

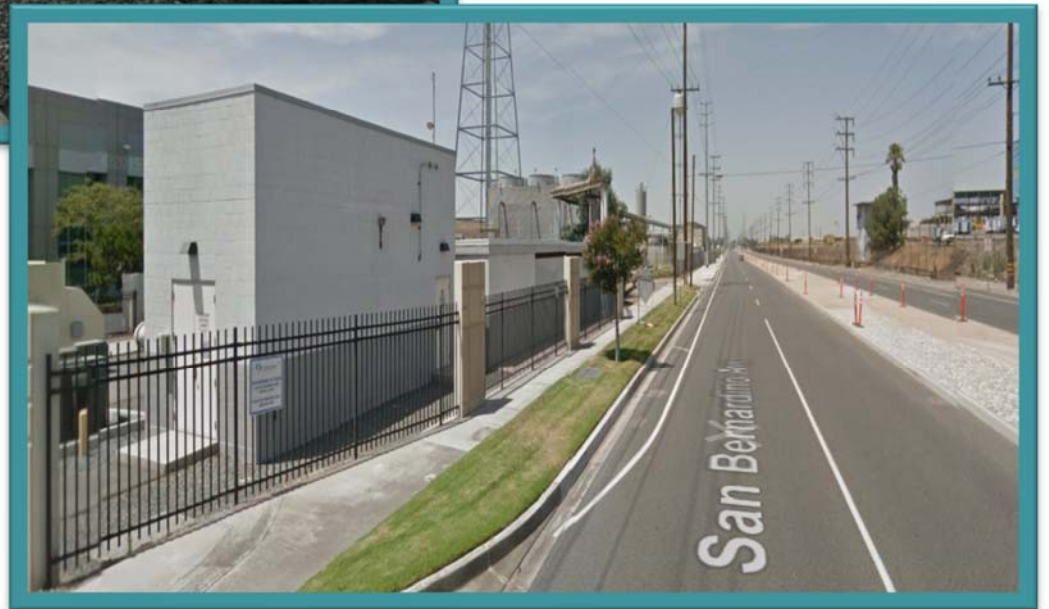
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020  
Chino, CA





# San Bernardino Lift Station Facility Improvements



Lift Station Force Mains and Meters



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

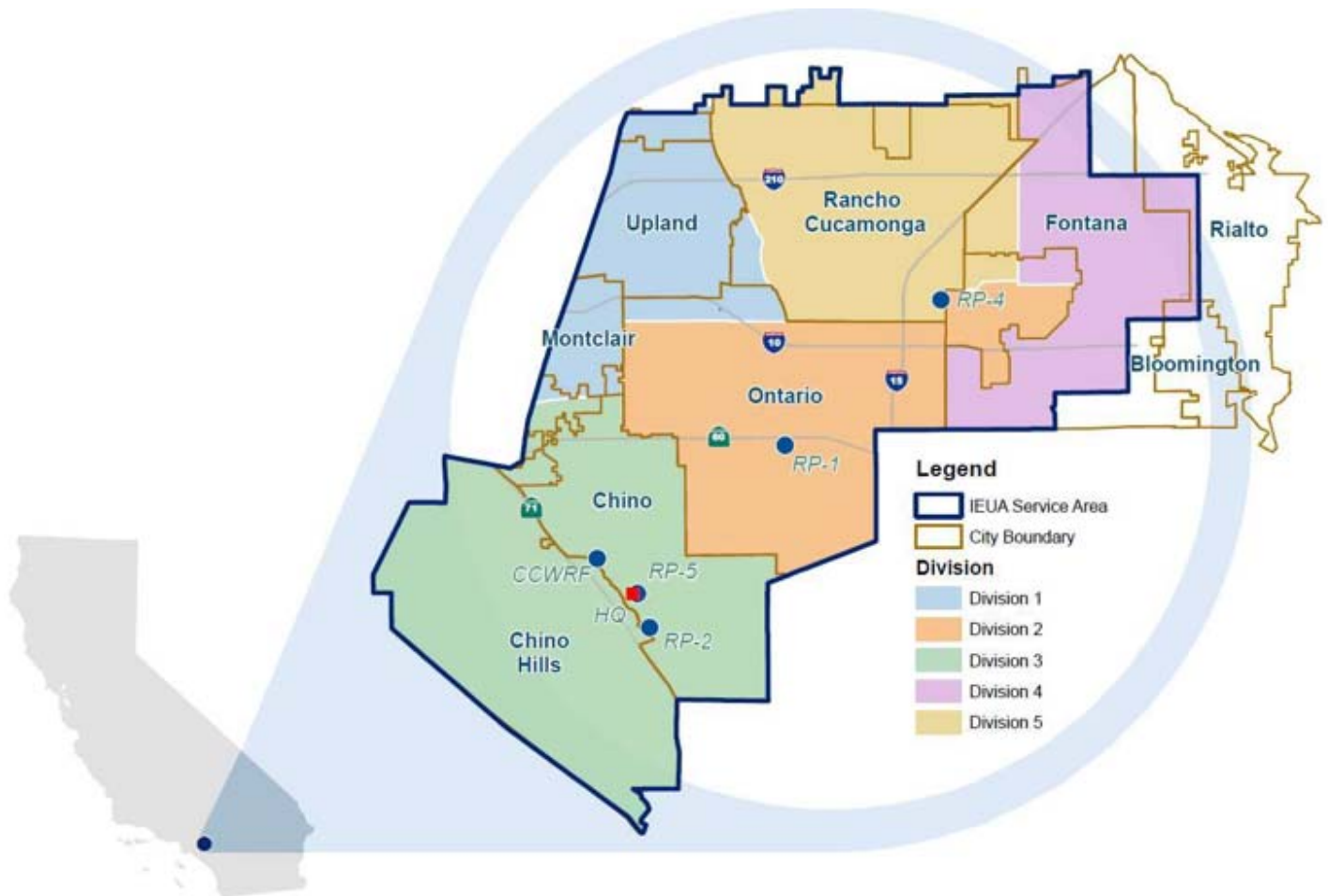
Fiscal Year Ended June 30, 2020  
Chino, CA

*Prepared by the Finance and Accounting Department*



# 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, 2020

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December 16, 2020

To the President of the Board of Directors, Members of the Board, Member Agencies, and Community Members of the Inland Empire Utilities Agency:

State law and local ordinances require the Agency to annually publish a comprehensive report of its financial condition and activities, audited in accordance with general accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, it is with pleasure that we present The Comprehensive Annual Financial Report of the Inland Empire Utilities Agency (referred to as IEUA or the Agency) for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the Inland Empire Utilities Agency. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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, 2020. The independent auditors report is presented as the first component of the Financial Section of this report.

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

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

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

**Kati Parker**  
President

**Jasmin A. Hall**  
Vice President

**Steven J. Elie**  
Secretary/Treasurer

**Michael E. Camacho**  
Director

**Paul Hofer**  
Director

**Shivaji Deshmukh**  
General Manager

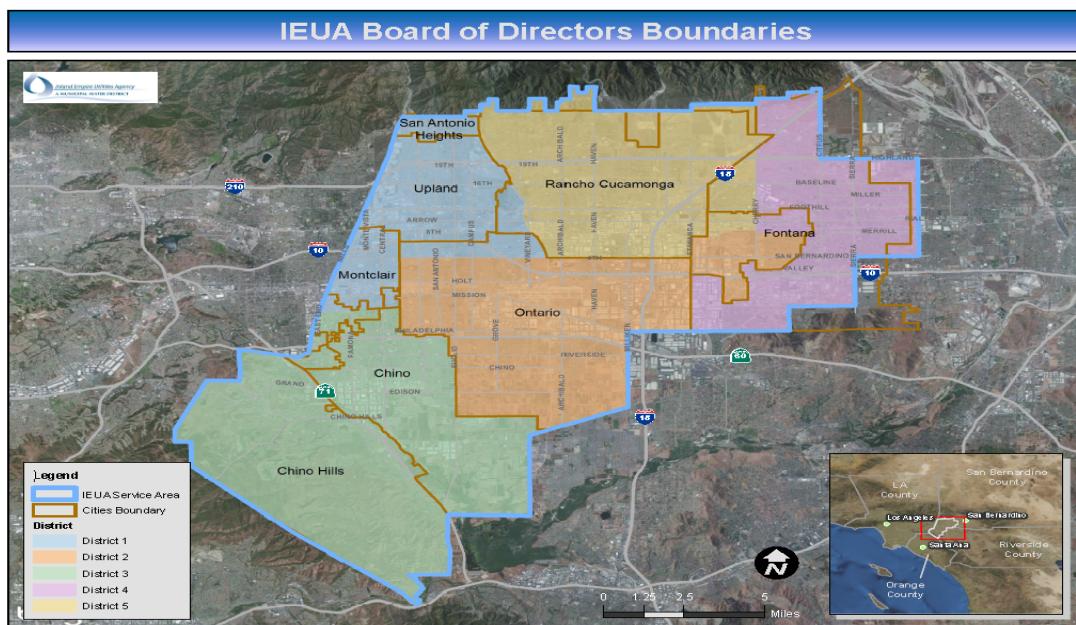
## INLAND EMPIRE UTILITIES AGENCY PROFILE

### UP TO THE PRESENT

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

The mission of the Agency was originally to distribute water imported from the Colorado River. Soon thereafter, that role expanded to include the distribution of water imported to Southern California through the State Water Project (SWP). In April 1984, due to high concentrations of total dissolved solids (TDS), otherwise known as high salt concentration, the Agency significantly reduced the importation of the Colorado River water. The final delivery from the Colorado River was received in April 1994. Since then, all MWD imported water is untreated water delivered through the SWP.

The Agency began domestic wastewater collection during the mid-1960's and built the Southwest Chino Trunk Sewer for domestic wastewater transport. In 1973, the Agency completed lengthy negotiations on the Chino Basin Regional Sewage Service Contract with the cities of Chino, Fontana, Montclair, Ontario, and Upland, and with the Cucamonga Valley Water District as well as the County Service Area 70Q of the County of San Bernardino (later to become the City of





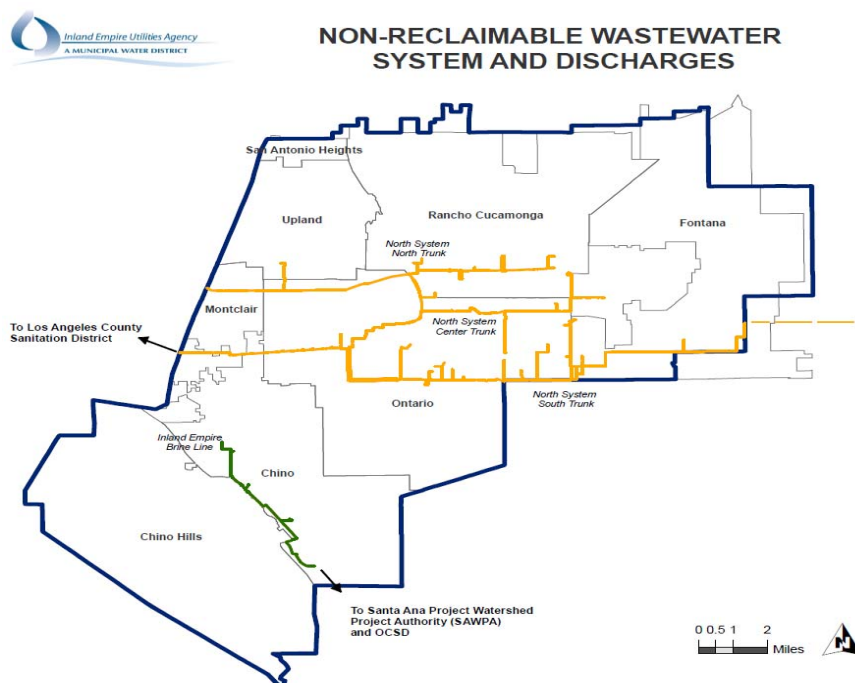
Chino Hills). Pursuant to that contract, the Agency agreed to purchase and operate three local wastewater treatment plants, and to plan and construct all new pipelines, regional interceptor sewer and treatment plants as needed to meet growing demand from new development

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 treated into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of the Agency's service area to treatment plants located in Los Angeles and Orange counties, and eventual discharge to the Pacific Ocean.

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



As of June 30, 2020, approximately fifty industries (forty in the North NRWS and ten in the South) Inland Empire Brine Line (IEBL)) discharged the brine wastewater generated from their process. All these industries are directly connected to the Agency's NRWS. The NRWS also serves approximately seven industrial customers that truck their wastewater to the Agency's dump discharge stations.

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

## RECYCLED WATER DISTRIBUTION SYSTEM

The Agency has been providing recycled water to its member agencies since formation of the Regional Sewage Service Contract in 1972. Initially, recycled water was delivered to Whispering Lakes Golf Course and Westwind Park in the city of Ontario, as well as to Prado Regional Park and El Prado Golf Course in San Bernardino County. In the early 1990's, the Agency planned and built the first phase of the Carbon Canyon Recycled Water Project, which now serves several customers in the cities of Chino and Chino Hills.

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

## GROUNDWATER RECHARGE BASINS

In conjunction with the Chino Basin Watermaster (CBWM), the Agency is implementing the groundwater recharge program to increase artificial groundwater recharge within Chino Basin using storm water, recycled water, and imported water. By enhancing the recharge capacity in the Chino Basin, greater quantities of high-quality water can be captured and stored during wet years. Subsequently, the stored water can be drawn from the basin during 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, the Agency, 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 less than every five years. Since February 2018, the RMPU Steering Committee has been working with different CBWM member pools toward the development of the updated recharge master plan. The updated RMPU was approved concurrently by IEUA and CBWM in September 2018 to meet the required Court filing deadline. The Agency has been an active participant in the current ongoing efforts to complete 2020 Optimum Basin Management Plan (OBMP).



## JOINT POWERS AUTHORITY

### CHINO BASIN DESALTER AUTHORITY

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



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

### INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

In February 2002, the Agency entered into a Joint Powers Agreement with the Los Angeles County Sanitation Districts (LACSD) 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 445,275 square foot facility was transformed from a former IKEA warehouse into the nation's largest indoor biosolids composting facility. IERCA began operation in March 2007 and produces 240,000 cubic yards of a wood-based, nutrient-rich compost annually. The compost produced, marketed and sold under the brand of SoilPro Premium Compost, is made from recycled green waste, biosolids, and horse stable bedding and focuses on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program. SoilPro is sold to landscapers and farmers around southern California to create healthy soils to save water.



## ECONOMIC CONDITION AND OUTLOOK

Fiscal year 2019/20 was a very unsettling year for our region, our state, our nation and the world due to the outbreak of the COVID-19 pandemic. While the full impact of the pandemic is still unknown, communities around the globe are coping with the mitigation efforts put in place in an attempt to contain the spread of the pandemic. With everyone directed to shelter in place, our daily lives and the economy as a whole have been significantly affected.

The Inland Empire Utilities Agency (IEUA or the Agency) is located approximately 35 miles east of Los Angeles in San Bernardino County in an area referred to as the Inland Empire (IE). The IE is accessibly connected to Los Angeles County, Orange County, San Bernardino County, and Riverside County through the major freeway systems: Interstate 10, State Route 60, State Route 71, State Route 91, State Route 210, and Interstate 15. The Agency's service area in San Bernardino County 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. Even with this favorable positioning, COVID-19 has brought economic growth to a halt. IEUA's member agencies are being hard hit by the business closures affecting sales tax revenues, and the decline in construction has significantly decreased the pace of one-time fees the Agency levies on new connections to its regional wastewater system.

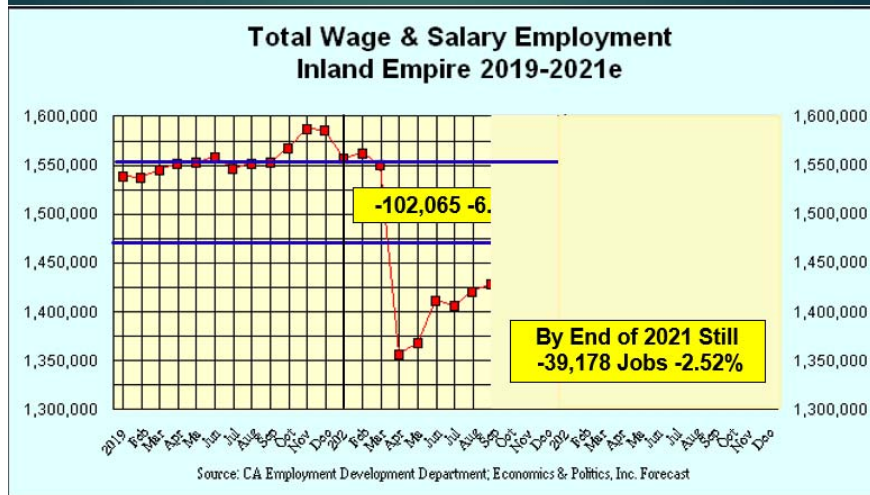
*By April 2020, the IE was down -150,700 jobs from April 2019 (-9.7 percent). Unlike other typical downturns, this one has been the result of efforts to restrain the virus by closing down sectors where people would be in close contact and asking residents to stay home. This has been particularly difficult for population serving groups like retailing, consumer services, eating and drinking, travel and entertainment. (Source: John Husing, April 2020 Inland Empire Quarterly Economic Report).*



Based upon the California's labor force participation rate, data released by the U.S. Bureau of Labor Statistics reported the unemployment rate of 14.9 percent as of June 30, 2020; an increase of 34 percent over the 4.2 percent reported on June 30, 2019.

*California has undertaken a process that is reopening sectors in a phased fashion while generally allowing people to circulate again. As the economy opens from April until December, an important question is what 2020 IE annual average employment will be. (Source: John Husing, April 2020 Inland Empire Quarterly Economic Report).*

# Inland Empire Forecast 2019 to 2021



Looking forward, with declines in construction activities, business closures, and high unemployment, the economic outlook is clouded. Moreover, the state will be facing a drastic budget deficit because of the economic downturn. Expecting slow growth for the immediate future and the uncertainty of the expected recovery, the Agency will continue with the application of cost containment measures and the implementation of new capital projects.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS

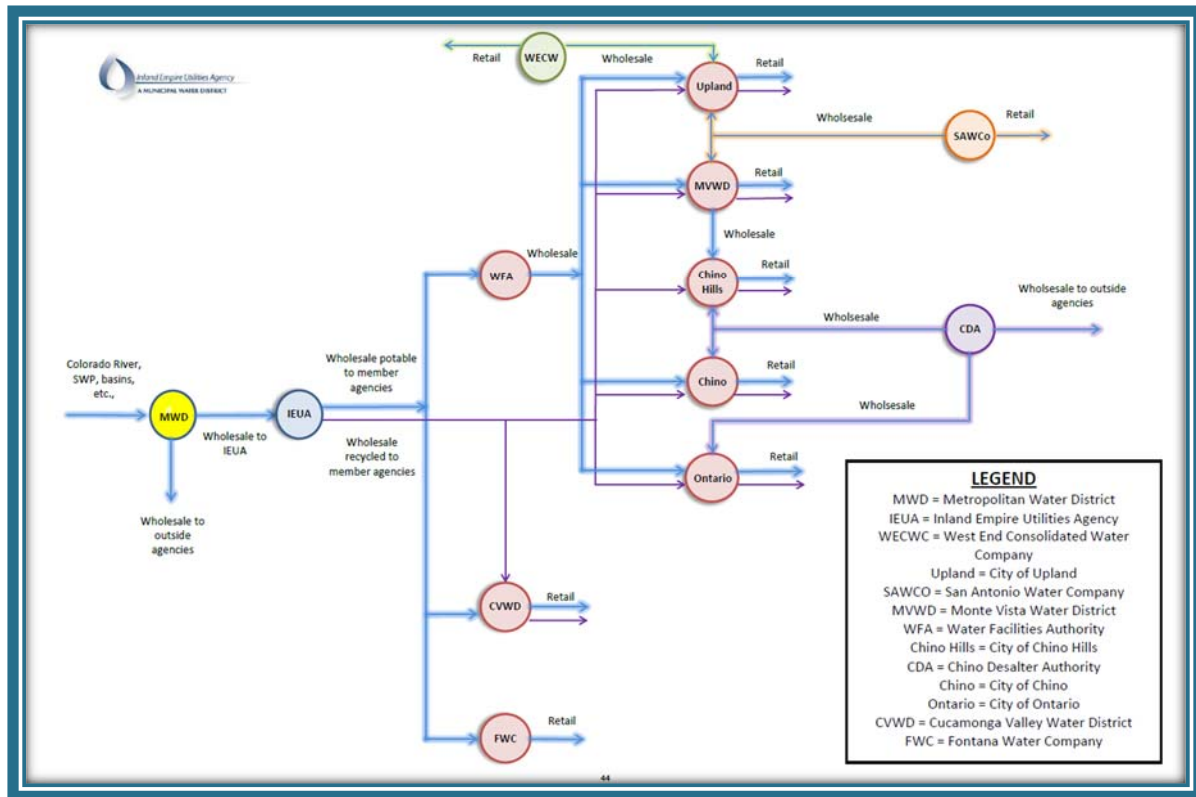
### MAJOR INITIATIVES FOR FY 2019/20

During Fiscal Year 2019/20 the Agency, in collaboration with its member agencies, 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 FY2020/21 and FY2021/22, which include continued development and implementation of the Integrated Water Resource Management Plan (IRP); construction of the RP-5 Expansion project needed to meet projected future demand from growth and relocation of the solids handling facility from the RP-2 site that will be in the floodplane with the raising of the operating level for the Prado Dam; safely manage and maintain Agency assets efficiently and cost effectively; sustainable cost containment of expenditures within budgeted targets; optimizing federal and state grant funding; continue advocacy on local, state and federal legislation that impacts the region, and continue oversight of preparation of long-term planning documents, to ensure fiscal stability of the Agency for the next decade.



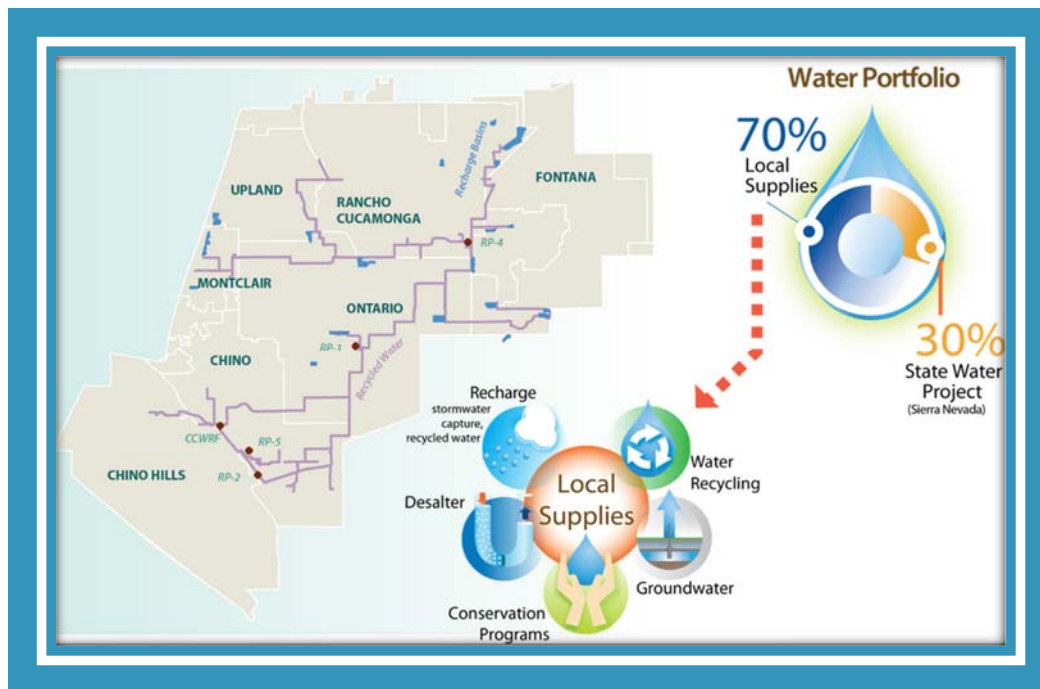
## WATER

The Inland Empire Utilities Agency (IEUA) is committed to investing in our water supply for today and tomorrow through fiscal responsibility, efficient business practices, water supply management, and environmental stewardship. Originally named the Chino Basin Municipal Water District, IEUA has been a leader in water supply planning and programs to protect the region's vital water supplies for over fifty years. As a wholesale provider of imported water to five cities and two special districts in the service area, IEUA utilizes multiple wholesale sources of water,



including imported water through the Metropolitan Water District (MWD), and groundwater recharge from local recycled water.

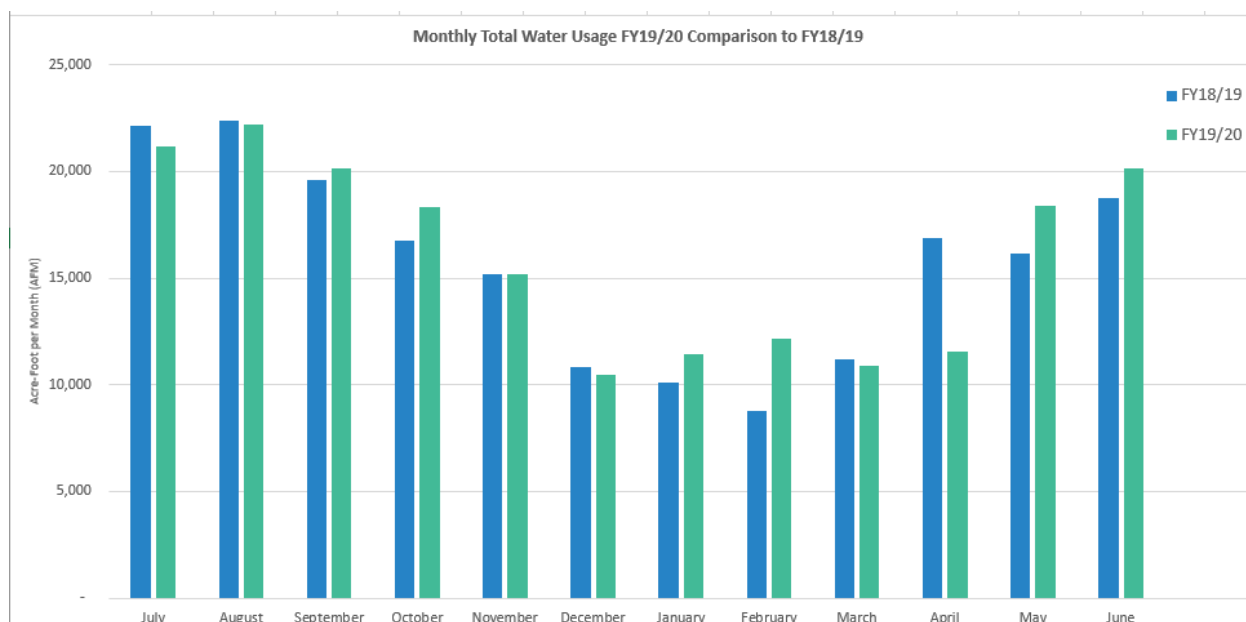
In addition to wholesale supplies, local retail water agencies include sources of supply, including local groundwater, surface water, and desalted ground water.



Inland Empire Utilities Agency (IEUA) monitors and compiles water use data from each of its retail agencies to track overall water demands and sources of supply. Each year, this data is compiled into an Annual Water Use Report. Data includes monthly water use by member agency and by source of supply, a five-year history of water use, and retail agency water usage as a percentage of the total water used in the service area.

Total water consumption within IEUA's service area for FY 2019/20 was 192,100 AF. This is roughly a 1.7 percent increase (3,283 AF) from FY 2018/19 consumption of 188,817 AF. The region is now using approximately 15 percent less water than before the recent drought in FY 2013/14 when consumption was at 227,586 AF. Despite an increase in overall usage from last year, Metropolitan Water District (MWD) Tier 1 imported water usage in the region has decreased from 63,230 AF in FY 2018/19 to 49,035 AF in FY 2019/20. The reduction in imported water was met by increased use of other local water sources, including a voluntary withdrawal of 17,395 AF from the MWD Dry Year Yield Conjunctive Use Program (DYY) by Cucamonga Valley Water District.

## Total Regional Monthly Water Usage FY 19/20 Comparison to FY18/19



IEUA anticipates a slight increase in FY 2020/21 water usage due to the continually growing population in the region and the general climate change trend of projected temperature increases. However, long-term demands are not expected to exceed the peak 10-year demand of 227,586 AF reached during the FY 2013/14 drought. Current water usage is below the low demand forecast outlined in IEUA's 2015 Integrated Water Resources Plan (IRP). This analysis came from demand modeling conducted as part of the IRP and Urban Water Management Plan (UWMP) which found that new developments in the region are more water efficient due to changes in the plumbing code, higher density developments with less landscaping, and compliance landscape ordinance requirements set forth in AB1881. FY 2019/20 usage is roughly 9 percent below the 2020 predicted usage found in the low demand IRP forecast. A continual focus on water use efficiency and per capita reductions, as required in SB X7-7, is anticipated to continue reducing per capita water use and demands.

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

Smart water planning starts with water conservation. Every gallon of water saved within the Chino Basin translates into reduced demand for expensive imported water supplies. By being more efficient, our community will increase the reliability of our existing water supplies and reduce the cost of imported water purchases. IEUA's goal is to save over 25,000 acre-feet of water over the next twenty years through conservation – that's about 7 percent of our area's current water use.

To achieve this water conservation goal, IEUA works in close coordination with the following local retail water agencies: the cities of Chino, Chino Hills, Ontario, and Upland, Cucamonga Valley Water District, Monte Vista Water District, Fontana Water Company, the San Antonio Water Company and other agencies to implement regional water use efficiency programs. The programs primarily focus on education and provide incentives for high efficiency appliances and devices including weather-based irrigation controllers, and high efficiency sprinkler nozzles.



Following is a summary and update on the region's water supply efforts and programs:

- *Water Use Efficiency (WUE)*: IEUA and its member agencies continue to offer water use efficiency programs outlined in the 2015-2020 Regional Water use Efficiency Business Plan. With outdoor irrigation accounting for 60 percent of total urban water demand, the recent focus has been to increase efficiency programs targeting outdoor irrigation. IEUA and the Metropolitan Water District of Southern California (MWD) continue to provide a combined Turf Replacement Rebate of \$3 per square foot of turf removed. IEUA's new WUE efforts include a pilot study, co-sponsored by MWD, with the goal to quantify the water savings achieved by conducting minor irrigation repairs on residential homes. IEUA has also started to offer a direct discount program on smart home water usage trackers
- *RP-5 Expansion Project*: The addition of a new membrane bioreactor to the RP-5 facility located in the City of Chino will allow for greater treatment and recycled water recovery. The RP-5 Expansion project construction is targeted for completion in 2025.
- *2020 Urban Water Management Plan (UWMP)*: As required in the California Water Code, IEUA has begun preparation of the 2020 UWMP. The 2020 UWMP supports long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. The latest version of the UWMP will be focused on IEUA from a wholesale perspective. A draft available for public comment is expected for release in the first quarter of 2021, pending the release date of the 2020 UWMP guidebook by the California Department of Water Resources.

