). The primary objective of the RWPS is to update supply and demand forecasts and prioritize projects to maximize the beneficial use of recycled water throughout the year. The RWPS planning period is through 2035. Recycled water provides a cost effective and more reliable local water supply and is a key source to the Agency's goal of drought proofing its service area by 2030.

WATER RESOURCES FUND

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

BASIS OF ACCOUNTING

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

USE OF ESTIMATES

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

RECOGNITION OF REVENUES AND EXPENSES

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

OPERATING AND NON-OPERATING REVENUES AND EXPENSES

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

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

BUDGETARY POLICY AND CONTROL

The Agency's Board approves a biennial budget prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The Agency is not required to present budget

comparisons; therefore, budgetary data is not presented in the accompanying basic financial statements.

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

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, 2019, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency's cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts that are readily available on demand. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

INTEREST INCOME ALLOCATION METHOD

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

RECEIVABLES AND PAYABLES

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

The San Bernardino County Tax Assessor (The County) attaches liens on property as of January 1 and property taxes are levied annually on July 1; and, are payable to the County in two installments on December 10 and April 10. The County is permitted by state law, (Article XIII A of the California Constitution, Proposition 13,) to levy taxes at one percent of full market value (at the time of purchase) and can increase the property's value no more than two percent per year. The County bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year. Annually in July, the County prepares a property tax year-end reconciliation and remits any unpaid taxes to the Agency generally within sixty days of the fiscal year end. Those taxes are accrued by the Agency and reflected as taxes receivable in the applicable funds at fiscal year-end. The Agency does not collect property taxes in advance; therefore, no deferred revenue is shown on the financial statements.

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

INVENTORIES AND PREPAIDS

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

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

RESTRICTED ASSETS

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

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

CAPITAL ASSETS

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

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

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

During the year ended June 30, 2019, there was no interest capitalized on jobs in process related to any bond proceeds.

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

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency has three items that qualify for reporting in this category. One is the deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price, and the difference between the amount placed in escrow to repay the refunded bonds and the carrying amounts of the refunded bonds. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt in this case, the 2017A bonds. The others are the deferred outflow of resources related to net pension liability and other post-employment benefits, equal to employer contributions made in the current year after the measurement date of the net pension liability, the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the difference between expected and actual experiences. These amounts are amortized over the expected average remaining service life beginning with the current year, except for the net difference between projected and actual earnings on pension plan investments which are amortized over five years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. It is the deferred inflows related to the net pension liability for the difference between expected and actual experiences and change in assumptions. These amounts are amortized over either a five-year period or expected average remaining service life beginning with the current year.

PENSIONS

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

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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.

LONG-TERM OBLIGATIONS

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

PRIOR FISCAL YEAR DATA

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

NOTE 2: STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

ENCUMBRANCES

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

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

DETAILED NOTES ON ALL FUNDS

NOTE 3: CASH AND INVESTMENTS

The Agency follows the practice of pooling cash and investments of all funds, except for restricted funds generally held by outside custodians. Each fund's position in the pool is reported on the combined statement of net position as cash and investments.

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

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

Cash and investments as of June 30, 2019 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 162,183,422
Restricted deposits held by governmental agencies	66,473,575
Restricted short term investments	14,137,212
Restricted assets held with trustee/fiscal agent	<u>2,727,598</u>
Total cash and investments	<u>\$ 245,521,808</u>
Cash and investments as of June 30, 2019 consist of the following:	
Cash on hand (Petty Cash)	\$ 2,250
Deposits with financial institutions	(1,441,414)
Deposits held by other governmental agencies	66,473,575
Investments	<u>180,487,397</u>
Total cash and investments	<u>\$ 245,521,808</u>

FAIR VALUE

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

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

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

Maximum	Maximum	Maximum	Maximum
Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
U.S. Instrumentalities (Supranational)	5 years	20%	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	\$65M	None
Local Agency Investment Pools	N/A	\$20M/Acct	None
Bank Deposits	N/A	None	None

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

INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

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

The 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

INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS

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

INVESTMENT POOL OVERSIGHT

LOCAL AGENCY INVESTMENT FUND (LAIF)

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based on the Agency's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made based on one dollar and not fair value. Accordingly, the Agency's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP)

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

DEPOSITS

At June 30, 2019, the carrying amount of the Agency's deposits was -\$1,441,414 and the bank balance was \$1,866,934. The \$3,308,348 difference represents outstanding checks and other reconciling items.

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

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

CREDIT RISK

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

Presented below is the minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2019 for each investment type:

Investment Type	Amount	Minimum Legal Rating	Moody's Rating as of June 30, 2019			
			Aaa to Aa3	A1 to A3	P1	Unrated
Repurchase Agreement	\$ 6,242,498	N/A	\$ 6,242,498	\$ -	\$ -	\$ -
U.S. Agency Securities	24,662,732	N/A	24,662,732	-	-	-
Medium Term Notes	15,426,752	A	2,041,667	13,385,085	-	-
US Treasury	47,285,270	A	47,285,270	-	-	-
Municipal Bonds	998,970	N/A				998,970
Commercial Paper	1,017,419	N/A			1,017,419	
LAIF	27,986,810	N/A	-	-	-	27,986,810
CAMP	50,357,676	N/A	-	-	-	50,357,676
Brokered Certificate of Deposit	3,902,832	N/A	2,240,834	-	1,421,830	240,168
<i>Held by Bond Trustee:</i>						
Money Market Mutual Funds	2,606,439	N/A	-	-	-	2,606,439
Total	\$180,487,397		\$ 82,473,000	\$ 13,385,085	\$2,439,249	\$ 82,190,063

CONCENTRATION OF CREDIT RISK

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Mortgage Corporation	US Agency Securities	\$12,647,666	7.01%
Federal National Mortgage Association	US Agency Securities	\$9,192,929	5.09%
Federal Home Loan Bank	US Agency Securities	\$9,064,635	5.02%

CUSTODIAL CREDIT RISK

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

California law also allows financial institutions to secure Agency deposits by pledging first deed mortgage notes having a value of 102 percent of the secured public deposits.

As of June 30, 2019, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

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

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

INTEREST RATE RISK

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to securities with a final state maturity not to exceed five years unless the Board of Directors has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to that investment. The Agency manages its exposure to interest rate risk by purchasing a combination of short term and long-term investments. Investment maturities are spread to provide the cash flow

and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2019, the Agency had the following investments and original maturities:

Investment Type	Remaining Maturity (in Months)				Fair Value
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Repurchase Agreement	\$ 6,242,498	\$ -	\$ -	\$ -	\$ 6,242,498
U.S Agency Securities	5,007,315	7,633,025	12,022,392		24,662,732
Medium Term Notes	757,625	543,489	14,125,638		15,426,752
US Treasury Note		9,133,965	38,151,305		47,285,270
Municipal Bonds	998,970				998,970
Commercial Paper	1,017,419				1,017,419
State Investment Pool	27,986,810				27,986,810
CAMP	50,357,676				50,357,676
Brokered Certificate of Deposit	1,421,830	2,481,002			3,902,832
<i>Held by Bond Trustee:</i>					
Money Market Mutual Fund	2,606,439				2,606,439
Total	\$ 96,396,582	\$ 19,791,480	\$ 64,299,335	\$ -	\$ 180,487,397

Fair Value Measurement (GASB 72)

Government Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* requires an agency to use valuation techniques to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques.

The fair value hierarchy has three levels which are summarized below: Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs are inputs - other than quoted prices - that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs for an asset or liability.

The information below shows the Agency's investments fair value measurements (market approach) as of June 30, 2019. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions.

<u>Investments by Fair Value Level</u>	<u>June 30, 2019</u>	<u>Level 1 (A)</u>	<u>Level 2 (B)</u>	<u>Uncategorized</u>
Repurchase Agreement	\$ 6,242,498		\$ 6,242,498	
U.S. Agency Securities	24,662,732		24,662,732	
Medium Term Notes	15,426,752		15,426,752	
US Treasury Notes	47,285,270	47,285,270		
Municipal Bonds	998,970		998,970	
Commercial Paper	1,017,419		1,017,419	
State Investment Pool	27,986,810			27,986,810
CAMP	50,357,676		50,357,676	
Brokered Certificate of Deposit	3,902,832	3,902,832		
Money Market Mutual Fund	2,606,439	2,606,439		
Total	\$ 180,487,397	\$ 53,794,541	\$ 98,706,047	\$ 27,986,810

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

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

NOTE 4: DEFERRED COMPENSATION

The Agency established a Deferred Compensation Plan for employees in December 1977. Under this plan, employees may choose to defer income until retirement or termination. All deferred wages are credited to the participating employee accounts. Internal Revenue Code (IRC) Section 457 requires that plan assets be held in trust for the exclusive benefit of the participants and their beneficiaries. Investments in the Deferred Compensation Plan are held by a fiscal agent in investment options chosen by the participants. Effective July 1, 2018, the Agency started contributing twenty-five (\$25) per pay period to a single 457 (b) account of each employee with contributions to an active plan 457 plan.

In fiscal year 1997/98, the Board of Directors adopted a resolution to establish another Deferred Compensation Plan that is a qualified plan under the IRC Section 401(a). Each participant can contribute a percentage of their employee's earnings up to a maximum of \$56,000 for 2019. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current Internal Revenue Service regulations once an employee elects to participate in the plan, they cannot change their contribution amount or withdraw from the plan until they leave Agency employment.

On July 1, 1998, the Agency adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." The implementation of GASB Statement No. 32 required the Agency to change its accounting for its Deferred Compensation Plan to exclude it from the financial statements, since the Agency neither has custody of the plan assets, nor directs or accounts for the plan investments.

NOTE 5: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLANS

PLAN DESCRIPTION

The Agency contributes to the CalPERS, 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). CalPERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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, 2019, are summarized as follows:

Hire date	Prior to January 1, 2012 ⁺	On or After January 1, 2012 ⁺	After January 1, 2013
Benefit formula	2.5%@55	2%@55	2%@62
Final average compensation period	1 year	3 years	3 years
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Eligible retirement age	50 – 55+	50 – 63+	52 – 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1.4% - 2.4%	1% - 2.5%
FY2017/18 required employee contribution rates*	8%	7%	6.25%
FY2017/18 required employer contribution rates	18.580%	18.580%	18.580%

⁺ Closed to new entrants

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

EMPLOYEES COVERED

At June 30, 2019 (measurement date as of June 30, 2018) actuarial valuation, the following employees were covered by the Plans' terms:

Retired members and beneficiaries	252
Active employees	276
Total	528

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. Agency contribution rates may change if plan contracts are amended. Payments made by the Agency to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2018 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% (net of pension plan investment and administration expenses; includes inflation)
Mortality	The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table please refer to the 2017 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the December 2017 valuation were based on the results of a 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

CHANGE OF ASSUMPTIONS

GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.15 percent used for both the June 30, 2017 and 2018 measurement dates is net of administrative expense.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.15 percent for the Agency's Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG-TERM EXPECTED RATE OF RETURN

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

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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 (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+(c)
Global Entity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100.00%		

- (a) In the CalPERS' Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investment; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.00 percent used for this period
- (c) An expected inflation of 2.92 percent used for this period

CHANGES IN THE NET PENSION LIABILITY

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2017	\$ 193,055,604	\$ 149,821,803	\$ 43,233,801
Changes in the Year:			
Service cost	4,646,509	-	4,646,509
Interest on the total pension liability	13,746,742	-	13,746,742
Differences between actual and expected experience	2,100,628	-	2,100,628
Changes in assumptions	(1,453,107)	-	(1,453,107)
Changes in benefit terms	-	-	-
Net plan to plan resources movement		\$ (385)	385
Contribution - employer	-	9,461,289	(9,461,289)
Contribution - employee	-	2,374,114	(2,374,114)
Net investment income	-	13,002,740	(13,002,740)
Administrative expenses	-	(233,464)	233,464
Other miscellaneous income/(expense)	-	(443,351)	443,351
Benefit payments, including refunds of employee contributions	(7,528,545)	(7,528,545)	-
Net Changes	\$ 11,512,227	\$ 16,632,398	\$ (5,120,171)
Balance at June 30, 2018	\$ 204,567,831	\$ 166,454,201	\$ 38,113,630

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

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

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 66,704,890	\$ 38,113,630	\$ 14,499,815

PENSION PLAN FIDUCIARY NET POSITION

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

SUBSEQUENT EVENTS

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

AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

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

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

PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

For the fiscal year ended June 30, 2019, the Agency recognized pension expense of \$7,816,754. As of June 30, 2019, the Agency has deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,766,593	\$
Differences between actual and expected experience	2,447,222	(740,265)
Change in assumptions	5,149,112	(1,089,830)
Net differences between projected and actual earnings on plan investments	-	(224,386)
Total	\$ 17,362,927	\$ (2,054,481)

Deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date of \$9,766,593 will be recognized as a reduction of net pension liability in the fiscal year ending June 30, 2020.

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

Measurement Period Ending June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ 4,487,262
2020	2,887,407
2021	(1,394,189)
2022	(438,627)
2023	-
Thereafter	-

PAYABLE TO THE PENSION PLAN

As of June 30, 2019, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

NOTE 6: RISK MANAGEMENT

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

- General and auto liability, public officials and employees' error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to \$1,000,000 per person per occurrence.
- The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to \$25,000.

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

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

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

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

- Employee dishonesty coverage up to \$15,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$2,500 per occurrence.
- Property damage up to \$1,000,000,000 per occurrence coverage limit, subject to a \$25,000 deductible per occurrence. All other claims categories provide coverage up to \$800,000,000 on an annual aggregate basis.
- Boiler and machinery coverage for the replacement cost up to a shared limit of \$500,000,000, subject to various deductibles depending on the type of equipment.

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

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2019, 2018, and 2017. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

CLAIM LIABILITIES

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

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

	Worker's Compensation		General Liability	
	2018/19	2017/18	2018/19	2017/18
Unpaid Claims, beginning of fiscal year	\$ 315,865	\$ 342,570	\$ 500,000	\$ 500,000
Incurred claims (including IBNRs)	(13,805)	2,192	7,921	9,240
Claim payments	(89,216)	(28,897)	(7,921)	(9,240)
Unpaid claims, end of fiscal year	\$ 212,844	\$ 315,865	\$ 500,000	\$ 500,000

NOTE 7: CHANGES IN CAPITAL ASSETS

JOBS IN PROGRESS

At the fiscal year ended June 30, 2019, the Agency had various jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the Recycled Water Program Strategy (RWPS). Other significant projects are also underway to expand, improve, and refurbish existing treatment facilities in the Agency's Regional Wastewater Program, including the disposition of wastewater by-products and providing for ancillary facilities that support operating activities.

Other Projects (less than \$500,000 each)	\$ 3,851,986
RP-5 Expansion to 30 mgd	10,222,165
RP-5 Biosolids Facility	10,199,300
RP-1 Headworks Primary & Secondary Upgrades	9,294,181
SCADA Enterprise System	8,524,048
RP-4 Process Improvements	6,195,629
RP-1 Primary Effluent Conveyance Improvements	6,079,164
San Sevaine Basin Improvements Project	6,077,762
RP-1 Liquid Treatment Capacity Recovery	4,187,151
Recharge Master Plan Update	3,211,411
CCWRF Asset Management and Improvements	2,613,986
RP-5 Expansion Preliminary Design Report (PDR)	2,336,004
1158 Recycle Water Pump Station Upgrades	2,105,448
Digester 6 and 7 Roof Repairs	1,583,419
RP-5 Recycle Water Pipeline Bottleneck	1,542,562
Napa Lateral	1,484,930
RP-1 Solids Treatment Expansion	1,232,522
Headquarters Roofing Replacement	1,193,026
CBWM Pomona Extensometer Construction	1,153,332
RP-1 12 kV Switchgear and Generator Control Upgrades	1,077,450
Chino Basin Program Preliminary Design Report(PDR)	1,021,853
RP-1 Disinfection Pump Improvements	1,006,758
North Major Facilities Repair/Replacement	993,715
South Major Facilities Repair/Replacement	921,141
Baseline Recycle Water Pipeline Line Extension	890,730
RP-1 Power System Upgrades	874,084
RP-1 Expansion Preliminary Design Report (PDR)	808,581
Mechanical Restoration and Upgrades	790,892
Chino Basin Water Bank Planning Authority	777,974
System Cathodic Protection Improvements	725,133
RP-1 Civil Restoration and Upgrades	686,730
RP-1 Flare Improvements	681,191
Collection System Upgrades	668,208
SBCFCD Recycled Water Easement	582,374
Lower Day Basin Improvements	541,288
RP4 Primary Clarifier Rehabilitation	514,478
Total Jobs in Progress	\$ 96,650,607

Adjustment has been made for rounding difference.

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2019:

CAPITAL ASSETS

Capital Assets	Balance at 6/30/18	Additions	Transfers & Retirements	Balance at 6/30/19	Accumulated Depreciation at 6/30/19	Net Book Value at 6/30/19
Capital Assets-not being depreciated:						
Land	\$ 14,067,874	\$ -	\$ -	\$ 14,067,874	\$ -	\$ 14,067,874
Jobs in Progress	81,758,464	56,785,075	(41,892,932)	96,650,607	-	96,650,607
Total Capital Assets, not being depreciated	\$ 95,826,338	\$ 56,785,075	\$ (41,892,932)	\$ 110,718,481	\$ -	\$ 110,718,481
Capital Assets-being depreciated:						
Interceptors, trunk lines and inter-ties	\$ 36,721,245	\$ -	\$ -	\$ 36,721,245	\$ (13,384,351)	\$ 23,336,894
Office facilities	13,640,262	-	-	13,640,262	(3,738,267)	9,901,995
Collection, outfall, and transmission lines	126,409,547	645,269	(87,123)	126,967,693	(80,075,871)	46,891,822
Reservoirs, settling basins, ponds, and chlorination station	119,369,835	3,138,648	-	122,508,483	(37,863,969)	84,644,514
Recycled water distribution system	165,286,281	365,873	-	165,652,154	(32,989,373)	132,662,781
Treatment plants, pump stations and office buildings	277,926,070	19,209,066	(728,030)	296,407,106	(140,544,420)	155,862,686
Equipment	231,146,924	17,793,761	(1,054,681)	247,886,004	(165,148,698)	82,737,306
Land improvement	30,147,850	311,997	-	30,459,847	(15,369,141)	15,090,706
Total capital assets, being depreciated	\$ 1,000,648,014	\$ 41,464,614	\$ (1,869,834)	\$ 1,040,242,794	\$ (489,114,090)	\$ 551,128,703
Less accumulated depreciation for:						
Interceptors, trunk lines and inter-ties	\$ (12,530,617)	\$ (853,734)	\$ -	\$ (13,384,351)		
Office facilities	(3,457,885)	(280,382)	-	(3,738,267)		
Collection, outfall, and transmission lines	(77,775,036)	(2,387,958)	87,123	(80,075,871)		
Reservoirs, settling basins, ponds, and chlorination station	(34,964,984)	(2,898,985)	-	(37,863,969)		
Recycled water distribution system	(29,131,741)	(3,857,632)	-	(32,989,373)		
Treatment plants, pump stations and office buildings	(135,577,048)	(5,695,402)	728,030	(140,544,420)		
Equipment	(148,111,964)	(18,047,215)	1,010,481	(165,148,698)		
Land improvement	(14,163,940)	(1,205,201)		(15,369,141)		
Total accumulated depreciation	\$ (455,713,215)	\$ (35,226,509)	\$ 1,825,634	\$ (489,114,090)		
Total capital assets, being depreciated, net	\$ 544,934,799	\$ 6,238,105	\$ (44,200)	\$ 551,128,703		
Total capital assets- Enterprise Funds, Net	\$ 640,761,137	\$ 63,023,180	\$ (41,937,132)	\$ 661,847,184		

INTANGIBLE ASSETS

Intangible Assets	Balance at 6/30/18	Additions	Transfers & Retirements	Balance at 6/30/19	Accumulated Amortization at 6/30/19	Net Book Value at 6/30/19
Intangible assets-being amortized:						
Computer software	\$ 13,144,087	\$ 274,250	\$ -	\$ 13,418,337	\$ (10,070,582)	\$ 3,347,755
Contributed capital-lease	129,324	-	-	129,324	(35,563)	93,761
Metropolitan Water District connections	198,891	-	-	198,891	(192,925)	5,966
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(29,924)	13,565
California Auto Club Speedway Water Rights	433,519	154,068	-	587,587	-	587,587
San Bernardino County Flood Control-Chino Road Barrier	48,076	-	-	48,076	(24,841)	23,235
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(7,585,085)	4,881,917
Organization and master planning	1,939,805	-	-	1,939,805	(801,016)	1,138,789
Total intangible assets being-amortized	\$ 28,404,193	\$ 428,318	\$ -	\$ 28,832,511	\$ (18,739,936)	\$ 10,092,575
Less accumulated amortization for:						
Computer software	\$ (9,340,613)	\$ (729,969)	\$ -	\$ (10,070,582)		
Contributed capital-lease	(29,097)	(6,466)	-	(35,563)		
Metropolitan Water District connections	(188,947)	(3,978)	-	(192,925)		
Corps of Engineers-Cucamonga Creek	(29,055)	(869)	-	(29,924)		
San Bernardino County Flood Control-Chino Road Barrier	(23,238)	(1,603)	-	(24,841)		
Santa Ana Watershed Project Authority capacity rights	(7,287,501)	(297,584)	-	(7,585,085)		
Organization and master planning	(764,439)	(36,577)	-	(801,016)		
Total accumulated amortization	\$ (17,662,890)	\$ (1,077,046)	\$ -	\$ (18,739,936)		
Total intangible assets-Enterprise Funds, Net	\$ 10,741,303	\$ (648,728)	\$ -	\$ 10,092,575		
Total capital assets-Enterprise Funds, net	\$ 651,502,440	\$ 62,374,452	\$ (41,937,132)	\$ 671,939,759		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2019 (rounding difference). For the fiscal year ended June 30, 2019, depreciation expense was \$35,226,509 and amortization expense was \$1,077,046.

NOTE 8: CONSTRUCTION COMMITMENTS

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$22,142,350. at June 30, 2019. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

- ◆ **Baseline Recycled Water Pipeline Extension – EN17049.** The Baseline Recycled Water Extension project will deliver recycled water to customers along Baseline Avenue, a divided street with a landscaped center median and parkways. This project consists of the design, bid and award, and construction of approximately 8,200 feet of 24" pipeline

located along Baseline Avenue between American Way and Cherry Avenues. The project will also allow the City of Fontana to expand their recycled water system in the northern area of the city in the future. Recycled water will also be available to Cucamonga Valley Water District for landscape irrigation to the Village of Heritage. It is anticipated the project will convert approximately 100 acre-feet of landscape irrigation to using recycled water. This project has an outstanding obligation of \$4,692,866.