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## GROUNDWATER RECHARGE

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

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

Annually, IEUA currently recharges between 40,000 and 50,000 acre-feet of imported water from northern California; between 15,000 and 25,000 acre-feet of stormwater; and an average of 10,000 acre-feet of recycled water. An acre-foot of water is equal to 325,900 gallons of water or equivalent to filling a one-acre site that is one foot deep with water.

The Chino Basin Recycled Water Groundwater Recharge Program will assist in mitigating future water shortages in California caused by future limitations for importing water supplies from the California State Water Project and provides a subsurface reserve of groundwater for local use. This

enhances the current reliability of local groundwater supplies for a rapidly growing population and is an integral part of the local water supply planning.

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



*Turner recharge basin*

*Lower Day Basin Improvements:* Improvements to the Lower Day Basin are currently under construction with the goal of improving the basin storage and stormwater capture capabilities for groundwater recharge. The total project budget is \$4 million, approximately 30 percent is funded by state and federal grants. Construction is expected to be completed November 2020.

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## OTHER AGENCY INITIATIVES

On May 29, 2020, the Agency executed a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement for \$196.4 million with the U.S. Environmental Protection Agency (EPA). The WIFIA loan will support approximately 43 percent of the Regional Water Recycling Plant No. 5 (RP-5) Expansion Project. At a fixed interest rate of 1.36 percent to be paid back over a 35-year period following substantial completion of the project, the net present value savings compared to traditional bond financing are estimated at \$74.4 million over the life of the loan.

To further reduce the financing costs for the RP-5 Expansion project, the Agency issued the 2020B Revenue Notes for a par amount of \$196.4 million to support construction costs. At a fixed rate of 0.41%, the use of this interim financing will result in additional estimated net present value savings of nearly \$5 million over the life of the loan. The 2020B Revenue Notes will be paid by a draw on the WIFIA loan at the end of construction of the RP-5 Expansion project in 2025.

The favorable market conditions also provided the Agency an opportunity to fix-out the 2008B Variable Rate Demand Notes and refund existing debt, including 8 SRF loans, that resulted in cost savings. The 2020A Refunding Revenue Bonds for a par amount of \$56.3 million resulted in net present value savings estimated at nearly \$10 million over the life of the bonds.

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

During FY 2019/20 the Agency conducted the 2020 Rate Study to update the monthly wastewater rates, wastewater connection fees, meter equivalent unit rates, recycled water rates and water connection fees established by the 2015 Rate Study.

In response to measures implemented at federal, state and local levels to contain the spread of the COVID-19 pandemic in March 2020, the IEUA Board unanimously voted to defer the adopted and scheduled rate adjustments for FY 2020/21. The deferral of the rate increase was an effort to mitigate the fiscal impact on ratepayers that were facing challenging and uncertain economic conditions.

In FY 2017/18 the Agency received a conditional determination of eligibility to receive up to \$206.9 million in Proposition 1 Water Investment Storage Program (WISIP) funding from the California Water Commission. The Agency continues to work with member agencies on the evaluation of potential projects to qualify for the conditional financing award.

Also, during FY 2019/20, the Agency completed the transition of the Deferred Compensation 457(b) Plan and the 401(a) Defined Contribution Plan from multiple record keepers to a single provider. This consolidation will significantly reduce the fees paid by plan participants, offer a robust investment portfolio, and provide participants with state-of-the-art online investment and retirement tools.

As a result of Governor Newsom's Executive Order to shelter in place and practice social distancing in an effort to contain the COVID-19 pandemic, the Agency implemented a remote work policy; increased safety and sanitation measures for essential employees working on site; transitioned the public meetings of the IEUA Board of Directors and Regional Committees to online platforms, and canceled the Annual Earth Day Celebration and water resources educational events after March 2020.

## MAJOR INITIATIVES FOR FY 2019/20 - PROJECTS

Pursuant to the Regional Contract, member agencies provide a ten-year forecast of expected growth in their area. Based on the member agency forecasts, the Agency prepares a ten-year projection of capacity demands and identifies capital projects needed to meet the service demand from future growth.

Major capital construction projects underway in FY 2019/20 included the RP-5 Expansion and Biosolids facility; construction of the RP-1 recycled water pump station upgrades; RP-4 process improvements and upgrades of the trident filters.



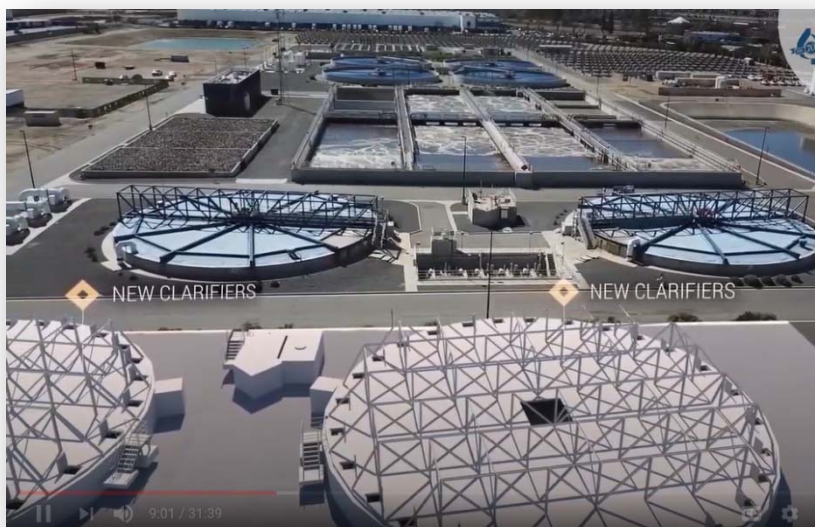
As part of IEUA's Wastewater Facilities Master Plan (WFMP) updated in 2015, an analysis of the influent wastewater flow and quality data for IEUA's Regional Water Recycling Plants (RWRP's) was performed to establish current average and peak flow influent flows, concentrations, and loads for developing flow and load projections for the 2035 planning year. The RP-5 Expansion and Solids Expansion Project (RP-5 Expansion project) will increase of the RP-5 hydraulic treatment capacity from 15 MGD to 22.5 MGD for liquid treatment and mechanical systems and 30 MGD for structures.



The expansion will support expected growth in the southern section of the Agency's service area projected by the contracting member agencies. In addition, the RP-5 Expansion project will also construct a 30 MGD solid treatment facility to replace and relocate the aging RP-2 solids facility above the new "take-line" of Prado Dam. The project will include a membrane bioreactor treatment system to provide improved water quality for the

region, meet all regulatory requirements, utilize energy efficient equipment, and continue to provide high quality recycled water to the service area. With a total budget of \$450 million, the RP-5 Expansion project is the largest project ever undertaken by the Agency.

Although the construction contract award for the RP-5 Expansion project was postponed to FY 2020/21 due to the outbreak of the COVID-19 pandemic, the Agency was able to secure funding in amount of \$196.4 million from the U.S. Environmental Protection Agency (EPA) through the Water Infrastructure Finance and Innovation Act (WIFIA) loan program. The project is also included in the State Water Resources Control Board fundable list for State Revolving Fund loan in the amount of \$101.5 million.



#### RP-4 PROCESS IMPROVEMENTS – TRIDENT FILTERS REHABILITATION AND REPLACEMENT

RP-4 began operation in July of 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 the 14 MGD liquids expansion, there are areas in need of process improvements to enhance operational flexibility, and address wear of existing facilities. The trident

filter rehabilitation and replacement is the second phase of this four-phase improvement project and is expected to be complete in 2021. The total project budget is \$20,962,396.



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 the Agency's RP-1 facility.

All wastewater is treated to Title 22 recycled water standards and is pumped directly into the Agency's regional recycled water distribution system.

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#### RP-1 RECYCLED WATER PUMP STATION UPGRADES

The existing RP-1 1158 Zone Effluent Pump Station includes four identical pumps. Each pump is equipped with variable frequency drive (VFD) driven 400 HP motors. The pumps are controlled by both the 1158 Zone water level and the wet well level, but currently only operate at full speed. Based upon the hydraulic analysis performed, the year 2020 direct use demands analysis revealed the RP-1 1158 Zone Recycled Water Effluent Pump Station system hydraulics was operating with pressures lower than desired. All four existing pumps, motors and VFD's will be replaced with four new 700 HP pumps, motors and VFD's. In addition to meeting 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. The total project budget is \$7,525,000.

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#### NAPA RECYCLED WATER LATERAL PIPELINE

The Napa recycled water lateral pipeline design-build project consisted of the design and construction of approximately 10,000 linear feet of recycled water pipeline to convey recycled water from the existing pipeline by Regional Plant No. 4 (RP-4) to Prologis industrial properties, California Steel Industries and Auto Club Speedway along Napa Street and San Bernardino Avenues in Fontana, California.





The project included the installation of a cellular communication system at the Auto Club Speedway's well site to establish communication with the existing reservoir's level sensor without impacting the existing on-site piping; and installation of two 4- inch recycled water stub-out connections with isolation valves that terminated in the street within public right-of-way along the southern portion of Cherry Avenue, in Fontana.

During construction closed-circuit television (CCTV) inspection of the pipeline was performed to identify valves that required relocation.

The total project budget is \$6,050,000, funded in part by a State Revolving Fund (SRF) Loan, The State Water Resources Control Board, through their Clean Water State Revolving Fund loan forgiveness program for Green Projects, awarded the agency a SRF Loan Forgiveness Grant (PFG) of \$2,500,000.

The Napa Lateral Project is consistent with IEUA's Business Goal of Water Reliability,



## RECYCLED WATER

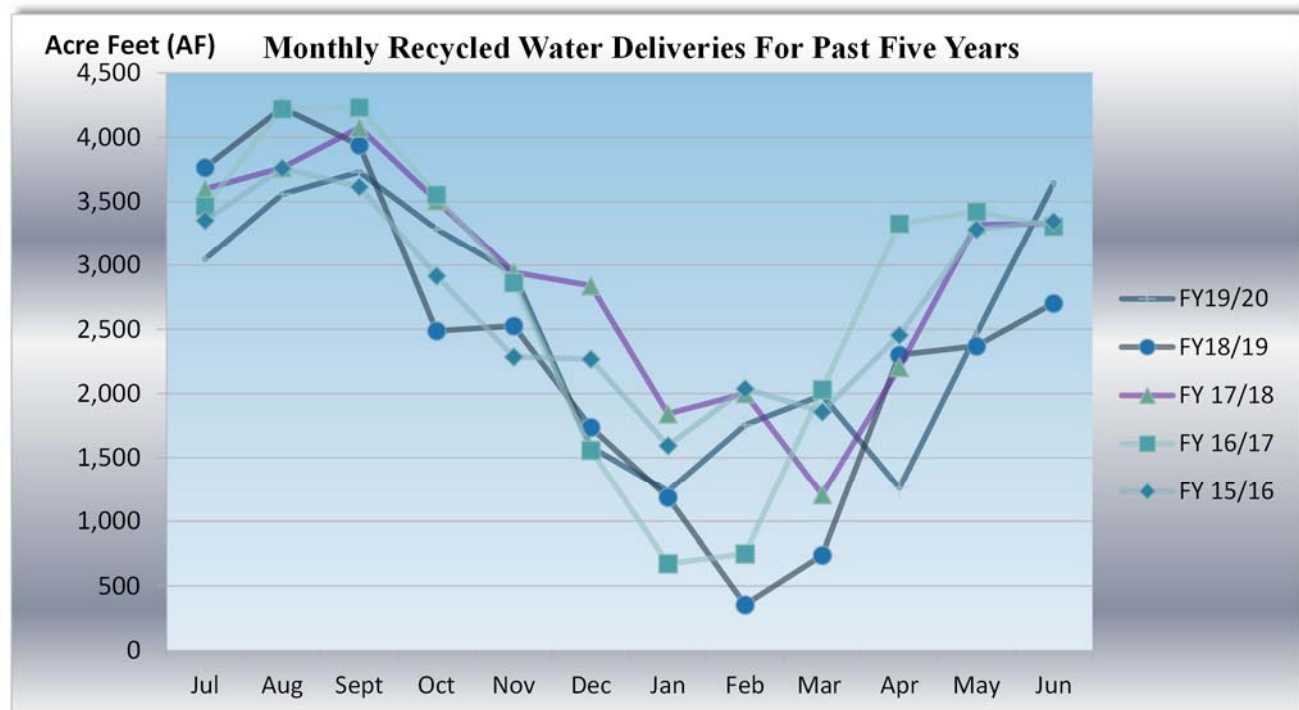
### *Recycled Water Deliveries by Acre Foot*

Type	Actual				Projected		
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Direct Use	19,477	21,132	16,803	17,115	19,000	19,000	19,000
GW Recharge	13,934	13,510	11,542	13,380	12,900	13,100	13,800
<b>Total</b>	<b>33,411</b>	<b>34,642</b>	<b>28,345</b>	<b>30,495</b>	<b>31,900</b>	<b>32,100</b>	<b>32,800</b>

Recycled water deliveries for direct use and groundwater recharge vary seasonally and annually based on a variety of factors, including rainfall intensity, climate conditions, long term water use efficiency, maintenance activities on recharge basins, and land use conversions. FY 2019/20 was a dry year compared to the high precipitation of the prior fiscal year. The dryer weather conditions resulted in a higher demand for recycled water which resulted in actual deliveries of 30,495 AF compared to 28,345 AF the prior fiscal year.

New connections to the recycled water system decreased by approximately six percent in FY 2019/20, with 71 new connections versus the prior fiscal year total of 76. The addition of these new connections increased the total number of member Agency meters to 1,331 and increased total connected demand by approximately one percent to 50,163 AF from a total of 49,665 AF in FY 2018/19.

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





## MAJOR ACCOMPLISHMENTS

### MAJOR ACCOMPLISHMENTS FOR FY 2019/20

#### GRANTS/STATE LOANS

The Grants Department is responsible for identifying, securing, and managing low-cost financing in support of IEUA's programs and business objectives. Funding secured through the grant programs supports IEUA's Ten-Year Capital Improvement Plan (TYCIP) which outlines a strategy for the rehabilitation, replacement, and expansion of facilities, infrastructure, and equipment owned or operated by the Agency and integrates with critical planning documents involved in the formation of capital improvements.

These funding sources support projects across seven program areas: water storage; water recycling; wastewater treatment; groundwater recharge and surface water management; safe drinking water; water conservation; and renewable energy. These program area of focus have been instrumental in strengthening IEUA's strategic position and ability to respond to environmental and regulatory changes, as well as increased service demands from future growth in the Agency's service area. The Agency also strives to be a supportive financial partner to its member agencies in achieving regional commitments.

#### SIGNIFICANT IMPACT OF AGENCY GRANTS AND LOANS ON THE PROJECT FUNDING

In FY 2019/20, the Agency was awarded a total of \$208 million dollars in grants and low-interest loans. The following table highlights these major accomplishments.

GRANTS/LOANS AWARDED			
	Grants	Loans	Total
EPA WIFIA RP-5 Expansion		\$196,436,445	\$196,436,445
SWRCB Baseline Extension Project	\$3,347,006	\$3,347,007	\$6,694,013
SAWPA Prop 1 Joint IEUA-JCSD Regional Water Recycling Program	\$2,617,970		\$2,617,970
USBR Local Water Supply Restoration Granular Activated Carbon Treatment Facility	\$750,000		\$750,000
SAWPA Interregional Landscape Water Demand Reduction Program	\$449,301		\$449,301
USBR Chino Basin Marketing Strategic Plan	\$400,000		\$400,000
SAWPA Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)	\$367,968		\$367,968
<b>Total Grants and Loans Awarded</b>	<b>\$7,932,245</b>	<b>\$199,783,452</b>	<b>\$207,715,697</b>

The grant and loan funding will provide several major benefits to the Agency, the region, and its ratepayers:

- The U.S. Environmental Protection Agency's (EPA) execution of the Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement will provide a low-interest loan in the amount of \$196.4 million for the RP-5 Expansion Project. The loan carries a 1.36 percent fixed interest rate and is to be paid back over a 35-year period, following substantial completion of the project. The low interest rate is expected to provide the Agency and its ratepayers gross savings of approximately \$152.8 million over the life of the loan versus the cost of issuing traditional revenue bonds.

At a cost of \$450 million, the RP-5 Expansion project is the largest capital project in the Agency's history. The Project will expand RP-5's liquids treatment capacity to meet service area growth and construct a new solids treatment facility to facilitate the relocation of the RP-2 facility which is located in a future flood plain zone. The liquids treatment capacity of RP-5 will be increased from 15 million gallons per day to 22.5 million gallons per day to support expected service area growth. The project will meet all regulatory requirements, utilize energy efficient equipment, and continue to provide recycled water to the service area.

- The Baseline project's 1.4 percent fixed low-interest rate loan, in the amount of \$3.3 million, combined with a \$3.3 million principal forgiveness grant, will extend existing pipelines to utilize recycled water that will offset the use of imported water and improve regional resilience during future drought conditions.

In FY 2019/20, the Agency submitted a total of seven grant or loan applications. The following table shows the applications that are in the technical and/or environmental review stage and are pending an award decision.

APPLICATIONS SUBMITTED/PENDING AWARD DECISION			
	Grants	Loans	Total
SWRCB RP-1 Disinfection Improvements		\$8,460,000	\$8,460,000
SWRCB Prop 68 Chino Basin Improvement and Groundwater Clean-up	\$1,000,096		\$1,000,096
FEMA/Cal-OES COVID-19 Response Efforts	\$200,000		\$200,000
<b>Total Applications Submitted/Pending</b>	<b>\$1,200,096</b>	<b>\$8,460,000</b>	<b>\$9,660,096</b>

The Agency has seven Clean Water State Revolving Fund (CWSRF) loan agreements in the final stages of review. The \$155 million in CWSRF agreements are expected to be issued within the next three to six months and will support the Agency's cash flow process. The SWRCB CWSRF Loan applications are listed on California's Intended Use Plan (IUP) Fundable List for FY 2019/20.

GRANT/LOAN AGREEMENTS IN NEGOTIATION STAGE			
	Grants	Loans	Total
SWRCB RP-5 Expansion		\$101,530,000	\$101,530,000
SWRCB IEUA-JCSD Intertie (WRCWRA)	\$2,500,000	\$27,982,030	\$30,482,030
SWRCB RMPU Wineville/Jurupa/RP-3 Recharge Improvement Projects		\$8,763,381	\$8,763,381
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	\$3,137,170
SWRCB RMPU Lower Day Basin Improvement Project		\$2,883,000	\$2,883,000
SWRCB RMPU Montclair Basin Improvement Project		\$1,788,100	\$1,788,100
<b>Total Grant/Loan Agreements in Negotiation Stage</b>	<b>\$6,568,585</b>	<b>\$148,708,096</b>	<b>\$155,276,681</b>

## OTHER AGENCY ACCOMPLISHMENTS INCLUDED

### WATER QUALITY LABORATORY

Completed in FY2018/19, and dedicated February 13, 2020, the Water Quality Laboratory is a 16,000 square foot (sq. ft.) state-of-the-art laboratory located at the IEUA Headquarters Campus, in the city of Chino. It was built adjacent to Regional Water Recycling Plant No. 5 (RP-5) in Chino to manage water quality testing, enhance performance and improve the process of sample analysis.



The Water Quality laboratory is a Gold LEED™ Certified building for its energy efficiency, inclusive of solar panel integration into roof joists, and the use of eco-friendly materials. The Laboratory supports the analytical needs of the Agency's five wastewater reclamation plants and the Groundwater Recharge Program with approximately 18,000 samples collected and 64,000 various tests conducted each year.

The Water Quality Laboratory supports National Pollution Discharge Elimination System (NPDES) and California Division of Drinking Water permit compliance monitoring, as well as industrial and domestic wastewater discharge monitoring for the Agency's Pre-Treatment and Source Control Department.



To meet regulations set by the Clean Water Act program, the lab utilizes extractions, gas chromatography, metals analysis, bioassays, and wet chemical analysis to assess environmental impacts the recycled water will have on aquatic organisms when discharged into nearby bodies of water, and to test for pollutants, metals and total coliform.



The Laboratory performs compliance testing for NPDES, Groundwater Recharge (GWR), and Pretreatment and Source Control (PTSC) permits. Historically, the Agency has used contract lab services for testing that IEUA is not certified to perform. The contract was broadened to include additional costs for new or more frequent testing mandated by new regulations, which include quarterly screen for bioanalytical tools for recycled water; more frequent testing of parameter [Per and Polyfluoroalkyl Substances (PFAS); and 1,2,3 TCP for GWR and new testing of PFAS in Wastewater.

PFAS are man-made chemicals that have been used in industry and consumer products worldwide since the 1950s. They have been used in non-stick cookware, water-repellent clothing, stain resistant fabrics and carpets, some cosmetics, some firefighting foams, and products that resist grease, water, and oil.

Some of the current challenges faced in the new PFAS compliance include ensuring all 31 analytics in both non-potable water and biosolids are performed by an accredited laboratory; ensuring the data is valid and meaningful without bias; minimizing the turn-around time for data



analysis; and minimizing the background contamination as PFAS is prevalent in everything around us.

Human exposure to per- and polyfluoroalkyl substances (PFAS) is a public health concern that the Centers for Disease Control and Prevention's (CDC) National Center for Environmental Health (NCEH) and the Agency for Toxic Substances and Disease Registry (ATSDR) are helping our local, territorial, tribal, state, and federal partners address. Over the last decade, interest in PFAS has been growing. Our state health partners are investigating exposure to and possible health effects associated with PFAS in more than 30 communities across the United States

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## COST CONTAINMENT / EFFICIENCIES:

At the end of the fourth quarter FY 2019/20, total regular filled positions were 266 compared to the 286 budgeted positions and 290 authorized positions, resulting in a vacancy factor of 8.3 percent. The Agency currently employs 11 limited term (LT) employees, compared to the adopted staffing plan of 18 LT positions. Recruitment of key positions as part of the Agency's succession planning effort is expected to lower the vacancy factor going forward.

## 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. The Agency has created a new Asset Management department that will lead the Agency creation of risk evaluation criteria and the corresponding assessment of risk to develop an efficient and workable Asset Management Program focusing on ensuring the efficient rehabilitation, repair, or replacement of physical assets. The assessment, 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 2020/21 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 Year 2020/21 is the second year of the Agency's biennial budget. In response to the outbreak of the global COVID-19 pandemic and the potential impact to our customers and our communities, the Board of Directors deferred rates increases needed to

support Agency operations for FY 2020/21. The long-term fiscal impacts of the ongoing pandemic are still to be recognized. The Agency will continue to focus on long-term planning and sustainable cost containment to offset for any revenue shortfall from the deferral of rate increases for FY 2020/21.

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

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

### BUDGETARY CONTROLS

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

## OTHER INFORMATION

### INDEPENDENT AUDIT

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

### AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities

Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the twenty-first consecutive year the Agency has received this prestigious award.

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

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

## ACKNOWLEDGEMENTS

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

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

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

Respectfully submitted,



Shivaji Deshmukh  
General Manager



Christina Valencia  
Executive Manager of Finance  
and Administration/AGM



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Inland Empire Utilities Agency  
A Municipal Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

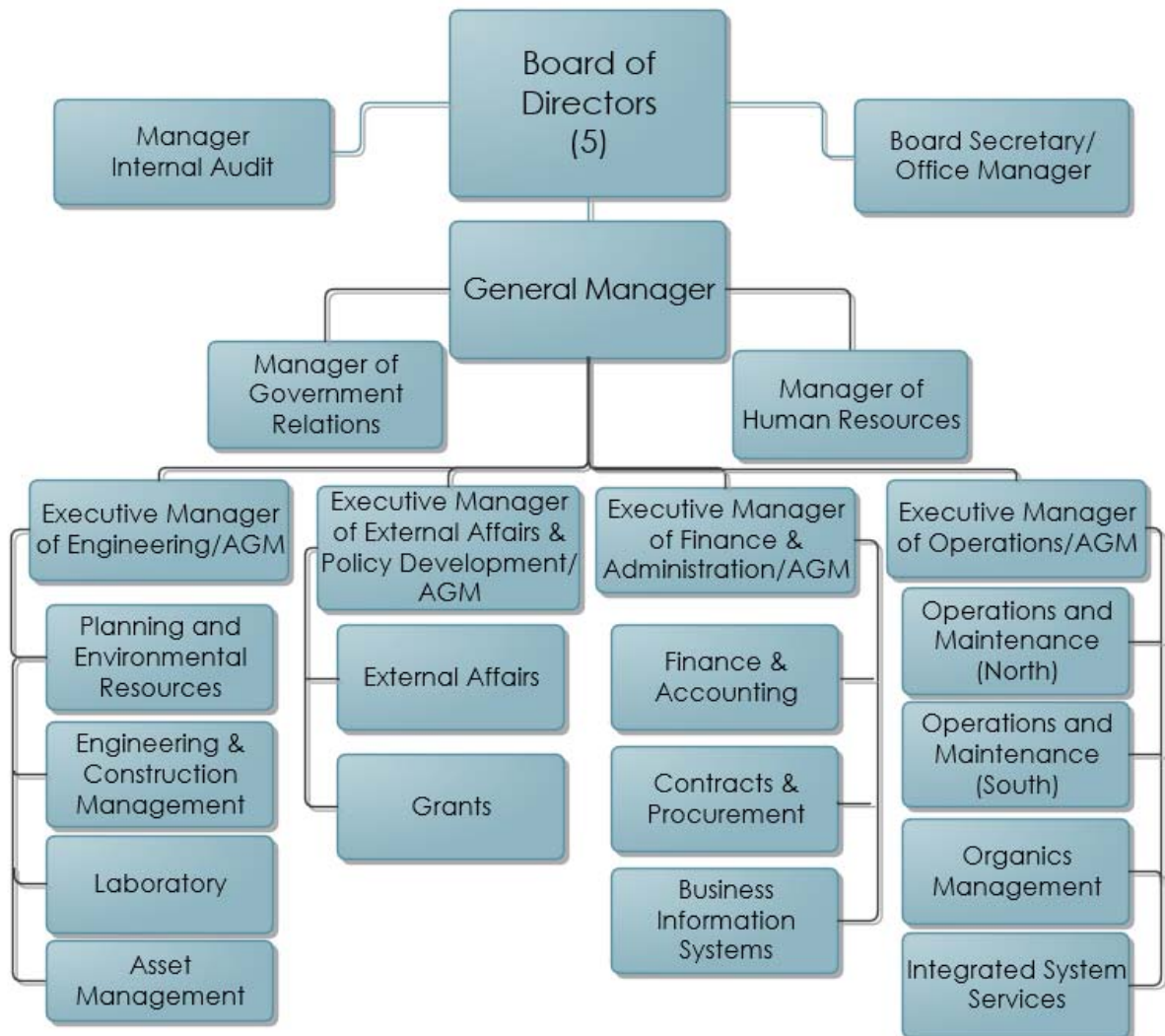
Executive Director/CEO



# Inland Empire Utilities Agency

FY 2019/20

## Organizational Chart



## INLAND EMPIRE UTILITIES AGENCY

### Principal Officials

June 30, 2020

#### BOARD OF DIRECTORS

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

#### EXECUTIVE STAFF

<i>Shivaji Deshmukh</i>	<i>General Manager</i>
<i>Christiana Daisy</i>	<i>Executive Manager - Engineering/AGM</i>
<i>Kathy Besser</i>	<i>Executive Manager - External Affairs &amp; Policy Development/AGM</i>
<i>Randy Lee</i>	<i>Executive Manager - Operations/AGM</i>
<i>Christina Valencia</i>	<i>Executive Manager - Finance &amp; Administration/AGM</i>

#### MANAGEMENT STAFF

<i>Cathleen Pieroni</i>	<i>Manager - Government Relations</i>
<i>Andrea Carruthers</i>	<i>Manager - External Affairs</i>
<i>Lisa Dye</i>	<i>Manager - Human Resources</i>
<i>Warren Green</i>	<i>Manager - Contracts &amp; Procurement</i>
<i>Sushmitha Reddy</i>	<i>Manager - Laboratories</i>
<i>Jesse Pompa</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>Kenneth Monfore</i>	<i>Manager - Asset Management</i>
<i>Robert Delgado</i>	<i>Manager - Operations &amp; Maintenance, South</i>
<i>Scott Oakden</i>	<i>Manager - Operations &amp; Maintenance, North</i>
<i>Kanes Pantayatiwong</i>	<i>Manager - Business Information Services</i>
<i>Jerry Burke</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>Vacant</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 2019/2020:

### First Half FY 2019/2020

#### Finance/Administration

Gary Te

#### Engineering/Planning

Josh Biesiada

#### Operations

Phebe Wang

### Second Half FY 2019/2020

#### Finance/Administration

Joyce Rucker

#### Engineering/Planning

Nicolas Jones

#### Operations

Joe Carter

## Employee of the Year

*Joe Carter was chosen by the Selection Committee as the Employee of the Year for FY 2019/20.*



## *IEUA STAR AWARD RECIPIENT EMPLOYEE OF THE YEAR*

Joe Carter is an exceptional employee who is hard working, trustworthy, dependable, and always displays a positive attitude. His many years of electrical and instrumentation experience has proven to be extremely valuable to the success of the Maintenance and Operations departments. Joe is always willing to share his knowledge and experience with his co-workers. He is patient, kind, and works well as part of a team. He values other's opinions and is encouraging to his team.