- 💧 **Napa Lateral – WR15021.** The Agency began an environmental determination for this project in fiscal year 2015/16. The installation of recycled water laterals will provide California Speedway, Prologis, and California Steel Industries with recycled water for use in landscape irrigation and industrial use, reducing potable water usage. The scope of work for this project consists of the alignment alternatives for recycled water laterals that will provide recycled water to these three industries along Napa Street and San Bernardino Avenues in Fontana, CA. The project includes an environmental determination, design, construction, and construction management of these recycled water laterals. This project has an outstanding obligation of \$4,274,026.

- 💧 **RP-1 12KV Switchgear and Generator Control Upgrades - EN17044.** As a result of the RP1 Power System Upgrades technical review, this project was identified as a critical component to the emergency generation system that needs to be replaced. During the initial scope of work investigation, the operations and maintenance stakeholders requested a microgrid control technology to be included in the scope of work. The scope of work of the microgrid was added to the project to enhance IEUA's use of energy generation sources while on and off the electrical grid. The out-of-date Programmable Logic Controller used for emergency generation system at RP1 will be upgraded and replaced; and, will remove and replace the existing switchgears with new 12kV switchgears within the Power Reliability Building. This project has an outstanding obligation of \$3,920,591.

- 💧 **RP-1 Recycled Water Pump Station Upgrades - EN14042.** The existing RP1 1158 Zone effluent pump station includes 4 identical pumps. Each pump is equipped with VFD driven 400 HP motors. However, the pumps only operate at full speed (i.e. either on or off). The pumps are controlled by the 1158 Zone reservoir water level and the wet well level. Based on the hydraulic analysis performed as part of the 2015 recycled water pump station, the year 2020 direct use demands analysis showed that RP1 1158 Zone Recycled Water Effluent Pump Station to be deficient. The pump station operated too far out on the pump curves due to system hydraulics resulting in lower pressures than desired. In addition to meting the increased recycled water demands, the increased capacity will allow IEUA to pump additional available supply to the 1158 Pressure Zone to their existing groundwater recharge basins. All existing pumps, motors and VFD's will be replaced with four new 700 HP pumps, motors and VFD's. This project has an outstanding obligation of \$3,617,898.

- 💧 **RP-5 Recycled Water Pipeline Bottleneck– EN14043.** Considering that most of the direct use of recycled water is in the southern service area, and groundwater recharge is in the northern service area, it is essential to keep the southern area recycled water flows in the south. There are 14" and 18" pipelines within the RP-5 Facility which makes it a hydraulic limitation and not enabling the full utilization of the recycled water pipeline system. The project will identify and upsize the limitations, to eliminate bottlenecks within RP-5 that will enable the Agency to fully utilize the RP-5 recycled water piping system and allow future expansion to match growth. Two buried recycled water valves will be replaced in addition to installing new valves in strategic locations. Surge analysis to the recycled water piping system at RP-5 revealed presence of occasional surges which will cause damage to the piping system. Therefore, a surge control system will be installed to mitigate surge issues. This project has an outstanding obligation of \$1,133,148.
- 💧 **SCADA Enterprise System Phase 3 – EN13016.03, and Phase 4 - EN13016.04.** The completed *Facilities and Recycled Water SCADA Master Plans* identified the critical need for an Agency-Wide SCADA Enterprise System. The Agency relies heavily on SCADA for operation and compliance of the various facilities. The SCADA projects will migrate the Agency's wastewater facilities from the Foxboro-Invensys Distributive Control System (DCS) to a Rockwell Automation SCADA Enterprise System; and, will provide the infrastructure, tools, and information to enable Operations to maintain regulatory compliance and meet their levels of service in an efficient manner.

The SCADA Enterprise System will eliminate the multi-vendor platforms currently operating as islands of automation. The design and construction of a highly reliable, scalable, Enterprise SCADA system will enable the control of any facility from any location, unattended operations, integration with the Business system, and support Agency-wide, wastewater treatment, recycled water and groundwater supply-demand management. The Enterprise will be a highly functional and user-friendly solution, consolidating data from all facilities and providing accessible information.

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

This project includes several phases of a SCADA migration, including CCWRF, RP-1, RP-4, and RP-5. The The scope for this project includes five phases and several tasks including, SCADA system design (physical and operator screens), procurement, installation, integration; and, cutover and testing of the upgrades to the network, supervisory control, direct control, Operations Data Management Systems, reporting, etc. for all the Agency's five major wastewater facilities.

During Fiscal Year 2018/2019 SCADA projects included:

- ▶ Cybersecurity Risk Assessment and Policy Development.
- ▶ Energy Management Systems.
- ▶ Micro Logix PLC replacement: PLC's used for small control panels at remote sites and for energy data collection. Replacement to support future cybersecurity firmware updates.
- ▶ Chino Desalter 1 Backhaul Radio Replacement
- ▶ 1630 West Reservoir Radio Replacement.
- ▶ Historian Upgrade to FT Historian; and, working with Rockwell to resolve printing issues with trends.
- ▶ RACO Upgrade: Replacing the radio board to support 3G communications, and the main board to support real time communications.

Project EN13016.03 has an outstanding obligation of \$961,754; and, Project EN13016.04 has an outstanding obligation of \$139,813; for a total of \$1,101,567 for the SCADA Enterprise System Phases 3 and 4.

- 💧 **RP-1 Digesters 6 and 7 Roof Repairs - EN17042.** In 2016, a four-year project was developed to clean and repair digesters. Project EN17042 addresses observed gas leaks on the top of digester 6 and 7. Patches have kept the leaks sealed, but patch repairs need to be addressed more frequently; and repair is needed on these digesters within two years due to compliance issues. Additionally, cracks may indicate more serious issues that may need urgent repairs. This work will include development of a performance standard and/or metric for "gas tightness" of tanks, pipes, and other components of the digester gas systems. The digesters will be completely cleaned and inspected from inside. Heavily corroded gas piping on the top of the digesters will also be replaced, and other piping will be coated. This project has an outstanding obligation of \$886,975.
- 💧 **RP-1 Filter Drain Valve Replacement – EN17045.** The RP-1 filter backwash valves have been in use for several years. The valves are leaking, reducing process efficiencies, and overloading the secondary processing system. The project scope includes complete replacement of the failing filter backwash valves over a two-year period. This project has an outstanding obligation of \$528,037.
- 💧 **RP-4 Outfall Pipeline Air Relief Valve Replacement and Relocation- EN19029.** Several air relief valves along the RP-4 Outfall pipeline are starting to fail and are leaking recycled water. The air relief valve vaults are located in the street and are filling up with the recycled water leaking from the air relief valves. The leaks are to the point where the vaults fill completely and spill recycled water onto the street surface, requiring an immediate response from the recycled water operation staff to mitigate. This project will require an engineering evaluation to analyze the RP-4 Outfall pipeline hydraulics; determine the feasibility of downsizing the existing (10) leaking air relief valves to a smaller size; prepare a design to replace the affected valves, and, evaluate the feasibility of

relocating the air relief valves above ground, and to the back of the right-of-way for safety and maintenance purposes. This project has an outstanding obligation of \$514,876.

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

The project scope includes the rehabilitation of the grit removal system by changing out the twenty-five-year-old equipment and providing new protective coating within the chamber. The influent gates within the Headworks provide flow and isolation control for four mechanical bar screens, one manual bar screen, and a system by-pass channel. The gates after the bar screens manage wastewater flow into the Pista Grit system, the Aerated Grit chamber, and a by-pass channel. The Headworks effluent gates provide flow diversions into the two primary clarifier systems, the rectangular and circular clarifiers. This project will replace these gates. In parallel to replacing the gates, the project will also address the current screen and grit removal equipment. The current sand/grit removal will be rehabbed to maintain and increase the processes useful life. The project also includes the replacement of the bar screens with an improved debris capture system, reducing unwanted plastics and rags from entering the secondary clarifiers and solids digesters. This will reduce excessive maintenance down time and operational efforts when addressing undesired solids at the downstream treatment process. This project has an outstanding obligation of \$468,212.

- ◆ **Chino Basin Watermaster (CBWM) Pomona Extensometer Facility Construction – RW19002.** In conjunction with the Chino Basin Watermaster's Pomona Extensometer Facility Project at Montvue Park in the City of Pomona, IEUA will provide administrative support to CBWM on implementing their construction of the two dual-nested piezometers. The project at completion, will provide ground movement monitoring with relation to groundwater levels. The data will be used by CBWM to determine further actions in limiting ground level movement. This project has an outstanding obligation of \$270,892.

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

The overall project will rehabilitate the trident filter system, repair the grit chamber influent/effluent gates, make improvements to the primary sludge and scum valve station,

improve control of the aeration basins and evaluate changing aeration basins from dissolved oxygen control to ammonia-based control, replace the aeration blowers, and make repairs to the secondary clarifier drain valves. The Trident Filter Rehabilitation Project (.01) has an outstanding obligation of \$200,637.

- 💧 **RP-1 Operations Building Paving Project – EN19034.** The pavement and curbs at the RP-1 operations building have worn out. This has caused a safety problem, with cracks in the pavement. This project will remove and replace existing asphalt around the RP-1 operations building, install four handicap ramps, and replace a concrete drain. This project has an outstanding obligation of \$139,000.
- 💧 **RP-1 Primary Effluent Conveyance improvement – EN15012.** Over the last several years, IEUA had several condition assessments completed that made recommendations to rehabilitate various components of the Regional Water Recycling Plant No. 1 (RP-1) primary effluent system. This project will include rehabilitation of the east primary effluent piping between the rectangular primary clarifiers and the intermediate pump station wet well. This project has an outstanding obligation of \$115,023.
- 💧 **RP-1 Aeration Basin Catwalk Safety Railing – EN19040.** The RP-1 Aeration Basin has been in use for several years and is currently undergoing various stages of construction and/or replacement. The current catwalks are open and unprotected, creating a safety issue. New Safety railings will be installed around the RP-1 aeration basin catwalks to minimize any potential falling hazards. This project has an outstanding obligation of \$113,137.
- 💧 **RP-1 Civil Restoration and Operation Building Paving – EN18042.** Several RP-1 underground assets are at the end of their useful life and need rehabilitation or replacement. The restoration portions of the project include 1) broken underground utilities (potable and recycled water) within the digestion area; 2) replacement of various valves and ruptured piping on the main utility and potable water systems within RP-1; and, 3) plant air piping and valving within the treatment plant for reconnection of the plant air system. To allow for maintainability of systems and/or limit vector issues, additional upgrades will be: 1) installation of cleanouts on the solids section bio-filter; 2) demolition of the obsolete trickling filter system; and, 3) modifications of the digester cleaning lagoon. This project has an outstanding obligation of \$51,905.
- 💧 **Collection System Upgrades – EN19015.** Under this project, the IEUA Collection Crew will field verify and document all manholes, manhole covers, frames and lines in need of repair or replacement. Once identified, the Engineering staff will respond by creating projects, designing necessary repairs and/or replacement, and constructing. This project has an outstanding obligation of \$42,544.

- 💧 **Regional Operations and Maintenance Projects (RO) – EN19032.01.** Historically, projects have arisen at the Agency's facilities that require prompt attention to maintain a safe environment. As a result, Engineering and Construction Management support Operations and Maintenance staff for these projects, with a budgeted parent project, and sub-projects as the needs arise. Review of the design and construction administration responsibilities and submission requirements identified in the scope of work, address such items as: contract deliverables, special sequencing or phased construction requirements, special hours for construction based on Agency programs or needs, delivery dates of critical and long lead items, utility interruptions or shut down constraints for tie-ins, weather restrictions, and coordination with other project construction activities at the site. This on-call operations and maintenance support will provide the Agency with a vehicle to effectively deliver safety projects when warranted. During Fiscal Year 2018/2019 two subprojects were identified; EN19032.01- Agency-wide Railing and Threshold Improvements, and, EN19032.02 – Carbon Canyon Water Recycling Facility Electrical Piping Repair. Only EN19032.01 has an open contract at June 30, 2019, with an outstanding obligation of \$18,640.
- 💧 **RP-1 Power System Upgrades – EN13048.** This project will first evaluate and then provide solutions to overcome the issue with load demands for the facility due to expansion of the RP-1 Recycled Water Pump Station and the remaining capital improvement projects. The current electrical power available is not adequate to run all facilities at the plant, and certainly not adequate for all upcoming and future projects. The project will encompass performing an electrical load analysis to examine power available and required to run all five pumps simultaneously; and, bring in new electrical feeds for power to TP-1. Also, the project will upgrade the switchgear at TP-1 and connect the TP-1 backup generator to the west side of the plant across from the flood control channel. The scope of the project includes: 1) Conduct electrical load analysis; 2) Bring in new electrical feeds to upgrade the power source and wiring to connect west side and east side of plant with additional electrical cables; 3) Review the power at the Tertiary Plant & 600KW generator to provide a comprehensive electrical solution; 4) Install new switchgear. This project has an outstanding obligation of \$18,515.
- 💧 **RP-1 PRB and MCC Building Roof and Sky Light Replacement – EN19037.** The roofs of the PRB and IPS MCC buildings leak, the skylights are deteriorated, and there is not sufficient fall protection for personnel accessing these areas. In addition, new electrical switch gear is going into the PRB which needs to be protected from the leaking roof. The roofing systems and skylights have exceeded their useful life. This roof replacement project will replace the existing roofing systems and skylights on the PRB and IPS buildings at RP-1 with a 20-year roofing system. This project has an outstanding obligation of \$16,990.
- 💧 **Agency Wide Lighting Pole Replacements and Upgrades – EN18039.** Maintenance staff performed inspections on light poles at the Regional Water Recycling Plant No. 1 (RP-1), Regional Water Recycling Plant No. 4 (RP-4), and Carbon Canyon Water Recycling

Facility (CCWRF), and found 22 light poles and bases were corroded, damaged, or undersized. This project will replace the light poles and bases with new aluminum light poles and concrete bases. Additionally, ten interior light fixtures will be replaced with LED fixtures. The project includes: Remove and replace twelve (12) existing corroded and damaged light poles at RP-1; Remove six (6) OCL conduit light poles at CCWRF and replace them with metal light poles; Remove and replace three (3) damaged light poles, and ten (10) outdated light fixtures in the Chlorine Storage Building at RP-4; and perform cost analysis for fixture replacement versus battery replacement for all emergency lights Agency wide. This project has an outstanding obligation of \$11,726.

- 💧 **Victoria Basin Improvements Project – RW15003.02.** Per the Amendment to the 2010 Recharge Master Plan Update (RMPU), IEUA and CBWM agreed to implement seven (7) recommended new projects which were selected by the EMPU Steering Committee to enhance stormwater yield for nine (9) groundwater recharge basins. The basins that were considered for yield enhancement includes the Victoria Basin. The project includes full design, environmental review, permitting review and CEQA, and construction. This project has an outstanding obligation of \$2,280.
- 💧 **RP-1 Philadelphia Gate Manhole Rehabilitation – EN17015.01.** The IEUA Collection Crew field verified and documented the Philadelphia gate manhole, manhole cover, frame and lines needed repair or replacement. The project includes designing necessary repairs and/or replacement and constructing. This project has an outstanding obligation of \$1,435.
- 💧 **San Sevaine Basin Improvements and Monitoring Well – EN13001.** As part of the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), this project will evaluate, design, and construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaine Basins. Interconnection between the San Sevaine Basins is essential to achieve the full capacity. Currently, the pipeline and turnout are provided only to Basin 5. Without interconnection, recycled water cannot be served to Basins 1, 2 & 3.

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

The basins consist of five, soft-bottomed basins along the San Sevaine Channel. The basins encompass approximately ninety-three acres with the potential to recharge up to 8,500 acre-feet per year (AFY) of recycled water (RW), storm water (SW), and imported water. The basins currently operate by delivering most flow to Basin 5, which has the lowest infiltration rate as compared to the other basins. This basin has limited current recharge to

approximately 500 AFY. This project will strive to increase the recycled water at the basins by providing pipeline interconnection between the basins. The project will also transfer any storm water captured within Basin 5 to the upper basins which have historically a higher infiltration rate than Basin 5. This will allow the recharge basin to add over 642 acre-feet per year of recycled water for groundwater recharge. This project has an outstanding obligation of \$1,430.

NOTE 9: CONTINGENT LIABILITIES

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

At June 30, 2019, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with worker's compensation and general liability matters. Based on legal counsel's opinion, the potential losses and/or resolutions of these cases will not materially affect the financial condition of the Agency.

NOTE 10: LONG-TERM RECEIVABLES

CITY OF ONTARIO

On June 4, 2004, the Agency entered into an amendment to its original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project. The project was completed on March 31, 2008, and as of June 30, 2019, the long-term receivable amount is \$1,702,736 and is recorded in the Regional Wastewater Capital Improvement Fund.

MONTE VISTA WATER DISTRICT

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

2.2 percent for twenty years. As of June 30, 2019, the long-term receivable amount is \$483,763 and is recorded in the Recycled Water Fund.

CUCAMONGA VALLEY WATER DISTRICT

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. CVWD agreed to reimburse the Agency \$690,648 for the construction costs, payable yearly beginning June 2011, plus interest at an annual rate of 0.74 percent for twenty years. As of June 30, 2019, the long-term receivable amount is \$346,520, and is recorded in the Recycled Water Fund.

AUTO CLUB SPEEDWAY

In November 2015, the Agency entered into an agreement with California Speedway Corporation dba Auto Club Speedway (Speedway) to provide wastewater treatment and recycled water services to property owned, operated, managed and controlled by Speedway. Speedway agreed to reimburse the Agency for the construction cost and the cost of connection and other related costs to provide those services. This agreement includes the option of payment through the assignment of pumping rights to the Agency as full consideration for their share of capital cost and wastewater connection costs. The assignment shall have a term of sixty (60) years. As of June 30, 2019, the Agency has incurred \$2,140,631 in connections and permanent system costs and the Speedway has assigned 673-acre feet to the Agency, leaving an outstanding long-term receivable of \$1,553,044 recorded in the Regional Wastewater Capital fund.

DRY YEAR YIELD CONJUNCTIVE USE PROGRAM

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

In May 2005, the Agency entered into an agreement with OCWD, MWDOC, Three Valleys Municipal Water District and Chino Basin Watermaster called the Joint Use Agreement. Per this agreement, the Agency will pay OCWD a surcharge of \$2.00 per acre-foot for each acre-foot of water purchased from MWD that was delivered thru OC-59. These water purchases are to replenish the groundwater supplies within the Chino Basin area, which is part of the Dry Year Yield

program. The \$2.00 per acre-foot surcharge that has been paid to OCWD is recorded as a long-term receivable in the Water Resources Fund. The balance as of June 30, 2019 is \$48,313. The Agency will be reimbursed by MWD by way of a credit on MWD's invoice to the Agency once water is withdrawn from the Dry Year Yield account.

NOTE 11: JOINT VENTURES - LONG-TERM AGREEMENTS

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

SANTA ANA WATERSHED PROJECT AUTHORITY

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana River Watershed. SAWPA is composed of the five (5) water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agency. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of ten. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each Agency based on the general or specific nature of the project or study. Financial data is available at the Agency's main office.

Audited financial information for the operation of SAWPA as of June 30, 2018 and unaudited for the fiscal year ended June 30, 2019 is summarized as follows:

	2019	2018
Total Assets	\$ 176,927,279	\$ 177,074,117
Deferred Outflows of Resources	1,482,258	1,621,887
Total Liabilities	(106,512,749)	(109,700,671)
Deferred Inflows of Resources	(337,312)	(318,374)
Total Net Position	71,559,476	68,676,959
Total Revenues	22,110,403	19,708,720
Total Expenses	(19,227,886)	(20,492,576)
Prior period adjustment	-	(927,423)
Net Change in Net Position	\$ 2,882,517	\$ (1,711,279)

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

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

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

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

- A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Non-Reclaimable Capital Improvement Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of \$2,621,204 mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
- B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
- C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement Fund 1.5 mgd of IEBL pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of 0.4 mgd IEBL discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of IEBL pipeline and 1.5 mgd capacity is \$4,650,970. Subsequent annual capital replacement and supplemental costs were \$1,442,010, which brought the total expenditures to \$6,092,980 as of June 30, 2001.
- D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of IEBL pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Wastewater Capital Improvement Fund, purchased 0.5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-Reclaimable Capital Improvement Fund. The total cost of the purchase was \$5,625,000, with a five percent down payment. The balance is payable over twenty years with a zero percent annual interest rate and has been discounted by \$2,095,253 at an imputed interest rate of six percent annual interest rate.

- E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of IEBL pipeline capacity from SAWPA. The purchase price was \$3,750,000 and is recorded in the Non-Reclaimable Wastewater Fund. The agreement called for a five percent down payment of \$187,500, and the balance of \$3,562,500 to be financed by SAWPA for a twenty-year-period at a six percent interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of \$2,961,171 plus accrued interest of \$167,935.
- F) On April 21, 2004, the Agency Board of Directors approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority (CDA). The sale price totaled \$14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with \$4.73 million going to the Regional Wastewater Capital Improvement Fund and \$9.52 million going to the Non-Reclaimable Wastewater Fund.

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) – In June 2016, The Agency signed the SARCCUP Memorandum of Understanding (MOU) and SARCCUP MOU for Program Implementation, PA23. SARCCUP is the result of collaboration between the SAWPA member agencies (Parties) to identify large-scale water supply reliability and water use efficiency projects that could benefit the Santa Ana River Watershed. SARCCUP will initially include development of new infrastructure and incorporation of existing infrastructure to create 60,000 acre-feet per year of wet year put and dry year take capacities for 180,000 acre-feet of groundwater storage in the San Bernardino Area Basins, the San Jacinto Basins, the Chino Basin, and the Elsinore Basin.