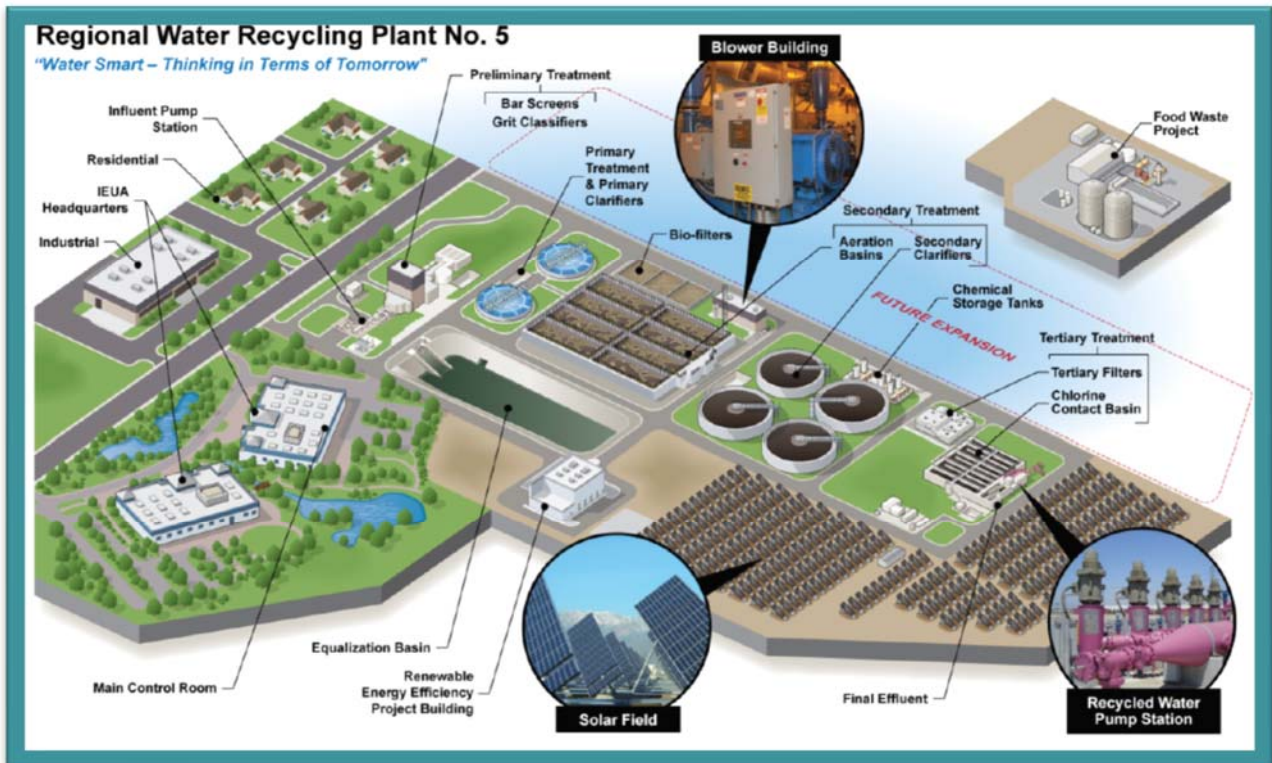
Recently Joe exemplified his outstanding planning and organizational skills through his involvement with the RP-1 12 kv switchgear replacement project. Joe developed a shutdown plan that included 240 steps for the successful replacement of the switchgear. The magnitude of this project was huge and thanks to Joe's careful planning, the new switchgear was replaced safely and with minimal power disruption which resulted in RP-1 remaining at full capacity operation with no compliance violations.

Joe exhibited the leadership and knowledge of the RP 1 electrical distribution system to help deliver a safe and successful electrical swap over.

Joe's outstanding work ethic, creativity, positive attitude and willingness to always help others makes him the ideal candidate to receive the STAR award.



# Regional Water Recycling Plant No. 5





## 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, 2020, 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, 2020, 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 schedules 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, 2019, 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 fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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.

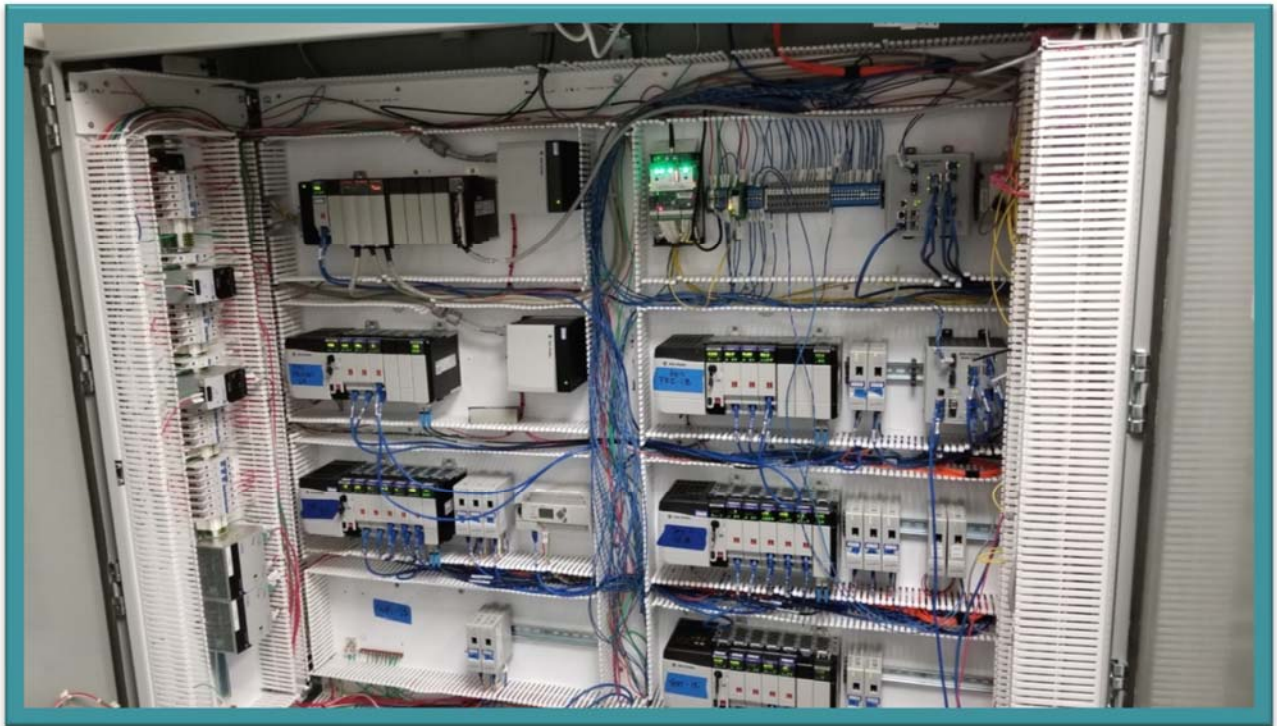
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 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.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lughard, LLP".

Brea, California  
November 24, 2020

# SCADA Enterprise System (RP4 SCADA Migration)



RP-4 SCADA Main Control Panel

## 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, 2020. 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 \$257,877,378 for Fiscal Year (FY) 2019/20 reported an increase of \$12,990,750 compared to \$244,886,628 recorded for FY 2018/19. The overall increase includes \$9,777,422 in non-operating revenue of, and \$3,331,888 in capital grants for the South Archibald Trichloroethylene (TCE) Plume Cleanup Project. These increases were partially offset by a decrease of \$490,329 in operating revenues. The net increase in non-operating revenue was primarily due to: 1) a \$4,323,026 increase in other non-operating revenues due to an reimbursement of capital projects; 2) a \$2,572,992 increase in property tax revenue due to an increase in assessed property values; 3) a \$2,131,850 increase in water capital connection fees due to a higher number of new meters; and 4) a \$973,264 increase in wastewater capital connection fees due to a higher number of new connections as a result of building activities. These increases were offset by a \$223,710 decrease in interest income.



The decrease in operating revenue of \$490,329 is primarily due to the application of MWD credits in amount of \$4,751,442 related to withdrawal of the Dry Year Yield Conjunctive Use (DYY CUP) water by member agencies. The decrease was partially offset by 1) a \$2,814,214 increase in service charges as a result of an increase in the volumetric fee and a \$1,446,899 increase in recycled water as a result of higher demand.

The Dry Year Yield Conjunctive Use (DYY CUP) credits issued by MWD as a pass through to water agencies for reimbursement of their O&M costs related to the storage and pumping of DYY water has been netted, resulting in a lower water sales revenue and purchase expense of \$4,751,442.

Total expenses of \$194,155,099 for FY 2019/20 reported an increase of \$10,955,159 compared to \$183,199,940 recorded in FY 2018/19. The overall increase includes a higher other non-operating expense of \$12,553,163, offset by a decrease in operating expense of \$1,598,004. The increase in other nonoperating expenses was primarily due to higher cost for the South Archibald TCE Plume Cleanup Project. The decrease in operating expenses was primarily due to 1) a \$5,039,674 decrease in imported water purchases due to DYY CUP water purchase credits from MWD; 2) a \$4,262,906 decrease in wastewater collection, treatment, and disposal due to lower contracted labor and material costs; and 3) a \$204,164 decrease in operations and maintenance. These decreases were partially offset by 1) a 6,597,430 increase in administration and general as a result of an increase in program services such as the rate study and evaluations of project requests from operations, and the recording of pension expense in compliance with GASB 68 and 2) a \$1,311,310 increase in depreciation and amortization.

## FINANCIAL HIGHLIGHTS

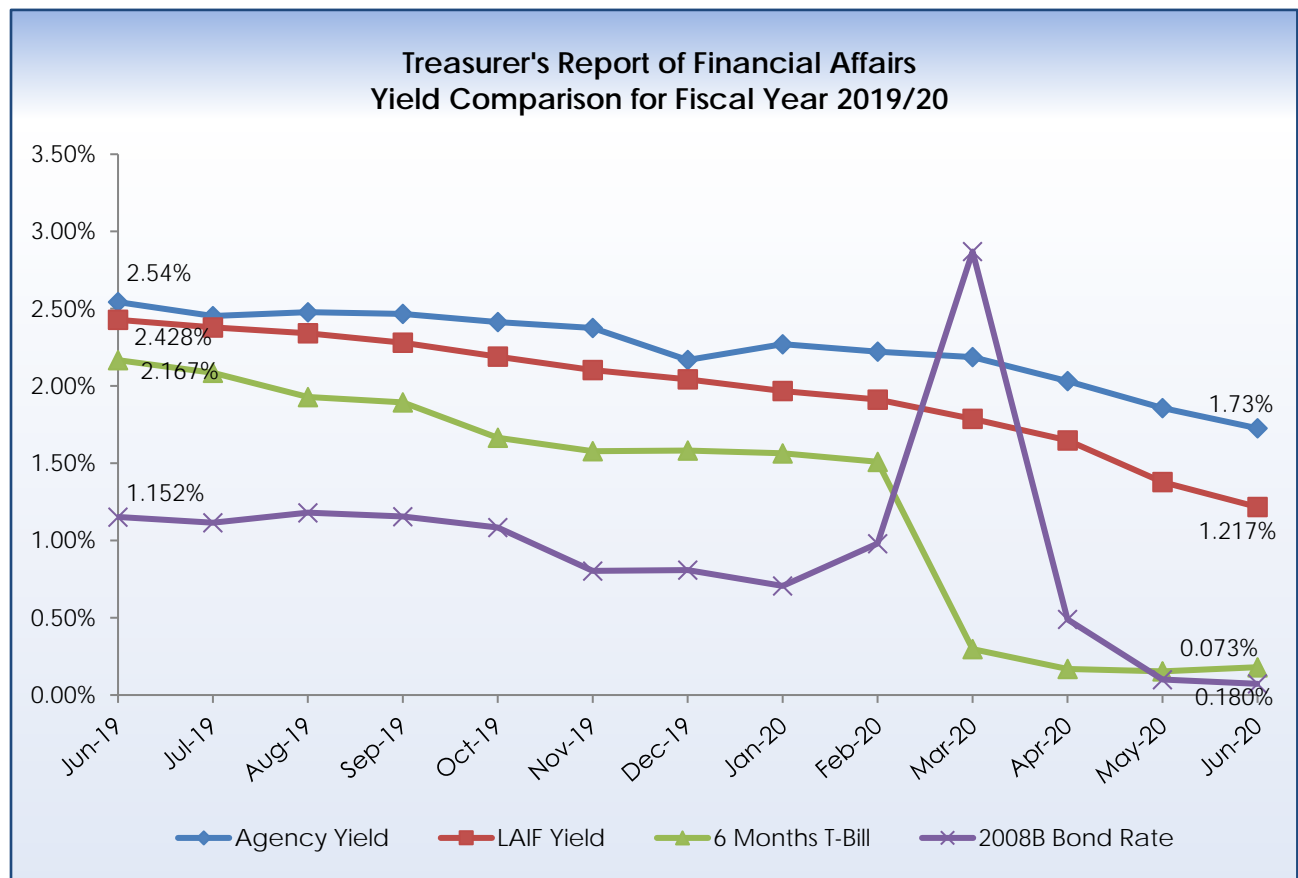
### CASH AND INVESTMENT MANAGEMENT

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, 2020, 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.

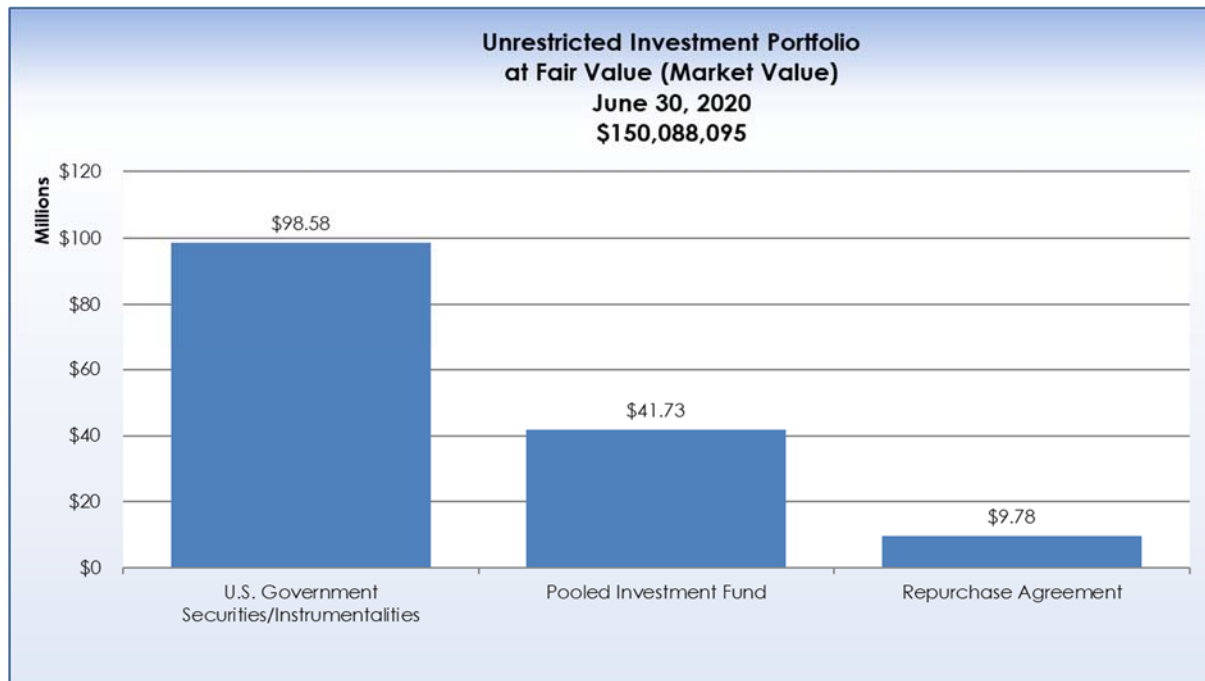
## INVESTMENT PORTFOLIO PERFORMANCE

The Agency's overall portfolio rate of return decreased from 2.54 percent in June 2019 to 1.73 percent as of June 30, 2020.

Total interest income for FY 2019/20 of \$4,229,595, a decrease of five percent compared to \$4,453,305 in FY 2018/19. The decrease in interest income is primarily due to lower 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 and PFM Asset Management LLC 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, 2020 and June 30, 2019 were \$150,088,095 and \$160,065,813, respectively. Not included are restricted funds held in trust or by a custodian, 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, wastewater connection fees held by member agencies in their respective Capital Construction Reimbursement Accounts (CCRA's), and the debt service accounts.

## 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 at the Chino I desalination facility (Chino I Desalter).

All operations and maintenance expenses related to the Chino I Desalter facility, including labor incurred by the Agency, are recorded in the Agency's Administrative Services Fund. These

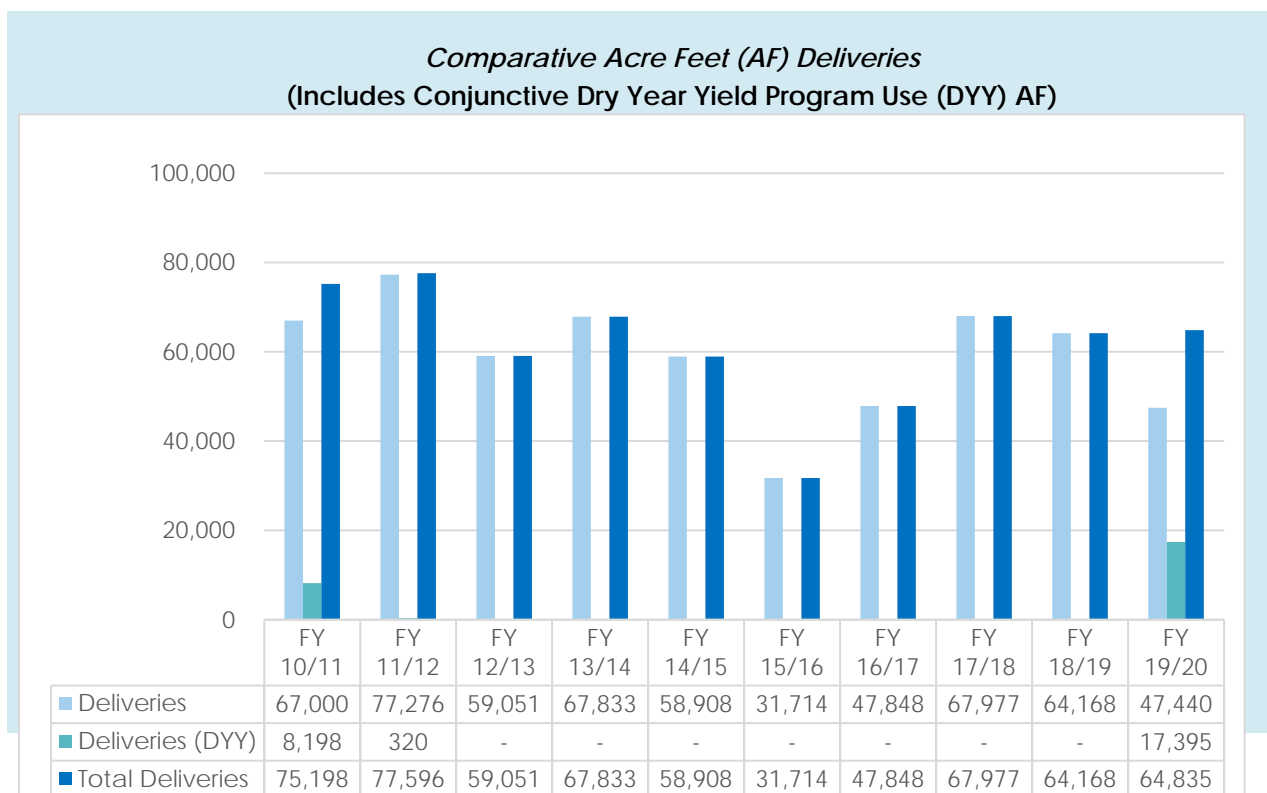


expenses are billed to the CDA monthly. In FY 2019/20, the total amount billed was \$1,384,701 and reported as non-operating revenue.

## IMPORTED WATER DELIVERIES

Imported water deliveries for FY 2019/20 were 64,835-acre feet (AF) compared to 64,168 AF in FY 2018/19, an increase of 667 AF. The increase in imported water over the last fiscal years, as reported in the bar graph below, is mainly due to 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. To meet demand, member agencies had to increase imported water purchases to blend with local water to reduce contamination levels.

A comparative of imported water deliveries for the past ten fiscal years shows an overall decline in imported water deliveries beginning in FY 2012/13, followed by an upwards swing in the last three years as a result of the water quality restrictions.



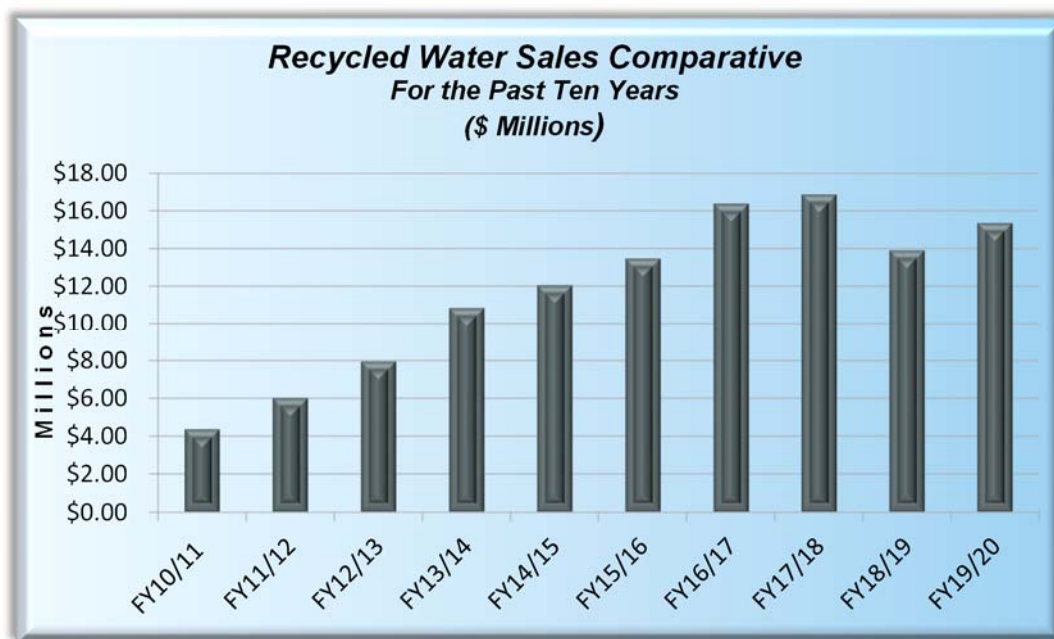
The total operating revenue in the Water Resources Fund decreased by \$4,171,536 in FY 2019/20 to \$47,613,671 from \$51,785,207 in FY 2018/19. The decrease is due to the withdrawal of 17,395 AF of Dry Year Yield Conjunctive Use (DYY CUP) water by member agencies. The DYY CUP Program offered through Metropolitan Water District of Southern California (MWD) allows retail member agencies to take water out of the DYY CUP account, with the associated DYY CUP credits.

Service charge revenue increased to \$4,967,078 in FY 2019/20 from \$4,920,078 in FY 2018/19, due to an increase in the meter equivalent unit (MEU) rate from \$0.99 to \$1.04 per MEU in FY 2019/20, partially offset by a lower number of MEUs reported by member agencies in FY2019/20 of 398,003 units compared to 414,148 units in FY2018/19. As part of the implementation of the MEU rate in October 2016 to support the Agency's regional water resource program, the Agency also restructured the recovery of MWD readiness-to-serve (RTS) fees. Previously, RTS fees were supported by a meter account service charge. Under the current fee structure, RTS fees are allocated to member agencies consistent with MWD's ten-year rolling average (TYRA) methodology. As requested by member agencies, recovery of the RTS fees will be phased in over a seven-year period beginning in FY 2016/17.

The total operating expenses decreased to \$47,434,945 in FY 2019/20 from \$52,235,265 in FY 2018/19. The decrease was primarily due to DYY water purchase credits from MWD, and decreased expenses in operations and maintenance, partially offset by increased general and administration expenses.

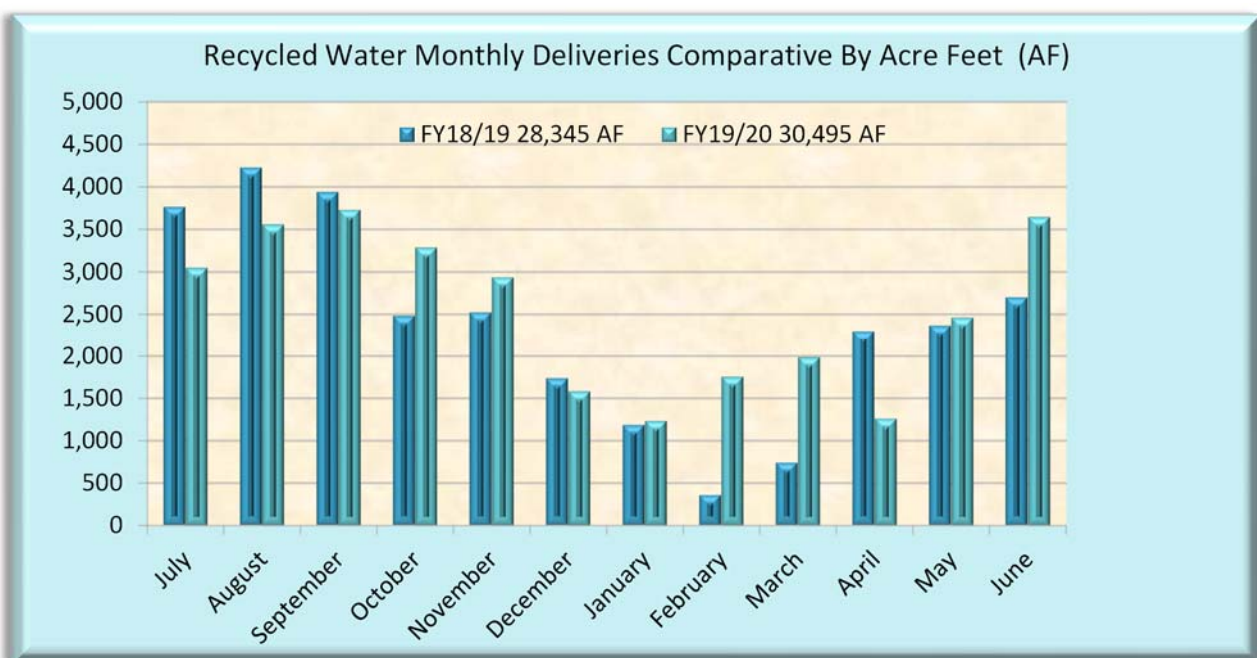
## RECYCLED WATER SALES

Total recycled water sales increased by \$1,446,899 to \$15,348,685 in FY 2019/20, compared to \$13,901,786 in FY 2018/19.



The ten percent increase in revenues was primarily due to an increase in recycled water deliveries from 28,345 acre feet (AF) in FY 2018/19 to 30,495 AF in FY 2019/20 and an increase in rates effective July 1, 2019 for direct deliveries from \$480 to \$490 per AF and groundwater deliveries from \$540 to \$550 per AF. Total operating expenses increased by \$299,243 to \$17,866,122 in FY 2019/20 from \$17,566,879 in FY 2018/19 due to an increase in operations and maintenance expenses, depreciation and amortization, partially offset by a decrease in general administration expenses.

Total net position as of June 30, 2020 was \$91,642,523, an increase of \$8,480,849 from \$83,161,674 on June 30, 2019. The increase was primarily due to other non-operating revenue of \$3,934,342 for reimbursement of capital project expenditures, \$2,131,850 water capital connection fees, and higher recycled water sales revenue of \$1,446,899.



A total of 30,495 AF was registered for direct use and recharged recycled water deliveries, compared to 28,345 AF for last fiscal year, an increase of nearly eight percent primarily due to dry weather and higher demand of recycled water.



## 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 \$146,783,296 in FY 2019/20, an increase of \$6,228,204, or four percent over last fiscal year total of \$140,555,092.

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

**For the Fiscal Year Ended June 30, 2020**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Revenue Category	2019/20		2018/19		Increase/<Decrease> from 2018/19	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 68,506,127	47%	\$ 66,498,642	48%	\$ 2,007,485	3%
Property Tax Receipts	45,697,096	31%	44,024,651	31%	1,672,445	4%
Wastewater Connection Fees	24,259,070	17%	22,914,037	16%	1,345,033	6%
Other Non-operating Revenues	5,694,339	4%	4,556,315	3%	1,138,024	25%
Interest Income	2,626,664	2%	2,561,447	2%	65,217	3%
<b>Total Revenues</b>	<b>\$ 146,783,296</b>	<b>100%</b>	<b>\$ 140,555,092</b>	<b>100%</b>	<b>\$ 6,228,204</b>	<b>4%</b>

The Agency's FY 2019/20 service charges of \$68,506,127, were \$2,007,485 or three percent higher compared to FY 2018/19 total of \$66,498,642. The increase is primarily due to an adjustment of the monthly equivalent dwelling unit (EDU) sewage rate from \$19.59 to \$20.00 effective July 1, 2019, partially offset by a decrease of approximately one percent or 26,516 in the number of billable EDU's to 3,399,713 in FY2019/20 from 3,426,229 in FY2018/19. Incremental rate adjustments were adopted by the Agency Board of Directors in 2015 for fiscal years (FYs) 2015/16 through FY 2019/20 to establish rates which over time will recover the full cost of service.

Property tax receipts allocated to the Regional Wastewater Program increased \$1,672,445, or four percent from \$44,024,651 in FY 2018/19 to \$45,697,096 in FY 2019/20 primarily driven by an increase in assessed property values.

Wastewater connection fees increased \$1,345,033, or six percent in FY 2019/20 to \$24,259,070 from \$22,914,037 in FY 2018/19, due to a combination of a higher number of new wastewater connections in FY 2019/20 than prior year, and an increase in the connection fee effective July 1, 2019. The EDU connection fee increased to \$6,955 per equivalent dwelling unit (EDU) in FY 2019/20 compared to \$6,624 per EDU in FY 2018/19, an increase of \$331 per EDU. Total number of EDUs reported by the contracting agencies in FY 2019/20 were 3,435 units compared to 3,390 units in FY 2018/19. Cucamonga Valley Water District, Cities of Ontario, Chino, Fontana, and Upland accounted for ninety-four percent of the total number of new wastewater connections. Expansion

of the Agency's RP-5 Water Recycling facility located in the City of Chino is underway to meet projected demand from future growth. Construction is expected to begin in early 2021.

Other non-operating revenues were \$5,694,339 in FY 2019/20 compared to \$4,556,315 in FY 2018/19, an increase of \$1,138,024 or twenty-five percent. The increase is primarily due to the easement sale to the Chino Preserve Develop Corporation, and receipt of a settlement payment.

Interest income increased from \$2,561,447 in FY 2018/19 to \$2,626,664 in FY 2019/20 due to higher reserve level.