CHINO BASIN DESALTER AUTHORITY

The Chino Basin Desalter Authority (CDA) was formed in September 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from Santa Ana Watershed Project Authority (SAWPA) Project #14. The purchase was consummated in February 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency (IEUA). IEUA serves as a non-voting member and provides grants administration support for the JPA, as well as operational support for the Desalter 1 facility (based on January 2002 operations and maintenance agreement which was amended June 2013). In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2019, Desalter 1 and Desalter 2 delivered a total of 27,453.94-acre feet of water this fiscal year. Financial data is available at the CDA's main office located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

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

Prior to the JPA Agreement, the two partners entered into a separate agreement in December 2001 to acquire real property for proposed joint use. As a result of this agreement, a piece of property and building in the City of Rancho Cucamonga, adjacent to IEUA's Regional Recycling Water Recycling Plant No. 4 (RP-4) was acquired in December 2001 at a cost of \$15,116,229. After the property acquisition, preliminary and final designs were launched to modify the building. The facility started operation in FY 2006/07 and is currently staffed by twenty-five full time IEUA employees who provide all operational activities including production, maintenance, safety and industrial hygiene training, and sales and administration. The IERCA reimburses IEUA 100 percent of employment costs. A tipping fee is paid by JPA partners for biosolids deliveries to IERCA, to recover Operation & Maintenance (O&M) and Repair & Replacement (R&R) costs. The agency records biosolids tipping fees in the Regional Wastewater Operation & Maintenance fund.

As of June 30, 2019, the Agency's equity share is \$42,545,055 recorded in the Regional Wastewater Capital Improvement Fund. There was an additional write-down of \$937,788 (fifty percent of the Agency's equity share) of the JPA's net position at June 30, 2019; this reduction is recorded in the non-operating expenses on the statement of revenues in the Regional Wastewater Capital Improvement Fund. The Agency records the JPA labor costs for operating the facility in the Regional Wastewater Operation and Maintenance Fund. IERCA financial data is available at the Agency's main office.

SANTA ANA RIVER WATERMASTER

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

The Watermaster is composed of a committee of five representatives from four water districts. Two representatives serve from Orange County Water District (OCWD) and one representative from the Inland Empire Utilities Agency (the Agency), Western Municipal Water District (WMWD), and

the San Bernardino Valley Municipal Water District (SBMWD). Representation is based on percentages as defined by adjudication of the Santa Ana River Watermaster.

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

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

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

Financial information reported on a cash basis for the operation of Watermaster as of and for the fiscal year ended June 30, 2018 is summarized as follows:

	2018
Total Assets	\$ 3,242
Fund Balance	\$ 3,242
Total Revenues	0
Total Expenses	(8,643)
Net Increase/(Decrease) in Equity	\$ (8,643)

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

CHINO BASIN WATER BANK

The Chino Basin Water Bank (CBWB), was formally established on December 13, 2017 as a Joint Powers Authority (JPA) to coordinate the development of groundwater storage within the Chino Basin. The JPA is comprised of Cucamonga Valley Water District, the City of Ontario, Monte Vista

Water District, and Inland Empire Utilities Agency (IEUA). The intent of the CBWB is to create a comprehensive storage and recovery program under existing basin rules with a dedicated quantity of basin storage. The participants of the CBWB will benefit directly through increased groundwater supplies, and the Chino Basin will experience improved groundwater levels and water quality.

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

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

NOTE 12: LONG-TERM DEBT AND NOTES PAYABLE

LONG-TERM DEBT

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Amounts Due after One Year
<u>Bonds Payable:</u>						
2008B Variable Rate (2002A Refinancing)	\$ 38,270,000	\$ -	\$ 2,095,000	\$ 36,175,000	\$ 2,180,000	\$ 33,995,000
2010A Revenue Bonds (1994 Refinancing)	18,735,000	-	4,285,000	14,450,000	4,620,000	9,830,000
2017A Revenue Bonds (2008A Refinancing)	64,605,000	-	3,090,000	61,515,000	3,200,000	58,315,000
Sub-Total	121,610,000	-	9,470,000	112,140,000	10,000,000	102,140,000
Bond Premium	11,737,456	-	1,033,852	10,703,604	-	10,703,604
Revenue Bonds	\$ 133,347,456	\$ -	\$ 10,503,852	\$ 122,843,604	\$ 10,000,000	\$ 112,843,604

2008B VARIABLE RATE DEMAND REVENUE BONDS

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

- ◆ The bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a \$700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of \$249,242 of deferred charge on refunding for the Series 2008B bonds to be amortized through the year 2032.
- ◆ The bonds maturing through 2032 are serial bonds payable in annual installments ranging from \$1,910,000 to \$3,480,000 with a variable interest rate no higher than 12.00 percent per annum. The average rate of interest for FY2018/19 was 1.313 percent and the average rate since these bonds were issued is 0.653 percent. The balance outstanding at June 30, 2019 comprised the principal amount of \$36,175,000.

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 \$9,434,527 over the duration of the bonds. Net present value of this economic gain was \$8,022,916.
- ◆ The bonds maturing through 2022 are payable in annual installments ranging from \$4,105,000 to \$5,075,000 with an interest rate from 1.35 percent to 5.00 percent per annum, payable semi-annually. The balance outstanding on June 30, 2019 is comprised of the principal amount of \$14,450,000, plus unamortized deferred bond premium of \$699,821, for a total of \$15,149,821.

2017A REFUNDING REVENUE BONDS

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

- The bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 2008A (Inland Empire Utilities Agency Wastewater Facilities Improvement and Replacement Projects), and (ii) pay the costs of issuing the bonds. The agency reduced its aggregate debt service payment by \$129,055,863 over the duration of the bonds. Net present value of this economic gain was \$36,803,651 (Net of \$50,000,000 principal payment) and reduced the repayment period by five years.
- The bonds maturing through 2033 are payable in annual installments ranging from \$3,100,000 to \$4,920,000 with an interest rate from 2.00 percent to 5.00 percent per annum, payable semi-annually. The balance outstanding on June 30, 2019 is comprised of the principal amount of \$61,515,000, plus unamortized deferred bond premium of \$10,003,783 for a total of \$71,518,783.

AGGREGATE LONG-TERM DEBT

As of June 30, 2019, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2020	\$ 10,000,000	\$ 4,994,720	\$ 14,994,720
2021	10,355,000	4,541,807	14,896,807
2022	10,910,000	4,054,648	14,964,648
2023	6,090,000	3,676,264	9,766,264
2024	6,735,000	3,360,198	10,095,198
2025-2029	35,640,000	11,913,375	47,553,375
2030-2034	32,410,000	3,715,902	36,125,902
Subtotal	112,140,000	36,256,914	148,396,914
Plus: Net Premium	10,703,604	-	10,703,604
Total Debt Service Payable	\$ 122,843,604	\$ 36,256,914	\$ 159,100,518

DEBT COVENANTS

In accordance with bond covenants, net revenues comprised of user charges and connection fees (less the operations and maintenance costs), and property tax revenues are pledged to fund bond debt service costs. Property Taxes are distributed by San Bernardino County Property Tax Disbursements Division in November and July annually. The Agency has covenanted that, to the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each fiscal year, rates and charges reasonably expected to yield net revenue equal to 115 percent of debt service during each fiscal year.

If any Event of Default occurs, the Trustee may declare, at the written direction of the Owners of the major portion of the Outstanding bond principal balance, the Outstanding principal and accrued interest to be due and payable immediately. This declaration can be rescinded and annulled and consequences waived if all moneys due have been deposited with the Trustee before the judgement or decree for payment of money's due has been obtained.


The Agency has no lines of credit. Management has determined that the Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2019. (Refer to the Agency System Total Debt Coverage Ratio Schedule included in the statistical section).

NOTES PAYABLE

Summary of notes payable activity for the Fiscal Year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Notes Payable :						
State Revolving Fund Loan	\$119,305,744	\$ 5,438,597	\$ 5,414,106	\$119,330,235	\$6,039,661	\$113,290,574
City of Fontana	5,038,956	-	482,578	4,556,378	482,578	4,073,800
CSDLAC Past 4R's	1,425,677	-	704,809	720,868	720,868	-
Southern California Edison	1,023,581	-	142,735	880,846	149,316	731,530
Total Notes Payable	\$126,793,958	\$ 5,438,597	\$ 6,744,228	\$125,488,327	\$7,392,423	\$118,095,904

STATE WATER RESOURCES CONTROL BOARD

-  The Regional Recycled Water Distribution System Phase I-V projects are in part funded by State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2007, the five projects in Phase I had been completed and received \$15,141,192 of SRF funding. Payments on SRF loans commenced one year after the completion of construction, with principal and interest paid annually for twenty years at an annual rate of 2.5 percent. As of June 30, 2019, the outstanding balance is \$4,997,340.

- ◆ The RP-1 Pump Station and West Edison San Antonio Channel Recycled Water Pipeline A & B projects (Phase II) are also in part funded by State Revolving Fund (SRF) loans. The three projects were completed as of June 30, 2010 and received \$14,752,201 of SRF funding. Principal and interest are paid annually for twenty years at an annual rate of 2.2 percent. The outstanding balance as of June 30, 2019 is \$7,560,662.
- ◆ The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by State Revolving Fund (SRF) loan. The three projects were completed as of June 30, 2010 and received \$10,862,198 of SRF funding, with a current balance as of June 30, 2019 of \$5,454,147. These are interest free loans with principal paid annually for twenty years.
- ◆ The Recycled Water projects included in Phase IV are also in part funded by State Revolving Fund (SRF) loans. As of June 30, 2012, the four projects were completed and received \$15,061,175 of SRF funding. Principal and interest are paid annually for twenty years at an annual rate ranging from .074 percent to .214 percent. The outstanding balance as of June 30, 2019 is \$9,093,476.
- ◆ The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by a State Revolving Fund (SRF) loan. The project was completed by June 30, 2011 and received \$999,024 of SRF funding. Principal and interest are paid annually for twenty years at an annual rate of 1.0 percent. The outstanding balance at June 30, 2019 is \$573,717.
- ◆ The Recycled Water Project (Southern Area) in Phase VI is also in part funded by State Revolving Fund (SRF) loan. Principal and interest are paid annually for twenty years at an annual rate of 2.6 percent. As of June 30, 2019, the outstanding balance is \$22,674,389.
- ◆ The Recycled Water Project (Wineville Area) in Phase X is also partially funded by a State Revolving Fund (SRF) loan. Principal and interest are paid annually for 30 years at an annual rate of 1.0 percent. The outstanding balance at June 30, 2019 is \$22,206,050.
- ◆ The RP-1 Dewatering Facility Expansion project is also in part funded by a State Revolving Fund (SRF) loan of \$27,546,972. This project is the first American Recovery and Reinvestment Act (ARRA) funded project in the state and as a “green project”, qualified for an annual rate of 0.460 percent. Principal and interest are paid annually for twenty years. The outstanding balance at June 30, 2019 is \$18,225,000.
- ◆ The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2019, one hundred percent of the design and the construction phase were completed and reflects a current balance of \$22,758,576. Payments will commence in February 2020, one year after the completion of construction, with principal and interest paid annually for thirty years at an annual rate of 2.1 percent.
- ◆ The Napa Lateral project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2019, one hundred percent of the design phase and five percent of the

construction phase were completed and reflects a current balance of \$1,404,593. Payments will commence one year after the completion of construction slated for December 31, 2019, with principal and interest paid annually for thirty years at an annual rate of 1.8 percent.

- The San Sevaive Basin Improvements project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2019, one hundred percent of the design and ninety-nine percent of construction phase were completed and reflects a current balance of \$4,382,285. Payments will commence one year after the completion of construction slated for August 2019, with principal and interest paid annually for thirty years at an annual rate of 1.8 percent.

As of June 30, 2019, the future payments for the remaining loan obligations by year are as follows:

Year Ending June 30	Principal Payments	Interest Payment	Total
2020	\$ 6,039,661	\$ 1,460,736	\$ 7,500,397
2021	6,276,492	1,373,157	7,649,649
2022	7,013,707	1,505,638	8,519,345
2023	7,114,538	1,407,695	8,522,233
2024	7,217,538	1,307,637	8,525,175
2025/2029	32,234,004	5,158,351	37,392,355
2030/2034	21,755,389	3,274,465	25,029,854
2035/2039	10,324,497	1,858,304	12,182,801
2040/2044	9,329,577	1,194,205	10,523,782
2045/2049	10,105,548	518,121	10,623,669
2050/2051	1,919,284	16,954	1,936,238
Total SRF Loans	\$ 119,330,235	\$ 19,075,263	\$ 138,405,498

CITY OF FONTANA

On October 18, 2005, the Agency entered into a reimbursement agreement with the City of Fontana for the design and construction of the San Bernardino Avenue lift station and force main, to convey wastewater to the Agency's RP-4 regional water recycling facility, located at south of San Bernardino Avenue. The City of Fontana received \$9,577,747 from the State Water Resources Control Board, less \$1,596,323 in deferred interest charges for a net loan amount of \$7,981,424, for the cost of construction. The project was completed by June 30, 2010 and title and ownership of the regional lift station and force main were transferred to the Agency from the City of Fontana.

As of June 30, 2019, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
2020	\$ 482,578	\$ 79,824	\$ 562,402
2021	482,578	79,824	562,402
2022	482,578	79,824	562,402
2023	482,578	79,824	562,402
2024	482,578	79,824	562,402
2025/2028	2,143,488	325,016	2,468,504
Total SRF Loans	\$ 4,556,378	\$ 724,136	\$ 5,280,514

SANITATION DISTRICT OF LOS ANGELES COUNTY

On June 30, 2014, the Agency recorded the reimbursement agreement with the Sanitation District No. 21 of Los Angeles County (SDLAC) for the 4R (Relocation, Reconstruction, Repair or Replacement) capital charges funded with State Revolving Fund loans by SDLAC. The Agency has agreed to pay SDLAC the balance in annual installments over a six-year term at an interest rate of 2.3 percent. As of June 30, 2019, the remaining note payable obligation is as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2020	\$ 720,868	\$ 16,580	\$ 737,448
Total SDLAC Loans	\$ 720,868	\$ 16,580	\$ 737,448

SOUTHERN CALIFORNIA EDISON

On January 27, 2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting at the RP-4 facility. The Agency received \$235,151 on April 24, 2017 to be paid in ninety-five installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 230,192 kilowatt hours annually which is equivalent to \$29,802 in annual savings. Monthly savings is estimated at \$2,483. As of June 30, 2019, the balance of this note is \$168,876.

On October 30, 2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting at the CCWRF facility. The Agency received \$180,300 on March 08, 2018 to be paid in 116 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save

134,052 kilowatt hours annually which is equivalent to \$18,781 in annual savings. Monthly savings is estimated at \$1,565. As of June 30, 2019, the balance of this note is \$156,506.

On November 17, 2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting at the RP-1 facility. The Agency received \$479,539 on March 08, 2018 to be paid in seventy-three installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 629,988 kilowatt hours annually which is equivalent to \$78,938 in annual savings. Monthly savings is estimated at \$6,578. As of June 30, 2019, the balance of this note is \$388,110.

On November 22, 2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting at the at the RP-5 facility. The Agency received \$105,500 on March 08, 2018 to be paid in 120 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 89,819 kilowatt hours annually which is equivalent to \$10,550 in annual savings. Monthly savings is estimated at \$879. As of June 30, 2019, the balance of this note is \$91,434.

On November 27, 2017, the Agency entered into an On-Bill Financing Agreement with Southern California Edison (SCE) for zero-percent interest financing of the installation of energy efficient lighting at the Agency's headquarters. The Agency received \$87,600 on March 08, 2018 to be paid in 120 installments added to the SCE monthly utility bill. The energy efficient lighting is estimated to save 74,578 kilowatt hours annually which is equivalent to \$8,760 in annual savings. Monthly savings is estimated at \$730. As of June 30, 2019, the balance of this note is \$75,920.

As of June 30, 2019, the remaining note payable obligation is \$880,846.

Year Ending June 30	Principal Payments
2020	\$ 149,316
2021	146,830
2022	146,830
2023	146,830
2024	133,674
2025-2028	157,366
Total SCE Loan	<u>\$ 880,846</u>

NOTE 13: ARBITRAGE REBATE OBLIGATION

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

- The 2008B Variable Rate Demand, 2010A Refunding Revenue, and 2017A Refunding Revenue bonds are all subject to arbitrage limitations.
- The initial arbitrage rebate calculation on the 2008B bonds was due in April 2018, resulted in no arbitrage rebate due. The next installment computation date is April 2023.
- The initial arbitrage rebate calculation on the 2010A bonds was due in July 2015, resulted in no arbitrage rebate due. The next installment computation date is July 2020.
- The initial arbitrage rebate on the 2017A bonds was due in February 2018, resulted in no arbitrage rebate due. The next installment computation date is February 2022.

NOTE 14: ADVANCES TO/FROM OTHER FUNDS

The composition of advances to/from other funds balances as of June 30, 2019, is as follows:

Funds	Advances From Other Funds:	
	Recycled Water Fund	Total
Advances To Other Funds:		
Major Funds:		
Regional Wastewater Capital Improvement Fund	\$13,500,000	\$13,500,000
Non-Reclaimable Wastewater Fund	12,000,000	12,000,000
Total advances	\$25,500,000	\$25,500,000

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND & RECYCLED WATER FUND

At June 30, 2019, the Regional Wastewater Capital Improvement Fund reported an advance to the Recycled Water Fund in the amount of \$13,500,000. This advance supported the capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Program Strategy. Repayment is scheduled over several fiscal years from increased recycled water sales.

NON-MAJOR FUNDS & RECYCLED WATER FUND & WATER RESOURCES FUND

At June 30, 2019, the Non-Reclaimable Wastewater Fund reported an advance to the Recycled Water Fund, in the amount of \$12,000,000. This advance supported the capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Program Strategy. A repayment of \$3,000,000 was made during the current fiscal year. The remainder is scheduled to be repaid over several fiscal years from increased recycled water deliveries.

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

NOTE 15: INTERFUND TRANSFERS

The Regional Wastewater Capital Improvement Fund received capital support from the Regional Wastewater Operations & Maintenance Fund in the amount of \$5,359,000 for project expenses. These projects were EN17006-CCWRF Headworks and Odor Control Replacement, EN19006-RP-5 Biosolids Facility, EN24001 RP-1 Liquids Treatment Expansion, and EN24002 RP-1 Solids Treatment Expansion.

The Regional Wastewater Operations & Maintenance Fund received \$1,800,000 from the Recycled Water Fund for reimbursement of EN13016 SCADA Enterprise/Wineville project costs. It also received \$4,787,221 from the Regional Wastewater Capital Improvement Fund, \$4,481,429 to support regional wastewater system management and expansion, and \$305,792 for debt service support.

The Recycled Water Fund received transfers in the amount of \$2,474,869 from the Regional Wastewater Fund for the fund's share of the 2017A debt service payment and \$83,697 from the Administrative Services Fund for Southern California Edison receipts. It transferred a total of

\$1,136,702, to the Water Fund, Recharge Fund, and Administrative Services Fund amounting to \$436,414, \$645,767, and \$54,521 respectively.

The Water Resources Fund received \$436,414 in Water Connection Fee transfers from the Recycled Water Fund for capital support of water resource management, water expansion, and conservation projects.

Non-Major enterprise funds received transfers in the amount of \$2,998,649. These included capital support transfers totaling \$1,932,946 from the Regional Wastewater Capital Improvement Fund to Non-Reclaimable Wastewater Fund, the Recharge Fund, and the Administrative Services Fund amounting to \$166,347; \$473,421; \$1,293,178 respectively, and operations support totaling \$319,700 from Regional Wastewater Operations & Maintenance Fund to the Administrative Services Fund. The Administrative Services Fund also received \$45,715 from the Non-Reclaimable Wastewater Fund.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2019.

Transfers Out:	Transfers In:						Total					
	Regional Wastewater Capital Imprv Fund	Regional Wastewater O & M Fund	Recycled Water	Water Resources	Non-Major Enterprise Funds							
Regional Wastewater Capital Improvement Fund	\$	\$	4,787,221	\$	2,474,869	\$	-	\$	1,932,946	\$	9,195,036	
Regional Wastewater Operations & Maintenance Fund		5,359,000							319,700		5,678,700	
Recycled Water Fund			1,800,000				436,414		700,288		2,936,702	
Non-Major Enterprise Funds					83,697				45,715		129,412	
Total Transfers	\$	5,359,000	\$	6,587,221	\$	2,558,566	\$	436,414	\$	2,998,649	\$	17,939,850

NOTE 16: OPERATING LEASES

The Agency has two operating leases at June 30, 2019:

- One postage meter lease extending to June 30, 2024.
- One lease for eighteen copiers extending to June 30, 2024.

Total operating lease costs were \$63,638 for the year ended June 30, 2019. The future minimum lease payments for equipment leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 51,237
2021	28,357
2022	19,663
2023	15,336
2024	12,938
	<u>\$ 127,531</u>

NOTE 17: WATER INVENTORY

On February 17, 2016, the Board approved the Water Storage Agreement between the Agency and the Cucamonga Valley Water District (CVWD), effective March 1, 2016, for the purchase of up to 5,000 acre-feet (AF) of supplemental water. This agreement would enable the Agency to purchase and store water in the Chino Basin. As of June 30, 2019, 3,609.37 AF are held in storage by CVWD on behalf of the Agency until such time that the Agency elects to sell or transfer the stored water.

NOTE 18: DEFINED OTHER-POSTEMPLOYMENT BENEFIT (OPEB) PLAN

GENERAL INFORMATION ABOUT THE OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

PLAN DESCRIPTION

The Agency contributes to the California Public Employees Retirement System (CalPERS) Public Employees Medical and Hospital Care Act (PEMHCA) health program, an agent multiple employer defined benefit retiree healthcare plan. CalPERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California.

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

BENEFITS PROVIDED

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

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

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

EMPLOYEES COVERED

As of the June 30, 2019 (measurement date as of June 30, 2018) actuarial valuation, the following current and former employees were covered by the benefit terms under the Agency Plan:

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

CONTRIBUTIONS

The OPEB Plan and its contribution requirements are established by a Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the Agency and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, measurement date June 30, 2018, the Agency's cash contributions were \$2,561,354, \$2,000,000 in payments to the trust and \$561,354 in payments to retirees, and the estimated implied subsidy was \$105,188 resulting in total contributions of \$2,666,542.

In Fiscal Year 2014, the Agency entered into an agreement to prefund OPEB through CalPERS California Employer's Retiree Benefit Trust (CERBT). As of June 30, 2019, the Agency has funded \$15,000,000 into the CERBT trust fund towards the net OPEB liability.

NET OPEB LIABILITY

The Agency's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Payroll growth	3.00% per annum, in aggregate
Investment Rate of Return	6.50% (net of pension plan investment and administration expenses; includes inflation)
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO

Notes:

⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2015 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾ The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2015 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT		
Global Entity	40.00%	5.50%
Global Debt Securities	39.00%	2.35%
Inflation Assets	10.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	

Long-term expected rate of return is 6.50%.

DISCOUNT RATE

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CHANGES IN THE OPEB LIABILITY

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at June 30, 2018 <i>(Valuation Date June 30, 2017)</i>	\$ 16,574,885	\$ 11,688,978	\$ 4,885,907
Changes in the Year:			
Service cost	520,676	-	520,676
Interest on the total OPEB liability	1,005,737	-	1,005,737
Differences between actual and expected experience	-	-	-
Changes in assumptions	(1,161,761)	-	(1,161,761)
Contribution - employer	-	2,666,542	(2,666,542)
Net investment income	-	551,142	(551,142)
Administrative expenses	-	(6,115)	6,115
Other expenses	-	(15,471)	15,471
Benefit payments, including refunds of employee contributions	(666,542)	(666,542)	-
Net Changes	\$ (301,890)	\$ 2,529,556	\$ (2,831,446)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 16,272,995	\$ 14,218,534	\$ 2,054,461

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

The following presents the net OPEB liability of the Agency Plan, calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 4,515,172	\$ 2,054,461	\$ 71,985

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

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	Current Healthcare Cost Trend Rates (6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability	\$ (147,498)	\$ 2,054,461	\$ 4,814,931

OPEB PLAN FIDUCIARY NET POSITION

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

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

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

Net difference between projected and actual earnings on OPEB plan investments	5-year straight-line amortization
All other amounts	Expected average remaining service lifetime (EARS�) (4.0 Years at June 30, 2018)

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the fiscal year ended June 30, 2019, the Agency recognized OPEB expense of \$541,097. As of the fiscal year ended June 30, 2019, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 2,608,943	\$ -
Change in assumptions	-	929,409
Net differences between projected and actual earnings on OPEB plan investments	315,896	-
Total	\$ 2,924,839	\$ 929,409

The \$2,608,943 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$ (141,023)
2021	(141,023)
2022	(141,023)
2023	(190,444)
2024	-
Thereafter	-

NOTE 19: SUBSEQUENT EVENT

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 8, 2019, the date the financial statements were available to be issued and found no subsequent events that would affect the 2019 financial statements.

RP-5 Aeration Panel Replacement



INLAND EMPIRE UTILITIES AGENCY
Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Schedule of Contributions

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

CALPERS MISCELLANEOUS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST TEN YEARS*

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 9,766,593	\$ 9,285,958	\$ 9,486,891	\$ 9,153,741	\$ 8,354,702
Contributions in relation to the actuarially determined contributions	(9,766,593)	(9,285,958)	(9,486,891)	(9,153,741)	(8,354,702)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 28,525,130	\$ 29,042,418	\$ 27,131,239	\$ 25,127,054	\$ 23,007,322
Contributions as a percentage of covered payroll	34.24%	31.97%	34.97%	36.43%	36.31%

Notes to Schedule:

Valuation Date 6/30/2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.375%, net of pension plan investment and administrative expense, includes inflation
Retirement age	55 years (2.5%@55, 2%@55, and 2%@62)
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using Society of Actuaries 90 percent of scale MP 2016.

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

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

	2019	2018	2017	2016	2015
	(Measurement Date June 30, 2018)	(Measurement Date June 30, 2017)	(Measurement Date June 30, 2016)	(Measurement Date June 30, 2015)	(Measurement Date June 30, 2014)
Total Pension Liability:					
Service cost	\$ 4,646,509	\$ 4,454,352	\$ 3,749,410	\$ 3,685,630	\$ 3,768,503
Interest on total pension liability	13,746,742	12,950,950	12,103,023	11,654,818	10,818,920
Differences between expected and actual experience	2,100,628	1,897,341	(3,516,255)	2,049,978	-
Changes in assumptions	(1,453,107)	11,206,890	-	(2,979,771)	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(7,528,545)	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Net Change in Total Pension Liability	11,512,227	24,000,182	6,072,637	8,679,847	9,282,433
Total Pension Liability - Beginning of Year	193,055,604	169,055,422	162,982,785	154,302,938	145,020,505
Total Pension Liability - End of Year (a)	\$ 204,567,831	\$ 193,055,604	\$ 169,055,422	\$ 162,982,785	\$ 154,302,938
Plan Fiduciary Net Position:					
Contributions - employer	\$ 9,461,289	\$ 9,481,188	\$ 9,014,122	\$ 8,330,807	\$ 3,733,583
Contributions - employee	2,374,114	2,170,535	1,949,174	1,812,908	2,374,649
Net investment income	13,002,740	15,011,231	649,762	2,718,511	17,346,113
Benefit payments	(7,528,545)	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Net plan to plan resources movement	(385)	-	-	-	-
Administrative Expense	(233,464)	(191,729)	(75,929)	(140,237)	-
Other miscellaneous income/(expense)	(443,351)	-	-	-	-
Net Change in Plan Fiduciary Net Position	16,632,398	19,961,874	5,273,588	6,991,181	18,149,355
Plan Fiduciary Net Position - Beginning of Year	149,821,803	129,859,929	124,586,341	117,595,160	99,445,805
Plan Fiduciary Net Position - End of Year (b)	\$ 166,454,201	\$ 149,821,803	\$ 129,859,929	\$ 124,586,341	\$ 117,595,160
Net Pension Liability - Ending (a)-(b)	\$ 38,113,630	\$ 43,233,801	\$ 39,195,493	\$ 38,396,444	\$ 36,707,778
Plan fiduciary net position as a percentage of the total pension liability	81.37%	77.61%	76.82%	76.44%	76.21%
Covered payroll	\$ 29,042,418	\$ 27,131,239	\$ 25,127,054	\$ 23,007,322	\$ 23,082,763
Net pension liability as percentage of covered payroll	131.23%	159.35%	155.99%	166.89%	159.03%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

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

CALPERS RETIREE HEALTHCARE PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST TEN YEARS*

	2019	2018
Actuarially determined contribution	\$ 2,608,943	\$ 2,561,354
Contributions in relation to the actuarially determined contributions	(2,608,943)	(2,561,354)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 3,737,662	\$ 3,788,381
Contributions as a percentage of covered-employee payroll	69.80%	67.61%

Notes to Schedule:

Valuation Date 6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

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

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

CALPERS RETIREE HEALTHCARE PLAN
SCHEDULE OF CHANGES IN THE NET OTHER POST EMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS
LAST TEN YEARS*

	2019	2018
	(Measurement Date June 30, 2018)	(Measurement Date June 30, 2017)
Total OPEB Liability:		
Service cost	\$ 520,676	\$ 491,205
Interest on total OPEB liability	1,005,737	954,618
Changes in assumptions	(1,161,761)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(666,542)	(580,077)
Net Change in Total OPEB Liability	(301,890)	865,746
Total OPEB Liability - Beginning of Year	16,574,885	15,709,139
Total OPEB Liability - End of Year (a)	\$ 16,272,995	\$ 16,574,885
Plan Fiduciary Net Position:		
Contributions - employer	\$ 2,666,542	\$ 2,580,077
Contributions - employee	-	-
Net investment income	551,142	372,066
Benefit payments	(666,542)	(580,077)
Administrative Expense	(6,115)	(4,884)
Other expense	(15,471)	-
Net Change in Plan Fiduciary Net Position	2,529,556	2,367,182
Plan Fiduciary Net Position - Beginning of Year	11,688,978	9,321,796
Plan Fiduciary Net Position - End of Year (b)	\$ 14,218,534	\$ 11,688,978
Net OPEB Liability - Ending (a)-(b)	\$ 2,054,461	\$ 4,885,907
Plan fiduciary net position as a percentage of the total OPEB liability	87.38%	70.52%
Covered-employee payroll	\$ 3,788,381	\$ 3,507,284
Net OPEB liability as percentage of covered-employee payroll	54.23%	139.31%

Notes to Schedule:

Changes in Assumptions:

There were no changes in assumptions.

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

Plant Wide Arc Flash Mitigation



INLAND EMPIRE UTILITIES AGENCY

Supplementary Information

SUPPLEMENTARY SCHEDULES

Non-Major Enterprise Fund Statements

NON-RECLAIMABLE WASTEWATER FUND

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

RECHARGE WATER FUND

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

ADMINISTRATIVE SERVICES FUND

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

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Net Position
June 30, 2019

(With Comparative Totals for June 30, 2018)

	Non-Major Enterprise Funds	
	Non-reclaimable	Recharge
	Wastewater	Water
ASSETS		
Current assets		
Cash and investments	\$ 9,453,885	\$ 2,677,844
Accounts receivable	2,533,946	49,592
Interest receivable	1,244,303	12,124
Taxes receivable	-	-
Other receivables	-	-
Inventory	-	-
Prepaid items	-	-
Total current assets	13,232,134	2,739,560
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	49	880,052
Total restricted assets	49	880,052
Capital assets		
Land	-	-
Jobs in progress	807,465	4,906,460
Capital assets, net of accumulated depreciation	12,686,431	38,917,630
Intangible assets, net of accumulated amortization	1,527,949	-
Total capital assets	15,021,845	43,824,090
Other assets		
Advances to other funds	12,000,000	-
Total other assets	12,000,000	-
Total noncurrent assets	27,021,894	44,704,142
Total assets	40,254,028	47,443,702
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	320,560	-
Deferred outflow net other postemployment benefit liability	140,922	59,227
Deferred outflow related to net pension liability	851,891	350,691
Total deferred outflows of resources	1,313,373	409,918

Administrative Services	Totals	
	2019	2018
\$ 24,346,846	\$ 36,478,575	\$ 28,982,823
1,676,726	4,260,264	5,826,668
111,363	1,367,790	984,501
7,634	7,634	19,707
38,146	38,146	52,030
1,220,849	1,220,849	1,389,712
104,112	104,112	110,823
<u>27,505,676</u>	<u>43,477,370</u>	<u>37,366,264</u>
-	880,101	865,672
-	880,101	865,672
20,829	20,829	20,829
1,312,668	7,026,593	4,757,020
12,326,351	63,930,412	66,027,083
<u>1,830,549</u>	<u>3,358,498</u>	<u>3,941,070</u>
<u>15,490,397</u>	<u>74,336,332</u>	<u>74,746,002</u>
-	12,000,000	15,000,000
-	12,000,000	15,000,000
<u>15,490,397</u>	<u>87,216,433</u>	<u>90,611,674</u>
<u>42,996,073</u>	<u>130,693,803</u>	<u>127,977,938</u>
-	320,560	342,924
171,419	371,568	352,240
901,478	2,104,060	2,598,620
<u>1,072,897</u>	<u>2,796,188</u>	<u>3,293,784</u>

(continued)

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Net Position (Continued from previous page)
June 30, 2019

(With Comparative Totals for June 30, 2018)

	Non-Major Enterprise Funds	
	Non-reclaimable	Recharge
	Wastewater	Water
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,226,837	\$ 339,548
Accrued liabilities	84	274
Compensated absences	-	-
Retentions payable	-	70,644
Long-term debt, due within one year	304,534	738,983
Notes payable, due within one year	720,868	-
Interest payable	64,329	12,471
Total current liabilities	2,316,652	1,161,920
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year	6,501,677	11,524,647
Notes payable, due in more than one year	-	-
Net other postemployment benefit liability (note 5)	98,269	41,510
Net pension liability	2,087,348	731,505
Total noncurrent liabilities	8,687,294	12,297,662
Total liabilities	11,003,946	13,459,582
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	46,590	19,055
Deferred inflow related to net pension liability	174,565	58,268
Total deferred inflows of resources	221,155	77,323
NET POSITION		
Net investment in capital assets	8,215,682	32,397,586
Restricted for:		
Bond operating contingency requirement	3,421,069	-
Total restricted	3,421,069	-
Unrestricted	18,705,549	1,919,129
Total net position	\$30,342,300	\$ 34,316,715

Administrative Services	Totals	
	2019	2018
\$ 830,749	\$ 2,397,134	\$ 4,123,385
2,024,749	2,025,107	2,299,907
1,957,526	1,957,526	1,706,458
-	70,644	47,029
-	1,043,517	1,004,235
-	720,868	704,809
-	76,800	92,587
4,813,024	8,291,596	9,978,410
3,501,078	3,501,078	3,428,764
-	18,026,324	19,136,261
-	-	720,868
126,715	266,494	623,776
2,051,910	4,870,763	5,589,303
5,679,703	26,664,659	29,498,972
10,492,727	34,956,255	39,477,382
38,541	104,186	-
62,889	295,722	290,316
101,430	399,908	290,316
15,490,397	56,103,665	54,061,561
361,126	3,782,195	3,739,863
361,126	3,782,195	3,739,863
17,623,290	38,247,968	33,702,600
\$ 33,474,813	\$ 98,133,828	\$ 91,504,024

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for June 30, 2018)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
OPERATING REVENUES		
Service charges	\$ 12,455,880	\$ -
Total operating revenues	12,455,880	-
OPERATING EXPENSES		
Wastewater collection	8,400,872	-
Administration and general	1,862,336	1,867,435
Depreciation and amortization	1,017,119	1,430,309
Total operating expenses	11,280,327	3,297,744
Operating income (loss)	1,175,553	(3,297,744)
NONOPERATING REVENUES (EXPENSES)		
Interest income	455,869	76,677
Property tax revenue	-	-
Other nonoperating revenues	84,153	3,147,041
Interest on long-term debt	(306,015)	(170,035)
Other nonoperating expenses	40,043	(66,639)
Total nonoperating revenues (expenses)	274,050	2,987,044
Income (loss) before capital contributions and transfers	1,449,603	(310,700)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	166,347	1,119,188
Transfers out	(45,715)	-
Capital grants	-	481,860
Change in net position	1,570,235	1,290,348
Total net position - beginning	\$28,772,065	33,026,367
Total net position - ending	\$ 30,342,300	\$ 34,316,715

Administrative Services	Totals	
	2019	2018
<u>\$ -</u>	<u>\$ 12,455,880</u>	<u>\$ 12,960,607</u>
<u>-</u>	<u>12,455,880</u>	<u>12,960,607</u>
-	8,400,872	8,286,240
1,092,463	4,822,234	4,400,485
<u>1,583,090</u>	<u>4,030,518</u>	<u>4,235,011</u>
<u>2,675,553</u>	<u>17,253,624</u>	<u>16,921,736</u>
<u>(2,675,553)</u>	<u>(4,797,744)</u>	<u>(3,961,129)</u>
364,936	897,482	509,757
1,972,200	1,972,200	1,972,200
3,672,577	6,903,771	4,477,986
-	(476,050)	(488,630)
<u>(1,194,356)</u>	<u>(1,220,952)</u>	<u>(1,765,744)</u>
<u>4,815,357</u>	<u>8,076,451</u>	<u>4,705,569</u>
2,139,804	3,278,707	744,440
1,713,114	2,998,649	4,387,007
(83,697)	(129,412)	(88,432)
<u>-</u>	<u>481,860</u>	<u>83,697</u>
<u>3,769,221</u>	<u>6,629,804</u>	<u>5,126,712</u>
<u>29,705,592</u>	<u>91,504,024</u>	<u>86,377,312</u>
<u>\$ 33,474,813</u>	<u>\$ 98,133,828</u>	<u>\$ 91,504,024</u>

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for June 30, 2018)

	Non-Major Enterprise Funds	
	Non-Reclaimable	Recharge
	Wastewater	Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 13,246,724	\$ -
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(9,785,800)	(1,245,117)
Cash payments to employees for services	(947,721)	(677,077)
Cash payments for interfund services used	(1,228,729)	(216,394)
Net cash provided by (used for) operating activities	1,284,474	(2,138,588)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	166,347	1,119,188
Transfers out	(45,715)	-
Contract reimbursement from others	84,153	4,379,852
Tax revenues	-	-
Cash paid to others	-	-
Advances to other funds	3,000,000	-
Net cash provided by (used for) noncapital financing activities	3,204,785	5,499,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(559,877)	(1,789,682)
Capital grants	-	481,860
Principal paid on capital debt	(1,065,295)	(710,170)
Interest paid on capital debt	(283,653)	(397,248)
Bond administration fees	22,364	-
Contractor deposits collected	-	70,644
Net cash provided by (used for) capital and related financing activities	(1,886,461)	(2,344,596)

Administrative Services	Totals	
	2019	2018
\$ (280,899)	\$ 12,965,825	\$ 25,915,672
28,331,470	28,331,470	27,129,610
(7,262,372)	(18,293,289)	(28,600,827)
(22,184,461)	(23,809,259)	(22,839,194)
-	(1,445,123)	(1,408,821)
(1,396,262)	(2,250,376)	196,440
1,713,114	2,998,649	4,387,007
(83,697)	(129,412)	(88,432)
1,306,864	5,770,869	3,714,242
1,984,273	1,984,273	1,969,031
(1,162,075)	(1,162,075)	(1,621,961)
-	3,000,000	-
3,758,479	12,462,304	8,359,887
(1,269,752)	(3,619,311)	(4,432,326)
-	481,860	83,697
-	(1,775,465)	(1,893,065)
(32,281)	(713,182)	(672,997)
-	22,364	22,366
(47,029)	23,615	3,466
(1,349,062)	(5,580,119)	(6,888,859)
		(Continued)

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$ 100,378	\$ 67,203
Sale of investments	-	-
Net cash provided by (used for) investing activities	100,378	67,203
Net increase (decrease) in cash and cash equivalents	2,703,176	1,083,059
Cash and cash equivalents - beginning	6,750,758	2,474,837
Cash and cash equivalents - ending	<u>\$ 9,453,934</u>	<u>\$ 3,557,896</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,175,552	\$ (3,297,744)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	1,017,119	1,430,309
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	790,844	-
Short term receivables	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	458,116	41,930
Deferred outflow related to net other post employment benefit	(8,215)	(3,387)
Accounts payable	(1,503,008)	(189,645)
Accrued liabilities	74	177
Deferred inflow related to net pension liability	(318,040)	20,628
Deferred inflow related to net other post employment benefit	46,590	19,055
Net other postemployment benefits liability	(136,738)	(57,377)
Net pension liability	(237,820)	(102,534)
Compensated absences	-	-
Net cash provided by (used for) operating activities	<u>\$ 1,284,474</u>	<u>\$ (2,138,588)</u>

Administrative Services	Totals	
	2019	2018
\$ 346,612	\$ 514,193	\$ 219,756
<u>2,364,179</u>	<u>2,364,179</u>	<u>(343,029)</u>
<u>2,710,791</u>	<u>2,878,372</u>	<u>(123,273)</u>
<u>3,723,946</u>	<u>7,510,181</u>	<u>1,544,195</u>
<u>20,622,900</u>	<u>29,848,495</u>	<u>28,304,300</u>
<u>\$ 24,346,846</u>	<u>\$ 37,358,676</u>	<u>\$ 29,848,495</u>
\$ (2,675,553)	\$ (4,797,745)	\$ (3,961,129)
1,583,090	4,030,518	4,235,011
(294,783)	496,061	12,928,702
13,884	13,884	26,363
168,863	168,863	164,008
6,711	6,711	(16,484)
374,737	874,783	(1,539,110)
(7,726)	(19,328)	-
(33,599)	(1,726,252)	(12,909,744)
(275,051)	(274,800)	15,639
(77,406)	(374,818)	509,187
38,541	104,186	-
(163,166)	(357,281)	391,947
(378,186)	(718,540)	293,264
<u>323,382</u>	<u>323,382</u>	<u>58,786</u>
<u>\$ (1,396,262)</u>	<u>\$ (2,250,376)</u>	<u>\$ 196,440</u>

(Continued)

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

Non-Major Enterprise Funds	
Non-Reclaimable	Recharge
Wastewater	Water

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

Cash and short-term investments	\$ 9,453,885	\$ 2,677,844
Restricted assets	49	880,052
Cash & cash equivalents at end of year	<u>\$ 9,453,934</u>	<u>\$ 3,557,896</u>

Administrative Services	Totals	
	2019	2018
\$ (8,756,180)	\$ 3,375,549	\$ 4,206,129
33,103,026	33,983,127	25,642,366
<u>\$ 24,346,846</u>	<u>\$ 37,358,676</u>	<u>\$ 29,848,495</u>

RP-4 Wet Well Cleaning Support



INLAND EMPIRE UTILITIES AGENCY

Regional Wastewater Program

THE REGIONAL WASTEWATER PROGRAM CONSISTS OF THE FOLLOWING FUNDS:

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND

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

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

REGIONAL WASTEWATER OPERATIONS AND MAINTENANCE FUND

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

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

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Fund
Combining Schedule of Net Position by Subfund
June 30, 2019
(With Comparative Totals for June 30, 2018)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2019	2018
ASSETS				
Current assets				
Cash and investments	\$ 23,798,050	\$ 72,700,284	\$ 96,498,334	\$ 90,632,247
Accounts receivable	426,330	14,486,039	14,912,369	14,371,549
Interest receivable	878,181	327,728	1,205,909	842,357
Taxes receivable	110,717	36,961	147,678	380,000
Other receivables	508,321	7	508,328	206,744
Prepaid items	1,201	-	1,201	1,201
Total current assets	25,722,800	87,551,019	113,273,819	106,434,098
Noncurrent assets				
Restricted assets				
Deposits held by governmental agencies	66,473,575	-	66,473,575	55,559,538
Assets held with trustee/fiscal agents	1,726,107	78,423	1,804,530	2,618,375
Total restricted assets	68,199,682	78,423	68,278,105	58,177,913
Capital assets				
Land	14,047,045	-	14,047,045	14,047,045
Jobs in progress	45,385,329	27,175,732	72,561,061	66,795,355
Capital assets, net of accumulated depreciation	272,999,982	50,273,126	323,273,108	307,532,532
Intangible assets, net of accumulated amortization	5,129,951	1,031,817	6,161,768	6,326,213
Total capital assets	337,562,307	78,480,675	416,042,982	394,701,145
Other assets				
Long-term investments	42,545,055	-	42,545,055	43,482,843
Advances to other funds	13,500,000	-	13,500,000	13,500,000
Long-term receivables	3,255,780	-	3,255,780	3,918,169
Prepaid Interest - SRF loans	724,136	-	724,136	803,960
Total other assets	60,024,971	-	60,024,971	61,704,972
Total noncurrent assets	465,786,960	78,559,098	544,346,058	514,584,030
Total assets	491,509,760	166,110,117	657,619,877	621,018,128
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to debt refunding	2,019,893	192,561	2,212,454	2,488,992
Deferred outflow net other postemployment benefit liability	276,379	1,922,701	2,199,080	2,075,790
Deferred outflow related to net pension liability	1,636,927	11,320,340	12,957,267	15,633,392
Total deferred outflows of resources	3,933,199	13,435,602	17,368,801	20,198,174