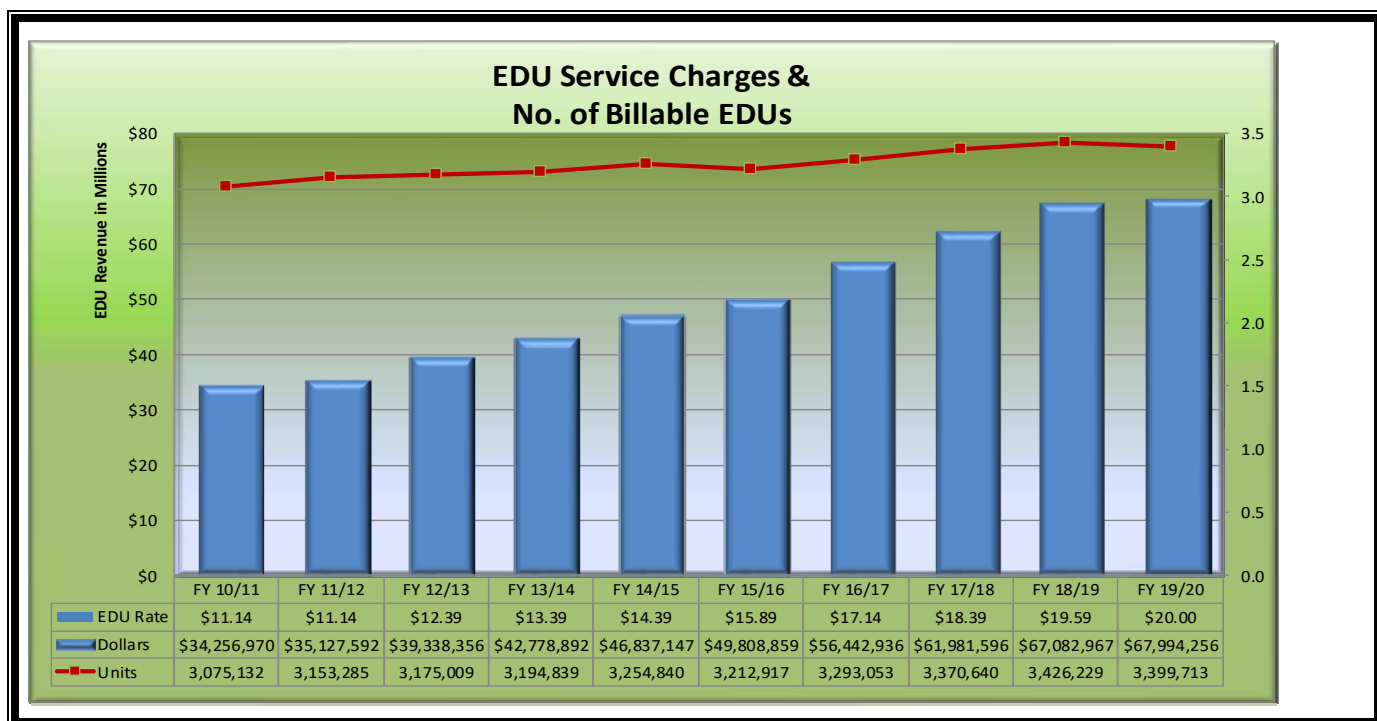
***Expenses by Category – Regional Wastewater Program***  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Expense Category	2019/20		2018/19		Increase/<Decrease> from 2018/19	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	\$ 1,677,975	2%	\$ 1,940,237	2%	\$ (262,262)	(14)%
Wastewater Treatment	20,958,634	20%	23,829,235	26%	(2,870,601)	(12)%
Wastewater Disposal	11,077,003	11%	11,316,753	12%	(239,750)	(2)%
<b>Total Wastewater Expenses</b>	<b>33,713,612</b>	<b>32%</b>	<b>37,086,225</b>	<b>41%</b>	<b>(3,372,613)</b>	<b>(9)%</b>
Administration & General	26,647,122	25%	21,356,387	24%	5,290,735	25%
Depreciation & Amortization	24,788,328	24%	23,739,557	26%	1,048,771	4%
Interest on long-term debt	3,953,044	4%	3,631,625	4%	321,419	9%
Other nonoperating exp	15,880,923	15%	4,987,476	5%	10,893,447	218%
<b>Total Expenses</b>	<b>104,983,029</b>	<b>100%</b>	<b>90,801,270</b>	<b>100%</b>	<b>14,181,759</b>	<b>16%</b>

Total expenses for FY 2019/20 were \$104,983,029, an increase of \$14,181,759 or sixteen percent compared to \$90,801,270 in FY 2018/19. Total wastewater collection, treatment, and disposal costs decreased by \$3,372,613, or nine percent to \$33,713,612 in FY 2019/20, primarily due to lower contracted labor and material costs, and lower allocated costs on program services for wastewater treatment. Interest on long-term debt increased by \$321,419, or nine percent to \$3,953,044 in FY 2019/20 from \$3,631,625 in FY 2018/19, mainly due to higher interest costs for the 2020B Revenue notes. Administration and general expenses increased by \$5,290,735 or twenty-five percent to \$26,647,122 in FY 2019/20, compared to \$21,356,387 in FY 2018/19. The increase was mainly due to higher pension expenses of \$2,133,686 recorded in compliance with GASB 68, and an increase of \$3,914,483 for program services including engineering evaluations of project requests, contract administration support, evaluation of scheduling software to support work order management and the 2020 Rate Study of Agency rates and fees. .

Total other non-operating expenses of \$15,880,923 represents a two hundred and eighteen percent increase compared to \$4,987,476 reported in FY 2018/19. The increase is primarily due to execution of the ongoing South Archibald Trichloroethylene Plume clean-up project (TCE Plume Cleanup project). Dating as far back as 2005, numerous companies and municipalities ("the Parties") had been issued Cleanup and Abatement Orders by the California Regional Water Quality Control Board, Santa Region. Recognizing the unique opportunity to integrate a permanent cleanup solution into the Chino Basin Desalter Authority (CDA) expansion project, IEUA led the collaborative effort with the Parties to plan, develop and implement a strategy for the cleanup and beneficial future use of the contaminated groundwater. In June 2015, the IEUA Board of Directors approved the Joint Facility Development Agreement (JFD Agreement) and the Cost Sharing Agreement for the construction and management of the TCE Plume Cleanup project. In addition to the settlement payments negotiated by the Parties, IEUA has been successful in securing federal and state grants. In accordance with the JFD Agreement, the Parties are responsible to fund the TCE Plume Cleanup project. CDA is responsible for the execution of the TCE Plume Cleanup project and all future associated operations and maintenance costs.

### ***Comparative EDU Service Charges***





## NON-RECLAIMABLE WASTEWATER TREATMENT

The Non-Reclaimable Wastewater System (NRWS) is a collection system which includes pipelines and a pump station to export the high-salinity industrial wastewater generated within the Agency's service area for treatment and eventual discharge to the Pacific Ocean. The NRWS is physically separated from the Agency's Regional Sewerage System (RSS), ensuring compliance with the California Regional Water Quality Control Board and state regulation related to environmental criteria. By diverting high nitrogen brine to the NRWS and away from RSS, 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 NRWS operated by the Agency is comprised of three independent collection systems: The North NRWS, the Etiwanda Wastewater Line (EWL) and the South systems (SNRWS) also known as the Inland Empire Brine Line (IEBL). The NRWS and EWL convey wastewater to sewer lines owned and operated by the Los Angeles County Sanitation District (LACSD). Flows in the SNRWS, or 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 LACSD (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 (NNRWS and EWL) – prorated based on the number of capacity units issued per customer
- South System (SNRWS or IEBL)– a fifty percent operating surcharge is imposed on volumetric, capacity, and strength charges

The Agency and LACSD 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 LACSD are more stable and predictable, making it easier for the 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 2019/20 for the North and South systems increased \$226,823 to \$12,682,703 compared to \$12,455,880 reported in FY 2018/19. The increase in revenues is primarily due to higher pass through fees for Total Suspended Solids (TSS), monthly capacity fees, and monthly volumetric fees, partially offset by lower flows than prior fiscal year.

Total operating expenses in FY 2019/20 decreased by \$1,310,334 to \$9,969,993 compared to \$11,280,327 in FY 2018/19. The decrease is mainly due to lower volume of wastewater flow, decreased excess capacity unit lease charges, lower Total Suspended Solids (TSS) charges from LACSD and decreased general and administration expenses. The net position at June 30, 2020, increased \$3,021,923 to \$33,364,223.

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

**For the Fiscal Year Ended June 30, 2020**

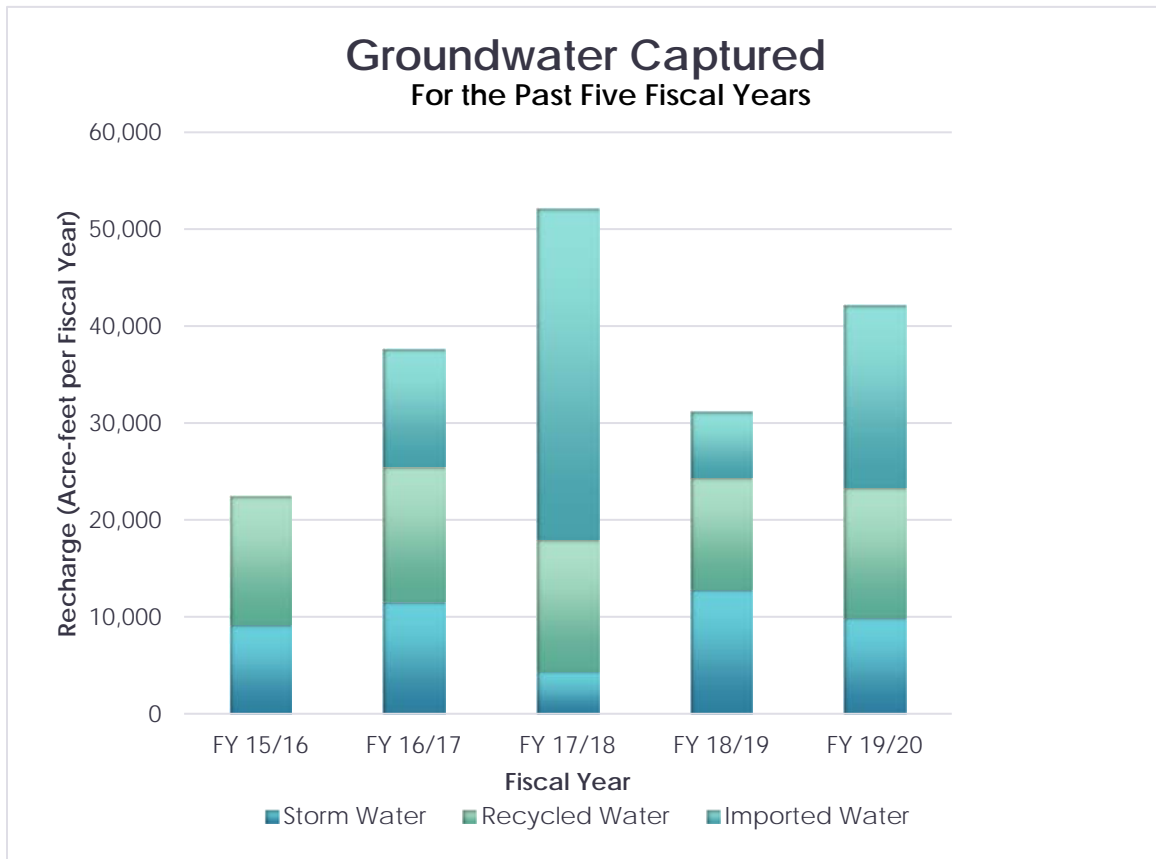
<b>Rate Description</b>	<b>2019/20</b>	<b>2018/19</b>
<b><i>North System</i></b>		
<b>Monthly Capital Improvement Fee</b>	<b>\$8.00</b>	<b>\$7.60</b>
<b>Operation &amp; Maintenance Charge</b>	<b>\$20.25</b>	<b>\$19.90</b>
<b>Monthly Volumetric Fee</b>	<b>\$940.00</b>	<b>\$912.00</b>
<b>Total Suspended Solids (TSS)</b>	<b>\$470.00</b>	<b>\$456.00</b>
<b>Chemical Oxygen Demand (COD)</b>	<b>\$166.00</b>	<b>\$161.00</b>
<b>Peak Flow Fee</b>	<b>\$357.00</b>	<b>\$346.00</b>
<b><i>South System</i></b>		
<b>Monthly Capital Improvement Fee</b>	<b>\$90.00</b>	<b>\$90.00</b>
<b>Monthly Capacity Unit Fee</b>	<b>\$418.67</b>	<b>\$406.60</b>
<b>Monthly Volumetric Fee</b>	<b>\$979.00</b>	<b>\$946.00</b>
<b>Total Suspended Solids (TSS)</b>	<b>\$442.00</b>	<b>\$429.00</b>
<b>Biochemical Oxygen Demand</b>	<b>\$316.00</b>	<b>\$307.00</b>

A total of forty-eight users were connected to the NRW System (North and South) during FY 2019/20, with a total annual flow of 1,499 million gallons.

## **RECHARGE WATER FUND**

The Recharge Water Fund records the activities related to the operation and maintenance of the nineteen groundwater recharge basins and pertinent facilities. Through the joint efforts of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD), the Agency operates and maintains the basins and facilities, takes the lead in the execution and financing of capital projects the Updated 2013 Chino Basin Recharge Master Plan.. Operating costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation and contracted services that are 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 2019/20 were \$3,927,772, an increase of \$630,028 compared to \$3,297,744 in FY 2018/19. The increase was due to higher contractual service fees related to basin cleaning and maintenance, and increased depreciation and amortization expenses. Grant revenues totaled \$497,604 in FY 2019/20, mainly from the State Water Resource Control Board for capital projects at Wineville, Jurupa, and RP-3 basins for storm water management improvements. As of June 30, 2020, total net position was \$34,255,649, a decrease of \$61,066 over the prior fiscal year of \$34,316,715.





## REVENUES

Combined revenues and other funding sources for the fiscal year totaled \$257,505,609, an increase of \$12,618,981, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2019/20 and 2018/19.

### **Combined Revenues and Other Funding Sources by Category - All Funds**

**For the Fiscal Year Ended June 30, 2020**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Revenue & Other Funding Sources	2019/20		2018/19		Increase/(Decrease) from 2018/19	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Service Charges	\$ 88,034,511	34%	\$ 85,220,297	35%	\$ 2,814,214	3%
Water Sales	40,767,990	16%	45,519,432	19%	(4,751,442)	(10)%
Recycled Water Sales	15,348,685	6%	13,901,786	5%	1,446,899	10%
Interest Income	4,229,595	2%	4,453,305	2%	(223,710)	(5)%
Property Tax Receipts	55,613,070	22%	53,040,078	22%	2,572,992	5%
Water Connection Fees	8,048,141	3%	5,916,291	2%	2,131,850	36%
Wastewater Capital Connection Fees	23,887,301	9%	22,914,037	9%	973,264	4%
Other Non-operating Revenues	16,075,581	6%	11,752,555	5%	4,323,026	37%
Capital Grants	5,500,735	2%	2,168,847	1%	3,331,888	154%
<b>Total Revenues &amp; Contributions</b>	<b>\$ 257,505,609</b>	<b>100%</b>	<b>\$ 244,886,628</b>	<b>100%</b>	<b>\$ 12,618,981</b>	<b>5%</b>

#### **Other Non-operating Revenues**

Increase is due to reimbursement of capital project expenditures.

#### **Capital Grants**

Increase is primarily due to grant receipts for the South Archibald Trichloroethylene (TCE) Plume Cleanup Project.

#### **Service Charges**

Increase is primarily due to incremental rate increases needed to recover full cost of service.

#### **Property Tax Receipts**

Increase is primarily due to higher assessed property values.

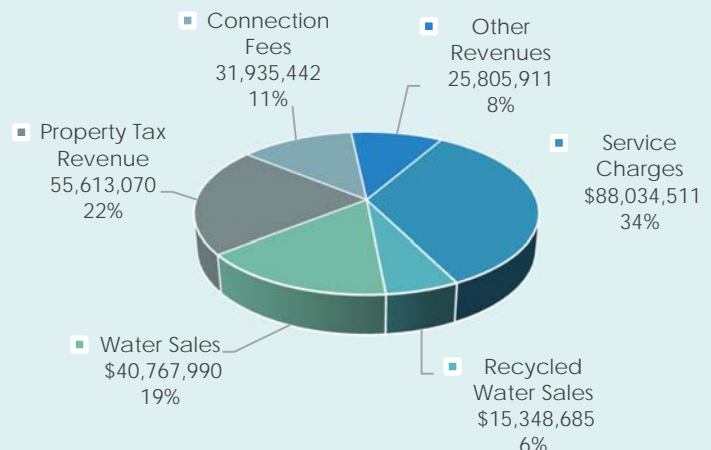
#### **Water Sales**

Decrease is due to the withdrawal of 17,395 AF of Dry Year Yield Conjunctive Use (DYY CUP) water by member agencies in lieu of imported water deliveries

### **Combined Revenue & Other Funding Sources by Category - All Funds**

**Fiscal Year 2019/20**

**\$257,505,609**



## EXPENSES

Combined expenses for fiscal year ended June 30, 2020 totaled \$194,155,099, an increase of \$10,955,159, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2019/20 and 2018/19.

**Combined Expenses by Category - All Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Expense Category	2019/20		2018/19		Increase/(Decrease) from 2018/19	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Water Purchases	\$ 40,479,758	21%	\$ 45,519,432	25%	\$ (5,039,674)	(11)%
Wastewater Collection	9,188,554	4%	10,341,109	6%	(1,152,555)	(11)%
Wastewater Treatment	20,958,634	11%	23,829,235	13%	(2,870,601)	(12)%
Wastewater Disposal	11,077,003	6%	11,316,753	6%	(239,750)	(2)%
Operations and Maintenance	5,113,227	3%	5,317,391	3%	(204,164)	(4)%
Administration and General	43,207,892	22%	36,610,462	20%	6,597,430	18%
Depreciation and Amortization	37,614,865	19%	36,303,555	20%	1,311,310	4%
Interest on Long-Term Debt	7,629,807	4%	6,333,589	3%	1,296,218	20%
Other Non-Operating Expenses	18,885,359	10%	7,628,414	4%	11,256,945	148%
<b>Total Expenses</b>	<b>\$ 194,155,099</b>	<b>100%</b>	<b>\$ 183,199,940</b>	<b>100%</b>	<b>\$ 10,955,159</b>	<b>6%</b>

### Non-Operating Expenses

Increase is mainly due to higher cost for the South Archibald Trichloroethylene (TCE) Plume Cleanup Project which is primarily grant funded.

### Administration and General

Increase is primarily due to increase in program services and the recording of pension expense in compliance with GASB 68.

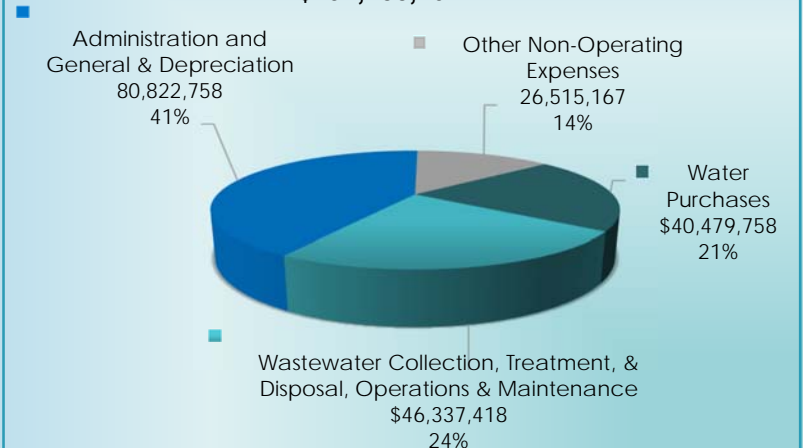
### Wastewater Collection/Treatment

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

### Water Purchases

Decrease is primarily due to the purchase of MWD Dry Year Yield water in lieu of imported water and lower operations and maintenance expenses.

### Combined Expenses by Category - All Funds Fiscal Year 2019/20 \$194,155,101



# CHANGES IN FINANCIAL CONDITIONS OF THE AGENCY

Combined Net Position-All Funds For the Fiscal Year Ended June 30, 2020 (With Comparative Totals for the Fiscal Year Ended June 30, 2019)				
	FY 2019/20	FY 2018/19	Increase/(Decrease) from FY 2018/19	
<b>Assets</b>				
Current assets	\$ 211,911,789	\$ 205,462,501	\$ 6,449,288	3%
Restricted assets	345,572,849	83,338,385	262,234,464	315%
Capital assets	687,180,550	671,939,759	15,240,791	2%
Other assets	71,597,553	73,786,181	(2,188,628)	(3)%
<b>Total Assets</b>	<b>1,316,262,741</b>	<b>1,034,526,826</b>	<b>281,735,915</b>	<b>27%</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflow-debt refunding	3,133,374	3,848,349	(714,975)	(19)%
Deferred outflow-net other				
postemployment benefit liability	3,106,772	2,924,839	181,933	6%
Deferred outflow-net pension liability	17,058,433	17,362,927	(304,494)	(2)%
<b>Total deferred outflows</b>	<b>23,298,579</b>	<b>24,136,115</b>	<b>(837,536)</b>	<b>(4)%</b>
<b>Liabilities</b>				
Current liabilities	46,081,491	46,229,441	(147,950)	(0)%
Non-current liabilities	518,228,829	300,697,975	217,530,854	72%
<b>Total liabilities</b>	<b>564,310,320</b>	<b>346,927,416</b>	<b>217,382,904</b>	<b>63%</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflow-net other				
postemployment benefit liability	1,012,321	929,409	82,912	9%
Deferred inflow-net pension liability	1,764,765	2,054,481	(289,716)	(14)%
<b>Total deferred inflows</b>	<b>2,777,086</b>	<b>2,983,890</b>	<b>(206,804)</b>	<b>(7)%</b>
<b>Net Position</b>				
Net investment in				
capital assets	475,572,823	441,826,556	33,746,267	8%
Restricted	142,168,409	112,710,449	29,457,960	26%
Unrestricted	154,732,680	154,214,630	518,050	0%
<b>TOTAL NET POSITION</b>	<b>\$ 772,473,912</b>	<b>\$ 708,751,635</b>	<b>\$ 63,722,277</b>	<b>9%</b>

Changes in FY 2019/20 compared to FY 2018/19 were:

- ◆ The Restricted Assets increased \$262.2 million primarily due to the issuance of the 2020B Revenue Notes on June 30, 2020 and related proceeds of \$229.6 million held by fiscal agents. Also contributing to the increase is \$24.3 million in wastewater capital connection fees collected and held by contracting member agencies on behalf of the Agency, and \$8.3 million increase in water connection fees held in a designated California Asset Management Program account.

- The Deferred Outflow of Resources for debt refunding decreased by \$.7 million primarily due to the amortization of the 2017A Revenue bond premium and the full amortization of the 2010A Revenue bond premium following the defeasance of the bonds on June 30, 2020.
- The Non-Current Liabilities increased \$217.5 million primarily due to the \$231.3 million principal and premium from the issuance of the 2020B Revenue Notes and an increase of \$12.5 million in premium from 2020A Refunding Revenue bonds. These are offset by a \$24.3 million decrease in refunded State Revolving Funds loans, the defeasance of 2010A bonds and a \$2 million decrease in Interfund Loans.
- The Deferred Inflows of Resources for net pension liability decreased \$.3 million due to: amortization of changes in investment of \$.8 million, an increase in change in experience of \$.7 million and an increase in change in assumptions of \$.4 million.

**Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Item Category	FY 2019/20		FY 2018/19		Increase/(Decrease) from FY 2018/19	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Total Revenue	\$ 252,376,643	33%	\$ 242,717,781	34%	\$ 9,658,862	4%
Total Expenses	194,155,099	25%	183,199,940	26%	10,955,159	6%
Excess (Deficiency) before Contributions	58,221,544	8%	59,517,841	8%	(1,296,297)	(2)%
Capital Grants	5,500,735	1%	2,168,847	0%	3,331,888	154%
Change in Net Position	63,722,279	8%	61,686,688	9%	2,035,591	3%
Beginning Net Position	708,751,635	92%	647,064,947	91%	61,686,688	10%
<b>Ending Net Position</b>	<b>\$ 772,473,914</b>	<b>100%</b>	<b>\$ 708,751,635</b>	<b>100%</b>	<b>\$ 63,722,279</b>	<b>9%</b>

## CAPITAL ASSETS

The Agency had total net capital assets of \$687,180,550 in FY 2019/20, compared to \$671,939,759 in FY 2018/19. The \$15,240,791 increase is due to an increase in equipment acquisition for the completion of Phase 3 and 4 of the SCADA Enterprise Systems and in structures and improvements for the completion of the RP-1 Headworks Primary & Secondary Upgrades. The increase is partially offset by an increase of \$36,991,791 in accumulated depreciation and amortization.



**Capital Asset Summary – All Funds**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2019)**

Asset Category	2019/20	2018/19	Increase/ <Decrease> from 2018/19	% of Change
Land	\$ 14,652,324	\$ 14,067,874	\$ 584,450	4%
Land Improvements	31,250,379	30,459,847	790,532	3%
Structures and Improvements	779,114,304	761,896,943	17,217,361	2%
Equipment	283,776,642	247,886,004	35,890,638	14%
Capacity Rights	14,826,587	14,826,587	-	0%
Water Rights	921,938	587,587	334,351	57%
Computer Software	15,280,306	13,418,337	1,861,969	14%
Jobs in Progress	92,203,811	96,650,607	(4,446,796)	(5)%
<b>Sub-total</b>	<b>1,232,026,291</b>	<b>1,179,793,786</b>	<b>52,232,505</b>	<b>4%</b>
Less: Accumulated Depreciation & Amortization	(544,845,741)	(507,854,027)	(36,991,714)	7%
<b>Net Capital Assets</b>	<b>\$ 687,180,550</b>	<b>\$ 671,939,759</b>	<b>\$ 15,240,791</b>	<b>2%</b>

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

## DEBT MANAGEMENT

As of June 30, 2020, the Agency had outstanding principal bond debt of \$114,570,000.

Bond Issue	Principal	Premium (discount)	Outstanding on 06/30/20
2017A Revenue Bonds	\$ 58,315,000	\$ 9,305,845	\$ 67,620,845
2020A Revenue Bonds	56,255,000	13,951,060	70,206,060
<b>TOTAL</b>	<b>\$ 114,570,000</b>	<b>\$ 23,256,905</b>	<b>\$ 137,826,905</b>

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

Additionally, the Agency had outstanding Notes and Loans Payable as of June 30, 2020:

- 1) Various State Revolving Fund (SRF) loans from the State Water Resources Control Board (SWRCB), with an outstanding principal balance of \$92,979,745.
- 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 facilities investment with an outstanding principal balance of \$4,073,800.

- 3) An On-Bill Financing loan from Southern California Edison for installation of energy efficient lighting at Agency facilities with a total outstanding balance of \$720,860.
- 4) The 2020B Revenue Notes issued to finance a portion of the construction costs of the Regional Plant No.5 (RP-5) Expansion Project and to pay a portion of the capitalized interest with an outstanding principal balance of \$196,435,000 and unamortized premium of \$34,912,967, including capitalized interest of \$35,421,276.

In June 2020, 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](mailto:departmentaccounting@ieua.org).