(Continued) (Continued)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2019	2018
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,730,388	\$ 4,211,922	\$ 6,942,310	\$ 7,715,965
Accrued liabilities	21,385	61,517	82,902	33,023
Retentions payable	386,945	644,674	1,031,619	843,021
Long-term debt, due within one year	7,523,951	182,933	7,706,884	7,259,121
Notes payable, due within one year	1,846,222	700,538	2,546,760	1,985,199
Interest payable	582,685	174,503	757,188	720,894
Retention deposits and escrows	-	78,394	78,394	920,318
Total current liabilities	13,091,576	6,054,481	19,146,057	19,477,541
Noncurrent liabilities				
Long-term debt, due in more than one year	64,233,250	3,905,563	68,138,813	76,540,584
Notes payable, due in more than one year	20,935,157	22,938,883	43,874,040	43,348,179
Net other postemployment benefits liability	193,849	1,355,181	1,549,030	3,675,971
Net pension liability	4,326,811	24,027,999	28,354,810	32,258,409
Total noncurrent liabilities	89,689,067	52,227,626	141,916,693	155,823,143
Total liabilities	102,780,643	58,282,107	161,062,750	175,300,684
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow net other postemployment benefit liability	88,542	599,248	687,790	-
Deferred inflow related to net pension liability	462,092	1,064,292	1,526,384	1,741,847
Total deferred inflows of resources	550,634	1,663,540	2,214,174	1,741,847
NET POSITION				
Net Investment in capital assets	244,666,126	51,633,632	296,299,758	268,289,698
Restricted for:				
Capital construction	65,994,860	-	65,994,860	55,559,538
SRF Loan debt service	1,447,479	1,005,648	2,453,127	2,515,535
Bond operating contingency requirement	1,811,221	17,672,678	19,483,899	19,817,873
Total restricted	69,253,560	18,678,326	87,931,886	77,892,946
Unrestricted	78,191,996	49,288,114	127,480,110	117,991,127
Total net position	\$ 392,111,682	\$ 119,600,072	\$ 511,711,754	\$ 464,173,771

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, 2019
(With Comparative Totals for June 30, 2018)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2019	2018
OPERATING REVENUES				
Service charges	\$ -	\$ 66,498,642	\$ 66,498,642	\$ 62,144,346
Total operating revenues	-	66,498,642	66,498,642	62,144,346
OPERATING EXPENSES				
Wastewater collection	-	1,940,237	1,940,237	1,704,444
Wastewater treatment	-	23,829,235	23,829,235	26,617,534
Wastewater disposal	-	11,316,753	11,316,753	10,236,087
Administration and general	5,433,649	15,922,738	21,356,387	20,895,540
Depreciation and amortization	19,557,478	4,182,079	23,739,557	22,860,802
Total operating expenses	24,991,127	57,191,042	82,182,169	82,314,407
Operating income (loss)	(24,991,127)	9,307,600	(15,683,527)	(20,170,061)
NONOPERATING REVENUES (EXPENSES)				
Interest income	894,468	1,666,979	2,561,447	1,421,292
Property tax revenue	34,476,051	9,548,600	44,024,651	41,017,338
Wastewater capital connection fees	22,914,037	-	22,914,037	32,849,912
Other nonoperating revenues	26,879	4,529,436	4,556,315	5,632,415
Interest on long-term debt	(2,785,816)	(845,809)	(3,631,625)	(3,183,046)
Other nonoperating expenses	(601,301)	(4,386,175)	(4,987,476)	(7,629,833)
Total nonoperating revenues (expenses)	54,924,318	10,513,031	65,437,349	70,108,078
Income (loss) before capital contributions and transfers	29,933,191	19,820,631	49,753,822	49,938,017
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	5,359,000	6,587,221	11,946,221	1,825,921
Transfers out	(9,195,036)	(5,678,700)	(14,873,736)	(7,908,332)
Capital grants	-	711,676	711,676	3,641,530
Change in net position	26,097,155	21,440,828	47,537,983	47,497,136
Total net position - beginning	366,014,527	98,159,244	464,173,771	416,676,635
Total net position - ending	\$ 392,111,682	\$ 119,600,072	\$ 511,711,754	\$ 464,173,771

INLAND EMPIRE UTILITIES AGENCY

Recycled Water Fund

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

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

INLAND EMPIRE UTILITIES AGENCY
Recycled Water Fund
Schedule of Net Position
June 30, 2019

(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
ASSETS		
Current assets		
Cash and investments	\$ 17,257,245	\$ 19,171,481
Accounts receivable	7,363,143	10,258,977
Interest receivable	78,133	69,339
Taxes receivable	8,422	21,740
Other receivable	89,268	88,068
Prepaid items	3,500	3,500
Total current assets	24,799,711	29,613,105
Noncurrent assets		
Restricted assets		
Restricted short-term investments	14,137,212	10,882,109
Assets held with trustee/fiscal agents	42,967	267
Total restricted assets	14,180,179	10,882,376
Capital assets		
Jobs in progress	15,263,126	9,809,127
Capital assets, net of accumulated depreciation	163,907,439	171,356,894
Intangible assets, net of accumulated amortization	566,342	463,654
Total capital assets	179,736,907	181,629,675
Other assets		
Long term receivables	830,283	919,551
Prepaid interest - SRF loans	882,614	973,130
Total other assets	1,712,897	1,892,681
Total noncurrent assets	195,629,983	194,404,732
Total assets	220,429,694	224,017,837
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	1,315,335	1,407,104
Deferred outflow net other postemployment benefit liability	240,467	225,169
Deferred outflow related to net pension liability	1,535,028	1,724,180
Total deferred outflows of resources	3,090,830	3,356,453
		(Continued)

	Totals	
	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,393,750	\$ 1,580,542
Accrued liabilities	9	30,690
Retentions payable	110,093	189,070
Long term debt, due within one year	1,249,599	1,206,644
Notes payable, due within one year	4,124,795	4,056,706
Interest payable	2,494,618	1,875,859
Retention deposits and escrows	42,767	-
Total current liabilities	9,415,631	8,939,511
Noncurrent liabilities		
Advances from other funds	25,500,000	28,500,000
Long-term debt, due in more than one year	26,678,467	28,200,611
Notes payable, due in more than one year	74,221,864	75,978,197
Other noncurrent liabilities	589,298	579,358
Net other postemployment benefits liability	163,633	398,747
Net pension liability	3,501,299	3,856,936
Total noncurrent liabilities	130,654,561	137,513,849
Total liabilities	140,070,192	146,453,360
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	89,734	-
Deferred inflow related to net pension liability	198,924	220,696
Total deferred inflows of resources	288,658	220,696
NET POSITION		
Net Investment in capital assets	87,599,595	72,187,783
Restricted for:		
Capital construction	14,137,212	10,882,109
SRF Loan debt service	6,859,156	6,661,117
Total restricted	20,996,368	17,543,226
Unrestricted	(25,434,289)	(9,030,775)
Total net position	\$ 83,161,674	\$ 80,700,234

INLAND EMPIRE UTILITIES AGENCY
Recycled Water Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES		
Recycled water sales	\$ 13,901,786	\$ 16,877,757
Total operating revenue	13,901,786	16,877,757
OPERATING EXPENSES		
Operations and Maintenance	3,860,564	3,323,965
Administration and general	5,177,780	4,389,285
Depreciation and amortization	8,528,535	8,602,399
Total operating expenses	17,566,879	16,315,649
Operating income (loss)	(3,665,093)	562,108
NONOPERATING REVENUES (EXPENSES)		
Interest income	768,635	370,505
Property tax revenue	2,170,100	2,170,100
Water connection fees	5,916,291	7,889,278
Other nonoperating revenues	24,240	221,178
Interest on long-term debt	(2,225,914)	(2,326,999)
Other nonoperating expenses	(901,472)	(882,168)
Total nonoperating revenues (expenses)	5,751,880	7,441,894
Income (loss) before capital contributions and transfers	2,086,787	8,004,002
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	2,558,566	2,396,979
Transfers out	(2,936,702)	(934,295)
Capital grants	752,789	2,163,585
Change in net position	2,461,440	11,630,271
Total net position - beginning	80,700,234	69,069,963
Total net position - ending	\$ 83,161,674	\$ 80,700,234

INLAND EMPIRE UTILITIES AGENCY

Water Resources Fund

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

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

- ◆ Monthly meter equivalent unit (MEU) charges to support program costs based on meter size consistent with member water agencies structure.
- ◆ Seven-year phased implementation to obtain full recovery of the MWD Readiness-to-Serve (RTS) pass through direct charge to member agencies. Cost recovery is based on the ten-year average imported water consumption by water agencies.
- ◆ Use of property taxes to support the RTS fees not recovered through direct charges during the seven-year implementation period.
- ◆ Continued receipt of grants and reimbursements from various sources including State, Federal, and local agencies for regional water efficiency programs.

INLAND EMPIRE UTILITIES AGENCY
Water Resources Fund
Schedule of Net Position
June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
ASSETS		
Current assets		
Cash and investments	\$ 11,949,268	\$ 8,377,333
Accounts receivable	9,624,874	9,634,979
Interest receivable	54,102	31,490
Taxes receivable	7,574	19,550
Water inventory	2,275,783	2,277,467
Total current assets	23,911,601	20,340,819
Noncurrent assets		
Capital assets		
Jobs in progress	1,799,827	396,962
Capital assets, net of accumulated depreciation	17,744	18,290
Intangible assets, net of accumulated amortization	5,967	10,366
Total capital assets	1,823,538	425,618
Other assets		
Long-term receivables	48,313	48,313
Total other assets	48,313	48,313
Total noncurrent assets	1,871,851	473,931
Total assets	25,783,452	20,814,750
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	113,724	105,831
Deferred outflow related to net pension liability	766,572	875,820
Total deferred outflows of resources	880,296	981,651
LIABILITIES		
Current liabilities		
Accounts payable	8,806,987	8,719,437
Accrued liabilities	569,170	573,105
Total current liabilities	9,376,157	9,292,542
Noncurrent liabilities		
Net other post-employment benefits liability	75,304	187,413
Net pension liability	1,386,758	1,529,153
Total noncurrent liabilities	1,462,062	1,716,566
Total liabilities	10,838,219	11,009,108
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	47,699	-
Deferred inflow related to net pension liability	33,451	100,375
Total deferred inflows of resources	81,150	100,375
NET POSITION		
Net Investment in capital assets	1,823,538	425,618
Unrestricted	13,920,841	10,261,300
Total net position	\$ 15,744,379	\$ 10,686,918

INLAND EMPIRE UTILITIES AGENCY
Water Resources Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES		
Sales	\$ 45,519,432	\$ 45,998,819
Service charges	6,265,775	5,344,393
Total operating revenues	51,785,207	51,343,212
OPERATING EXPENSES		
Water Purchases	45,519,432	45,998,819
Operations and maintenance	1,456,827	1,399,455
Administration and general	5,254,061	4,882,109
Depreciation and amortization	4,945	5,367
Total operating expenses	52,235,265	52,285,750
Operating income (loss)	(450,058)	(942,538)
NONOPERATING REVENUES (EXPENSES)		
Interest income	225,741	100,003
Property tax revenue	4,873,127	3,253,805
Other nonoperating revenues	268,229	420,422
Other nonoperating expenses	(518,514)	(380,703)
Total nonoperating revenues (expenses)	4,848,583	3,393,527
Income (loss) before capital contributions and transfers	4,398,525	2,450,989
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	436,414	321,152
Capital grants	222,522	218,720
Change in net position	5,057,461	2,990,861
Total net position - beginning	10,686,918	7,696,057
Total net position - ending	\$ 15,744,379	\$ 10,686,918

RP-1 Flare Improvements



INLAND EMPIRE UTILITIES AGENCY

Non-Reclaimable Wastewater Fund

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

A pass-through rate structure was implemented to allow the Agency to recover operating and capital fees billed by the Sanitation District of Los Angeles County (SDLAC) and Santa Ana Watershed Project Authority (SAWPA) for the north and south systems, respectively. These charges are comprised of volumetric, peaking factor, and strength fees for the North System; capacity, volumetric, and strength fees for the South System. Different rates apply to the North and South Systems.

In addition to the pass-through rates which fully recover operating and capital costs from SDLAC and SAWPA, the Agency collects agency program charges based on the number of capacity units from the NRW industries in the north system. A fifty percent operating surcharge on the volumetric, capacity, and strength charges for non-recycled water users is collected from NRW industries in the south system. The Agency's program charge and operating surcharge support the Agency's program costs.

INLAND EMPIRE UTILITIES AGENCY
Non-reclaimable Wastewater Fund
Schedule of Net Position
June 30, 2019

(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
ASSETS		
Current assets		
Cash and investments	\$ 9,453,885	\$ 6,750,693
Accounts receivable	2,533,946	3,324,790
Interest receivable	1,244,303	888,812
Total current assets	13,232,134	10,964,295
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	49	65
Total restricted assets	49	65
Capital assets		
Jobs in progress	807,465	351,063
Capital assets, net of accumulated depreciation	12,686,431	13,435,478
Intangible assets, net of accumulated amortization	1,527,949	1,692,545
Total capital assets	15,021,845	15,479,086
Other assets		
Advances to other funds	12,000,000	15,000,000
Total other assets	12,000,000	15,000,000
Total noncurrent assets	27,021,894	30,479,151
Total assets	40,254,028	41,443,446
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to debt refunding	320,560	342,924
Deferred outflow net other postemployment benefit liability	140,922	132,707
Deferred outflow related to net pension liability	851,891	929,783
Total deferred outflows of resources	1,313,373	1,405,414

(Continued)

	Totals	
	2018	2018
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,226,837	\$ 2,729,845
Accrued liabilities	84	10
Long term Debt, due within one year	304,534	294,065
Notes payable, due within one year	720,868	704,809
Interest payable	64,329	82,010
Total current liabilities	2,316,652	3,810,739
Noncurrent liabilities		
Long-term debt, due in more than one year	6,501,677	6,872,631
Notes payable, due in more than one year	-	720,868
Net other postemployment benefits liability	98,269	235,008
Net pension liability	2,087,348	2,325,168
Total noncurrent liabilities	8,687,294	10,153,675
Total liabilities	11,003,946	13,964,414
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	46,590	-
Deferred inflow related to net pension liability	174,565	112,381
Total deferred inflows of resources	221,155	112,381
NET POSITION		
Net Investment in capital assets	8,215,682	6,902,837
Restricted for:		
Bond operating contingency requirement	3,421,069	3,368,703
Total restricted	3,421,069	3,368,703
Unrestricted	18,705,549	18,500,525
Total net position	\$ 30,342,300	\$ 28,772,065

INLAND EMPIRE UTILITIES AGENCY
Non-reclaimable Wastewater Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES		
Service charges	\$ 12,455,880	\$ 12,960,607
Total operating revenues	12,455,880	12,960,607
OPERATING EXPENSES		
Wastewater collection	8,400,872	8,286,240
Administration and general	1,862,336	1,819,855
Depreciation and amortization	1,017,119	1,059,120
Total operating expenses	11,280,327	11,165,215
Operating income (loss)	1,175,553	1,795,392
NONOPERATING REVENUES (EXPENSES)		
Interest income	455,869	273,599
Other nonoperating revenues	84,153	170,016
Interest on long-term debt	(306,015)	(340,578)
Other nonoperating expenses	40,043	43,679
Total nonoperating revenues (expenses)	274,050	146,716
Income (loss) before transfers	1,449,603	1,942,108
TRANSFERS		
Transfers in	166,347	107,447
Transfers out	(45,715)	(88,432)
Change in net position	1,570,235	1,961,123
Total net position - beginning	28,772,065	26,810,942
Total net position - ending	\$ 30,342,300	\$ 28,772,065

INLAND EMPIRE UTILITIES AGENCY

Recharge Water Fund

The Recharge Water Fund accounts for the revenues and expenses associated with the groundwater recharge operations and maintenance through the joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control District (SBCFCD), and the Inland Empire Utilities Agency.

Expenses include general basin maintenance or restoration costs, groundwater administration (e.g. labor, utilities, equipment, and tools), contracted services (e.g. weeding and vector control), as well as compliance reporting and environmental documentation for the program's Fish & Game Permit. The operations and maintenance budget are partially funded by the Chino Basin Watermaster (CBWM) and the Agency.

Revenues include reimbursements from: CBWM for operating, debt service, and capital project costs, interfund transfers from the Recycled Water Fund for the Agency's share of project and operating costs, grant proceeds, and interest earnings on the programs reserve balance.

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

INLAND EMPIRE UTILITIES AGENCY
Recharge Water Fund
Schedule of Net Position
June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
ASSETS		
Current assets		
Cash and investments	\$ 2,677,844	\$ 1,609,230
Accounts receivable	49,592	1,119,935
Interest receivable	12,124	2,650
Total current assets	2,739,560	2,731,815
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	880,052	865,607
Total restricted assets	880,052	865,607
Capital assets		
Jobs in progress	4,906,460	3,116,777
Capital assets net of accumulated depreciation	38,917,630	40,347,939
Total capital assets	43,824,090	43,464,716
Total noncurrent assets	44,704,142	44,330,323
Total assets	47,443,702	47,062,138
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	59,227	55,840
Deferred outflow related to net pension liability	350,691	392,622
Total deferred outflows of resources	409,918	448,462

(Continued)

	Totals	
	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	\$ 339,548	\$ 529,193
Accrued liabilities	274	97
Retentions payable	70,644	-
Long-term debt, due within one year	738,983	710,170
Interest payable	12,471	10,577
Total current liabilities	1,161,920	1,250,037
Noncurrent liabilities		
Long-term debt, due in more than one year	11,524,647	12,263,630
Net other postemployment benefits liability	41,510	98,887
Net pension liability	731,505	834,039
Total noncurrent liabilities	12,297,662	13,196,556
Total liabilities	13,459,582	14,446,593
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	19,055	-
Deferred inflow related to net pension liability	58,268	37,640
Total deferred inflows of resources	77,323	37,640
NET POSITION		
Net Investment in capital assets	32,397,586	31,356,524
Unrestricted	1,919,129	1,669,843
Total net position	\$34,316,715	\$33,026,367

INLAND EMPIRE UTILITIES AGENCY
Recharge Water Fund
Schedule of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES		
Recycled water sales	\$ -	\$ -
Total operating revenues	-	-
OPERATING EXPENSES		
Administration and general	1,867,435	1,476,218
Depreciation and amortization	1,430,309	1,462,245
Total operating expenses	3,297,744	2,938,463
Operating income (loss)	(3,297,744)	(2,938,463)
NONOPERATING REVENUES (EXPENSES)		
Interest income	76,677	29,226
Other nonoperating revenues	3,147,041	3,163,292
Interest on long-term debt	(170,035)	(148,052)
Other nonoperating expenses	(66,639)	(182,965)
Total nonoperating revenues (expenses)	2,987,044	2,861,501
Income (loss) before capital contributions and transfers	(310,700)	(76,962)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	1,119,188	931,324
Capital grants	481,860	-
Change in net position	1,290,348	854,362
Total net position - beginning	33,026,367	32,172,005
Total net position - ending	\$ 34,316,715	\$ 33,026,367

INLAND EMPIRE UTILITIES AGENCY

Administrative Services Fund

The Agency's total employment costs and general and administrative expenses are initially recorded in the Administrative Services Fund. General and administrative expenses include capital acquisitions of "Agency-wide" assets, such as fleet vehicles and computer hardware, as well as supplies, equipment, tools, and contract services. Throughout the year, pertinent expenses such as staff labor, equipment, and facilities maintenance and other indirect costs are allocated to the Agency's various programs, departments, and external clients on a cost reimbursement basis, based on either estimated staff work time, frequency of equipment usage, or full time equivalent (FTE) participation for specific program or activities.

Revenues for the Administrative Services Fund include property tax receipts, contract cost reimbursements, and interest. Other funding sources include inter-fund transfers for capital support from the Regional Wastewater, Recycled Water, and Non-Reclaimable Wastewater Programs.