# RP-1 12 kV Switchgear and Generator Control Upgrades



RP-1 Emergency Generators Control  
Panels

# 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, 2020, 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, 2020**

(With Comparative Totals for June 30, 2019)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>ASSETS</b>		
Current assets		
Cash and investments (note 3)	\$ 98,146,770	\$ 116,232
Accounts receivable	12,447,450	17,595,969
Interest receivable	1,469,064	10,559
Taxes receivable	247,811	14,175
Other receivables	799,020	90,503
Inventory	-	-
Water inventory (note 17)	-	-
Prepaid items	1,201	3,500
Total current assets	113,111,316	17,830,938
Noncurrent assets		
Restricted assets (note 3)		
Deposits held by governmental agencies	90,732,645	-
Restricted short-term investments	-	22,492,972
Assets held with trustee/fiscal agent	232,054,118	271,866
Total restricted assets	322,786,763	22,764,838
Capital assets (note 7)		
Land	14,047,045	584,450
Jobs in progress	70,345,968	8,492,978
Capital assets, net of accumulated depreciation	326,401,655	180,738,716
Intangible assets, net of accumulated amortization	7,760,142	618,893
Total capital assets	418,554,810	190,435,037
Other assets		
Long-term agreements (note 11)	41,180,234	-
Long-term receivables (note 10)	2,756,844	2,656,147
Advances to other funds (note 14)	13,500,000	-
Prepaid interest - SRF loans	644,312	792,098
Total other assets	58,081,390	3,448,245
Total noncurrent assets	799,422,963	216,648,120
Total assets	912,534,279	234,479,058
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to debt refunding	1,611,612	1,223,567
Deferred outflow net other postemployment benefit liability	2,307,958	284,965
Deferred outflow related to net pension liability	12,645,485	1,596,676
Total deferred outflows of resources	16,565,055	3,105,208

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

Water Resources	Non-Major	Totals	
		2020	2019
\$ 16,524,881	\$ 45,136,209	\$ 159,924,092	\$ 162,183,422
9,439,670	4,540,565	44,023,654	36,160,650
57,859	1,550,449	3,087,931	2,705,934
12,750	12,851	287,587	171,308
-	24,945	914,468	635,742
-	1,291,794	1,291,794	1,220,849
2,274,100	-	2,274,100	2,275,783
-	103,462	108,163	108,813
<u>28,309,260</u>	<u>52,660,275</u>	<u>211,911,789</u>	<u>205,462,501</u>
-	-	90,732,645	66,473,575
-	-	22,492,972	14,137,212
<u>-</u>	<u>21,248</u>	<u>232,347,232</u>	<u>2,727,598</u>
<u>-</u>	<u>21,248</u>	<u>345,572,849</u>	<u>83,338,385</u>
-	20,829	14,652,324	14,067,874
4,664,828	8,700,037	92,203,811	96,650,607
17,198	62,057,667	569,215,236	551,128,703
1,989	2,728,155	11,109,179	10,092,575
<u>4,684,015</u>	<u>73,506,688</u>	<u>687,180,550</u>	<u>671,939,759</u>
-	-	41,180,234	42,545,055
67,918	-	5,480,909	4,134,376
-	10,000,000	23,500,000	25,500,000
<u>-</u>	<u>-</u>	<u>1,436,410</u>	<u>1,606,750</u>
<u>67,918</u>	<u>10,000,000</u>	<u>71,597,553</u>	<u>73,786,181</u>
<u>4,751,933</u>	<u>83,527,936</u>	<u>1,104,350,952</u>	<u>829,064,325</u>
<u>33,061,193</u>	<u>136,188,211</u>	<u>1,316,262,741</u>	<u>1,034,526,826</u>
-	298,195	3,133,374	3,848,349
116,302	397,547	3,106,772	2,924,839
727,684	2,088,588	17,058,433	17,362,927
<u>843,986</u>	<u>2,784,330</u>	<u>23,298,579</u>	<u>24,136,115</u>

(continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Net Position (Continued from previous page)**  
**June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 6,371,613	\$ 660,749
Accrued liabilities	211,903	63,871
Compensated absences	-	-
Retentions payable	375,411	756,002
Long-term debt, due within one year (note 12)	7,614,061	3,490,364
Notes payable, due within one year (note 12)	2,552,008	2,014,969
Interest payable	991,824	2,949,881
Retention deposits and escrows	168,486	208,860
Total current liabilities	18,285,306	10,144,696
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year (note 12)	53,354,144	56,112,805
Notes payable, due in more than one year (note 12)	273,005,980	51,549,415
Advances from other funds (note 14)	-	23,500,000
Other noncurrent liabilities	-	589,298
Net other postemployment benefit liability (note 18)	771,328	79,294
Net pension liability (note 5)	28,983,271	3,699,531
Total noncurrent liabilities	356,114,723	135,530,343
Total liabilities	374,400,029	145,675,039
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	748,382	98,540
Deferred inflow related to net pension liability	1,314,632	168,164
Total deferred inflows of resources	2,063,014	266,704
<b>NET POSITION</b>		
Net Investment in capital assets	314,792,942	99,823,462
Restricted for:		
Capital construction	90,360,876	22,492,972
SRF Loan debt service	2,493,895	3,275,817
Bond operating contingency requirement	20,120,245	-
Total restricted	112,975,016	25,768,789
Unrestricted	124,868,333	(33,949,728)
Total net position	\$ 552,636,291	\$ 91,642,523

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

Water Resources		Totals	
	Non-Major	2020	2019
\$ 8,618,334	\$ 2,476,243	\$ 18,126,939	\$ 19,540,181
548,361	2,903,513	3,727,648	2,677,188
-	2,157,976	2,157,976	1,957,526
-	35,583	1,166,996	1,212,356
-	835,575	11,940,000	10,000,000
-	0	4,566,977	7,392,423
-	75,904	4,017,609	3,328,606
-	-	377,346	121,161
9,166,695	8,484,794	46,081,491	46,229,441
-	3,578,432	3,578,432	3,501,078
-	16,419,956	125,886,905	112,843,604
-	-	324,555,395	118,095,904
-	-	23,500,000	25,500,000
-	-	589,298	589,298
18,558	154,051	1,023,231	2,054,461
1,410,729	5,002,037	39,095,568	38,113,630
1,429,287	25,154,476	518,228,829	300,697,975
10,595,982	33,639,270	564,310,320	346,927,416
51,753	113,646	1,012,321	929,409
19,296	262,673	1,764,765	2,054,481
71,049	376,319	2,777,086	2,983,890
4,684,015	56,272,404	475,572,823	441,826,556
-	-	112,853,848	80,132,072
-	-	5,769,712	9,312,283
-	3,424,604	23,544,849	23,266,094
-	3,424,604	142,168,409	112,710,449
18,554,133	45,259,944	154,732,682	154,214,630
\$ 23,238,148	\$ 104,956,952	\$ 772,473,914	\$ 708,751,635



**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 68,506,127	\$ -
Water Sales	-	-
Recycled water sales	-	15,348,685
Total operating revenues	68,506,127	15,348,685
<b>OPERATING EXPENSES</b>		
Water purchases	-	-
Wastewater collection	1,677,975	-
Wastewater treatment	20,958,634	-
Wastewater disposal	11,077,003	-
Operations and maintenance	-	3,972,509
Administration and general	26,647,122	5,126,077
Depreciation and amortization	24,788,328	8,767,536
Total operating expenses	85,149,062	17,866,122
Operating income (loss)	(16,642,935)	(2,517,437)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	2,626,664	451,514
Property tax revenue	45,697,096	2,170,100
Water connection fees	-	8,048,141
Wastewater capital connection fees	24,259,070	-
Other nonoperating revenues	5,694,339	3,958,582
Interest on long-term debt	(3,953,044)	(3,252,685)
Other nonoperating expenses	(15,880,923)	(580,844)
Total nonoperating revenues (expenses)	58,443,202	10,794,808
Income (loss) before capital contributions and transfers	41,800,267	8,277,371
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in (note 15)	2,800,729	2,391,856
Transfers out (note 15)	(7,395,734)	(2,344,865)
Capital grants	3,719,275	156,487
Change in net position	40,924,537	8,480,849
Total net position - beginning	511,711,754	83,161,674
Total net position - ending	\$ 552,636,291	\$ 91,642,523

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

Water Resources	Non-Major	Totals	
		2020	2019
\$ 6,845,681	\$ 12,682,703	\$ 88,034,511	\$ 85,220,297
40,767,990	-	40,767,990	45,519,432
-	-	15,348,685	13,901,786
47,613,671	12,682,703	144,151,186	144,641,515
40,479,758	-	40,479,758	45,519,432
-	7,510,579	9,188,554	10,341,109
-	-	20,958,634	23,829,235
-	-	11,077,003	11,316,753
1,140,718	-	5,113,227	5,317,391
5,809,945	5,624,748	43,207,892	36,610,462
4,524	4,054,477	37,614,865	36,303,555
47,434,945	17,189,804	167,639,933	169,237,937
178,726	(4,507,101)	(23,488,747)	(24,596,422)
285,357	866,060	4,229,595	4,453,305
5,773,674	1,972,200	55,613,070	53,040,078
-	-	8,048,141	5,916,291
-	-	24,259,070	22,914,037
396,509	6,026,151	16,075,581	11,752,555
-	(424,078)	(7,629,807)	(6,333,589)
(951,270)	(1,472,322)	(18,885,359)	(7,628,414)
5,504,270	6,968,011	81,710,291	84,114,263
5,682,996	2,460,910	58,221,544	59,517,841
683,404	3,913,457	9,789,446	17,939,850
-	(48,847)	(9,789,446)	(17,939,850)
1,127,369	497,604	5,500,735	2,168,847
7,493,769	6,823,124	63,722,279	61,686,688
15,744,379	98,133,828	708,751,635	647,064,947
\$ 23,238,148	\$ 104,956,952	\$ 772,473,914	\$ 708,751,635

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows**  
**For the Fiscal Year ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 70,680,354	\$ 5,114,623
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(25,005,012)	(4,431,562)
Cash payments to employees for services	(13,595,822)	(1,224,947)
Cash payments for interfund services used	(22,865,208)	(3,313,421)
Net cash provided by (used for) operating activities	9,214,312	(3,855,307)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	2,800,729	2,391,856
Transfers out	(7,395,734)	(2,344,865)
Contract reimbursement from others	5,694,339	3,958,583
Tax revenues	45,596,963	2,164,347
Collection of long-term receivable	498,936	(1,825,864)
Cash paid to others	(13,903,165)	(284,177)
Investment in IERCA	1,364,821	-
Advances from other funds	-	(2,000,000)
Advances to other funds	-	-
Net cash provided by (used for) noncapital financing activities	34,656,889	2,059,880
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(27,300,157)	(19,465,668)
Proceeds from State Revolving Funds	367,706	-
Connection fees on deposit held by members	24,259,070	-
Water connection Fees	-	8,048,141
Capital grants received	3,719,275	156,487
Proceeds from bond refunding	26,192,433	33,191,330
Proceeds from Revenue Note Issuance	231,711,081	-
Payment to refunding bond escrow agent	(32,613,657)	(33,088,091)
Bond issuance costs	(287,436)	(103,239)
Principal paid on capital debt	(9,725,732)	31,675,102
Interest paid on capital debt	(3,037,742)	(2,615,138)
Payments on State Revolving Funds	(1,384,700)	(24,782,274)
Bond administration fees	(1,977,758)	(296,666)
Contractor deposits collected	-	-
Net cash provided by (used for) capital and related financing activities	209,922,383	(7,280,016)

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

Water Resources	Non-Major	Totals	
		2020	2019
\$ 47,780,953	\$ 12,928,848	\$ 136,504,778	\$ 147,215,481
-	30,110,597	30,110,597	28,331,470
(45,742,999)	(14,894,356)	(90,073,929)	(100,518,980)
(610,696)	(26,156,268)	(41,587,733)	(40,477,307)
(1,292,754)	(1,045,541)	(28,516,924)	(27,326,576)
134,504	943,280	6,436,789	7,224,088
683,404	3,913,457	9,789,446	17,939,850
-	(48,847)	(9,789,446)	(17,939,850)
396,509	2,686,857	12,736,288	10,619,654
5,768,498	1,966,983	55,496,791	53,309,767
-	-	(1,326,928)	751,657
(951,269)	(1,436,981)	(16,575,592)	(6,628,200)
-	-	1,364,821	937,788
-	-	(2,000,000)	(3,000,000)
-	2,000,000	2,000,000	3,000,000
5,897,142	9,081,469	51,695,380	58,990,666
(2,865,000)	(3,158,626)	(52,789,451)	(56,739,338)
-	-	367,706	2,518,913
-	-	24,259,070	22,914,037
-	-	8,048,141	5,916,291
1,127,369	497,604	5,500,735	2,168,846
-	10,818,967	70,202,730	-
-	-	231,711,081	-
-	(11,559,291)	(77,261,039)	-
-	(33,892)	(424,567)	-
-	(1,760,960)	20,188,410	(11,282,753)
-	(611,375)	(6,264,255)	(5,377,021)
-	-	(26,166,974)	(3,045,644)
-	22,365	(2,252,059)	(918,972)
-	(35,061)	(35,061)	23,615
(1,737,631)	(5,820,269)	195,084,467	(43,822,026)
			(Continued)



**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows (Continued from previous page)**  
**For the Fiscal Year ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	\$ 2,363,509	\$ 519,088
Purchase of investments	-	-
Net cash provided by (used for) investing activities	2,363,509	519,088
Net increase (decrease) in cash and cash equivalents	256,157,093	(8,556,355)
Cash and cash equivalents - beginning	164,776,440	31,437,425
Cash and cash equivalents - ending	<u>\$ 420,933,533</u>	<u>\$ 22,881,070</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (16,642,935)	\$ (2,517,437)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	24,788,329	8,767,536
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	2,464,919	(10,232,826)
Water inventory	-	-
Short-term receivable	(290,692)	(1,236)
Long-term receivable	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	311,782	(61,648)
Deferred outflow related to net other post employment benefit	(108,878)	(44,498)
Accounts payable	(570,697)	(733,001)
Accrued liabilities	129,001	63,862
Net other postemployment benefits liability	(777,702)	(84,339)
Net pension liability	628,461	198,232
Deferred inflow related to net pension liability	(211,752)	(30,760)
Deferred inflow related to net other post employment benefit	60,592	8,806
Other liabilities	-	-
Change in contractor deposits	(566,116)	812,002
Compensated absences	-	-
Net cash provided by (used for) operating activities	<u>\$ 9,214,312</u>	<u>\$ (3,855,307)</u>

Water Resources	Non-Major	Totals	
		2020	2019
\$ 281,598	\$ 683,401	\$ 3,847,596	\$ 3,675,057
-	2,910,900	2,910,900	2,364,179
281,598	3,594,301	6,758,496	6,039,236
4,575,613	7,798,781	259,975,132	28,431,964
11,949,268	37,358,676	245,521,809	217,089,845
<u>\$ 16,524,881</u>	<u>\$ 45,157,457</u>	<u>\$ 505,496,941</u>	<u>\$ 245,521,809</u>
\$ 178,726	\$ (4,507,101)	\$ (23,488,747)	\$ (24,596,424)
4,524	4,054,477	37,614,866	36,303,556
185,204	232,945	(7,349,758)	2,861,180
1,683	-	1,683	1,684
-	13,201	(278,727)	(288,899)
(19,605)	-	(19,605)	-
-	(70,945)	(70,945)	168,863
-	650	650	6,711
38,888	15,472	304,494	3,849,309
(2,578)	(25,979)	(181,933)	(165,809)
(188,653)	79,110	(1,413,241)	(2,599,148)
(20,809)	878,406	1,050,460	(259,536)
(56,746)	(112,444)	(1,031,231)	(2,831,445)
23,971	(33,049)	817,615	(4,776,449)
(14,155)	131,273	(125,394)	(1,022,700)
4,054	9,460	82,912	929,409
-	-	-	9,940
-	-	245,886	(689,536)
-	277,804	277,804	323,382
<u>\$ 134,504</u>	<u>\$ 943,280</u>	<u>\$ 6,436,789</u>	<u>\$ 7,224,088</u>

(Continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

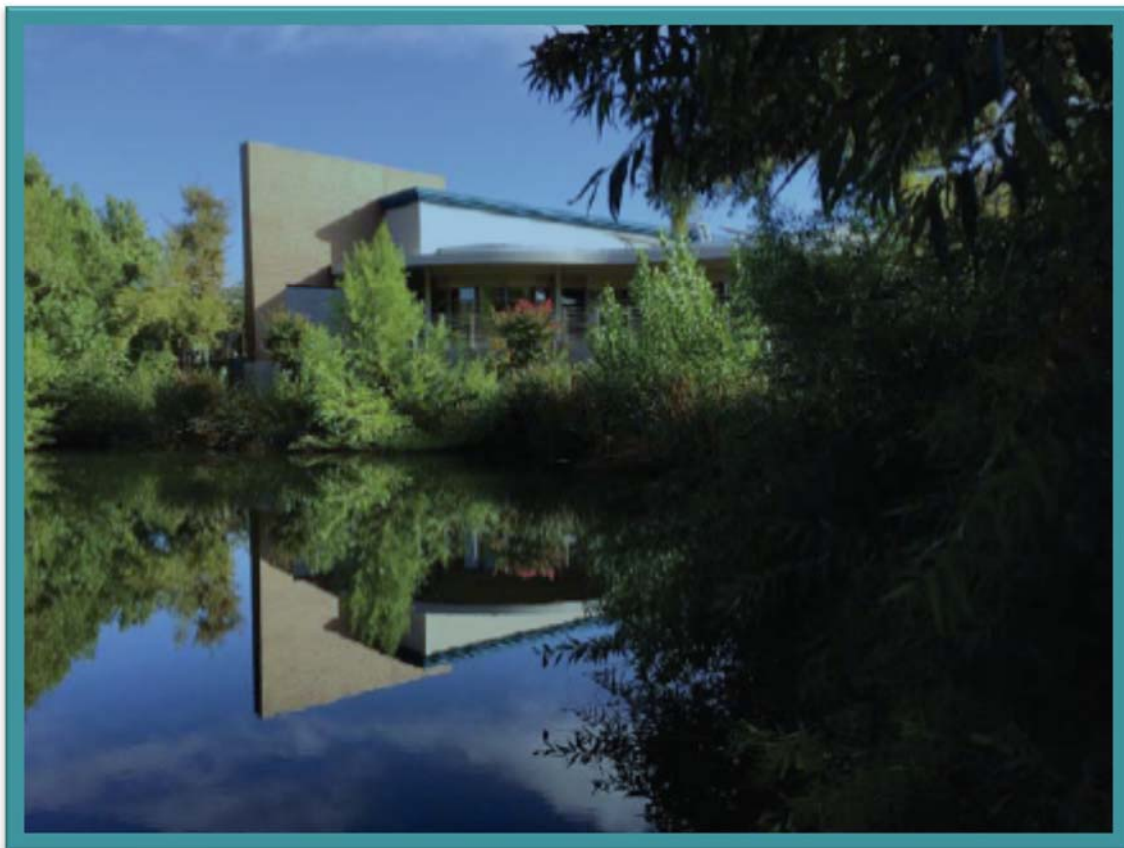
	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>RECONCILIATION OF CASH &amp; CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and short-term investments	\$ 98,146,770	\$ 116,232
Restricted assets	322,786,763	22,764,838
Cash & cash equivalents at end of year	<u>\$ 420,933,533</u>	<u>\$ 22,881,070</u>

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

Water Resources	Non-Major	Totals	
		2020	2019
\$ 16,524,881	\$ 45,136,209	\$ 159,924,092	\$ 129,080,396
-	21,248	345,572,849	116,441,413
<u>\$ 16,524,881</u>	<u>\$ 45,157,457</u>	<u>\$ 505,496,941</u>	<u>\$ 245,521,809</u>



# Water Quality Laboratory



# INLAND EMPIRE UTILITIES AGENCY

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JUNE 30, 2020

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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 debt and associated 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, 2020, 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 266 were filled as of June 30, 2020. The Board also appoints legal counsel, Internal Auditor, 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 collection, treatment, and disposal of domestic wastewater flows based on equivalent dwelling units (EDU's) connected to the contracting agencies local collection systems recorded in the Regional Wastewater Operations and 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, revenues from the sale of Metropolitan Water District of Southern California (MWD) imported water 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 collection of and 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 imported water from MWD, biosolids recycling, expenses associated with the operations, maintenance and capital improvements of the facilities that support the distribution of recycled water for direct use and groundwater recharge, 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.

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## 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.

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## MAJOR FUNDS

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### 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.



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## REGIONAL WASTEWATER OPERATIONS AND MAINTENANCE FUND

The Regional Wastewater Operations and Maintenance Fund accounts for the revenues and operating expenses associated with the collection, 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.

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## 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.

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## 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.

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## 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.

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## 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) water capital connections fees; 5) reimbursement for contract services provided to Chino Basin Desalter Authority (CDA), Inland Empire Regional Composting Authority (IERCA), and Chino Basin Watermaster (Watermaster).

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, delivery of recycled water, and depreciation of capital assets. 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, IERCA and Watermaster, interest expense and the cost of financial services.

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## 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 between the funds, 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

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### 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, 2020, and in accordance with the Governmental Accounting Standards Board (GASB) 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 Number 40 regarding risk disclosures on deposits and investments have been followed.

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### 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.

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## 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. Property taxes are payable to the County in two installments on November 1 and February 1. 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.

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## 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.

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## RESTRICTED ASSETS

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

Assets held with Trustee/Fiscal Agents include: (a) unspent debt 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; (d) Water capital connection fees collected to fund capital construction expenditures, and (e) 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, 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 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

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## 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 OPEB 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 OPEB 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 two items that qualify for reporting in this category. They are the deferred inflow of resources related to net pension liability and other post-employment benefits, equal to the net difference between projected and actual earnings on pension plan investments and changes in assumptions. These amounts are amortized over either a five-year period or expected average remaining service life beginning with the current fiscal year.

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## 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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net Other Post-Employment Benefits (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 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, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

## COMPENSATED ABSENCES

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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

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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

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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**

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#### ENCUMBRANCES

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

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

### NOTE 3: CASH AND INVESTMENTS

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

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

Restricted deposits held by governmental agencies represents the funds held by contracting agencies in a Capital Capacity Reimbursement Account (CCRA) on behalf of the Agency to support the improvement and expansion of the Regional Wastewater System, in accordance with the Chino Basin Regional Sewage Service Contract. Restricted assets held with trustee/fiscal agent include proceeds from the 2020B Revenue Notes issued on June 30, 2020 to support the RP-5 Expansion capital construction project and capitalized interest to support debt service costs along with vendor escrow deposits in lieu of retention.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 159,924,092
Restricted deposits held by governmental agencies	90,732,645
Restricted short term investments	22,492,972
Restricted assets held with trustee/fiscal agent	232,347,232
<b>Total cash and investments</b>	<b>\$ 505,496,941</b>
Cash and investments as of June 30, 2020 consist of the following:	
Cash on hand (Petty Cash)	\$ 1,918
Deposits with financial institutions	3,460,118
Deposits held by other governmental agencies	90,732,645
Investments	411,302,260
<b>Total cash and investments</b>	<b>\$ 505,496,941</b>

### FAIR VALUE

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



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

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

<b>Maximum</b>		<b>Maximum</b>	
<b>Authorized</b>	<b>Maximum</b>	<b>Percentage</b>	<b>Investment</b>
<b><u>Investment Type</u></b>	<b><u>Maturity</u></b>	<b><u>of Portfolio</u></b>	<b><u>in One Issuer</u></b>
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	\$75M	None
Local Agency Investment Pools	N/A	None	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
Local Agency Investment Pools	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 California Asset Management Program (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

On June 30, 2020, the carrying amount of the Agency's deposits was \$3,460,118 and the bank balance was \$3,477,436. The \$17,318 difference represents the net amount between the outstanding checks of \$236,832 less vendor retention for \$219,514.

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, 2020 for each investment type:

Investment Type	Amount	Minimum Legal Rating	Moody's Rating as of June 30, 2020			
			Aaa to Aa3	A1 to A3	P1	Unrated
Repurchase Agreement	\$ 9,783,221	N/A	\$ 9,783,221	\$ -	\$ -	\$ -
U.S. Agency Securities	31,839,735	N/A	31,839,735	-	-	-
US Treasury	44,307,741	A	44,307,741	-	-	-
Medium Term Notes	18,245,575	A	2,979,051	15,266,524		
LAIF	37,776,541	N/A	-	-	-	37,776,541
CAMP	33,037,371	N/A	-	-	-	33,037,371
Brokered Certificate of Deposit	4,184,358	N/A	741,183	959,347	2,242,503	241,325
<i>Held by Bond Trustee:</i>						
Money Market Mutual Funds	232,127,718	N/A	-	-	-	232,127,718
<b>Total</b>	<b>\$411,302,260</b>		<b>\$ 89,650,931</b>	<b>\$ 16,225,871</b>	<b>\$ 2,242,503</b>	<b>\$ 303,182,955</b>

## CONCENTRATION OF CREDIT RISK

The Agency's investment policy contains several limitations on the amount that can be invested with any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pools) that represents 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 National Mortgage Association	US Agency Securities	\$17,211,058	9.61%

## 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, 2020, the Agency's deposits (bank balance) were insured by the Federal Depositary Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

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

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

## INTEREST RATE RISK

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

As of June 30, 2020, 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	\$ 9,783,221	\$ -	\$ -	\$ -	\$ 9,783,221
U.S Agency Securities	3,528,722	4,482,173	23,828,840		31,839,735
Medium Term Notes	343,288	4,892,565	13,009,722		18,245,575
US Treasury Note	1,570,803	15,525,934	27,211,004		44,307,741
State Investment Pool	37,776,541				37,776,541
CAMP	33,037,371				33,037,371
Brokered Certificate of Deposit	2,483,828	959,347	741,183		4,184,358
<i>Held by Bond Trustee:</i>					
Money Market Mutual Fund	232,127,718				232,127,718
<b>Total</b>	<b>\$ 320,651,492</b>	<b>\$ 25,860,019</b>	<b>\$ 64,790,749</b>	<b>\$ -</b>	<b>\$ 411,302,260</b>

## 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 Pools use the market approach as a valuation technique in the application of GASB 72. This method uses the prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets.



The information below shows the Agency's investments fair value measurements (market approach) as of June 30, 2020. 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, 2020</u>	<u>Level 1 (A)</u>	<u>Level 2 (B)</u>	<u>Uncategorized</u>
Repurchase Agreement	\$ 9,783,221		\$ 9,783,221	
U.S. Agency Securities	31,839,735		31,839,735	
Medium Term Notes	18,245,575		18,245,575	
US Treasury Notes	44,307,741	44,307,741		
State Investment Pool	37,776,541			37,776,541
CAMP	33,037,371		33,037,371	
Brokered Certificate of Deposit	4,184,358	4,184,358		
Money Market Mutual Fund	232,127,718	232,127,718		
<b>Total</b>	<b>\$ 411,302,260</b>	<b>\$ 280,619,817</b>	<b>\$ 92,905,902</b>	<b>\$ 37,776,541</b>

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

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

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

#### 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 the 457 (b) account of each employee actively contributing to the 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 \$57,000 for 2020. 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

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#### **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.

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#### **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, 2020, are summarized as follows:

Hire date	Prior to January 1, 2012 <sup>+</sup>	On or After January 1, 2012 <sup>+</sup>	After January 1, 2013
Benefit formula	2.5%@55	2%@55	2%@62
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%
FY2018/19 required employee contribution rates*	8%	7%	6.25%
FY2018/19 required employer contribution rates	19.251%	19.251%	19.251%

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

\* Effective the first pay period of fiscal year 2018/19 and FY 2019/20, 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.

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## EMPLOYEES COVERED

As of June 30, 2020 (measurement date as of June 30, 2019) actuarial valuation, the following employees were covered by the Plans' terms:

Retired members and beneficiaries	267
Active employees	277
<b>Total</b>	<b>544</b>

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## 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.

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## 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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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## ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2019 actuarial accounting valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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	7.375% (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.

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## 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.

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## 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	New Strategic Allocation	Real Return Years	
		1-10 (a)	11+(b)
Global Entity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	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)
<b>Balances at June 30, 2018</b>	\$ 204,567,831	\$ 166,454,201	\$ 38,113,630
<b>Changes in the Year:</b>			
Service cost	4,618,250	-	4,618,250
Interest on Total Pension Liability	14,817,042	-	14,817,042
Differences Between Actual and Expected Experience	4,490,811	-	4,490,811
Changes in Assumptions	-	-	-
Change in Benefits	-	-	-
Net Plan to Plan Resources Movement	-	-	-
Contribution - Employer	-	9,747,753	(9,747,753)
Difference Between Employer Actual and CalPERS Contribution	-	18,840	(18,840)
Contribution - Employee	-	2,207,304	(2,207,304)
Projected Earnings on Investment	-	11,995,179	(11,995,179)
Differences Between Projected and Actual Earnings on Plan Investment	-	(887,671)	887,671
Benefit Payments	(8,272,800)	(8,272,800)	-
Administrative Expenses	-	(118,785)	118,785
Pension Expense Adjustment	-	(18,840)	18,840
Other Miscellaneous Income/(Expense)	-	385	(385)
<b>Current Year Net Changes</b>	<b>\$ 15,653,303</b>	<b>\$ 14,671,365</b>	<b>\$ 981,938</b>
<b>Balance at June 30, 2019</b>	<b>\$ 220,221,134</b>	<b>\$ 181,125,566</b>	<b>\$ 39,095,568</b>

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## 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:

	<b>Discount Rate – 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
<b>Net Pension Liability</b>	\$ 69,538,082	\$ 39,095,568	\$ 13,941,219

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## PENSION PLAN FIDUCIARY NET POSITION

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

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## 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

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

For the fiscal year ended June 30, 2020, the Agency recognized pension expense of \$11,248,578. As of June 30, 2020, 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	\$ 10,251,862	
Differences between actual and expected experience	4,686,348	
Change in assumptions	2,120,223	(726,553)
Net differences between projected and actual earnings on plan investments	-	(1,038,212)
<b>Total</b>	<b>\$ 17,058,433</b>	<b>\$ (1,764,765)</b>

Deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date of \$10,251,862 will be recognized as a reduction of net pension liability in the fiscal year ending June 30, 2021.

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
2020	\$ 4,278,674
2021	(2,922)
2022	588,519
2023	177,535
2024	-
Thereafter	-

## 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, 2020, 2019, and 2018. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

## CLAIM LIABILITIES

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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:

	<b>Worker's Compensation</b>		<b>General Liability</b>	
	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>
Unpaid Claims, beginning of fiscal year	\$ 212,844	\$ 315,865	\$ 500,000	\$ 500,000
Incurred claims (including IBNRs)	184,517	(13,805)	507,921	9,240
Claim payments	(201,347)	(89,216)	(7,921)	(9,240)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 196,014</b>	<b>\$ 212,844</b>	<b>\$ 1,000,000</b>	<b>\$ 500,000</b>

## NOTE 7: CHANGES IN CAPITAL ASSETS

### JOBS IN PROGRESS

At the fiscal year ended June 30, 2020, 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 System, including the disposition of wastewater by-products and providing for ancillary facilities that support operating activities.