INLAND EMPIRE UTILITIES AGENCY
Administrative Services Fund
Schedule of Net Position
June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
ASSETS		
Current assets		
Cash and investments	\$ 24,346,846	\$ 20,622,900
Accounts receivable	1,676,726	1,381,943
Interest receivable	111,363	93,039
Taxes receivable	7,634	19,707
Other receivables	38,146	52,030
Inventory	1,220,849	1,389,712
Prepaid items	104,112	110,823
Total current assets	27,505,676	23,670,154
Noncurrent assets		
Capital assets		
Land	20,829	20,829
Jobs in progress	1,312,668	1,289,180
Capital assets, net of accumulated depreciation	12,326,351	12,243,666
Intangible assets, net of accumulated amortization	1,830,549	2,248,525
Total capital assets	15,490,397	15,802,200
Total noncurrent assets	15,490,397	15,802,200
Total assets	42,996,073	39,472,354
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow net other postemployment benefit liability	171,419	163,693
Deferred outflow related to net pension liability	901,478	1,276,215
Total deferred outflows of resources	1,072,897	1,439,908

(Continued)

	Totals	
	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	\$ 830,749	\$ 864,347
Accrued liabilities	2,024,749	2,299,800
Compensated absences	1,957,526	1,706,458
Retentions payable	-	47,029
Current liabilities	4,813,024	4,917,634
Noncurrent liabilities		
Compensated absences	3,501,078	3,428,764
Net other postemployment benefits liability	126,715	289,881
Net pension liability	2,051,910	2,430,096
Total noncurrent liabilities	5,679,703	6,148,741
Total liabilities	10,492,727	11,066,375
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow net other postemployment benefit liability	38,541	-
Deferred inflow related to net pension liability	62,889	140,295
Total deferred inflows of resources	101,430	140,295
NET POSITION		
Net Investment in capital assets	15,490,397	15,802,200
Restricted for:		
Bond operating contingency requirement	361,126	371,160
Total restricted	361,126	371,160
Unrestricted	17,623,290	13,532,232
Total net position	\$ 33,474,813	\$ 29,705,592

INLAND EMPIRE UTILITIES AGENCY
Administrative Services Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	Totals	
	2019	2018
OPERATING REVENUES		
Service charges	\$ -	\$ -
Total operating revenues	-	-
OPERATING EXPENSES		
Administration and general	1,092,463	1,104,412
Depreciation and amortization	1,583,090	1,713,646
Total operating expenses	2,675,553	2,818,058
Operating income (loss)	(2,675,553)	(2,818,058)
NONOPERATING REVENUES (EXPENSES)		
Interest income	364,936	206,932
Property tax revenue	1,972,200	1,972,200
Other nonoperating revenues	3,672,577	1,144,678
Other nonoperating expenses	(1,194,356)	(1,626,458)
Total nonoperating revenues (expenses)	4,815,357	1,697,352
Income (loss) before capital contributions and transfers	2,139,804	(1,120,706)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in	1,713,114	3,348,236
Transfers out	(83,697)	-
Capital grants	-	83,697
Change in net position	3,769,221	2,311,227
Total net position - beginning	29,705,592	27,394,365
Total net position - ending	\$ 33,474,813	\$ 29,705,592

INLAND EMPIRE UTILITIES AGENCY

Index of Statistical Section Schedules

JUNE 30, 2019

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

1.	<i>Financial Trends</i>	152
	<i>These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being has changed over time.</i>	
2.	<i>Revenue Capacity</i>	156
	<i>These schedules contain information to help the reader assess IEUA's most significant revenue sources.</i>	
3.	<i>Debt Capacity</i>	163
	<i>These schedules present information to help the reader assess the affordability of IEUA's current levels of outstanding debt and ability to issue additional debt in the future.</i>	
4.	<i>Operating Indicators</i>	169
	<i>These schedules contain service and infrastructure data to help the reader understand the information in IEUA's financial reports and how it relates to the services that IEUA provides and the activities it performs.</i>	
5.	<i>Demographic and Economic Indicators</i>	175
	<i>These schedules contain service and infrastructure data to help the reader understand the environment within which IEUA's financial activities take place</i>	
6.	<i>Appropriations Limit</i>	177
	<i>This section shows the trend of the Agency's appropriations limit under the California Constitution Amendment XIII B. The Appropriations limit is adopted every year by Board Resolutions and represents the limit or "upper bound" of tax proceeds that can be spent in a fiscal year.</i>	

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

INLAND EMPIRE UTILITIES AGENCY

Financial Trends - Historical Operating Results

Revenue Funds' Combined Statement of Revenues, Expenses
and Changes in Fund Net Position (excludes Water Resource Fund)

Fiscal Years Ended June 30, 2010 through 2019

(Dollars in Thousands)

	2018/19	2017/18	2016/17	2015/16	2014/15
Operating revenues					
Service charges	\$ 78,954	\$ 75,105	\$ 68,589	\$ 61,929	\$ 58,265
Recycled Water Sales	13,902	16,878	16,385	13,468	12,047
Total operating revenues	92,856	91,983	84,974	75,397	70,312
Operating expenses					
Wastewater collection	10,334	9,991	8,757	7,510	8,089
Wastewater treatment	23,829	26,618	24,242	21,104	19,001
Wastewater disposal	11,317	10,236	11,688	11,149	7,997
Operations and maintenance	3,860	3,324	3,056	4,788	3,262
Administration and general	31,364	29,685	24,872	22,988	28,562
Depreciation and amortization	36,298	35,698	37,108	36,851	34,108
Total operating expenses	117,002	115,552	109,723	104,390	101,019
Operating income (loss)	(24,146)	(23,569)	(24,749)	(28,993)	(30,707)
Non-operating revenues (expenses)					
Interest income	4,227	2,302	1,347	722	424
Property tax revenue	48,167	45,160	43,379	41,336	39,446
Wastewater capital connection fees	22,914	32,850	30,508	24,910	15,074
Water connection fees	5,916	7,889	5,415	997	-
Other nonoperating revenues	11,484	10,331	6,196	8,735	7,405
Interest on long-term debt	(6,333)	(5,999)	(7,947)	(9,142)	(9,593)
Other nonoperating expenses	(7,110)	(10,278)	(11,650)	(13,520)	(6,184)
Total nonoperating revenues (expenses)	79,265	82,255	67,248	54,038	46,572
Income (loss) before contributions and transfers	55,119	58,686	42,499	25,045	15,865
Capital grants	1,946	5,889	12,144	6,137	5,353
Transfers (to Water Resource Fund)	(436)	(321)	(59)	(295)	-
Change in net position	\$ 56,629	\$ 64,254	\$ 54,584	\$ 30,887	\$ 21,218
Total net position - beginning	635,826	577,318	522,734	493,054	513,805
Prior period adjustment	-	(5,746)	-	(1,207)	(41,969)
Total net position - ending	\$ 692,455	\$ 635,826	\$ 577,318	\$ 522,734	\$ 493,054

INLAND EMPIRE UTILITIES AGENCY

Financial Trends - Historical Operating Results

Wastewater Revenue Funds' Combined Statement of Revenues, Expenses
and Changes in Fund Net Position
Fiscal Years Ended June 30, 2010 through 2019
(Dollars in Thousands)

2013/14	2012/13	2011/12	2010/11	2009/10
\$ 51,248	\$ 47,891	\$ 42,209	\$ 41,544	\$ 42,108
10,830	7,952	6,009	4,353	4,162
62,078	55,843	48,218	45,897	46,270
5,623	4,656	5,629	6,517	7,338
20,506	18,908	17,377	17,208	19,016
7,705	8,613	11,316	10,664	10,030
3,765	3,195	2,987	2,600	-
30,658	20,714	21,398	20,465	22,018
32,289	31,928	30,168	29,993	26,168
100,546	88,014	88,875	87,447	84,570
(38,468)	(32,171)	(40,657)	(41,550)	(38,300)
555	809	951	1,159	1,684
38,487	48,087	32,695	33,419	34,355
9,789	14,614	7,686	5,398	7,753
-	-	-	-	-
6,311	7,486	8,160	6,008	7,566
(7,120)	(8,321)	(7,447)	(7,803)	(9,891)
(31,066)	(9,407)	(8,907)	(7,626)	(7,283)
16,956	53,268	33,138	30,555	34,184
(21,512)	21,097	(7,519)	(10,995)	(4,116)
2,314	2,561	4,263	6,852	10,163
100	200	300	300	300
\$ (19,098)	\$ 23,858	\$ (2,956)	\$ (3,843)	\$ 6,347
532,113	512,616	515,572	518,244	511,897
790	(4,361)	-	1,171	-
\$ 513,805	\$ 512,113	\$ 512,616	\$ 515,572	\$ 518,244

INLAND EMPIRE UTILITIES AGENCY

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

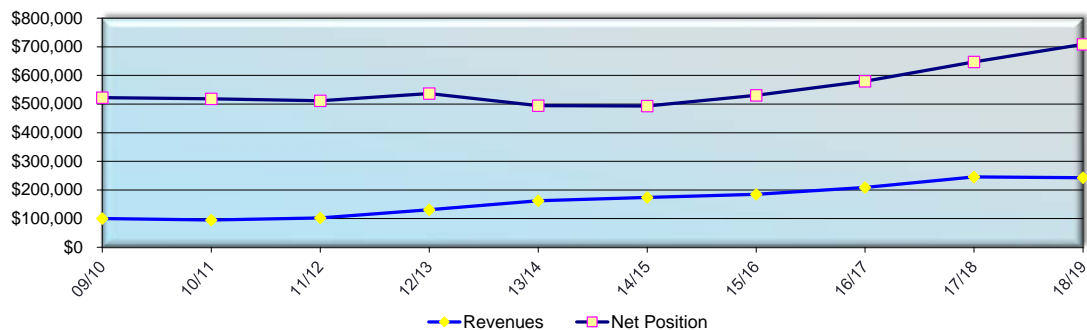
- All Funds -

Fiscal Years Ended June 30, 2010 through 2019

(Dollars in Thousands)

	2018/19	2017/18	2016/17	2015/16
Operating revenues				
Service charges	\$ 85,220	\$ 80,449	\$ 73,384	\$ 67,243
Potable Water sales	45,519	45,999	29,897	18,654
Recycled water sales	13,902	16,878	16,385	13,468
Total operating revenues	144,641	143,326	119,666	99,365
Operating expenses				
Potable Water purchases	45,519	45,999	29,897	18,654
Wastewater collection	10,334	9,991	8,757	7,510
Wastewater treatment	23,829	26,618	24,242	21,104
Wastewater disposal	11,317	10,236	11,688	11,148
Administration and general	5,317	4,723	4,139	6,200
Depreciation and amortization	36,618	34,567	30,085	28,866
Operations and maintenance	36,303	35,704	37,114	36,856
Total operating expenses	169,237	167,838	145,922	130,338
Operating income (loss)	(24,596)	(24,512)	(26,256)	(30,973)
Non-Operating revenues (expenses)				
Interest income	4,453	2,402	1,399	762
Property tax revenue	53,040	48,413	45,674	45,631
Wastewater capital connection fees	5,916	7,889	30,508	24,910
Water connection fees	22,914	32,850	5,415	997
Other non-operating revenues	11,752	10,752	6,265	13,070
Interest on long-term debt	(6,333)	(5,999)	(7,947)	(9,142)
Other non-operating expenses	(7,628)	(10,658)	(12,231)	(15,481)
Total non-operating revenues (expenses)	84,114	85,649	69,083	60,747
Income (loss) before contributions and transfers	59,518	61,137	42,827	29,774
Capital grants	2,169	6,108	12,295	7,530
Change in net position.....A	\$ 61,687	\$ 67,245	\$ 55,122	\$ 37,304
Total net position - beginning	\$ 647,065	\$ 585,716	\$ 530,594	\$ 494,708
Prior Period Adjustment	-	(5,896)	-	(1,418)
Total net position - beginning, as restated....B	\$ 647,065	\$ 579,820	\$ 530,594	\$ 493,290
Net position by component:				
Net Investment in capital assets	441,827	394,965	373,886	325,406
Restricted for Debt service & Capital construction	112,710	99,176	61,446	82,064
Unrestricted	154,215	152,924	150,384	123,124
Total net position - ending.....A+B	\$ 708,752	\$ 647,065	\$ 585,716	\$ 530,594

Operating & Non-Operating Revenues & Net Position Trends
Fiscal Years Ended June 30, 2010 through 2019
(Dollars in Thousands)



INLAND EMPIRE UTILITIES AGENCY

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

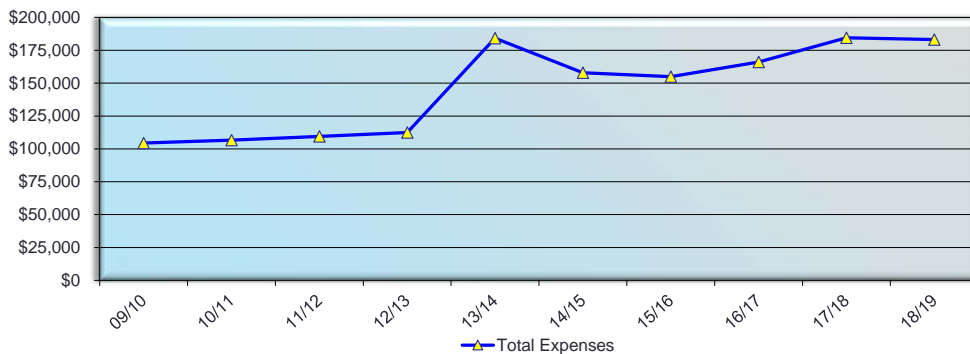
- All Funds -

Fiscal Years Ended June 30, 2010 through 2019

(Dollars in Thousands)

2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
\$ 63,956	\$ 56,171	\$ 52,153	\$ 46,468	\$ 44,776	\$ 44,545
34,147	40,225	-	-	-	-
12,047	10,831	7,952	6,009	4,352	4,162
110,150	107,227	60,105	52,477	49,128	48,707
34,147	40,225	-	-	-	-
8,089	5,623	4,656	5,629	6,517	7,338
19,001	20,506	18,908	17,378	17,208	19,016
7,997	7,705	8,613	11,316	10,664	10,030
4,393	4,255	3,868	24,755	23,266	21,567
33,426	35,191	24,473	30,173	29,999	26,173
34,113	32,295	31,933	3,725	3,230	2,760
141,166	145,800	92,451	92,976	90,884	86,884
(31,016)	(38,573)	(32,346)	(40,499)	(41,756)	(38,177)
436	564	819	963	1,179	1,715
40,946	38,487	48,087	32,695	33,419	34,355
15,074	9,789	14,614	7,686	5,398	7,753
-	-	-	-	-	-
7,543	6,337	7,510	8,562	6,090	7,638
(9,593)	(8,565)	(9,805)	(7,447)	(8,058)	(9,891)
(7,180)	(29,841)	(8,088)	(9,014)	(7,773)	(7,684)
47,226	16,771	53,137	33,445	30,255	33,886
16,210	(21,802)	20,791	(7,054)	(11,501)	(4,291)
5,917	2,663	3,152	4,841	7,587	10,387
\$ 22,127	\$ (19,139)	\$ 23,943	\$ (2,213)	\$ (3,914)	\$ 6,096
\$ 517,421	\$ 535,771	\$ 516,242	\$ 518,455	\$ 521,200	\$ 515,104
(44,841)	790	(4,414)	-	1,170	-
\$ 472,580	\$ 536,561	\$ 511,828	\$ 518,455	\$ 522,370	\$ 515,104
333,274	318,292	354,124	365,279	372,277	377,512
67,081	63,073	50,036	42,799	50,378	63,545
94,353	136,056	131,611	108,164	95,800	80,143
\$ 494,708	\$ 517,421	\$ 535,771	\$ 516,242	\$ 518,455	\$ 521,200

Operating & Non-Operating Expense Trends
Fiscal Years Ended June 30, 2010 through 2019
(Dollars in Thousands)



INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Wastewater Capital Connection Deposits Held

For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
2009/10	2,133,583	836,680	641,780	2,509,193
2010/11	3,713,185	1,425,146	861,408	4,128,203
2011/12	3,527,692	2,031,803	843,754	4,269,896
2012/13	6,929,682	6,872,100	933,078	5,210,856
2013/14	8,831,383	9,492,302	2,918,210	6,041,082
2014/15	7,149,423	11,203,738	2,905,891	6,502,473
2015/16	11,594,817	12,461,412	5,250,644	9,488,546
2016/17	3,305,358	4,095,005	6,136,173	4,703,455
2017/18	10,905,036	10,465,835	6,724,584	6,477,198
2018/19	11,280,117	10,665,100	6,275,501	9,363,869
Percentage	17.1%	16.2%	9.5%	14.3%

Wastewater Capital Connection Fee Agreement

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

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

Table 1 & 2 represent the connection fee balances reported in the respective contracting member agency's annual financial reports. Balances reported for FY 2018/19 are subject to further adjustment after audit.

*Cucamonga Valley Water District

INLAND EMPIRE UTILITIES AGENCY

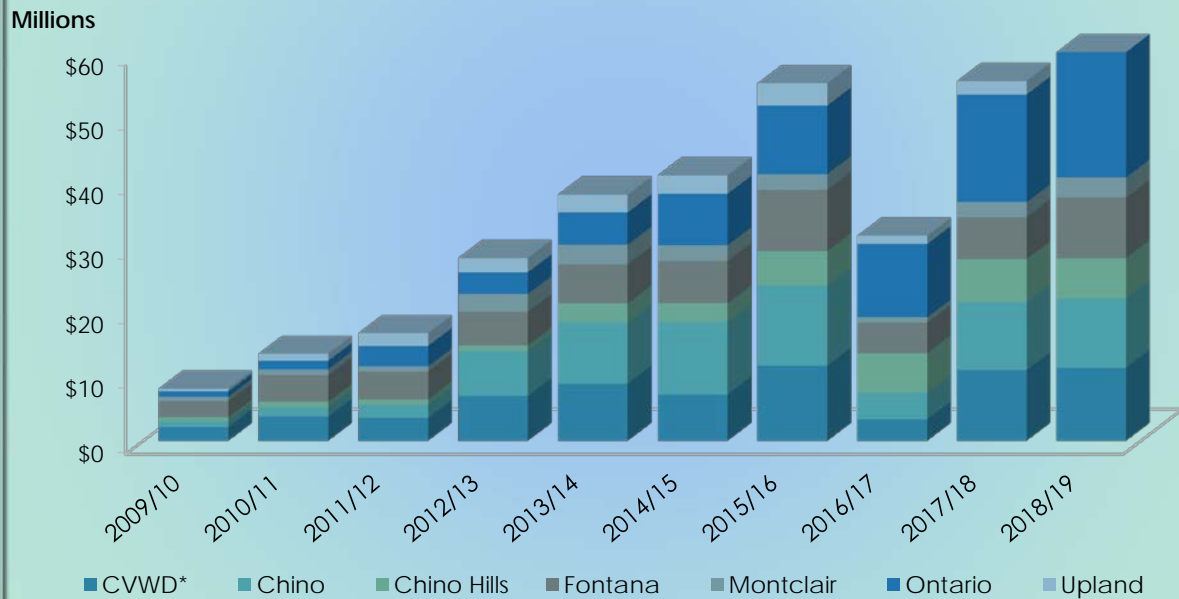
Revenue Capacity - Wastewater Capital Connection Deposits

For the Past Ten Fiscal Years

Table 2

Year	Montclair	Ontario	Upland	Total
2009/10	651,837	842,484	432,863	8,048,420
2010/11	930,082	1,282,000	1,106,443	13,446,467
2011/12	825,708	3,151,337	1,982,403	16,632,593
2012/13	2,746,961	3,337,340	2,216,963	28,246,980
2013/14	3,009,462	5,011,733	2,731,441	38,035,613
2014/15	2,450,727	7,945,174	2,865,723	41,023,149
2015/16	2,406,672	10,579,795	3,419,549	55,201,435
2016/17	846,653	11,331,273	1,291,709	31,709,626
2017/18	2,287,904	16,603,065	2,095,916	55,559,538
2018/19	3,081,312	20,904,691	4,424,270	65,994,860
Percentage	4.7%	31.7%	6.8%	100.0%

Contracting Agencies Wastewater Capital Connection Fee Deposits Held For the Past Ten Fiscal Years



INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements

For the Ten Fiscal Years Ending June 30, 2029*

Project Description	Actual		Projected	
	2018/19	2019/20	2020/21	
Replacement Projects				
RP-1 Disinfection Pump Improvements	\$ 36,899	\$ -	\$ -	
Collection System Upgrades 16/17	38,628	-	-	
RP-4 Anoxic Splitter Box Gates	11,348	-	-	
Collection System Upgrades 17/18	(47,541)	-	-	
TP-1 Electrical Distribution Panel Replacement	-	-	-	
RP-1 Lighting Pole Replacements	309,395	-	-	
RP-1 Maintenance Building HVAC Replacement	96,022	-	-	
RP-4 Influent Screen Replacement	34,142	2,850,000	-	
Collection System Upgrades 18/19	668,208	-	-	
CCWRF 12kV Switchgear	(55)	-	-	
Collection System Upgrades 19/20	-	500,000	500,000	
CCWRF Headworks Electrical Replacement	-	300,000	-	
RP-1 Plant 3 Primary Cover Replacement	-	-	-	
RSS Haven Avenue Repair & Replace from Airport to Mission	-	2,000,000	4,000,000	
RP-1 TP-1 Wash Water Basin Pumps Replacement	-	250,000	400,000	
North Major Facilities Repair/Replacement	271,331	-	-	
North Major Facilities Repair/Replacement	-	600,000	-	
North Major Facilities Repair/Replacement	-	-	600,000	
Total Replacement Projects	\$ 1,418,377	\$ 6,500,000	\$ 5,500,000	
Equipment Projects				
RP-1 Mixed Liquor Return Pumps	\$ 80,139	\$ -	\$ -	
RP-4 1158 RW Wet Well Level Sensors	-	65,000	-	
North Major Facilities Repair/Replacement	339,113	-	-	
South Major Facilities Repair/Replacement	373,616	-	-	
Major Facilities Repair/Replacement (South)	224,892	-	-	
South Major Facilities Repair/Replacement	-	618,000	-	
GapVax Replacement	-	750,000	-	
South Major Facilities Repair/Replacement	-	-	636,540	
SCADA Cybersecurity SIEM	-	-	-	
SCADA WebVPN for Test Network Access	4,641	-	-	
Wastewater Network Cybersecurity Project	131,983	-	-	
Wastewater Network SAN	116,105	-	-	
Wastewater Network Infrastructure Repl.	81,338	-	-	
Wastewater Cybersecurity Projects	-	30,000	80,000	
Wastewater Infrastructure Replacement Project	-	122,000	8,000	
Control System Enterprise Historian Enhancement	-	65,000	45,000	
Control System Enhancement Projects	-	30,000	-	
Control System Replacement Projects	-	150,000	-	
Wireless Manager Software Replacement	-	-	30,000	
Secure Access for RP-2	-	-	20,000	
TOC Combustion Instrument	-	-	-	
Total Equipment Projects	\$ 1,351,826	\$ 1,830,000	\$ 819,540	

*Source: Projections were derived from the 2019/20 IEUA Ten Year Capital Improvement Plan.

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)

For the Ten Fiscal Years Ending June 30, 2029*

Projected								
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
\$ 4,819,000	\$ 2,410,000	\$ 254,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,483,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,850,000
-	-	-	-	-	-	-	-	-
1,500,000	-	-	-	-	-	-	-	1,500,000
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,000,000
-	-	-	-	-	-	-	-	300,000
-	200,000	400,000	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-	6,000,000
-	-	-	-	-	-	-	-	650,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	600,000
600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	5,400,000
\$ 7,419,000	\$ 3,710,000	\$ 1,754,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 30,383,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	65,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	618,000
-	-	-	-	-	-	-	-	750,000
655,636	675,305	695,564	716,431	737,924	760,062	782,864	806,350	6,466,676
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	110,000
-	-	-	-	-	-	-	-	130,000
-	-	-	-	-	-	-	-	110,000
-	-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	-	150,000
-	-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-	-
\$ 655,636	\$ 675,305	\$ 695,564	\$ 716,431	\$ 737,924	\$ 760,062	\$ 782,864	\$ 806,350	\$ 8,479,676

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements

For the Ten Fiscal Years Ending June 30, 2029*

Project Description	Actual	Projected	
	2018/19	2019/20	2020/21
Construction Projects			
RP-5 Flow Equalization and Effluent Monitoring	\$ 79,393	\$ -	\$ -
SCADA Enterprise System	5,094,272	2,000,000	3,500,000
RP-4 Disinfection Facility Improvements	35,738	-	-
RP-1 Headworks Primary and Secondary Upgrade	6,149,192	15,000	-
Water Quality Laboratory	1,702,870	50,000	-
RP-1 Primary Effluent Conveyance Improve	5,386,555	2,660,000	-
RP-1 TWAS and Primary Effluent Piping Replacement	2,886	-	-
SBCFCD Sewer Easement	12,094	-	-
Whispering Lakes Pump Station Rehabilitation	-	-	-
RP-5 Expansion Preliminary Design Report	-	-	-
CCWRF Assets Management and Improvements	745,686	4,000,000	7,500,000
RP-4 South Side Sight-Proof Safety Wall	(3,311)	-	-
Agency wide Lighting Improvements - Phase 2	3,379	-	-
Digester 6 and 7 Roof Repairs	1,327,595	1,500,000	2,800,000
RP4 Primary Clarifier Rehabilitation	279,655	1,150,000	5,200,000
RP-1 12 kV Switchgear and Generator Control Upgrade	757,202	50,000	-
RP-1 Filter Valve Replacement	184,483	600,000	-
CCWRF Airduct Modifications	12,775	-	-
RP-1 Mechanical Restoration and Upgrades	345,047	8,855,000	1,000,000
RP-4 Process Improvements	3,321,448	-	-
RP-1 IPS System Improvements	-	-	525,000
RP-1 Flare Improvements	336,273	5,000,000	-
RP-1 Secondary System Rehabilitation	-	-	250,000
RP-5 Facilities Improvements	160,317	-	-
CCWRF Asset Management and Improvements Pck III	207,523	2,086,500	15,000
CCWRF Asset Management and Improvements Pck II	72,464	770,000	15,000
RP-4 Disinfection Facility Tenant Improvements	136,380	-	-
RP-1 Civil Restoration and Upgrades	602,507	320,000	-
RP-1 Lagoon No. 3 Outfall Pipe	1,096	-	-
RP-5 Expansion to 30 mgd	5,420,968	3,000,000	25,000,000
Haven Lift Station SCADA Improvements	-	-	-
RP-5 Biosolids Facility	6,099,881	8,000,000	65,000,000
RP-1 Energy Recovery	-	300,000	2,200,000
Montclair and San Bernardino Force Main Improvements	122,906	1,050,000	3,000,000
RP-1 Aeration Basin Catwalk Safety Rail	4,514	-	-
San Bernardino Lift Station Facility Improvement	2,547	-	300,000
RP-1 Centrifuge Foul Air Line	-	-	-
RP-1 Digester Mixing Upgrade	-	-	250,000
Agency Wide Chemical Containment Coating Rehab and Rep	-	350,000	-
RP-1 Tertiary Treatment FM-1 Bleach Mixing & Access	-	50,000	340,000
RP-1 Headworks Sump Pump Redundancy	-	75,000	75,000
RP-1 TP-1 Level Sensor Replacement	-	-	-
RP-1 MCB and Old Lab Building Rehabilitation	-	200,000	-
RP-4 Process Improvements Phase II	-	-	-
Chino Creek Wetlands & Educational Park	-	500,000	-
Regional Wastewater Asset Management	-	-	-
Reginal Wastewater Capital Asset Management	-	-	-
RP-1 Liquid Treatment Capacity Recovery	2,866,039	100,000	-
RP-1 Solids Treatment Expansion	808,704	100,000	-
Regional Conveyance AMP	-	-	-
RP-4 Tertiary Expansion	-	-	-
RP-5 O&M Building	-	-	-
HQ Solar Photovoltaic Power Plants Ph. 2	-	-	-
Purchase Existing Solar Installation	-	-	-
RP-1 Advanced Water Treatment Facility	-	-	-
	-	-	-
Total Construction Projects	\$ 42,279,076	\$ 42,781,500	\$ 116,970,000
Total Capital Projects	\$ 45,049,280	\$ 51,111,500	\$ 123,289,540

*Source: Projections were derived from the 2019/20 IEUA Ten Year Capital Improvement Plan.

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)

For the Ten Fiscal Years Ending June 30, 2029*

Projected								
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,000,000	-	-	-	-	-	-	-	8,500,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	15,000
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	2,660,000
-	-	-	-	-	-	-	-	-
-	-	-	4,500,000	-	-	-	-	4,500,000
-	-	-	-	-	-	-	-	-
500,000	2,000,000	2,000,000	2,000,000	6,000,000	-	-	-	24,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
780,000	-	-	-	-	-	-	-	4,300,000
-	-	-	-	-	-	-	-	7,130,000
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	600,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	9,855,000
-	1,950,000	1,050,000	3,150,000	-	-	-	-	6,150,000
300,000	-	-	-	-	-	-	-	825,000
-	-	-	-	-	-	-	-	5,000,000
1,000,000	950,000	1,000,000	-	-	-	-	-	3,200,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,101,500
-	-	-	-	-	-	-	-	785,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	320,000
-	-	-	-	-	-	-	-	-
45,000,000	45,000,000	29,000,000	2,700,000	-	-	-	-	149,700,000
-	-	-	-	-	-	-	-	-
69,000,000	13,000,000	200,000	-	-	-	-	-	155,200,000
-	-	-	-	-	-	-	-	2,500,000
-	-	-	-	-	-	-	-	4,050,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	-	-
500,000	-	-	-	-	-	-	-	750,000
-	-	-	-	-	-	-	-	350,000
290,000	-	-	-	-	-	-	-	680,000
-	-	-	-	-	-	-	-	150,000
-	200,000	-	-	-	-	-	-	200,000
-	700,000	600,000	100,000	-	-	-	-	1,600,000
-	1,000,000	5,300,000	2,000,000	-	-	-	-	8,300,000
-	-	-	-	-	-	-	-	500,000
400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000	6,000,000
3,000,000	3,000,000	3,000,000	8,400,000	9,800,000	11,000,000	12,500,000	15,000,000	65,700,000
-	-	-	-	-	2,500,000	4,750,000	57,000,000	64,350,000
-	-	-	-	-	750,000	1,250,000	14,000,000	16,100,000
-	-	-	-	500,000	-	-	-	500,000
-	-	-	-	500,000	-	-	-	500,000
-	-	-	-	-	-	-	-	-
-	300,000	1,100,000	-	-	-	-	-	1,400,000
-	-	-	3,500,000	-	-	-	-	3,500,000
-	-	-	-	-	2,000,000	6,000,000	12,000,000	20,000,000
-	-	-	-	-	-	-	-	-
\$ 123,770,000	\$ 68,600,000	\$ 43,850,000	\$ 27,050,000	\$ 17,600,000	\$ 17,150,000	\$ 25,500,000	\$ 99,100,000	\$ 582,371,500
\$ 131,844,636	\$ 72,985,305	\$ 46,299,564	\$ 28,866,431	\$ 19,437,924	\$ 19,010,062	\$ 27,382,864	\$ 101,006,350	\$ 621,234,176

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Funds

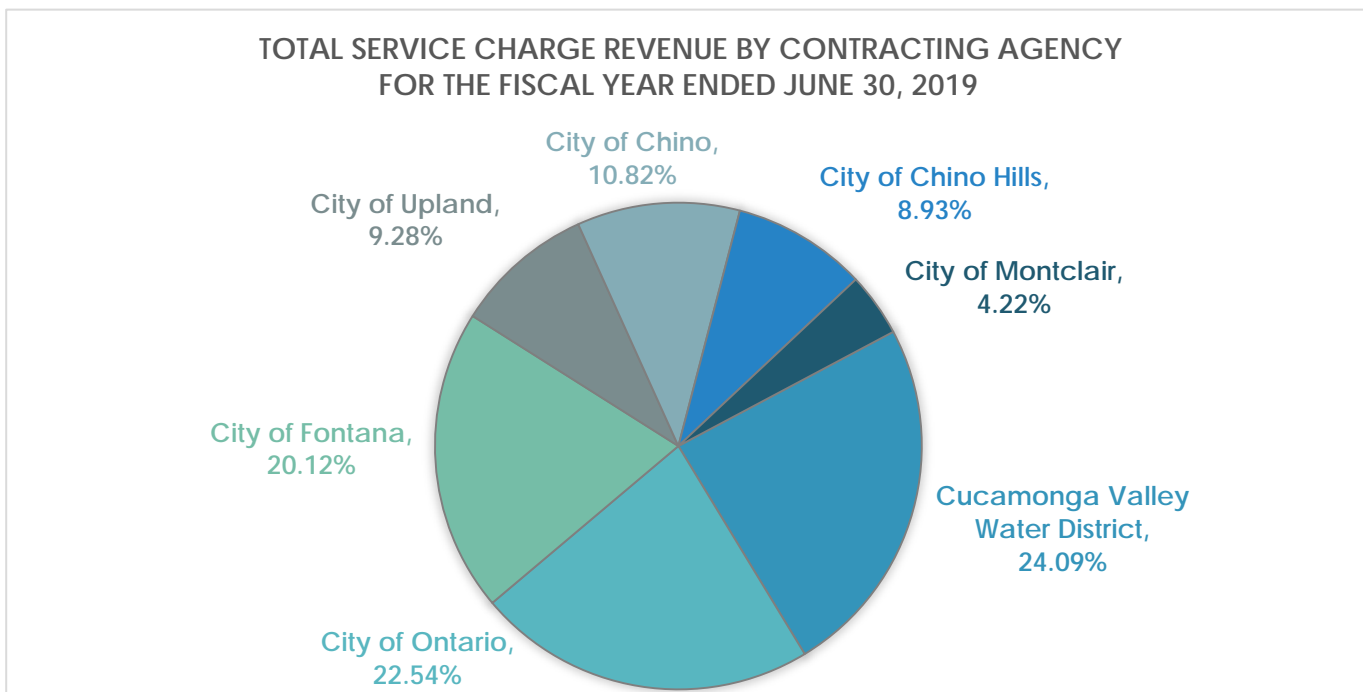
Monthly Sewer Service Charge Revenue and Rates by Contracting Agency

For the Fiscal Year Ended June 30, 2019

Through hard work, commitment, and discipline the IEUA team provides the communities they live and work in with wastewater and related utility services at some of the lowest rates in the State. The following table displays data for FY 2018/19.

Contracting Agency	Total EDU's*	Rate [†]	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	825,343	19.59	16,168,462	24.09%
City of Ontario	772,176	19.59	15,126,920	22.54%
City of Fontana	689,243	19.59	13,502,262	20.12%
City of Chino	370,820	19.59	7,264,356	10.82%
City of Upland	318,093	19.59	6,231,444	9.28%
City of Chino Hills	305,993	19.59	5,994,402	8.93%
City of Montclair	144,563	19.59	2,831,985	4.22%
Total Contracting Agency's Service Charge Revenue	3,426,229		\$ 67,119,831	100.00%

*EDU - Equivalent Dwelling Unit

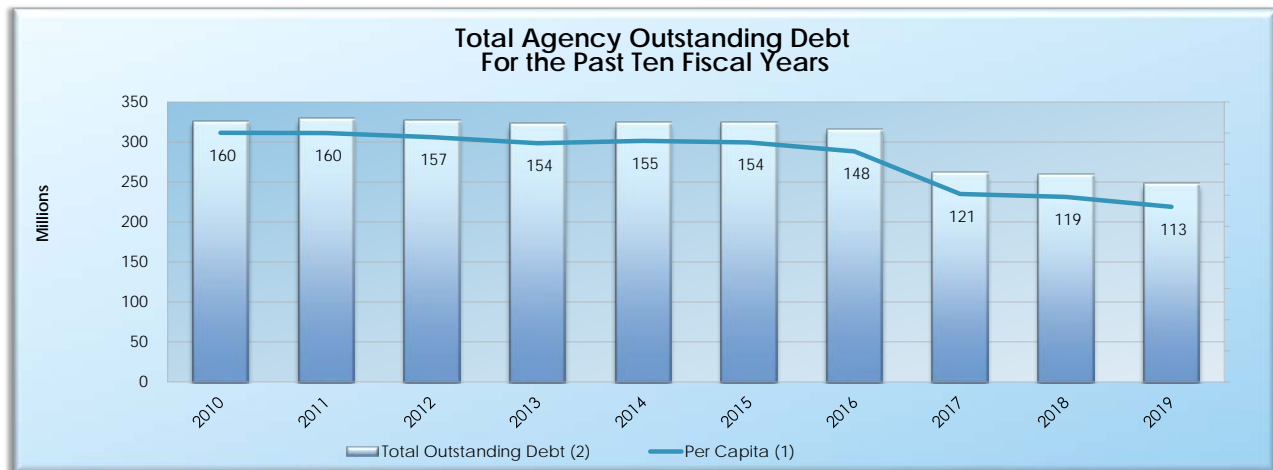


[†]Effective July 1, 2018, the total service rate increased from \$18.39 to \$19.59 per equivalent service unit (EDU).

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

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

Fiscal Year Ended	IEUA Revenue Bonds (2)	State of California Loans (2)	SDLAC Note (2)	SAWPA Note (2)	City of Fontana(2)	Southern California Edison	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
2010	259,825,394	56,246,235	-	1,659,178	8,899,580	-	326,630,387	160	0.528%
2011	247,096,595	72,620,998	-	1,491,542	8,417,002	-	329,626,137	160	0.530%
2012	240,428,398	77,865,387	-	1,313,848	7,934,424	-	327,542,057	157	0.513%
2013	236,017,294	78,764,115	-	1,125,493	7,451,846	-	323,358,748	154	0.495%
2014	228,604,318	88,017,521	-	925,834	6,969,268	-	324,516,941	155	0.449%
2015	205,937,429	108,453,732	3,446,445	714,196	6,486,690	-	325,038,493	154	0.424%
2016	199,628,550	107,450,944	2,788,113	489,861	6,004,112	-	316,361,580	148	0.399%
2017	143,571,309	110,195,651	2,114,640	252,064	5,521,535	230,963	261,886,160	121	0.326%
2018	133,347,456	119,305,744	1,425,677	-	5,038,956	1,023,581	260,141,414	119	0.316%
2019	122,843,604	119,330,235	720,868	-	4,556,378	880,846	248,331,931	113	0.296%



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

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

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Agency System Total Debt Coverage Ratio (Excludes Water Resources Fund)

**For Fiscal Years Ended June 30, 2019
(With Comparative Total for the Fiscal Year Ended June 2018)**

	2019	2018
<u>Revenues:</u>		
Wastewater System Service Charges	\$ 66,498,642	\$ 62,144,346
Wastewater Capital Connection Fees	22,914,037	32,849,912
Water Connection Fees	5,479,877	7,568,126
Property Tax	48,166,951	45,159,638
NRW System Service Charges	12,455,880	12,960,607
Interest	3,583,464	1,913,954
Recycled Water Sales	13,901,786	16,877,757
Desalter/Composter Services	5,133,379	5,343,460
Other	3,335,598	1,714,229
Total Revenues	\$ 181,469,613	\$ 186,532,029
<u>Operation and Maintenance Costs:</u>		
Wastewater Treatment	\$ 23,829,235	\$ 26,617,534
Administration and General	31,356,401	29,685,310
Wastewater Disposal	11,316,753	10,236,087
Wastewater Collection	10,341,109	9,990,684
Operations and maintenance	3,860,564	3,323,965
Desalter/Composter Services	5,133,379	5,343,460
Other	1,125,456	3,771,873
Total Operation and Maintenance Costs:	\$ 86,962,897	\$ 88,968,913
Revenues Available to Debt Service	\$ 94,506,716	\$ 97,563,116
<u>Parity Obligation Debt Service</u>		
2008B Installment Payments	2,538,525	2,438,725
2010A Installment Payments	5,114,625	5,305,050
2017 Installment Payments	6,146,800	6,223,250
Total Parity Obligation Debt Service	\$ 13,799,950	\$ 13,967,025
Parity Obligation Debt Service Coverage	6.85	6.99
Net Revenues	\$ 80,706,766	\$ 83,596,091
<u>Subordinate Obligations</u>		
State Revolving Fund Loan	\$ 6,471,244	\$ 6,808,862
SAWPA IEBL Capacity Purchase	-	267,188
City of Fontana	562,402	562,402
CSDLAC Past 4R's	737,600	737,600
SCE On-Bill Financing	142,735	60,322
Total Subordinate Obligations	\$ 7,913,982	\$ 8,436,373
Other Debt Service Coverage	10.20	9.91
Remaining Net Revenue	\$ 72,792,784	\$ 75,159,717
Revenues available after O&M expenses	\$ 94,506,716	\$ 97,563,116
Total debt service	\$ 21,713,932	\$ 22,403,398
Total Debt Coverage Ratio	4.35	4.35

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Agency System Total Debt Coverage Ratio (With Comparative Totals for the Fiscal Year ended June 2018)

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

In February 2008, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2008A. The Bonds were primarily used for improvements to the wastewater, recycled water, and non-reclaimable wastewater facilities. In February 2017, the Chino Basin Regional Financing Authority issued Refunding Revenue Bonds, Series 2017A to refund the outstanding 2008A Bonds, with a net of \$50 million of defeased amount.

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

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

- The amended budget FY 2018/19 for operating and maintenance expenses for four months was \$36,610,333.
- As of the Fiscal Year Ended June 30, 2019, the Agency had designated debt service reserves of \$2,479,803 which has been included in Net Investment in Capital Assets, and SRF Loan debt service of \$9,312,283 included in Restricted Net Position.

INLAND EMPIRE UTILITIES AGENCY			
Debt Capacity - Continuing Disclosure Compliance Report			
	2010A Bond	2017A Bond	FY18/19 CAFR Section
Audited Financial Statements	Yes		Introductory Section
Debt Service Reserve Fund	Not Required		Statistical Section: Agency System Total Debt Coverage Ratio
Statement of the reserve requirement	"The Agency has covenanted that, to the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each fiscal year, rates and charges reasonably expected to yield net revenue equal to 115 percent of debt		Note 12: Long-term Debt and Notes Payable/Debt Covenants
NRW Rates and Charges: North System: Volumetric Fee Chemical Oxygen Demand (COD) Total Suspended Solids (TSS) South System: Capacity Fee Volumetric Fee Biochemical Oxygen Demand (BOD) Total Suspended Solids (TSS)	\$912.00/mgd \$161.00/klb \$456.00/klb \$406.60 \$946.00/mgd \$307.00/klb \$429.00/klb		MD & A: Financial Highlights/Non-reclaimable wastewater treatment states: NRW Pass through Rates table
NRW Revenues	\$12,455,880		MD & A: Financial Highlights/Non-reclaimable wastewater treatment Individual Funds: Non-reclaimable wastewater Fund Schedule of Revenue, Expenses and Changes in Net Position Statistical Section: Agency System Total Debt Coverage Ratio
Principal Amount of Bonds Outstanding	\$14,450,000	\$61,515,000	MD & A: Financial Highlights/Debt Management Note 12: Long-term Debt and Notes Payable
Recycled Water Rates: Direct Delivery Groundwater Recharge Connection Fee	\$480/af \$540/af Varies by Meter Size		MD & A: Financial Highlights/Recycled Water Sales Introductory: Major Initiatives and Accomplishments/Other Agency accomplishments
Recycled Water Revenues (AF, Sales, Conn Fee, MWD Rebates): Acre Feet (af) Recycled Water Sales Water Connection Fee Less Conn. Fee Allotted to Water Fund Total	28,345 af \$ 13,901,786 \$ 5,916,291 <u>\$ 436,414</u> \$ 19,381,663		MD & A: Financial Highlights/Recycled Water Sales Individual Funds: Recycled Water Fund Schedule of Revenue, Expenses and Changes in Net Position Statistical Section: Agency System Total Debt Coverage Ratio
Assessed Valuation and Property Tax: Assessed Value of Service Area Property Tax Revenue Less Allocation to Water Fund Net Property Tax Revenue	Yes \$ 53,040,078 <u>\$ 4,873,127</u> \$ 48,166,951		Economic Condition and Outlook: "The Agency's service area, located in the Inland Empire (IE) is considered as one of the fastest growing regions in the United States... The population in the Agency's service area is projected to surpass 875,000 in 2019" but no total assessed value noted. MD & A: Financial Highlights/Revenues Statistical Section: Combined Schedule of Revenue, Expenses and Changes in Net Position Statistical Section: Agency System Total Debt Coverage Ratio
Wastewater Program Capital Requirements - Regional	Not Required	\$45,049,280	Statistical Section: Regional Wastewater Program Capital Requirements
Wastewater System Rates and Charges: Volumetric Fee per Month Wastewater Connection Fee	\$19.59/edu \$6,624/edu		MD & A: Financial Highlights/Regional Wastewater Program Activities Statistical Section: Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency
Wastewater System Revenues: Service Charge Wastewater Capital Connection Fee Total	\$66,498,642 <u>\$22,914,037</u> \$89,412,679		MD & A: Financial Highlights/Regional Wastewater Program Activities Individual Funds: Regional Wastewater Fund Statistical Section: Agency System Total Debt Coverage Ratio
Wastewater Facility Total EDU Usage:	3,426,229		Statistical Section: Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency
Wastewater Production/Flow within the Agency's services area:	49.1/mgd		Statistical Section: Operating Indicators -Wastewater Facility Statistical Section: Operating Indicators - Actual Wastewater Flow

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Computation of Direct and Overlapping Bonded Debt

As of June 30, 2019

2018/19 ASSESSED VALUATION: \$113,077,220,368

	Total Debt 6/30/19	% Applicable (1)	Agency's Share of Debt 6/30/19
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 48,050,000	3.878%	\$ 1,863,379
Chaffey Community College District	132,540,000	98.694	130,809,028
San Bernardino Community College District	430,013,947	1.445	6,213,702
Chino Valley Unified School District	318,985,000	100.000	318,985,000
Colton Joint Unified School District	187,883,831	1.094	2,055,449
Fontana Unified School District	179,940,349	91.583	164,794,770
Rialto Unified School District	83,953,902	10.230	8,588,484
Upland Unified School District	99,507,400	99.759	99,267,587
Chaffey Union High School District	479,265,904	99.851	478,551,798
Alta Loma School District	44,002,889	99.843	43,933,804
Central School District	47,446,765	100.000	47,446,765
Etiwanda School District	42,995,326	99.797	42,908,045
Mountain View School District and School Facilities Improvement District No. 1	11,044,551	100.000	11,044,551
Ontario-Montclair School District	119,694,737	100.000	119,694,737
Inland Empire Utilities Agency	-	100.000	- (2)
City of Chino Community Facilities Districts	152,600,000	100.000	152,600,000
City of Chino Hills Community Facilities Districts	33,775,000	100.000	33,775,000
Cucamonga School District Community Facilities District No 97-1	4,470,000	100.000	4,470,000
Etiwanda School District Community Facilities Districts	71,405,000	100.000	71,405,000
Upland Unified School District Community Facilities Districts	3,155,000	100.000	3,155,000
City of Fontana Community Facilities Districts	64,480,000	4.930-100.000	49,078,660
Mountain View School District Community Facilities Districts	616,000	100.000	616,000
San Bernardino County Community Facilities District No. 2002-1	17,990,000	100.000	17,990,000
City of Ontario Community Facilities Districts	79,320,000	100.000	79,320,000
City of Rancho Cucamonga Community Facilities Districts	66,475,000	100.000	66,475,000
City of Upland Community Facilities Districts	44,560,000	100.000	44,560,000
City of Chino Hills 1915 Act Bonds	625,000	100.000	625,000
City of Ontario 1915 Act Bonds	3,300,000	100.000	3,300,000
City of Rancho Cucamonga 1915 Act Bonds	830,000	100.000	830,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$2,004,356,759
<u>TOTAL OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$ 335,155,000	50.834%	\$ 170,372,693
San Bernardino County Pension Obligation Bonds	288,826,268	50.834	146,821,945
San Bernardino County Flood Control General Fund Obligations	62,820,000	50.834	31,933,919
Chaffey Community College District Certificates of Participation	30,890,000	98.694	30,486,577
Chino Valley Unified School District Certificates of Participation	7,705,000	100.000	7,705,000
Colton Joint Unified School District Certificates of Participation	1,188,372	1.094	13,001
Fontana Unified School District Certificates of Participation	30,035,000	91.583	27,506,954
Rialto Unified School District Certificates of Participation	12,574,391	10.230	1,286,360
Cucamonga School District Certificates of Participation	5,686,000	100.000	5,686,000
City of Fontana Certificates of Participation	38,580,000	81.883	31,590,461
City of Montclair General Fund Obligations	41,890,000	100.000	41,890,000
City of Ontario General Fund Obligations	60,035,000	100.000	60,035,000
City of Rancho Cucamonga General Fund Obligations	12,195,000	100.000	12,195,000
City of Rialto General Fund Obligations	6,882,779	19.177	1,319,911
City of Upland General Fund Obligations	7,101,600	100.000	7,101,600
West Valley Vector Control District Certificates of Participation	2,391,448	100.000	2,391,448
TOTAL OVERLAPPING GENERAL FUND DEBT			\$578,335,869

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$837,679,100 28.934-100.000% \$692,894,884

DIRECT DEBT	\$0
TOTAL OVERLAPPING DEBT	\$3,275,587,512
NET COMBINED TOTAL DEBT	\$3,275,587,512(2)

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Computation of Direct and Overlapping Bonded Debt As of June 30, 2019

RATIOS TO 2018-19 ASSESSED VALUATION:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt..	1.77%
Combined Direct Debt	2.90%

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCIES INCREMENTAL VALUATION (\$37,551,893,095):

Total Overlapping Tax Increment Debt.....	1.85%
---	-------

Footnotes:

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

Source: California Municipal Statistics, Inc.