Other Projects (less than \$1,000,000 each)	\$ 14,879,408
RP-5 Expansion to 30 mgd	17,728,360
RP-5 Solids Handling Facility	13,829,692
RP-4 Process Improvements	7,114,407
1158 Recycled Water Pump Station Upgrades	6,116,600
RP-1 Liquid Treatment Capacity Recovery	4,274,670
RP-1 12 kV Switchgear and Generator Control Upgrades	4,118,759
Recharge Master Plan Update	3,894,109
Chino Basin Program Preliminary Design Report (PDR)	3,753,467
Digester 6 and 7 Roof Repairs	3,137,790
CCWRF Asset Management and Improvements	2,633,296
Mechanical Restoration and Upgrades	2,444,432
RP-1 Primary Effluent Conveyance Improvements	1,915,939
SCADA Enterprise System	1,754,510
RP-1 Solids Treatment Expansion	1,255,959
CBWM Pomona Extensometer Construction	1,242,997
1158 West Reservoir Re-coating/painting	1,058,401
RP-1 Disinfection Pump Improvements	1,051,015
<b>Total Jobs in Progress</b>	<b><u>\$ 92,203,811</u></b>

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, 2020:

## CAPITAL ASSETS

Capital Assets	Balance at 6/30/19	Additions	Transfers & Retirements	Balance at 6/30/20	Accumulated Depreciation at 6/30/20	Net Book Value at 6/30/20
<b>Capital Assets-not being depreciated:</b>						
Land	\$ 14,067,874	\$ 584,450	\$ -	\$ 14,652,324	\$ -	\$ 14,652,324
Jobs in Progress	96,650,607	52,900,100	(57,346,896)	92,203,811	-	92,203,811
Total Capital Assets, not being depreciated	\$ 110,718,481	\$ 53,484,550	\$ (57,346,896)	\$ 106,856,135	\$ -	\$ 106,856,135
<b>Capital Assets-being depreciated:</b>						
Interceptors, trunk lines and inter-ties	\$ 36,721,245	\$ -	\$ -	\$ 36,721,245	\$ (14,230,214)	\$ 22,491,031
Office facilities	13,640,262	678,782	-	14,319,044	(4,028,156)	10,290,888
Collection, outfall, and transmission lines	126,967,693	5,648,420	-	132,616,113	(82,432,687)	50,183,426
Reservoirs, settling basins, ponds, and chlorination station	122,508,483	348,370	(12,433)	122,844,420	(41,010,043)	81,834,377
Recycled water distribution system	165,652,154	4,770,252	-	170,422,406	(36,903,939)	133,518,467
Treatment plants, pump stations and office buildings	296,407,106	5,783,970	-	302,191,076	(146,184,745)	156,006,331
Equipment	247,886,004	36,545,800	(655,162)	283,776,642	(183,637,357)	100,139,285
Land improvement	30,459,847	790,532	-	31,250,379	(16,498,947)	14,751,432
Total capital assets, being depreciated	\$ 1,040,242,794	\$ 54,566,126	\$ (667,595)	\$ 1,094,141,325	\$ (524,926,089)	\$ 569,215,236
<b>Less accumulated depreciation for:</b>						
Interceptors, trunk lines and inter-ties	\$ (13,384,351)	\$ (845,863)	\$ -	\$ (14,230,214)		
Office facilities	(3,738,267)	(289,890)	-	(4,028,156)		
Collection, outfall, and transmission lines	(80,075,871)	(2,356,816)	-	(82,432,687)		
Reservoirs, settling basins, ponds, and chlorination station	(37,863,969)	(3,150,467)	4,393	(41,010,043)		
Recycled water distribution system	(32,989,373)	(3,914,566)	-	(36,903,939)		
Treatment plants, pump stations and office buildings	(140,544,420)	(5,640,325)	-	(146,184,745)		
Equipment	(165,148,698)	(19,107,417)	618,759	(183,637,357)		
Land improvement	(15,369,141)	(1,129,806)		(16,498,947)		
Total accumulated depreciation	\$ (489,114,090)	\$ (36,435,150)	\$ 623,152	\$ (524,926,089)		
Total capital assets, being depreciated, net	\$ 551,128,703	\$ 18,130,976	\$ (44,443)	\$ 569,215,236		
<b>Total capital assets- Enterprise Funds, Net</b>	<b>\$ 661,847,184</b>	<b>\$ 71,615,526</b>	<b>\$ (57,391,339)</b>	<b>\$ 676,071,371</b>		

## INTANGIBLE ASSETS

Intangible Assets	Balance at 6/30/19	Additions	Transfers & Retirements	Balance at 6/30/20	Accumulated Amortization at 6/30/20	Net Book Value at 6/30/20
<b>Intangible assets-being amortized:</b>						
Computer software	\$ 13,418,337	\$ 1,861,969	\$ -	\$ 15,280,306	\$ (10,906,290)	\$ 4,374,016
Contributed capital-lease	129,324	-	-	129,324	(42,029)	87,295
Metropolitan Water District connections	198,891	-	-	198,891	(196,903)	1,988
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(30,793)	12,696
California Auto Club Speedway Water Rights	587,587	334,351	-	921,938	-	921,938
San Bernardino County Flood Control-Chino Road Barrier	48,076	-	-	48,076	(26,444)	21,632
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(7,882,669)	4,584,333
Organization and master planning	1,939,805	-	-	1,939,805	(834,524)	1,105,281
Total intangible assets being-amortized	\$ 28,832,511	\$ 2,196,320	\$ -	\$ 31,028,831	\$ (19,919,652)	\$ 11,109,179
<b>Less accumulated amortization for:</b>						
Computer software	\$ (10,070,582)	\$ (835,707)	\$ -	\$ (10,906,290)		
Contributed capital-lease	(35,563)	(6,466)	-	(42,029)		
Metropolitan Water District connections	(192,925)	(3,978)	-	(196,903)		
Corps of Engineers-Cucamonga Creek	(29,924)	(869)	-	(30,793)		
San Bernardino County Flood Control-Chino Road Barrier	(24,841)	(1,603)	-	(26,444)		
Santa Ana Watershed Project Authority capacity rights	(7,585,085)	(297,584)	-	(7,882,669)		
Organization and master planning	(801,016)	(33,508)	-	(834,524)		
Total accumulated amortization	\$ (18,739,936)	\$ (1,179,715)	\$ -	\$ (19,919,652)		
<b>Total intangible assets-Enterprise Funds, Net</b>	<b>\$ 10,092,575</b>	<b>\$ 1,016,605</b>	<b>\$ -</b>	<b>\$ 11,109,179</b>		
<b>Total capital assets-Enterprise Funds, net</b>	<b>\$ 671,939,759</b>	<b>\$ 72,632,131</b>	<b>\$ (57,391,339)</b>	<b>\$ 687,180,550</b>		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2020 (rounding difference). For the fiscal year ended June 30, 2020, depreciation expense was \$36,435,150 and amortization expense was \$1,179,715.

## NOTE 8: CONSTRUCTION COMMITMENTS

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$33,148,863 as of June 30, 2020. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

#### 💧 **RP-4 Process Improvements – EN17110.**

The RP-4 Process Improvements Project will rehabilitate nearly every part of the treatment process and improve operational flexibility. Overall improvements include filtration system, grit removal system, primary diversion, aeration blower replacement, Return Activated Sludge (RAS) wasting station, Mixed Liquor suspended solids (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 RP4 Process Improvements Project has an outstanding obligation of \$6,619,328.

#### 💧 **RP-1 Mechanical Restoration and Upgrades– EN17082.**

Several pieces of mechanical equipment are at the end of their useful lives and need to be restored or replaced. This equipment includes (RAS) pumps and piping in the RAS 1 building, and filter control valves.

These projects include flame arrestor bypass piping and equipment and solids section grinders. The projects are intended to assist in the maintenance of the digestion system and limit the amount of clogging material in the digesters and associated piping. It is probable that two RAS pumps will need to be replaced with new variable frequency drives along with most of the above ground piping and valves. Additionally, this project will install grinders on all sludge transfer lines in the digester area to limit rag related issues in the digestion and dewatering processes. Upgrades to the existing process will improve maintainability and reliability of the treatment process. This project has an outstanding obligation of \$5,448,013.

#### 💧 **Regional Force Main Improvements– EN19025.**

The force main pipelines of the Montclair Lift Station and the San Bernardino Lift Station need clean outs installed at certain intervals. These clean outs will allow the Collections Staff access to clean the lines so that flows are maintained, and to minimize the work that the upstream pumps must exert to overcome pipeline build up. In addition, any issues within the pipe can be detected through the collections staff routine video capture of the pipelines.

The scope of the work will include: installation of access/clean out vaults every 1,000 feet on the regional force main pipelines; Montclair Lift Station (4,620 feet of 18-inch ductile iron pipe): installation of five access/cleanout vaults on the 18-inch force main; and, San Bernardino Lift Station (9,000 feet each of 24-inch and 30-inch ductile iron pipe): installation of 18 access/cleanout vaults (9 inch(?) line) on the 24-inch and 30-inch force mains. Bypassing of flows will be required to allow for construction of the



access/cleanout vaults and cleaning of all lines by the contractor. The regional Force Main Improvements project has an outstanding obligation of \$3,786,070.

#### 💧 **RP4 Primary Clarifier Rehabilitation– EN17043.**

The Regional Water Recycling Plant No. 4 (RP-4) has been in operation since September 1997. In 2000, RP-4 was expanded from 7million gallons per day (MGD) to 14 MGD. Since then there have been no major improvements to the facility and there are areas experiencing significant structural and mechanical deterioration. This rehabilitation and replacement project encompasses' multiple tasks, including replacement of all steel components within both primary clarifiers' fasteners, top beam, scum box and skimmer arms. Surface preparation and coating applications following rehabilitation include retrofitting the primary scum removal system and addressing the primary sludge flow meter accuracy. Rehabilitation of the piping into the headworks concrete where bricks have been exposed is required to minimize further deterioration, and to extend the service life of the structure. On the west side of the headworks enclosure, a manual door and staircase must be installed. The north and south influent pump stations coating systems will be rehabilitated, replacing the old constant speed pumping systems with new variable frequency drive (VFD) pumping systems. Grit chambers and associated channel concrete surfaces will receive appropriate surface preparation and coating applications. The upstream channel for Grit Chamber No. 1 will be replaced, influent and effluent gates will be repaired, the chamber will be rehabilitated with new pumps and ancillary equipment and H<sub>2</sub>S ventilation will be added. Concrete on the primary influent diversion structure will be rehabilitated, hydrogen sulfide (H<sub>2</sub>S) ventilation will be added, and the existing primary influent falling gates will be replaced with rising gates. This project also includes a new drainage system to be added to the aeration basins to facilitate maintenance, and structural and steel coating repairs on the secondary clarifiers. This project has an outstanding obligation of \$3,299,322.

#### 💧 **Lower Day Basin Improvements (RMPU PID 1– RW15004.**

Per the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), IEUA and Chino Basin Watermaster (CBWM) agreed to implement seven (7) recommended new projects selected by the RMPU Steering Committee to enhance stormwater yield for nine (9) groundwater recharge basins, one of these is the Lower Day Basin. The project includes full design, environmental review, permitting review and California Environmental Quality Act (CEQA) review, and construction. This project has an outstanding obligation of \$2,888,000.

#### 💧 **NRW East End Flowmeter Replacement– EN22002.**

Due to the imprecise flow measurement of the Non-Reclaimable Wastewater (NRW) East End flowmeter, and necessity of accurate flows, the Agency is installing a new divergent structure and piping bypass on the existing 36-inch NRW North System Center Trunk line. It will have a grade level enclosure that will house the new permanent flow monitoring device as well as an auto sampling system. The existing NRW North System Center Trunk with the inaccurate flow meter will remain in place for redundancy and maintenance purposes. This project has an outstanding obligation of \$2,307,674.

💧 **RP-4 Influent Screen Replacement– EN19010.**

The scope of this project is to evaluate the screening technologies at RP-4 and replace the current fine screens with a more reliable and efficient screening system. A large volume of rags are carried over into the plant resulting in hydraulic problems due to the debris and are creating unnecessary maintenance costs to remove the debris from facility structures. The existing fine screens are unreliable and have required numerous rebuilds since they were installed in 2018. The replacement of the influent screens at RP-4 will assist in reducing maintenance costs and will increase the value and life of the asset. This project has an outstanding obligation of \$1,647,721.

💧 **RP-1 12KV Switchgear and Generator Control Upgrades - EN17044.**

The RP1 Power System Upgrades technical review revealed that this project was a critical component to the emergency generation system that needed 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 RP-1 is being upgraded and replaced; and the existing switchgears are being removed and replaced with new 12kV switchgears within the Power Reliability Building. This project has an outstanding obligation of \$1,546,939.

💧 **1158 East Reservoir (EN22004) and West Reservoir (EN21004) Re-Coating and Painting.**

The 1158 East and West Reservoirs store recycled water and are constructed from primarily carbon steel which corrodes if not protected by proper coating and painting the existing coating and paint systems were applied in 2008. A properly applied interior coating system or exterior paint system has a typical life expectancy of 20 to 25 years when properly maintained. However, the coating on the interior surfaces was either improperly specified or was not applied correctly resulting in areas of early coating failure. It is anticipated by the end of 2020 the coating will have reached the end of the useful life and require a complete replacement.

These projects consist of abrasive blast cleaning to Near White Metal – a standard put forth by the Society of Protective Coatings (SSPC-SPI0); and application of an epoxy/urethane paint system to all exterior surfaces. They also include abrasive blast cleaning of all interior coated surfaces to Near White Metal (SSPC-SPI0), applying a 100% solids epoxy coating system to surfaces at and above the water fluctuation zone; and, applying 15 mils of a two part epoxy coating system to the remaining shell and 20 mils on the bottom surfaces. In addition, minor repairs to structure components and miscellaneous safety upgrades will be made as required. Project EN22004 has an outstanding obligation of \$838,535, and Project EN21004 has an outstanding obligation of \$679,662, for a combined total outstanding obligation of \$1,515,197.

#### 💧 **Agency Wide Roofing– FM21005.**

Agency-wide annual maintenance of roofs is needed to maintain building integrity and useful life. A thorough review of the eighteen (18) buildings at RP-1 and Tertiary Plant No. 1 (TP-1) determined that eleven (11) of the roofs needed to be replaced. This repair/replacement will occur over a five-year period, based on priorities defined by the Maintenance staff, and scheduled rehabilitation work outlined in the Agency's adopted Ten-Year Capital Improvement Plan (TYCIP). This work will include: 1) Demolition and removal of existing roofs and asbestos mitigation; 2) Repair of roofing sub-structure; 3) Placement and coating of roofs; 4) Replacement of hoods/vents/skylights and other roofing structures; 5) Facia and parapet repair and replacement; and, 6). Block cleaning related to roofing. This project has an outstanding obligation of \$1,311,000.

#### 💧 **RP1 Primary Effluent Conveyance Improvements Phase II– EN15012.01.**

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. The initial project was to rehabilitate the east primary effluent piping between the rectangular primary clarifiers and the intermediate pump station wet well. During the pre-design phase of the project, the technical memorandum identified the need for a sub-project (Phase II). Phase II of the project involves decommissioning the obsolete primary effluent pump station and increasing the primary effluent piping for the circular clarifiers. This project has an outstanding obligation of \$700,534.

#### 💧 **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 horsepower (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, the analysis showed that RP-1 1158 Zone Recycled Water Effluent Pump Station to be deficient by the year 2020. The pump station operated too far out on the pump curves due to system hydraulics resulting in lower pressures than desired. In addition to meeting the increased recycled water demands, the increased capacity will allow IEUA to pump additional available supply to the 1158 Pressure Zone and existing groundwater recharge basins. All existing pumps, motors and VFD's are being replaced with four new 700 HP pumps, motors and VFD's. This project has an outstanding obligation of \$492,236.

#### 💧 **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-inch 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. In addition, recycled water will 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 \$273,364.

💧 **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, California Steel Industries, and Prologis with recycled water for use in landscape irrigation, cooling towers 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 \$268,946.

💧 **Agency Wide Chemical Containment Coating– EN20037.**

As part of the Agency's predictive maintenance strategy, accurate condition assessments are a requirement for structural and coating rehabilitation and replacement. IEUA chemical containment areas are critical assets to ensure the safe handling of hazardous chemicals. This project includes re-coating and rehabilitation of RP-1 Ferric Chloride, RP-1 Sodium Bisulfite solution (1SBS), and RP-4 Sodium Hypochlorite containment areas, will establish a baseline for condition of these assets, and recommend an asset condition monitoring and rehabilitation plan. Historically chemical containment area issues were identified and resolved as isolate occurrences. This project will establish a process for the ongoing maintenance and monitoring of these areas. This project has an outstanding obligation of \$251,660.

💧 **RP-1 Digesters 6 and 7 Roof Repairs - EN17042.**

In 2016, a four-year project was developed to clean and repair digesters. This project 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 \$213,981.

### 💧 **SCADA Enterprise System Phase 3 – EN13016.03.**

The completed *Facilities and Recycled Water SCADA Master Plans* identified the critical need for an Agency-Wide Supervisory Control and Data Acquisition (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 Agency's enterprise resources planning (ERP) 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 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. This third phase of the project has an outstanding obligation of \$166,646.

### 💧 **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-inch and 18-inch pipelines within the RP-5 Facility which creates a hydraulic limitation and does not enable the full utilization of the recycled water pipeline system. The project has identified needed upsize improvements to eliminate bottlenecks within RP-5 and 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 are being 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 is being installed to mitigate surge issues. This project has an outstanding obligation of \$106,507.

- Additionally, the Agency has nine (9) on-going projects, each with a remaining individual outstanding obligation of less than \$100,000.

- RP-5 Recycled Water Piping Leak Repairs - EN20036.02	\$68,590
- Collection System Upgrades 19/20 – EN20015	\$63,953
- 930 Zone Valve Replacement – EN20063	\$50,431
- RP5 Pump Gallery Wire Replacement – EN20034.06	\$44,925
- Victoria Basin Improvements Project – RW15003.05	\$31,375
- RP-4 Outfall Pipeline Air Relief Valve Replacement and Relocation – EN19029	\$30,631
- San Bernardino Lift Station Facility Improvements – EN19041	\$ 6,128
- RP-1 Plant 2 Sludge Piping Repair – EN20060	\$ 6,035
- NRWS Manhole Upgrades - 19/20 – EN20014	\$ 3,657

## 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, 2020, 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, 2020, the long-term receivable amount is \$1,070,976 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, 2020, the long-term receivable amount is \$427,797 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, 2020, the long-term receivable amount is \$311,983, 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, 2020, the Agency has incurred \$3,302,235 in connections and permanent system costs and the Speedway has assigned 743-acre feet to the Agency. This leaves an outstanding long-term receivable of \$1,916,367 in the Recycled Water Fund for their portion of the Napa Lateral construction costs and \$1,385,868 in the Regional Wastewater Capital Fund for connection fees and improvements.

## 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, 2020 is \$67,918. 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.

#### CHINO PRESERVE DEVELOPMENT CORPORATION

On October 21, 2019, the Agency entered into an agreement with Chino Preserve Development Corporation (CPDC) for the sale of certain easement for water facilities located in the City of Chino. As consideration, CPDC will pay the Agency \$550,000 to be paid over five years. The first payment of \$50,000 was received on November 25, 2019. Installments of \$100,00 will be payable each year on July 2 beginning in 2020 through 2024. As of June 30, 2020, the long-term receivable amount is \$300,000, and is recorded in the Regional Capital Fund.

#### **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 (JPA) 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, 2019 and unaudited for the fiscal year ended June 30, 2020 is summarized as follows:

	2020	2019
Total Assets	\$ 171,906,687	\$ 176,927,279
Deferred Outflows of Resources	4,218,310	1,482,258
Total Liabilities	(102,228,349)	(106,512,749)
Deferred Inflows of Resources	(571,542)	(337,312)
<b>Total Net Position</b>	<b>73,325,106</b>	<b>71,559,476</b>
Total Revenues	22,195,715	22,110,403
Total Expenses	(20,430,085)	(19,227,886)
Prior period adjustment	-	-
<b>Net Change in Net Position</b>	<b>\$ 1,765,630</b>	<b>\$ 2,882,517</b>

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

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

Over the course of time, the Agency has purchased capacity from SAWPA in the Santa Ana Regional Interceptor (SARI) System, now called Inland Empire Brine Line (IEBL). The IEBL is part of the Agency's Non-Reclaimable Wastewater System (NRWS) North collections system that serves the southern portion of the Agency's service area.

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) On 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.

SAWPA Brine Line Lease Capacity Pool Agreement - In addition to the current capacity agreement with SAWPA, in FY 2018/19 the Agency entered into a Brine Line Lease Capacity Pool Agreement with SAWPA and its member agencies for the IEBL in the southern service area. Under this agreement, the Agency and other member agencies of SAWPA could contribute pipeline and treatment capacity to a "Lease Pool". The contributed capacity will be marketed and made available for lease to new or existing customers, similar to the Los Angeles County Sanitation Districts (LACSD) agreement for the North NRWS. Under the SAWPA agreement, the ability to acquire treatment and disposal capacity will be more attractive to new industries as they now have the option to acquire or lease discharge rights. Key terms of the new lease agreement include the following:

- ◆ Five-year initial term with the option to renew or extend at any time
- ◆ IEUA will initially commit 50,000 gallons per day (GPD) of capacity and treatment to the pool
- ◆ Lessee shall pay lease charge directly to SAWPA

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.

## LOS ANGELES COUNTY SANITATION DISTRICTS (LACSD)

The Agency and the LACSD entered into an agreement in 1966 wherein the LACSD agreed to accept the Agency's industrial wastewater flows from the North NRWS. The agreement which was set to expire in May 2018 was replaced by a new NRWS Wastewater Disposal Agreement between the Agency and LACSD that became effective July 1, 2014. The new Agreement resulted in pass-through rates from LACSD that are more stable and predictable, making it easier for users of the NRWS to effectively plan for their annual budgets. Under the new agreement, the ability to acquire wastewater discharge rights as capacity units and connect to the system are more attractive to new industries as they now have the option to acquire or lease discharge rights rather than make a mandatory acquisition as required under the prior agreement. Other key terms of the new agreement include the following:

- ◆ 30-year term with up to four additional five-year extensions for a total of up to fifty years
- ◆ 15,000 initial Baseline Capacity Units for allocation amongst current customers

- ◆ Adjustment of Baseline Capacity Units allocation through June 30, 2018, fixed thereafter  
Additional Capacity available for purchase or lease is 10,000 capacity units (if Chemical Oxygen Demand and Total Suspended Solids are not taken into account)
- ◆ Issuance of Wastewater Discharge Permit to the Agency from LACSD
- ◆ Payment of Repair, Relocation, Reconstruction, and Rehabilitation (4Rs) capital charges of \$4.1 million to be paid over a six-year term (started in FY 2014/15 and ending FY 2019/20)
- ◆ Annual management meetings to review and discuss any modifications to this Agreement to accommodate financial, operational or environmental changes
- ◆ The FY 2019/20 LACSD annual rate structure was revised based on the new agreement

## 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, 2020, Desalter 1 and Desalter 2 delivered a total of 27,401.25-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 Los Angeles County Sanitation Districts (LACSD) 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, 2020, the Agency's equity share is \$41,180,234 recorded in the Regional Wastewater Capital Improvement Fund. There was an additional write-down of \$1,364,821 (fifty percent of the Agency's equity share) of the JPA's net position at June 30, 2020; 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%
<b>Total</b>	<b><u>100%</u></b>

Financial information reported on a cash basis for the operation of Watermaster as of and for the fiscal year ended June 30, 2019 is summarized as follows:

	<b>2019</b>
Total Assets	<u>\$ 4,500</u>
<b>Fund Balance</b>	<b><u>\$ 4,500</u></b>
Total Revenues	10,000
Total Expenses	(8,743)
<b>Net Increase/(Decrease) in Equity</b>	<b><u>\$ 1,257</u></b>

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%
<b>Total</b>	<b>100%</b>

## 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, 2020:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>	<b>Amounts Due after One Year</b>
<b><u>Bonds Payable:</u></b>						
2008B Variable Rate (2002A Refinancing)	\$ 36,175,000	\$ -	\$ 36,175,000	\$ -	\$ -	\$ -
2010A Revenue Bonds (1994 Refinancing)	14,450,000	-	14,450,000	-	-	-
2017A Revenue Bonds (2008A Refinancing)	61,515,000	-	3,200,000	58,315,000	3,330,000	54,985,000
2020A Revenue Bonds (2008B, 2010A Refunding)	-	56,255,000	-	56,255,000	8,610,000	47,645,000
Sub-Total	112,140,000	56,255,000	53,825,000	114,570,000	11,940,000	102,630,000
Bond Premium	10,703,604	14,065,850	1,512,549	23,256,905	-	23,256,905
<b>Revenue Bonds</b>	<b>\$ 122,843,604</b>	<b>\$ 70,320,850</b>	<b>\$ 55,337,549</b>	<b>\$ 137,826,905</b>	<b>\$ 11,940,000</b>	<b>\$ 125,886,905</b>

### 2008B VARIABLE RATE DEMAND REVENUE BONDS

On June 30, 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds Series 2020A for advance refunding of the outstanding Chino Basin Regional Financing Authority Series 2008B. (Refer to note on 2020A Revenue Bonds.)

## 2010A REFUNDING REVENUE BONDS

On June 30, 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds Series 2020A for advance refunding of the outstanding Chino Basin Regional Financing Authority Series 2010A. (Refer to note on 2020A Revenue Bonds.)

## 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, 2020 is comprised of the principal amount of \$58,315,000, plus unamortized deferred bond premium of \$9,305,845 for a total of \$67,620,845.

## 2020A REFUNDING REVENUE BONDS

On June 30, 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2020A in the amount of \$56,255,000.

- The bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 2008B, (ii) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Series 2010A, (iii) refund certain Clean Water State Revolving Fund Financing Agreements from the State Water Resources Control Board, and (iv) pay the costs of issuing the bonds. The agency reduced its aggregate debt service payment by \$76,577,415 over the duration of the bonds. Net present value of this economic gain was \$9,895,140.

- The bonds maturing through 2035 are payable in annual installments ranging from \$1,540,000 to \$8,610,000 with an interest rate of 5.00 percent per annum, payable semi-annually. The balance outstanding on June 30, 2020 is comprised of the principal amount of \$56,255,000, plus unamortized deferred bond premium of \$13,951,060 for a total of \$70,206,060.
- On May 27, 2020 the Chino Basin Regional Financing Authority and the Agency executed a Water Infrastructure Finance and Innovation Act loan (WIFIA loan) agreement with the United States Environmental Protection Agency for the Regional Plant 5 Expansion Project. The Agency has not drawn any amounts from the WIFIA loan of June 30, 2020. The WIFIA loan amount up to \$196,436,445 will be drawn upon the project completion to repay the 2020B Revenue notes. The WIFIA loan carries an annual interest of 1.36% and has a maturity date of November 1, 2060, with principal and interest payments due one year after project substantial completion.

## AGGREGATE LONG-TERM DEBT

As of June 30, 2020, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2021	\$ 11,940,000	\$ 5,402,017	\$ 17,342,017
2022	7,335,000	5,044,500	12,379,500
2023	7,685,000	4,673,250	12,358,250
2024	8,425,000	4,275,875	12,700,875
2025	8,775,000	3,849,375	12,624,375
2026-2030	39,840,000	12,950,500	52,790,500
2031-2035	30,570,000	3,368,875	33,938,875
Subtotal	114,570,000	39,564,392	154,134,392
Plus: Net Premium	23,256,905	-	23,256,905
<b>Total Debt Service Payable</b>	<b>\$ 137,826,905</b>	<b>\$ 39,564,392</b>	<b>\$ 177,391,297</b>

## DEBT COVENANTS

In accordance with bond covenants, net revenues pledged to fund bond debt service costs are comprised of all income, rates, charges and connection fees (less the operations and maintenance costs), and property tax revenues, but excluding in all cases the Water Resources fund. Property Taxes are distributed by San Bernardino County Property Tax Disbursements Division in November through 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, 2020. (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, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
<b>Notes Payable :</b>						
State Revolving Fund Loan	\$ 119,330,235	\$ 12,164,237	\$38,514,727	\$ 92,979,745	\$ 3,948,240	\$ 89,031,505
City of Fontana	4,556,378	-	482,578	4,073,800	482,578	3,591,222
CSDLAC Past 4R's	720,868	-	720,868	-	-	-
Southern California Edison	880,846		159,986	720,860	136,159	584,701
2020B Revenue Notes	-	196,435,000		196,435,000	-	196,435,000
Subtotal	125,488,327	208,599,237	39,878,159	294,209,405	4,566,977	289,642,428
Note Premium	-	35,458,482	545,515	34,912,967		34,912,967
<b>Total Notes Payable</b>	<b>\$ 125,488,327</b>	<b>\$244,057,719</b>	<b>\$40,423,674</b>	<b>\$ 329,122,372</b>	<b>\$ 4,566,977</b>	<b>\$ 324,555,395</b>

## STATE WATER RESOURCES CONTROL BOARD

- The Regional Recycled Water Distribution System Phase I-V projects were 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 received \$15,141,192 of SRF funding. Payments on SRF loans commenced one year after the completion of construction, with principal and interest due for twenty years at an annual interest rate of 2.5 percent. Due to the refunding of this loan by the 2020A Refunding Revenue Bonds, there is no outstanding balance at June 30, 2020.
- The RP-1 Pump Station and West Edison San Antonio Channel Recycled Water Pipeline A & B projects (Phase II) were in part funded by State Revolving Fund (SRF) loans. The three projects received \$14,752,201 of SRF funding. Principal and interest due annually for twenty years at an annual interest rate of 2.2 percent. Due to the refunding of this loan by the 2020A Refunding Revenue Bonds, there is no outstanding balance at June 30, 2020.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) were in part funded by State Revolving Fund (SRF) loan. The three projects received \$10,862,198 of SRF funding, with a current balance as of June 30, 2020 of \$4,908,733. These are interest free loans with principal due annually for twenty years beginning June 2011, one year after the completion of construction.



-  The Recycled Water projects included in Phase IV were in part funded by State Revolving Fund (SRF) loans. The four projects received \$15,061,175 of SRF funding. Principal and interest are paid annually for twenty years beginning June 2011, one year after the completion of construction, at an annual interest rate ranging from .074 percent to .214 percent. The outstanding balance as of June 30, 2020 is \$8,342,076.
-  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 received \$999,024 of SRF funding. Principal and interest are paid annually for twenty years beginning June 2012, one year after completion of construction, at an annual interest rate of 1.0 percent. The outstanding balance at June 30, 2020 is \$524,117.
-  The Recycled Water Project (Southern Area) in Phase VI was in part funded by State Revolving Fund (SRF) loan. Principal and interest are paid annually for twenty years at an annual interest rate of 2.6 percent. Due to the refunding of this loan by the 2020A Refunding Revenue Bonds, there is no outstanding balance at June 30, 2020.
-  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 thirty years beginning August 31, 2020, on year after completion of construction, at an annual interest rate of 1.0 percent. The outstanding balance at June 30, 2020 is \$23,058,365.
-  The RP-1 Dewatering Facility Expansion project was in part funded by a State Revolving Fund (SRF) loan of \$27,546,972. This project was the first American Recovery and Reinvestment Act (ARRA) funded project in the state and as a “green project”, qualified for an annual interest rate of 0.460 percent. Principal and interest are paid annually for twenty years beginning February 28, 2013, one year after completion of construction. The outstanding balance at June 30, 2020 is \$16,861,356.
-  The Regional Water Quality Laboratory project was funded in part by the State Revolving Fund (SRF). Principal and interest are paid annually for thirty years beginning February 28, 2020, one year after completion of construction, at an annual rate of 2.1 percent. The outstanding balance at June 30, 2020 is \$22,554,005.
-  The Napa Lateral project was funded in part by the State Revolving Fund (SRF). As of June 30, 2020, one hundred percent of the construction phase was completed and reflects a current balance of \$6,052,977. Principal and interest are paid annually for thirty years beginning December 31, 2020, one year after the completion of construction, at an annual interest rate of 1.8 percent.
-  The San Sevaine Basin Improvements project was funded in part by the State Revolving Fund (SRF). As of June 30, 2020, one hundred percent of the construction phase was completed and reflects a current balance of \$4,843,459. Principal and interest are paid annually for thirty years beginning December 31, 2020, one year after the completion of construction, at an annual interest rate of 1.8 percent.
-  The Baseline Extension project was funded in part by the State Revolving Fund (SRF). As of June 30, 2020, one hundred percent of the construction phase was completed and

reflects a current balance of \$5,834,657. Payments will commence one year after the completion of construction slated for October 31, 2021 with principal and interest paid annually for thirty years at an annual interest rate of 1.4 percent.

As of June 30, 2020, the future payments for the remaining loan obligations by year are as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payment</b>	<b>Total</b>
2021	\$ 3,948,240	\$ 804,583	\$ 4,752,823
2022	4,422,637	1,050,906	5,473,543
2023	4,449,375	1,016,749	5,466,124
2024	4,484,014	982,110	5,466,124
2025	4,519,144	946,980	5,466,124
2026/2030	22,594,994	4,190,211	26,785,205
2031/2035	13,658,293	3,266,009	16,924,302
2036/2040	10,834,983	2,428,278	13,263,261
2041/2045	11,724,949	1,538,312	13,263,261
2046/2050	11,648,789	568,056	12,216,845
2051	694,327	11,553	705,880
<b>Total SRF Loans</b>	<b>\$ 92,979,745</b>	<b>\$ 16,803,747</b>	<b>\$ 109,783,492</b>

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## 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 south of San Bernardino Avenue. The City of Fontana received a State Revolving Fund (SRF) loan of \$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. The Agency is responsible for making repayments to the City of Fontana for payments made on this SRF loan.

As of June 30, 2020, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
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	482,578	79,824	562,402
2026/2028	1,660,910	245,192	1,906,102
<b>Total SRF Loans</b>	<b>\$ 4,073,800</b>	<b>\$ 644,312</b>	<b>\$ 4,718,112</b>

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## SANITATION DISTRICT OF LOS ANGELES COUNTY

On June 30, 2014, the Agency recorded the reimbursement agreement with the Los Angeles County Sanitation Districts No. 21 (LACSD) for the Relocation, Reconstruction, Repair or Replacement (4Rs) capital charges funded with a State Revolving Fund loans by LACSD. The Agency has agreed to pay LACSD the balance in annual installments over a six-year term at an interest rate of 2.3 percent. The final payment was made on July 10, 2019. As of June 30, 2020, there is no remaining note payable obligation.

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## 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 for 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 monthly SCE 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, 2020, the outstanding balance is \$139,075.

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 monthly SCE 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, 2020, the balance of this note is \$137,725.

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 monthly SCE 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, 2020, the balance of this note is \$296,016.

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 monthly SCE 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, 2020, the balance of this note is \$80,884.

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 monthly SCE 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, 2020, the balance of this note is \$67,160.

As of June 30, 2020, the remaining note payable obligation is \$720,860.

<b>Year Ending June 30</b>	<b>Principal Payments</b>
2021	\$ 136,159
2022	146,830
2023	146,830
2024	133,674
2025	60,442
2026-2028	96,925
<b>Total SCE Loan</b>	<b>\$ 720,860</b>

## 2020B REVENUE NOTES

On June 30, 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Notes, Series 2020B in the amount of \$196,435,000.

- The notes were issued to (i) to finance, on an interim basis, a portion of the cost of the Regional Plant No.5 (RP-5) Expansion Project, (ii) to pay a portion of the capitalized interest with respect to the Notes, and (iii) to pay the costs of issuing the Notes.

- The Notes mature and are payable on November 1, 2025. Interest payments are due semi-annually on November 1 and May 1 each year and range from \$2,640,959 to \$3,928,700 with an interest rate of 0.36 percent per annum. The balance outstanding on June 30, 2020 is comprised of the principal amount of \$196,435,000 plus unamortized deferred premium of \$34,912,967, for a total of \$231,347,967. This includes capitalized interest of \$35,421,276 to be used toward interest payments due.

### 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 biannually.

- The 2008B Variable Rate Demand, 2017A and the 2020A Refunding Revenue bonds and the 2020B Revenue Notes are 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 final computation for these refunded bonds done on July 9, 2020 resulted in no arbitrage rebate.
  - 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.

Year Ending June 30	Principal Payments	Interest Payment	Total
2021	\$ -	\$ 6,569,659	\$ 6,569,659
2022	-	7,857,400	7,857,400
2023	-	7,857,400	7,857,400
2024	-	7,857,400	7,857,400
2025	196,435,000	7,857,400	204,292,400
<b>Total SRF Loans</b>	<b>\$ 196,435,000</b>	<b>\$ 37,999,259</b>	<b>\$ 234,434,259</b>

- o The initial arbitrage rebate computation on the 2020A bonds and the 2020B notes will be prepared in August 2021.

#### NOTE 14: ADVANCES TO/FROM OTHER FUNDS

The composition of advances to/from other funds balances as of June 30, 2020, is as follows:

Funds	<b>Advances From Other Funds:</b>	
	Recycled Water Fund	Total
<b>Advances To Other Funds:</b>		
Major Funds:		
Regional Wastewater Capital Improvement Fund	\$13,500,000	\$13,500,000
Non-Reclaimable Wastewater Fund	10,000,000	10,000,000
<b>Total advances</b>	<b>\$23,500,000</b>	<b>\$23,500,000</b>

#### REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND & RECYCLED WATER FUND

On 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, 2020, the Non-Reclaimable Wastewater Fund reported an advance to the Recycled Water Fund, in the amount of \$10,000,000. 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 \$2,000,000 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 Operations & Maintenance Fund received a transfer of \$2,668,984 from the Regional Wastewater Capital Improvement Fund comprised of \$2,419,438 for regional wastewater system management and expansion costs, and \$249,546 for debt service support. A transfer of \$131,745 was received from the Recycled Water Fund for the SCADA Enterprise/Wineville (EN13016) project costs. Transfers out to the Non-Major Administrative Services Fund of \$276,739 were recorded for operations support.

The Recycled Water Fund received transfers in the amount of \$2,391,856 from the Regional Wastewater Capital Improvement Fund for the fund's share of the 2017A debt service payment. A total of \$2,344,865 was transferred out to the Regional Wastewater Operations & Maintenance Fund \$131,745 and Non-Major enterprise funds comprised of the Recharge Water Fund \$1,462,214, Water Resources Fund \$683,404, and the Administrative Services Fund \$67,502.

The Water Resources Fund received \$683,404 in Water Connection Fee transfers from the Recycled Water Fund for capital support of water resource management, water expansion, and conservation projects.

The Non-Major Recharge Fund received \$1,462,214 in operation support transfers from the Recycled Water Fund to help support the Agency's share of basin costs per Peace I and II agreements with Chino Basin Watermaster.

Non-Major enterprise funds received transfers in the amount of \$3,913,457. These included capital support transfers totaling \$2,058,155 from the Regional Wastewater Capital Improvement Fund to the Administrative Services Fund \$1,435,322, Recharge Water Fund \$477,200, and Non-Reclaimable Wastewater Fund \$145,633. Transfers in for operations support were received by the Administrative Services Fund from Regional Wastewater Operations & Maintenance Fund of \$276,739 and the Non-Reclaimable Wastewater Fund \$48,847.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2020.

	Transfers In:					Total
	Regional Wastewater O & M Fund	Recycled Water	Water Resources	Non-Major Enterprise Funds		
Transfers Out:						
Regional Wastewater Capital Improvement Fund	\$ 2,668,984	\$ 2,391,856	\$ -	\$ 2,058,155	\$ 7,118,995	
Regional Wastewater Operations & Maintenance Fund				276,739	276,739	
Recycled Water Fund	131,745		683,404	1,529,716	2,344,865	
Non-Major Enterprise Funds				48,847	48,847	
Total Transfers	\$ 2,800,729	\$ 2,391,856	\$ 683,404	\$ 3,913,457	\$ 9,789,446	

## NOTE 16: OPERATING LEASES

The Agency has two operating leases at June 30, 2020:

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

Total operating lease costs were \$54,000 for the year ended June 30, 2020. The future minimum lease payments for equipment leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2021	\$ 31,877
2022	29,236
2023	18,254
2024	13,681
	<u>\$ 93,048</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) for the purchase of up to 5,000 acre-feet (AF) of supplemental water. This agreement, effective March 1, 2016, will enable the Agency to purchase and store water in the Chino Basin as part of CVWD's storage account. As of June 30, 2020, 3,606.84 AF are held in storage by CVWD on behalf of the Agency until such time 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.

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## 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 \$136.00, 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 Dec. 31, 1991	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.

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## EMPLOYEES COVERED

As of the June 30, 2020 (measurement date as of June 30, 2019) 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	101
Inactive employees entitled to, but not yet receiving benefits	<b>0</b>
Active employees	275
<b>Total</b>	<b>376</b>

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## 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, 2020, measurement date June 30, 2019, the Agency's cash contributions were \$1,637,271; \$1,000,000 in payments to the trust and \$637,271 in payments to retirees resulting in total contributions of \$1,637,271.

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, 2020, the Agency has funded \$16,000,000 into the CERBT trust fund towards the net OPEB liability.

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## NET OPEB LIABILITY

The Agency's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Payroll growth	2.75% per annum, in aggregate
Investment Rate of Return	6.50% (net of pension plan investment and administration expenses; includes inflation)
Mortality Rate <sup>(1)</sup>	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.50% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO

### Notes:

<sup>(1)</sup> Pre-retirement mortality information was derived from the 2017 Experience Study. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

<sup>(2)</sup> The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2017 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://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, 2019 are summarized in the following table:

Asset Class	Target Allocation
<b>CERBT</b>	
Global Equity	40.00%
Global Debt Securities	43.00%
Inflation Assets	5.00%
Commodities	4.00%
REITs	8.00%
<b>Total</b>	<b>100.00%</b>

Long-term expected rate of return is 6.50%

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## 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)
<b>Balances at June 30, 2019</b> <i>(Measurement Date June 30, 2018)</i>	\$ 16,272,995	\$ 14,218,534	\$ 2,054,461
<b>Changes in Current Year:</b>			
Service cost	534,995	-	534,995
Interest on the total OPEB liability	1,068,735	-	1,068,735
Differences between actual and expected experience	1,476,597	-	1,476,597
Changes in assumptions	(367,808)	-	(367,808)
Contribution - employer	-	2,731,819	(2,731,819)
Difference Between Employer Actual and CalPERS Contribution	-	(122,876)	122,876
Projected Earnings on Investment	-	989,105	(989,105)
Differences Between Projected and Actual Earnings on OPEB Plan Investment	-	25,901	(25,901)
Administrative expenses	-	(3,076)	3,076
OPEB Expense Adjustment	-	122,876	(122,876)
Benefit payments, including refunds of employee contributions	(731,819)	(731,819)	-
<b>Current Year Net Changes</b>	<b>\$ 1,980,700</b>	<b>\$ 3,011,930</b>	<b>\$ (1,031,230)</b>
<b>Balance at June 30, 2020</b> <i>(Measurement Date June 30, 2019)</i>	<b>\$ 18,253,695</b>	<b>\$ 17,230,464</b>	<b>\$ 1,023,231</b>

## 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, 2019:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 3,533,964	\$ 1,023,231	\$ (1,031,341)

## 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, 2019:

	<b>1% Decrease</b> (5.50% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	<b>Current Healthcare Cost Trend Rates</b> (6.50% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	<b>1% Increase</b> (7.50% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability	\$ (138,799)	\$ 1,023,231	\$ 2,315,871

## 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, 2019)

## RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the fiscal year ended June 30, 2020, the Agency recognized OPEB expense of \$509,020. As of fiscal year ended June 30, 2020, 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	\$ 1,637,271	\$ -
Change in assumptions	-	1,012,321
Change in experience	1,265,655	
Net differences between projected and actual earnings on OPEB plan investments	203,846	
<b>Total</b>	<b>\$ 3,106,772</b>	<b>\$ 1,012,321</b>

The \$1,637,271 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021.

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
2021	\$ 12,195
2022	12,195
2023	(37,226)
2024	153,217
2025	158,398
<b>Thereafter</b>	<b>158,401</b>

## **NOTE 19: SUBSEQUENT EVENT**

In preparing these financial statements, the Agency has evaluated events and transactions through December 7, 2020, the date the financial statements were available to be issued, for potential recognition or disclosure. No subsequent events were identified that would affect the 2020 financial statements.

INLAND EMPIRE UTILITIES AGENCY  
Required Supplementary Information

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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, 2020**  
**LAST TEN YEARS\***

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 10,251,862	\$ 9,766,593	\$ 9,285,958	\$ 9,486,891	\$ 9,153,741	\$ 8,354,702
Contributions in relation to the actuarially determined contributions	(10,251,862)	(9,766,593)	(9,285,958)	(9,486,891)	(9,153,741)	(8,354,702)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 29,615,605	\$ 28,525,130	\$ 29,042,418	\$ 27,131,239	\$ 25,127,054	\$ 23,007,322
Contributions as a percentage of covered payroll	34.62%	34.24%	31.97%	34.97%	36.43%	36.31%

Notes to Schedule:

Valuation Date 6/30/2017

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 six years of data are shown.



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

	2020 (Measurement Date June 30, 2019)	2019 (Measurement Date June 30, 2018)	2018 (Measurement Date June 30, 2017)	2017 (Measurement Date June 30, 2016)	2016 (Measurement Date June 30, 2015)	2015 (Measurement Date June 30, 2014)
<b>Total Pension Liability:</b>						
Service cost	\$ 4,618,250	\$ 4,646,509	\$ 4,454,352	\$ 3,749,410	\$ 3,685,630	\$ 3,768,503
Interest on total pension liability	14,817,042	13,746,742	12,950,950	12,103,023	11,654,818	10,818,920
Differences between expected and actual experience	4,490,811	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	(8,272,800)	(7,528,545)	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Net Change in Total Pension Liability	<b>15,653,303</b>	<b>11,512,227</b>	<b>24,000,182</b>	<b>6,072,637</b>	<b>8,679,847</b>	<b>9,282,433</b>
Total Pension Liability - Beginning of Year	<b>204,567,831</b>	<b>193,055,604</b>	<b>169,055,422</b>	<b>162,982,785</b>	<b>154,302,938</b>	<b>145,020,505</b>
Total Pension Liability - End of Year (a)	<b>\$ 220,221,134</b>	<b>\$ 204,567,831</b>	<b>\$ 193,055,604</b>	<b>\$ 169,055,422</b>	<b>\$ 162,982,785</b>	<b>\$ 154,302,938</b>
<b>Plan Fiduciary Net Position:</b>						
Contributions - employer	\$ 9,747,753	\$ 9,461,289	\$ 9,481,188	\$ 9,014,122	\$ 8,330,807	\$ 3,733,583
Contributions - employee	2,207,304	2,374,114	2,170,535	1,949,174	1,812,908	2,374,649
Net investment income	11,107,508	13,002,740	15,011,231	649,762	2,718,511	17,346,113
Benefit payments	(8,272,800)	(7,528,545)	(6,509,351)	(6,263,541)	(5,730,808)	(5,304,990)
Net plan to plan resources movement	-	(385)	-	-	-	-
Administrative Expense	(118,785)	(233,464)	(191,729)	(75,929)	(140,237)	-
Other miscellaneous income/(expense)	385	(443,351)	-	-	-	-
Net Change in Plan Fiduciary Net Position	<b>14,671,365</b>	<b>16,632,398</b>	<b>19,961,874</b>	<b>5,273,588</b>	<b>6,991,181</b>	<b>18,149,355</b>
Plan Fiduciary Net Position - Beginning of Year	<b>166,454,201</b>	<b>149,821,803</b>	<b>129,859,929</b>	<b>124,586,341</b>	<b>117,595,160</b>	<b>99,445,805</b>
Plan Fiduciary Net Position - End of Year (b)	<b>\$ 181,125,566</b>	<b>\$ 166,454,201</b>	<b>\$ 149,821,803</b>	<b>\$ 129,859,929</b>	<b>\$ 124,586,341</b>	<b>\$ 117,595,160</b>
<b>Net Pension Liability - Ending (a)</b>	<b>\$ 39,095,568</b>	<b>\$ 38,113,630</b>	<b>\$ 43,233,801</b>	<b>\$ 39,195,493</b>	<b>\$ 38,396,444</b>	<b>\$ 36,707,778</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>82.25%</b>	<b>81.37%</b>	<b>77.61%</b>	<b>76.82%</b>	<b>76.44%</b>	<b>76.21%</b>
<b>Covered payroll</b>	<b>\$ 28,525,130</b>	<b>\$ 29,042,418</b>	<b>\$ 27,131,239</b>	<b>\$ 25,127,054</b>	<b>\$ 23,007,322</b>	<b>\$ 23,082,763</b>
<b>Net pension liability as percentage of covered payroll</b>	<b>137.06%</b>	<b>131.23%</b>	<b>159.35%</b>	<b>155.99%</b>	<b>166.89%</b>	<b>159.03%</b>

**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 six years of date is shown.

**CALPERS RETIREE HEALTHCARE PLAN**  
**SCHEDULE OF CONTRIBUTIONS**  
**AS OF JUNE 30, 2020**  
**LAST TEN YEARS\***

	2020	2019	2018
Actuarially determined contribution	\$ 1,637,271	\$ 2,608,943	\$ 2,561,354
Contributions in relation to the actuarially determined contributions	(1,637,271)	(2,608,943)	(2,561,354)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 4,008,335	\$ 3,737,662	\$ 3,788,381
Contributions as a percentage of covered-employee payroll	40.85%	69.80%	67.61%

Notes to Schedule:

Valuation Date 6/30/2019

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	2.50%
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	6.50% HMO/6.50% PPO initial. 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 2017 CalPERS Experience. Pre-retirement mortality probability based on 2017 CalPERS Experience Study. 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 three years of data is shown.

INLAND EMPIRE UTILITIES AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION

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

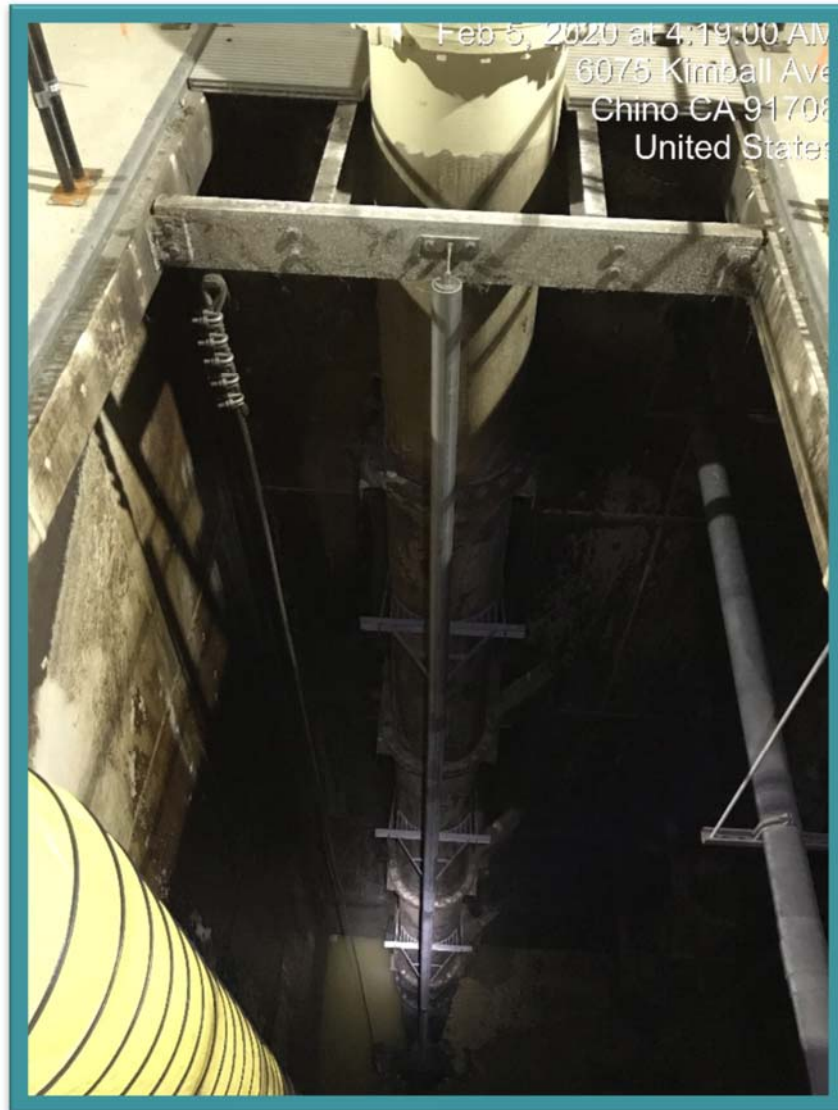
	<b>2020</b> (Measurement Date June 30, 2019)	<b>2019</b> (Measurement Date June 30, 2018)	<b>2018</b> (Measurement Date June 30, 2017)
<b>Total OPEB Liability:</b>			
Service cost	\$ 534,995	\$ 520,676	\$ 491,205
Interest on total OPEB liability	1,068,735	1,005,737	954,618
Differences between expected and actual experience	1,476,597	-	-
Changes in assumptions	(367,808)	(1,161,761)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(731,819)	(666,542)	(580,077)
Net Change in Total OPEB Liability	<b>1,980,700</b>	<b>(301,890)</b>	<b>865,746</b>
Total OPEB Liability - Beginning of Year	<b>16,272,995</b>	<b>16,574,885</b>	<b>15,709,139</b>
Total OPEB Liability - End of Year (a)	<b>\$ 18,253,695</b>	<b>\$ 16,272,995</b>	<b>\$ 16,574,885</b>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 2,731,819	\$ 2,666,542	\$ 2,580,077
Contributions - employee	-	-	-
Net investment income	1,015,006	551,142	372,066
Benefit payments	(731,819)	(666,542)	(580,077)
Administrative Expense	(3,076)	(6,115)	(4,884)
Other expense	-	(15,471)	-
Net Change in Plan Fiduciary Net Position	<b>3,011,930</b>	<b>2,529,556</b>	<b>2,367,182</b>
Plan Fiduciary Net Position - Beginning of Year	<b>14,218,534</b>	<b>11,688,978</b>	<b>9,321,796</b>
Plan Fiduciary Net Position - End of Year (b)	<b>\$ 17,230,464</b>	<b>\$ 14,218,534</b>	<b>\$ 11,688,978</b>
<b>Net OPEB Liability - Ending (a)-(b)</b>	<b>\$ 1,023,231</b>	<b>\$ 2,054,461</b>	<b>\$ 4,885,907</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>94.39%</b>	<b>87.38%</b>	<b>70.52%</b>
<b>Covered-employee payroll</b>	<b>\$ 3,737,662</b>	<b>\$ 3,788,381</b>	<b>\$ 3,507,284</b>
<b>Net OPEB liability as percentage of covered-employee payroll</b>	<b>27.38%</b>	<b>54.23%</b>	<b>139.31%</b>

**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 three year of date is shown.

# RP-5 Influent Pump Guide Rail Repair



Guide Rail Retrofit

# 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 employment costs and general and administrative expenses not specific to other Agency funds are initially budgeted in the Administrative Services Fund. These costs include capital acquisitions for Agency-wide use, 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 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, 2020**

(With Comparative Totals for June 30, 2019)

	Non-Major Enterprise Funds	
	Non-reclaimable	Recharge
	Wastewater	Water
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 13,532,122	\$ 1,917,899
Accounts receivable	2,530,446	562,839
Interest receivable	1,476,257	2,398
Taxes receivable	-	-
Other receivables	-	-
Inventory	-	-
Prepaid items	-	-
Total current assets	17,538,825	2,483,136
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	41	21,207
Total restricted assets	41	21,207
Capital assets		
Land	-	-
Jobs in progress	1,363,426	5,947,549
Capital assets, net of accumulated depreciation	11,890,023	37,529,958
Intangible assets, net of accumulated amortization	1,363,828	-
Total capital assets	14,617,277	43,477,507
Other assets		
Advances to other funds	10,000,000	-
Total other assets	10,000,000	-
Total noncurrent assets	24,617,318	43,498,714
Total assets	42,156,143	45,981,850
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to debt refunding	298,195	-
Deferred outflow net other postemployment benefit liability	148,008	58,208
Deferred outflow related to net pension liability	829,709	328,150
Total deferred outflows of resources	1,275,912	386,358



Administrative Services	Totals	
	2020	2019
\$ 29,686,188	\$ 45,136,209	\$ 36,478,575
1,447,280	4,540,565	4,260,264
71,794	1,550,449	1,367,790
12,851	12,851	7,634
24,945	24,945	38,146
1,291,794	1,291,794	1,220,849
103,462	103,462	104,112
<u>32,638,314</u>	<u>52,660,275</u>	<u>43,477,370</u>
-	21,248	880,101
-	21,248	880,101
20,829	20,829	20,829
1,389,062	8,700,037	7,026,593
12,637,686	62,057,667	63,930,412
<u>1,364,327</u>	<u>2,728,155</u>	<u>3,358,498</u>
<u>15,411,904</u>	<u>73,506,688</u>	<u>74,336,332</u>
-	10,000,000	12,000,000
-	10,000,000	12,000,000
<u>15,411,904</u>	<u>83,527,936</u>	<u>87,216,433</u>
<u>48,050,218</u>	<u>136,188,211</u>	<u>130,693,803</u>
-	298,195	320,560
191,331	397,547	371,568
<u>930,729</u>	<u>2,088,588</u>	<u>2,104,060</u>
<u>1,122,060</u>	<u>2,784,330</u>	<u>2,796,188</u>

(continued)

**INLAND EMPIRE UTILITIES AGENCY**
**Combining Statement of Net Position (Continued from previous page)**
**June 30, 2020**

(With Comparative Totals for June 30, 2019)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 1,198,072	\$ 385,361
Accrued liabilities	-	20,616
Compensated absences	-	-
Retentions payable	3,708	31,875
Long-term debt, due within one year	316,905	518,670
Notes payable, due within one year	-	-
Interest payable	45,719	30,185
Total current liabilities	1,564,404	986,707
Noncurrent liabilities		
Compensated absences	-	-
Long-term debt, due in more than one year	6,118,351	10,301,605
Net other postemployment benefit liability (note 5)	45,425	17,683
Net pension liability	2,128,713	733,123
Total noncurrent liabilities	8,292,489	11,052,411
Total liabilities	9,856,893	12,039,118
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	50,686	20,613
Deferred inflow related to net pension liability	160,253	52,828
Total deferred inflows of resources	210,939	73,441
<b>NET POSITION</b>		
Net investment in capital assets	8,182,062	32,678,439
Restricted for:		
Bond operating contingency requirement	3,003,154	-
Total restricted	3,003,154	-
Unrestricted	22,179,007	1,577,210
Total net position	\$33,364,223	\$ 34,255,649

Administrative Services	Totals	
	2020	2019
\$ 892,810	\$ 2,476,243	\$ 2,397,134
2,882,897	2,903,513	2,025,107
2,157,976	2,157,976	1,957,526
-	35,583	70,644
-	835,575	1,043,517
-	-	720,868
-	75,904	76,800
5,933,683	8,484,794	8,291,596
3,578,432	3,578,432	3,501,078
-	16,419,956	18,026,324
90,943	154,051	266,494
2,140,201	5,002,037	4,870,763
5,809,576	25,154,476	26,664,659
11,743,259	33,639,270	34,956,255
42,347	113,646	104,186
49,592	262,673	295,722
91,939	376,319	399,908
15,411,903	56,272,404	56,103,665
421,450	3,424,604	3,782,195
421,450	3,424,604	3,782,195
21,503,727	45,259,944	38,247,968
\$ 37,337,080	\$ 104,956,952	\$ 98,133,828

**INLAND EMPIRE UTILITIES AGENCY**
**Combining Statement of Revenues, Expenses, and  
Changes in Net Position**
**For the Fiscal Year Ended June 30, 2020**

(With Comparative Totals for June 30, 2019)

	Non-Major Enterprise Funds	
	Non-reclaimable Wastewater	Recharge Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 12,682,703	\$ -
Total operating revenues	12,682,703	-
<b>OPERATING EXPENSES</b>		
Wastewater collection	7,510,579	-
Administration and general	1,498,885	2,361,512
Depreciation and amortization	960,529	1,566,260
Total operating expenses	9,969,993	3,927,772
Operating income (loss)	2,712,710	(3,927,772)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	437,053	29,363
Property tax revenue	-	-
Other nonoperating revenues	10,287	1,615,701
Interest on long-term debt	(278,374)	(145,704)
Other nonoperating expenses	43,461	(69,672)
Total nonoperating revenues (expenses)	212,427	1,429,688
Income (loss) before capital contributions and transfers	2,925,137	(2,498,084)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	145,633	1,939,414
Transfers out	(48,847)	-
Capital grants	-	497,604
Change in net position	3,021,923	(61,066)
Total net position - beginning	\$30,342,300	34,316,715
Total net position - ending	\$ 33,364,223	\$ 34,255,649

Administrative Services	Totals	
	2020	2019
\$ -	\$ 12,682,703	\$ 12,455,880
-	12,682,703	12,455,880
-	7,510,579	8,400,872
1,764,351	5,624,748	4,822,234
1,527,688	4,054,477	4,030,518
3,292,039	17,189,804	17,253,624
(3,292,039)	(4,507,101)	(4,797,744)
399,644	866,060	897,482
1,972,200	1,972,200	1,972,200
4,400,163	6,026,151	6,903,771
-	(424,078)	(476,050)
(1,446,111)	(1,472,322)	(1,220,952)
5,325,896	6,968,011	8,076,451
2,033,857	2,460,910	3,278,707
1,828,410	3,913,457	2,998,649
-	(48,847)	(129,412)
-	497,604	481,860
3,862,267	6,823,124	6,629,804
33,474,813	98,133,828	91,504,024
\$ 37,337,080	\$ 104,956,952	\$ 98,133,828

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**

(With Comparative Totals for June 30, 2019)

	Non-Major Enterprise Funds	
	Non-Reclaimable	Recharge
	Wastewater	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 12,686,201	\$ -
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(7,459,374)	(1,452,079)
Cash payments to employees for services	(764,924)	(620,882)
Cash payments for interfund services used	(820,613)	(224,928)
Net cash provided by (used for) operating activities	3,641,290	(2,297,889)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	145,633	1,939,414
Transfers out	(48,847)	-
Contract reimbursement from others	10,288	1,253,515
Tax revenues	-	-
Cash paid to others	-	-
Advances to other funds	2,000,000	-
Net cash provided by (used for) noncapital financing activities	2,107,074	3,192,929
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(555,963)	(1,219,677)
Capital grants	-	497,604
Proceeds from bond refunding	-	10,818,967
Payment to refunding bond escrow agent	-	(11,559,291)
Bond issuance costs	-	(33,892)
Principal paid on capital debt	(1,091,821)	(669,139)
Interest paid on capital debt	(253,523)	(348,722)
Bond administration fees	22,365	-
Contractor deposits collected	3,708	(38,769)
Net cash provided by (used for) capital and related financing activities	(1,875,234)	(2,552,919)



Administrative Services	Totals	
	2020	2019
\$ 242,647	\$ 12,928,848	\$ 12,965,825
30,110,597	30,110,597	28,331,470
(5,982,903)	(14,894,356)	(18,293,289)
(24,770,462)	(26,156,268)	(23,809,259)
-	(1,045,541)	(1,445,123)
(400,121)	943,280	(2,250,376)
1,828,410	3,913,457	2,998,649
-	(48,847)	(129,412)
1,423,054	2,686,857	5,770,869
1,966,983	1,966,983	1,984,273
(1,436,981)	(1,436,981)	(1,162,075)
-	2,000,000	3,000,000
3,781,466	9,081,469	12,462,304
(1,382,986)	(3,158,626)	(3,619,311)
-	497,604	481,860
-	10,818,967	-
-	(11,559,291)	-
-	(33,892)	-
-	(1,760,960)	(1,775,465)
(9,130)	(611,375)	(713,182)
-	22,365	22,364
-	(35,061)	23,615
(1,392,116)	(5,820,269)	(5,580,119)
		(Continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Non-Major Enterprise Funds	
	Non-Reclaimable Wastewater	Recharge Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	\$ 205,099	\$ 39,089
Sale of investments	-	-
Net cash provided by (used for) investing activities	205,099	39,089
Net increase (decrease) in cash and cash equivalents	4,078,229	(1,618,790)
Cash and cash equivalents - beginning	9,453,934	3,557,896
Cash and cash equivalents - ending	<u>\$ 13,532,163</u>	<u>\$ 1,939,106</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,712,710	\$ (3,927,772)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	960,529	1,566,260
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	3,499	-
Short term receivables	-	-
Inventory	-	-
Prepaid items	-	-
Increase (decrease) in		
Deferred outflow related to net pension liability	22,182	22,541
Deferred outflow related to net other post employment benefit	(7,086)	1,019
Accounts payable	(28,764)	45,813
Accrued liabilities	(84)	20,342
Deferred inflow related to net pension liability	(14,312)	(5,440)
Deferred inflow related to net other post employment benefit	4,096	1,558
Net other postemployment benefits liability	(52,845)	(23,827)
Net pension liability	41,365	1,617
Compensated absences	-	-
Net cash provided by (used for) operating activities	<u>\$ 3,641,290</u>	<u>\$ (2,297,889)</u>

Administrative Services	Totals	
	2020	2019
\$ 439,213	\$ 683,401	\$ 514,193
<u>2,910,900</u>	<u>2,910,900</u>	<u>2,364,179</u>
<u>3,350,113</u>	<u>3,594,301</u>	<u>2,878,372</u>
<u>5,339,342</u>	<u>7,798,781</u>	<u>7,510,181</u>
<u>24,346,846</u>	<u>37,358,676</u>	<u>29,848,495</u>
<u>\$ 29,686,188</u>	<u>\$ 45,157,457</u>	<u>\$ 37,358,676</u>
\$ (3,292,039)	\$ (4,507,101)	\$ (4,797,745)
1,527,688	4,054,477	4,030,518
229,446	232,945	496,061
13,201	13,201	13,884
(70,945)	(70,945)	168,863
650	650	6,711
(29,251)	15,472	874,783
(19,912)	(25,979)	(19,328)
62,061	79,110	(1,726,252)
858,148	878,406	(274,800)
(13,297)	(33,049)	(374,818)
3,806	9,460	104,186
(35,772)	(112,444)	(357,281)
88,291	131,273	(718,540)
<u>277,804</u>	<u>277,804</u>	<u>323,382</u>
<u>\$ (400,121)</u>	<u>\$ 943,280</u>	<u>\$ (2,250,376)</u>
(Continued)		

**INLAND EMPIRE UTILITIES AGENCY**  
**Combining Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

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	\$ 13,532,122	\$ 1,917,899
Restricted assets	41	21,207
Cash & cash equivalents at end of year	<u>\$ 13,532,163</u>	<u>\$ 1,939,106</u>

Administrative Services	Totals	
	2020	2019
\$ 29,686,188	\$ 45,136,209	\$ 3,375,549
-	21,248	33,983,127
<u>\$ 29,686,188</u>	<u>\$ 45,157,457</u>	<u>\$ 37,358,676</u>

# RP-4 Primary Clarifier and Process Rehabilitation



Secondary Clarifier Effluent Channel



# INLAND EMPIRE UTILITIES AGENCY

## Regional Wastewater Program

THE REGIONAL WASTEWATER PROGRAM CONSISTS OF THE FOLLOWING FUNDS:

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### 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.