INLAND EMPIRE UTILITIES AGENCY

Operating Indicators - Wastewater Facilities

Design Capacity and Average Flow

As of June 30, 2019

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

The following table presents the design capacities and average flows of the Agency's water recycling facilities as of June 30, 2019:

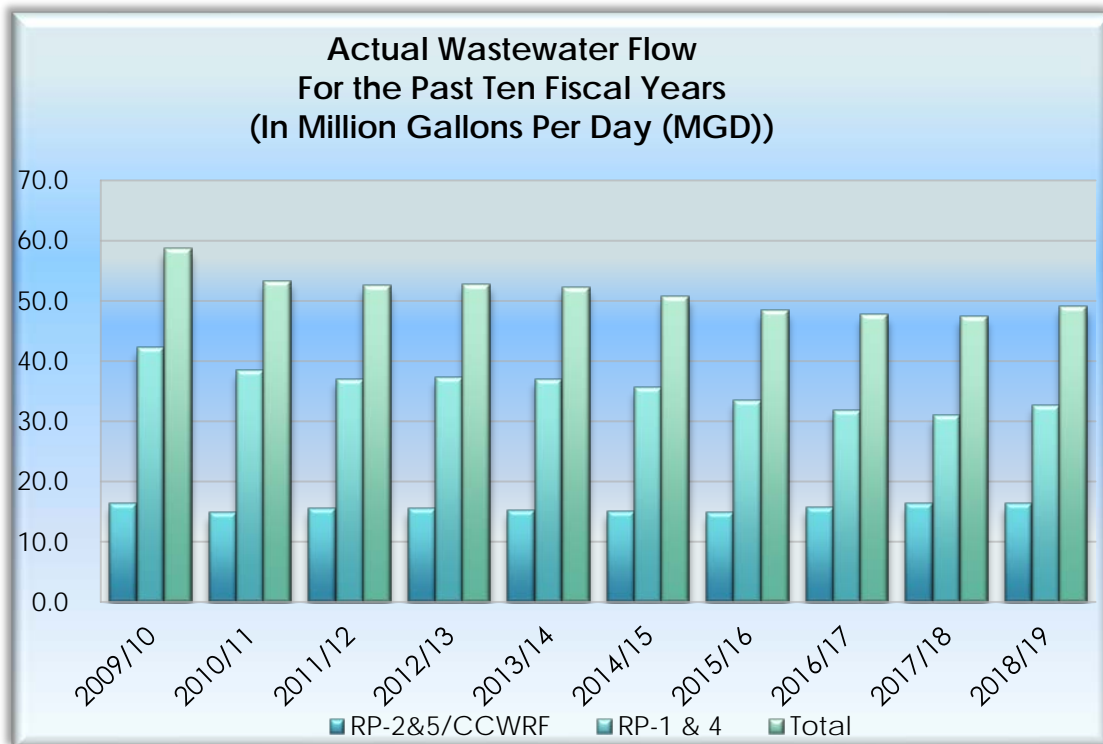
Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	23.3	53.0%
RP-4	14.0	9.4	67.9%
RP-5	16.3	8.4	51.5%
CCWRF	12.0	8.0	66.7%
Total	86.3	49.1	57.0%

*MGD = million gallons per day

INLAND EMPIRE UTILITIES AGENCY

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

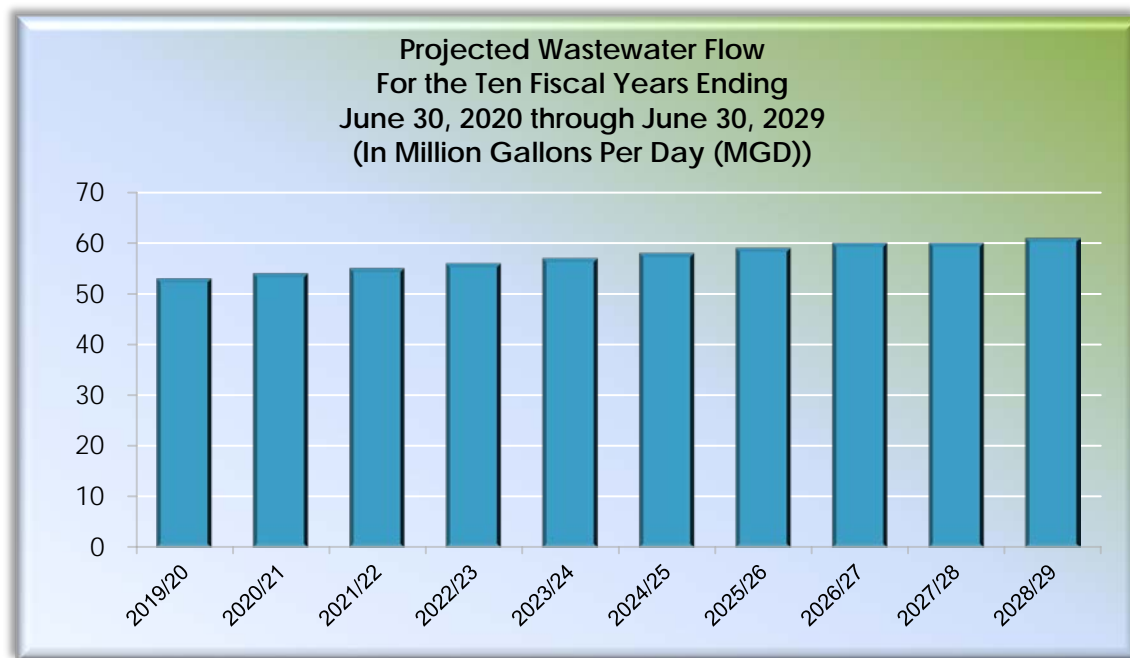
Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
2009/10	42.3	16.4	58.7
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.3
2014/15	35.6	15.1	50.7
2015/16	33.5	14.9	48.4
2016/17	31.9	15.8	47.7
2017/18	31.0	16.4	47.4
2018/19	32.7	16.4	49.1



INLAND EMPIRE UTILITIES AGENCY

Operating Indicator - Projected Wastewater Flow
For the Ten Fiscal Years Ending June 30, 2020 through June 30, 2029*
(In Million Gallons Per Day (MGD))

Fiscal Year	Total (MGD)
2019/20	53
2020/21	54
2021/22	55
2022/23	56
2023/24	57
2024/25	58
2025/26	59
2026/27	60
2027/28	60
2028/29	61



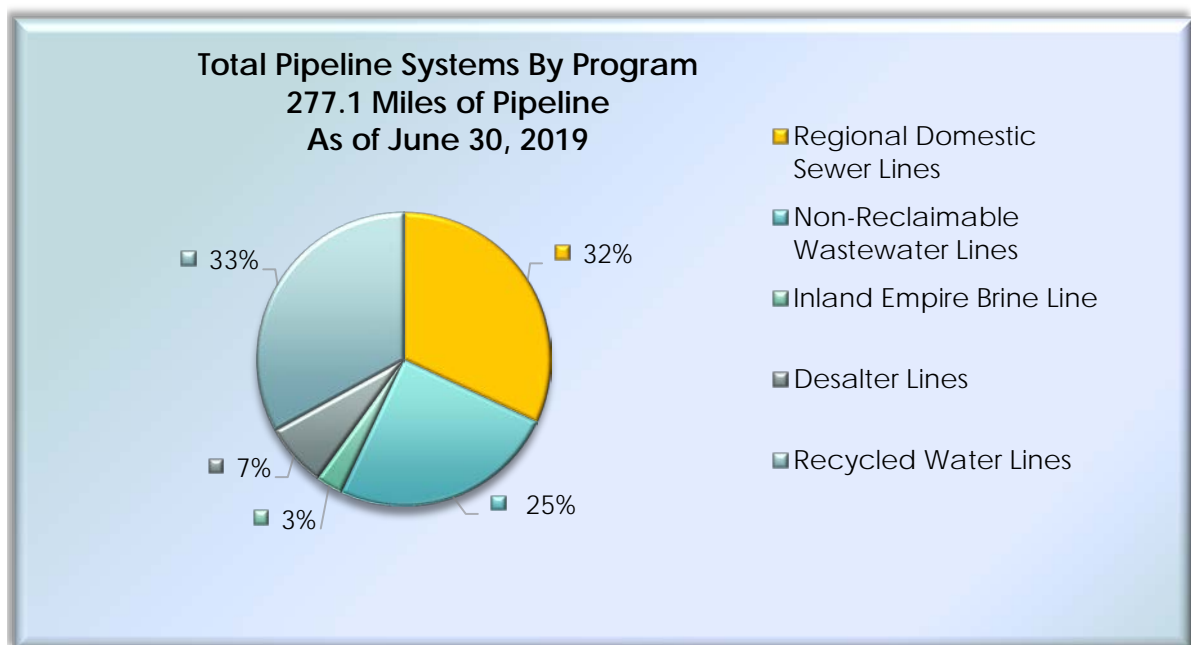
* Source: Statistics were Provided by IEUA Planning and Water Resources Department.

The Agency owns and operates four interconnected wastewater recycling plants. These plants function as a whole, and Agency staff use influent bypass and diversion facilities to route flows between regional plants in order to optimize capacity utilization, and minimize overall pumping and treatment costs. The Agency's aggregate designed treatment capacity is 85 million gallons per day (mgd). Although historically wastewater recycling plant capacity has been limited by hydraulic capacity (mgd), the volume of wastewater flows are expected to increase gradually as the new housing development is on an increase in the Agency's service area. The Agency is currently evaluating other limiting wastewater treatment capacity factors such as strength loading (BOD, TSS, Ammonia).

INLAND EMPIRE UTILITIES AGENCY

Operating and Capacity Indicators - Pipeline Systems By Program As of June 30, 2019

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	89.8	32%
Non-Reclaimable Wastewater Lines	66.7	25%
Inland Empire Brine Line	9.0	3%
Desalter Lines	19.6	7%
Recycled Water Lines	92.0	33%
Total Miles of Pipeline	277.1	100%



Source: IEUA Business Information Services Dept.

No data available prior to most recent information.

INLAND EMPIRE UTILITIES AGENCY

Operating Indicators - FY 2018/19 Staffing Allocations

As of June 30, 2019

Actual staffing allocation by Agency Program	*FTE
Regional Wastewater Operations and Capital Programs	174.9
Recycled Water Programs	20.6
Inland Empire Regional Composting Authority Operations	25.0
Non-reclaimable Wastewater System Programs	12.6
Chino Basin Desalter Operations & Capital Programs	8.1
Recharge Water Programs	3.6
Water Resources Related Activities & Conservation Programs	13.4
General Administration	1.8
Total FTE Count	260
Total Authorized FTE	290
Vacancy Factor Percentage	10.3%

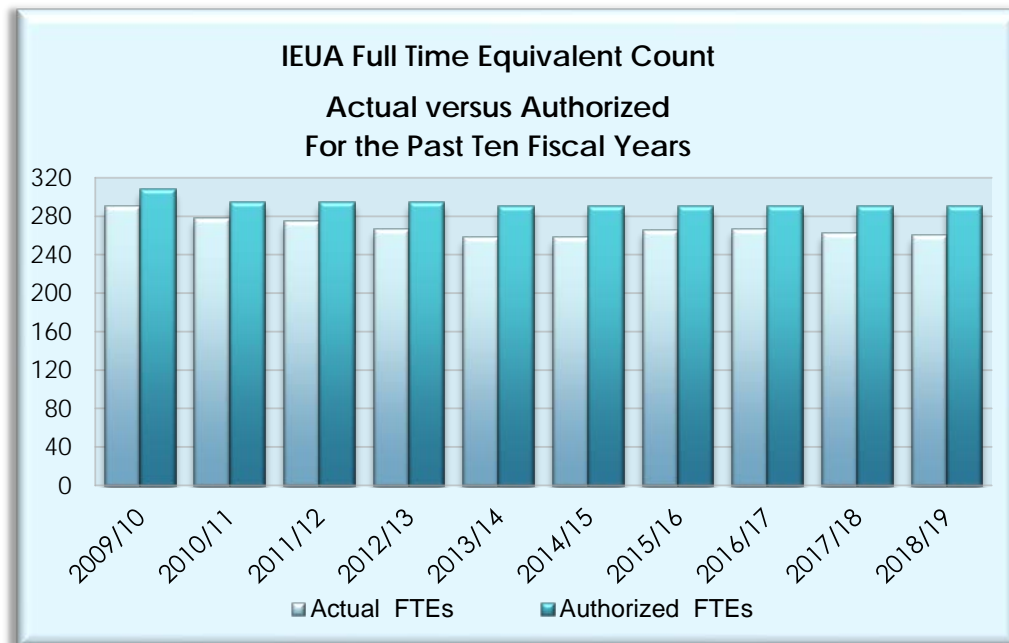
Source: IEUA June 2019 Position Control Report

*FTE- Full Time Equivalent

INLAND EMPIRE UTILITIES AGENCY

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

Fiscal Year	Actual FTEs	Authorized FTEs
2009/10	290	308
2010/11	278	295
2011/12	275	295
2012/13	267	295
2013/14	258	290
2014/15	258	290
2015/16	266	290
2016/17	267	290
2017/18	262	290
2018/19	260	290



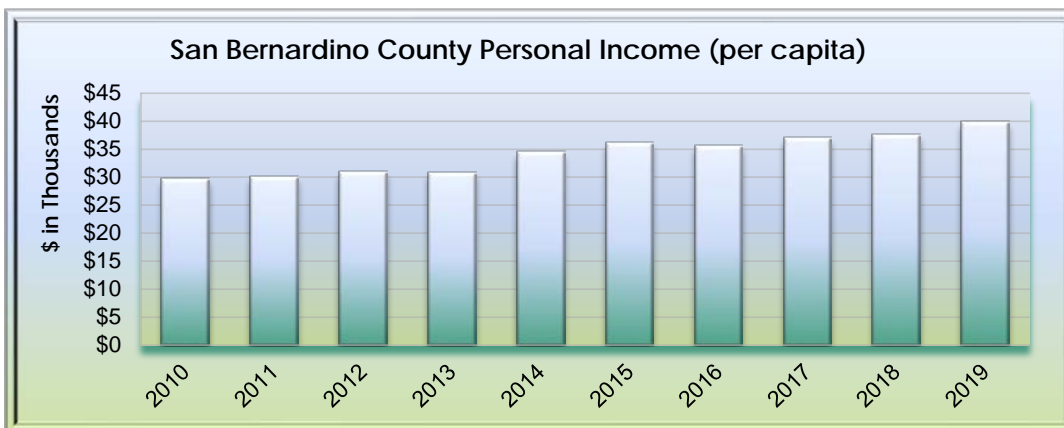
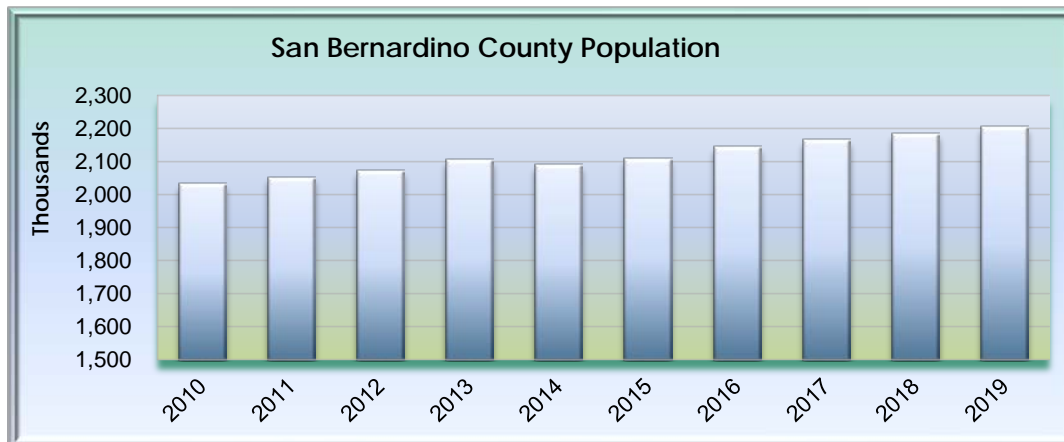
The chart and table above compared the number of authorized full time equivalent (FTE) positions to actual employees at the end of the fiscal year for the past ten years.

INLAND EMPIRE UTILITIES AGENCY

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

San Bernardino County (1)

Year	Population	Personal Income (billions)	Personal Income (per capita)
2010	2,035,210	60.8	29,848
2011	2,053,974	63.6	30,245
2012	2,074,668	67.3	31,007
2013	2,106,217	68.1	30,990
2014	2,092,660	73.5	34,561
2015	2,110,557	77.4	36,335
2016	2,146,798	77.9	35,645
2017	2,166,777	82.3	37,091
2018	2,171,517	86.3	37,628
2019	2,192,203	87.3	40,012



Footnotes:

- (1) Source: San Bernardino County Economic Forecast 2018-2019.
- (2) The County data is representative of the conditions and experience of the Agency's service area.
- (3) Data for Year 2019 has been estimated.

INLAND EMPIRE UTILITIES AGENCY
Demographic and Economic Statistics
Agency Service Area's Largest Public and Private Employers

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,510
Fontana Unified School District	Fontana	4,010
Chino Valley Unified School District	Chino	2,674
Ontario-Montclair School District	Montclair	2,532
San Antonio Community Hospital	Upland	2,400
Inland Empire Health Plan	Rancho Cucamonga	2,315
Etiwanda School District	Rancho Cucamonga	2,293
Kaiser Hospital & Medical Group	Fontana	2,243
Chaffey Community College District	Rancho Cucamonga	2,111
Chaffey Joint Union High School District	Ontario	1,930

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



Kaiser Hospital & Medical Group



San Antonio Community Hospital



Chaffey Community College District



Ontario International Airport

Footnote: No data available prior to most recent information.

INLAND EMPIRE UTILITIES AGENCY

Appropriations Limit

Fiscal Years Ended June 30, 2015 through 2019*

Fiscal Year	Annual Appropriations Limit	Proceeds of Taxes (Appropriations)
2014/15	\$ 150,204,136	\$ 40,203,474
2015/16	\$ 159,570,580	\$ 41,156,629
2016/17	\$ 169,703,311	\$ 44,704,800
2017/18	\$ 178,006,894	\$ 46,046,000
2018/19	\$ 186,218,352	\$ 47,887,800

* Source: Board Resolution No. 2018-6-9

RP-5 Facilities Improvements



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

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 (or other alternative computation) of the Inland Empire Utilities Agency (the "Agency"), for the year ended June 30, 2019. These procedures, which were agreed to by the Agency and the League of California Cities (as presented in the publication entitled Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the Agency in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The Agency's management is responsible for the Appropriations Limit Worksheet No. 6 (or other alternative computation).

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

The procedures performed and our findings were as follows:

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

Finding: We noted that the Price-Population Letter received from the Agency by the State Controller's Office used a change in population factor of 0.91. However, a revised version of the letter available on the State Controller's Office's website indicated a revised change in population factor of 0.95. The Agency correctly calculated the appropriations limit using the factor of 0.91 but not the final revised factor of 0.95. The change in the Price-Population Letter resulted in a minor difference between our recalculation using the new factor and the Agency's approved Appropriations Limit of \$74,763 that will be adjusted for in the fiscal year 2019-2020 calculation.

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

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

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

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

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

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



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

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

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

Lance, Soll & Lughard, LLP

Brea, California
July 16, 2018

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2018-2019
APPROPRIATIONS LIMIT CALCULATION

A.	2017-2018 APPROPRIATIONS LIMIT:	\$ 178,006,894	
B.	2018-2019 CHANGE IN PER CAPITA PERSONAL INCOME:		1.0367
C.	2018-2019 CHANGE IN POPULATION:		1.0091
D.	RATIO OF CHANGE (1.0367 X 1.0091):	x <u>1.04613</u>	
E.	2018-2019 APPROPRIATIONS LIMIT: (\$178,006,894 X 1.04613)	<u>\$ 186,218,352</u>	



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Acknowledgements

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

RP-4 Outfall Pipeline Air Release Valve Replacement/Relocation





Water Smart—Thinking in Terms of Tomorrow

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