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### 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 administrative 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) monthly 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, 2020**

(With Comparative Totals for June 30, 2019)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2020	2019
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 16,847,992	\$ 81,298,778	\$ 98,146,770	\$ 96,498,334
Accounts receivable	504,420	11,943,030	12,447,450	14,912,369
Interest receivable	1,138,928	330,136	1,469,064	1,205,909
Taxes receivable	185,595	62,216	247,811	147,678
Other receivables	799,020	-	799,020	508,328
Prepaid items	1,201	-	1,201	1,201
Total current assets	19,477,156	93,634,160	113,111,316	113,273,819
Noncurrent assets				
Restricted assets				
Deposits held by governmental agencies	90,732,645	-	90,732,645	66,473,575
Assets held with trustee/fiscal agents	232,043,439	10,679	232,054,118	1,804,530
Total restricted assets	322,776,084	10,679	322,786,763	68,278,105
Capital assets				
Land	14,047,045	-	14,047,045	14,047,045
Jobs in progress	49,246,426	21,099,542	70,345,968	72,561,061
Capital assets, net of accumulated depreciation	264,588,864	61,812,791	326,401,655	323,273,108
Intangible assets, net of accumulated amortization	5,115,238	2,644,904	7,760,142	6,161,768
Total capital assets	332,997,573	85,557,237	418,554,810	416,042,982
Other assets				
Long-term investments	41,180,234	-	41,180,234	42,545,055
Advances to other funds	13,500,000	-	13,500,000	13,500,000
Long-term receivables	2,756,844	-	2,756,844	3,255,780
Prepaid Interest - SRF loans	644,312	-	644,312	724,136
Total other assets	58,081,390	-	58,081,390	60,024,971
Total noncurrent assets	713,855,047	85,567,916	799,422,963	544,346,058
Total assets	733,332,203	179,202,076	912,534,279	657,619,877
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to debt refunding	1,432,485	179,127	1,611,612	2,212,454
Deferred outflow net other postemployment benefit liability	287,942	2,020,016	2,307,958	2,199,080
Deferred outflow related to net pension liability	1,587,944	11,057,541	12,645,485	12,957,267
Total deferred outflows of resources	3,308,371	13,256,684	16,565,055	17,368,801

(Continued) (Continued)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2020	2019
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,364,324	\$ 5,007,289	\$ 6,371,613	\$ 6,942,310
Accrued liabilities	197,387	14,516	211,903	82,902
Retentions payable	-	375,411	375,411	1,031,619
Long-term debt, due within one year	7,423,696	190,365	7,614,061	7,706,884
Notes payable, due within one year	1,852,495	699,513	2,552,008	2,546,760
Interest payable	849,622	142,202	991,824	757,188
Retention deposits and escrows	157,831	10,655	168,486	78,394
Total current liabilities	11,845,355	6,439,951	18,285,306	19,146,057
Noncurrent liabilities				
Long-term debt, due in more than one year	49,678,845	3,675,299	53,354,144	68,138,813
Notes payable, due in more than one year	250,430,629	22,575,351	273,005,980	43,874,040
Net other postemployment benefits liability	92,345	678,983	771,328	1,549,030
Net pension liability	4,397,666	24,585,605	28,983,271	28,354,810
Total noncurrent liabilities	304,599,485	51,515,238	356,114,723	141,916,693
Total liabilities	316,444,840	57,955,189	374,400,029	161,062,750
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow net other postemployment benefit liability	96,270	652,112	748,382	687,790
Deferred inflow related to net pension liability	435,103	879,529	1,314,632	1,526,384
Total deferred inflows of resources	531,373	1,531,641	2,063,014	2,214,174
<b>NET POSITION</b>				
Net Investment in capital assets	255,655,349	59,137,593	314,792,942	296,299,758
Restricted for:				
Capital construction	90,360,876	-	90,360,876	65,994,860
SRF Loan debt service	1,447,479	1,046,416	2,493,895	2,453,127
Bond operating contingency requirement	1,844,905	18,275,340	20,120,245	19,483,899
Total restricted	93,653,260	19,321,756	112,975,016	87,931,886
Unrestricted	70,355,752	54,512,581	124,868,333	127,480,110
Total net position	\$ 419,664,361	\$ 132,971,930	\$ 552,636,291	\$ 511,711,754

**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, 2020**  
(With Comparative Totals for June 30, 2019)

	Regional Capital Improvement	Regional Operations & Maintenance	Totals	
			2020	2019
<b>OPERATING REVENUES</b>				
Service charges	\$ -	\$ 68,506,127	\$ 68,506,127	\$ 66,498,642
Total operating revenues	-	68,506,127	68,506,127	66,498,642
<b>OPERATING EXPENSES</b>				
Wastewater collection	-	1,677,975	1,677,975	1,940,237
Wastewater treatment	-	20,958,634	20,958,634	23,829,235
Wastewater disposal	-	11,077,003	11,077,003	11,316,753
Administration and general	5,534,714	21,112,408	26,647,122	21,356,387
Depreciation and amortization	18,539,438	6,248,890	24,788,328	23,739,557
Total operating expenses	24,074,152	61,074,910	85,149,062	82,182,169
Operating income (loss)	(24,074,152)	7,431,217	(16,642,935)	(15,683,527)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	835,858	1,790,806	2,626,664	2,561,447
Property tax revenue	36,148,496	9,548,600	45,697,096	44,024,651
Wastewater capital connection fees	24,259,070	-	24,259,070	22,914,037
Other nonoperating revenues	1,051,715	4,642,624	5,694,339	4,556,315
Interest on long-term debt	(3,359,918)	(593,126)	(3,953,044)	(3,631,625)
Other nonoperating expenses	(312,085)	(15,568,838)	(15,880,923)	(4,987,476)
Total nonoperating revenues (expenses)	58,623,136	(179,934)	58,443,202	65,437,349
Income (loss) before capital contributions and transfers	34,548,984	7,251,283	41,800,267	49,753,822
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers in	-	2,800,729	2,800,729	11,946,221
Transfers out	(7,118,995)	(276,739)	(7,395,734)	(14,873,736)
Capital grants	122,690	3,596,585	3,719,275	711,676
Change in net position	27,552,679	13,371,858	40,924,537	47,537,983
Total net position - beginning	392,111,682	119,600,072	511,711,754	464,173,771
Total net position - ending	\$ 419,664,361	\$ 132,971,930	\$ 552,636,291	\$ 511,711,754

## 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, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 116,232	\$ 17,257,245
Accounts receivable	17,595,969	7,363,143
Interest receivable	10,559	78,133
Taxes receivable	14,175	8,422
Other receivable	90,503	89,268
Prepaid items	3,500	3,500
Total current assets	17,830,938	24,799,711
Noncurrent assets		
Restricted assets		
Restricted short-term investments	22,492,972	14,137,212
Assets held with trustee/fiscal agents	271,866	42,967
Total restricted assets	22,764,838	14,180,179
Capital assets		
Land	584,450	-
Jobs in progress	8,492,978	15,263,126
Capital assets, net of accumulated depreciation	180,738,716	163,907,439
Intangible assets, net of accumulated amortization	618,893	566,342
Total capital assets	190,435,037	179,736,907
Other assets		
Long term receivables	2,656,147	830,283
Prepaid interest - SRF loans	792,098	882,614
Total other assets	3,448,245	1,712,897
Total noncurrent assets	216,648,120	195,629,983
Total assets	234,479,058	220,429,694
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to debt refunding	1,223,567	1,315,335
Deferred outflow net other postemployment benefit liability	284,965	240,467
Deferred outflow related to net pension liability	1,596,676	1,535,028
Total deferred outflows of resources	3,105,208	3,090,830
		(Continued)

	Totals	
	2020	2019
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 660,749	\$ 1,393,750
Accrued liabilities	63,871	9
Retentions payable	756,002	110,093
Long term debt, due within one year	3,490,364	1,249,599
Notes payable, due within one year	2,014,969	4,124,795
Interest payable	2,949,881	2,494,618
Retention deposits and escrows	208,860	42,767
Total current liabilities	10,144,696	9,415,631
Noncurrent liabilities		
Advances from other funds	23,500,000	25,500,000
Long-term debt, due in more than one year	56,112,805	26,678,467
Notes payable, due in more than one year	51,549,415	74,221,864
Other noncurrent liabilities	589,298	589,298
Net other postemployment benefits liability	79,294	163,633
Net pension liability	3,699,531	3,501,299
Total noncurrent liabilities	135,530,343	130,654,561
Total liabilities	145,675,039	140,070,192
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	98,540	89,734
Deferred inflow related to net pension liability	168,164	198,924
Total deferred inflows of resources	266,704	288,658
<b>NET POSITION</b>		
Net Investment in capital assets	99,823,462	87,599,595
Restricted for:		
Capital construction	22,492,972	14,137,212
SRF Loan debt service	3,275,817	6,859,156
Total restricted	25,768,789	20,996,368
Unrestricted	(33,949,728)	(25,434,289)
Total net position	\$ 91,642,523	\$ 83,161,674



**INLAND EMPIRE UTILITIES AGENCY**  
**Recycled Water Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>OPERATING REVENUES</b>		
Recycled water sales	\$ 15,348,685	\$ 13,901,786
Total operating revenue	15,348,685	13,901,786
<b>OPERATING EXPENSES</b>		
Operations and Maintenance	3,972,509	3,860,564
Administration and general	5,126,077	5,177,780
Depreciation and amortization	8,767,536	8,528,535
Total operating expenses	17,866,122	17,566,879
Operating income (loss)	(2,517,437)	(3,665,093)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	451,514	768,635
Property tax revenue	2,170,100	2,170,100
Water connection fees	8,048,141	5,916,291
Other nonoperating revenues	3,958,582	24,240
Interest on long-term debt	(3,252,685)	(2,225,914)
Other nonoperating expenses	(580,844)	(901,472)
Total nonoperating revenues (expenses)	10,794,808	5,751,880
Income (loss) before capital contributions and transfers	8,277,371	2,086,787
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	2,391,856	2,558,566
Transfers out	(2,344,865)	(2,936,702)
Capital grants	156,487	752,789
Change in net position	8,480,849	2,461,440
Total net position - beginning	83,161,674	80,700,234
Total net position - ending	\$ 91,642,523	\$ 83,161,674

## 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.

The Water Resources fund generates operating revenue includes the pass-through of imported water sales and related fees from Metropolitan Water District of Southern California (MWD), and monthly meter equivalent unit (MEU) charges. Non-operating revenues recorded in the fund include property tax receipts and interest income. Additionally, the fund record grants received supporting the various water use efficiency programs within the fund.

**INLAND EMPIRE UTILITIES AGENCY**  
**Water Resources Fund**  
**Schedule of Net Position**  
**June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 16,524,881	\$ 11,949,268
Accounts receivable	9,439,670	9,624,874
Interest receivable	57,859	54,102
Taxes receivable	12,750	7,574
Water inventory	2,274,100	2,275,783
Total current assets	28,309,260	23,911,601
Noncurrent assets		
Capital assets		
Jobs in progress	4,664,828	1,799,827
Capital assets, net of accumulated depreciation	17,198	17,744
Intangible assets, net of accumulated amortization	1,989	5,967
Total capital assets	4,684,015	1,823,538
Other assets		
Long-term receivables	67,918	48,313
Total other assets	67,918	48,313
Total noncurrent assets	4,751,933	1,871,851
Total assets	33,061,193	25,783,452
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow net other postemployment benefit liability	116,302	113,724
Deferred outflow related to net pension liability	727,684	766,572
Total deferred outflows of resources	843,986	880,296
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	8,618,334	8,806,987
Accrued liabilities	548,361	569,170
Current liabilities	9,166,695	9,376,157
Noncurrent liabilities		
Net other post-employment benefits liability	18,558	75,304
Net pension liability	1,410,729	1,386,758
Total noncurrent liabilities	1,429,287	1,462,062
Total liabilities	10,595,982	10,838,219
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	51,753	47,699
Deferred inflow related to net pension liability	19,296	33,451
Total deferred inflows of resources	71,049	81,150
<b>NET POSITION</b>		
Net Investment in capital assets	4,684,015	1,823,538
Unrestricted	18,554,133	13,920,841
Total net position	\$ 23,238,148	\$ 15,744,379

**INLAND EMPIRE UTILITIES AGENCY**  
**Water Resources Fund**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>OPERATING REVENUES</b>		
Sales	\$ 40,767,990	\$ 45,519,432
Service charges	6,845,681	6,265,775
Total operating revenues	47,613,671	51,785,207
<b>OPERATING EXPENSES</b>		
Water Purchases	40,479,758	45,519,432
Operations and maintenance	1,140,718	1,456,827
Administration and general	5,809,945	5,254,061
Depreciation and amortization	4,524	4,945
Total operating expenses	47,434,945	52,235,265
Operating income (loss)	178,726	(450,058)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	285,357	225,741
Property tax revenue	5,773,674	4,873,127
Other nonoperating revenues	396,509	268,229
Other nonoperating expenses	(951,270)	(518,514)
Total nonoperating revenues (expenses)	5,504,270	4,848,583
Income (loss) before capital contributions and transfers	5,682,996	4,398,525
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	683,404	436,414
Capital grants	1,127,369	222,522
Change in net position	7,493,769	5,057,461
Total net position - beginning	15,744,379	10,686,918
Total net position - ending	\$ 23,238,148	\$ 15,744,379

# RP-1 Tertiary Treatment

## FM-1 Bleach Mixing Repairs



## 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 Los Angeles County Sanitation District (LACSD) 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 LACSD and SAWPA, the Agency collects 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, 2020**

(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 13,532,122	\$ 9,453,885
Accounts receivable	2,530,446	2,533,946
Interest receivable	1,476,257	1,244,303
Total current assets	17,538,825	13,232,134
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agent	41	49
Total restricted assets	41	49
Capital assets		
Jobs in progress	1,363,426	807,465
Capital assets, net of accumulated depreciation	11,890,023	12,686,431
Intangible assets, net of accumulated amortization	1,363,828	1,527,949
Total capital assets	14,617,277	15,021,845
Other assets		
Advances to other funds	10,000,000	12,000,000
Total other assets	10,000,000	12,000,000
Total noncurrent assets	24,617,318	27,021,894
Total assets	42,156,143	40,254,028
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to debt refunding	298,195	320,560
Deferred outflow net other postemployment benefit liability	148,008	140,922
Deferred outflow related to net pension liability	829,709	851,891
Total deferred outflows of resources	1,275,912	1,313,373

(Continued)



	Totals	
	2020	2019
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 1,198,072	\$ 1,226,837
Accrued liabilities	-	84
Retentions payable	3,708	-
Long term Debt, due within one year	316,905	304,534
Notes payable, due within one year	-	720,868
Interest payable	45,719	64,329
Total current liabilities	1,564,404	2,316,652
Noncurrent liabilities		
Long-term debt, due in more than one year	6,118,351	6,501,677
Net other postemployment benefits liability	45,425	98,269
Net pension liability	2,128,713	2,087,348
Total noncurrent liabilities	8,292,489	8,687,294
Total liabilities	9,856,893	11,003,946
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	50,686	46,590
Deferred inflow related to net pension liability	160,253	174,565
Total deferred inflows of resources	210,939	221,155
<b>NET POSITION</b>		
Net Investment in capital assets	8,182,062	8,215,682
Restricted for:		
Bond operating contingency requirement	3,003,154	3,421,069
Total restricted	3,003,154	3,421,069
Unrestricted	22,179,007	18,705,549
Total net position	\$ 33,364,223	\$ 30,342,300

**INLAND EMPIRE UTILITIES AGENCY**  
**Non-reclaimable Wastewater Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>OPERATING REVENUES</b>		
Service charges	\$ 12,682,703	\$ 12,455,880
Total operating revenues	12,682,703	12,455,880
<b>OPERATING EXPENSES</b>		
Wastewater collection	7,510,579	8,400,872
Administration and general	1,498,885	1,862,336
Depreciation and amortization	960,529	1,017,119
Total operating expenses	9,969,993	11,280,327
Operating income (loss)	2,712,710	1,175,553
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	437,053	455,869
Other nonoperating revenues	10,287	84,153
Interest on long-term debt	(278,374)	(306,015)
Other nonoperating expenses	43,461	40,043
Total nonoperating revenues (expenses)	212,427	274,050
Income (loss) before transfers	2,925,137	1,449,603
<b>TRANSFERS</b>		
Transfers in	145,633	166,347
Transfers out	(48,847)	(45,715)
Change in net position	3,021,923	1,570,235
Total net position - beginning	30,342,300	28,772,065
Total net position - ending	\$ 33,364,223	\$ 30,342,300

## 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 and 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 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 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, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 1,917,899	\$ 2,677,844
Accounts receivable	562,839	49,592
Interest receivable	2,398	12,124
Total current assets	2,483,136	2,739,560
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	21,207	880,052
Total restricted assets	21,207	880,052
Capital assets		
Jobs in progress	5,947,549	4,906,460
Capital assets net of accumulated depreciation	37,529,958	38,917,630
Total capital assets	43,477,507	43,824,090
Total noncurrent assets	43,498,714	44,704,142
Total assets	45,981,850	47,443,702
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow net other postemployment benefit liability	58,208	59,227
Deferred outflow related to net pension liability	328,150	350,691
Total deferred outflows of resources	386,358	409,918

(Continued)

	Totals	
	2020	2019
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 385,361	\$ 339,548
Accrued liabilities	20,616	274
Retentions payable	31,875	70,644
Long-term debt, due within one year	518,670	738,983
Interest payable	30,185	12,471
Total current liabilities	986,707	1,161,920
Noncurrent liabilities		
Long-term debt, due in more than one year	10,301,605	11,524,647
Net other postemployment benefits liability	17,683	41,510
Net pension liability	733,123	731,505
Total noncurrent liabilities	11,052,411	12,297,662
Total liabilities	12,039,118	13,459,582
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	20,613	19,055
Deferred inflow related to net pension liability	52,828	58,268
Total deferred inflows of resources	73,441	77,323
<b>NET POSITION</b>		
Net Investment in capital assets	32,678,439	32,397,586
Unrestricted	1,577,210	1,919,129
Total net position	\$34,255,649	\$34,316,715

**INLAND EMPIRE UTILITIES AGENCY**  
**Recharge Water Fund**  
**Schedule of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>OPERATING REVENUES</b>		
Recycled water sales	\$ -	\$ -
Total operating revenues	-	-
<b>OPERATING EXPENSES</b>		
Administration and general	2,361,512	1,867,435
Depreciation and amortization	1,566,260	1,430,309
Total operating expenses	3,927,772	3,297,744
Operating income (loss)	(3,927,772)	(3,297,744)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	29,363	76,677
Other nonoperating revenues	1,615,701	3,147,041
Interest on long-term debt	(145,704)	(170,035)
Other nonoperating expenses	(69,672)	(66,639)
Total nonoperating revenues (expenses)	1,429,688	2,987,044
Income (loss) before capital contributions and transfers	(2,498,084)	(310,700)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	1,939,414	1,119,188
Capital grants	497,604	481,860
Change in net position	(61,066)	1,290,348
Total net position - beginning	34,316,715	33,026,367
Total net position - ending	\$ 34,255,649	\$ 34,316,715

## 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, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 29,686,188	\$ 24,346,846
Accounts receivable	1,447,280	1,676,726
Interest receivable	71,794	111,363
Taxes receivable	12,851	7,634
Other receivables	24,945	38,146
Inventory	1,291,794	1,220,849
Prepaid items	103,462	104,112
Total current assets	32,638,314	27,505,676
Noncurrent assets		
Capital assets		
Land	20,829	20,829
Jobs in progress	1,389,062	1,312,668
Capital assets, net of accumulated depreciation	12,637,686	12,326,351
Intangible assets, net of accumulated amortization	1,364,327	1,830,549
Total capital assets	15,411,904	15,490,397
Total noncurrent assets	15,411,904	15,490,397
Total assets	48,050,218	42,996,073
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow net other postemployment benefit liability	191,331	171,419
Deferred outflow related to net pension liability	930,729	901,478
Total deferred outflows of resources	1,122,060	1,072,897

(Continued)

	Totals	
	2020	2019
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 892,810	\$ 830,749
Accrued liabilities	2,882,897	2,024,749
Compensated absences	2,157,976	1,957,526
Current liabilities	5,933,683	4,813,024
Noncurrent liabilities		
Compensated absences	3,578,432	3,501,078
Net other postemployment benefits liability	90,943	126,715
Net pension liability	2,140,201	2,051,910
Total noncurrent liabilities	5,809,576	5,679,703
Total liabilities	11,743,259	10,492,727
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow net other postemployment benefit liability	42,347	38,541
Deferred inflow related to net pension liability	49,592	62,889
Total deferred inflows of resources	91,939	101,430
<b>NET POSITION</b>		
Net Investment in capital assets	15,411,903	15,490,397
Restricted for:		
Bond operating contingency requirement	421,450	361,126
Total restricted	421,450	361,126
Unrestricted	21,503,727	17,623,290
Total net position	\$ 37,337,080	\$ 33,474,813

**INLAND EMPIRE UTILITIES AGENCY**  
**Administrative Services Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	Totals	
	2020	2019
<b>OPERATING REVENUES</b>		
Service charges	\$ -	\$ -
Total operating revenues	-	-
<b>OPERATING EXPENSES</b>		
Administration and general	1,764,351	1,092,463
Depreciation and amortization	1,527,688	1,583,090
Total operating expenses	3,292,039	2,675,553
Operating income (loss)	(3,292,039)	(2,675,553)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	399,644	364,936
Property tax revenue	1,972,200	1,972,200
Other nonoperating revenues	4,400,163	3,672,577
Other nonoperating expenses	(1,446,111)	(1,194,356)
Total nonoperating revenues (expenses)	5,325,896	4,815,357
Income (loss) before capital contributions and transfers	2,033,857	2,139,804
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in	1,828,410	1,713,114
Transfers out	-	(83,697)
Change in net position	3,862,267	3,769,221
Total net position - beginning	33,474,813	29,705,592
Total net position - ending	\$ 37,337,080	\$ 33,474,813

# INLAND EMPIRE UTILITIES AGENCY

## Index of Statistical Section Schedules

JUNE 30, 2020

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.

<b>1.</b>	<b>Financial Trends .....</b>	<b>152</b>
	<i>These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being has changed over time.</i>	
<b>2.</b>	<b>Revenue Capacity .....</b>	<b>156</b>
	<i>These schedules contain information to help the reader assess IEUA's most significant revenue sources.</i>	
<b>3.</b>	<b>Debt Capacity .....</b>	<b>163</b>
	<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>	
<b>4.</b>	<b>Operating Indicators.....</b>	<b>169</b>
	<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>	
<b>5.</b>	<b>Demographic and Economic Indicators .....</b>	<b>175</b>
	<i>These schedules contain service and infrastructure data to help the reader understand the environment within which IEUA's financial activities take place</i>	
<b>6.</b>	<b>Appropriations Limit .....</b>	<b>177</b>
	<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

### Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position (excludes Water Resource Fund) Fiscal Years Ended June 30, 2011 through 2020 (Dollars in Thousands)

	2019/20	2018/19	2017/18	2016/17	2015/16
<b>Operating revenues</b>					
Service charges	\$ 81,189	\$ 78,954	\$ 75,105	\$ 68,589	\$ 61,929
Recycled Water Sales	15,349	13,902	16,878	16,385	13,468
Total operating revenues	96,538	92,856	91,983	84,974	75,397
<b>Operating expenses</b>					
Wastewater collection	9,189	10,334	9,991	8,757	7,510
Wastewater treatment	20,959	23,829	26,618	24,242	21,104
Wastewater disposal	11,077	11,317	10,236	11,688	11,149
Operations and maintenance	3,972	3,860	3,324	3,056	4,788
Administration and general	37,398	31,364	29,685	24,872	22,988
Depreciation and amortization	37,610	36,298	35,698	37,108	36,851
Total operating expenses	120,205	117,002	115,552	109,723	104,390
Operating income (loss)	(23,667)	(24,146)	(23,569)	(24,749)	(28,993)
<b>Non-operating revenues (expenses)</b>					
Interest income	3,944	4,227	2,302	1,347	722
Property tax revenue	49,839	48,167	45,160	43,379	41,336
Wastewater capital connection fees	24,259	22,914	32,850	30,508	24,910
Water connection fees	8,048	5,916	7,889	5,415	997
Other nonoperating revenues	15,679	11,484	10,331	6,196	8,735
Interest on long-term debt	(7,629)	(6,333)	(5,999)	(7,947)	(9,142)
Other nonoperating expenses	(17,934)	(7,110)	(10,278)	(11,650)	(13,520)
Total nonoperating revenues (expenses)	76,206	79,265	82,255	67,248	54,038
Income (loss) before contributions and transfers	52,539	55,119	58,686	42,499	25,045
Capital grants	4,373	1,946	5,889	12,144	6,137
Transfers (to Water Resource Fund)	(683)	(436)	(321)	(59)	(295)
<b>Change in net position</b>	<b>\$ 56,229</b>	<b>\$ 56,629</b>	<b>\$ 64,254</b>	<b>\$ 54,584</b>	<b>\$ 30,887</b>
Total net position - beginning	692,455	635,826	577,318	522,734	493,054
Prior period adjustment	-	-	(5,746)	-	(1,207)
<b>Total net position - ending</b>	<b>\$ 748,684</b>	<b>\$ 692,455</b>	<b>\$ 635,826</b>	<b>\$ 577,318</b>	<b>\$ 522,734</b>

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, 2011 through 2020  
(Dollars in Thousands)**

<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
\$ 58,265	\$ 51,248	\$ 47,891	\$ 42,209	\$ 41,544
12,047	10,830	7,952	6,009	4,353
<u>70,312</u>	<u>62,078</u>	<u>55,843</u>	<u>48,218</u>	<u>45,897</u>
8,089	5,623	4,656	5,629	6,517
19,001	20,506	18,908	17,377	17,208
7,997	7,705	8,613	11,316	10,664
3,262	3,765	3,195	2,987	2,600
28,562	30,658	20,714	21,398	20,465
34,108	32,289	31,928	30,168	29,993
<u>101,019</u>	<u>100,546</u>	<u>88,014</u>	<u>88,875</u>	<u>87,447</u>
<u>(30,707)</u>	<u>(38,468)</u>	<u>(32,171)</u>	<u>(40,657)</u>	<u>(41,550)</u>
424	555	809	951	1,159
39,446	38,487	48,087	32,695	33,419
15,074	9,789	14,614	7,686	5,398
-	-	-	-	-
7,405	6,311	7,486	8,160	6,008
(9,593)	(7,120)	(8,321)	(7,447)	(7,803)
(6,184)	(31,066)	(9,407)	(8,907)	(7,626)
<u>46,572</u>	<u>16,956</u>	<u>53,268</u>	<u>33,138</u>	<u>30,555</u>
<u>15,865</u>	<u>(21,512)</u>	<u>21,097</u>	<u>(7,519)</u>	<u>(10,995)</u>
5,353	2,314	2,561	4,263	6,852
-	100	200	300	300
<u>\$ 21,218</u>	<u>\$ (19,098)</u>	<u>\$ 23,858</u>	<u>\$ (2,956)</u>	<u>\$ (3,843)</u>
513,805	532,113	512,616	515,572	518,244
(41,969)	790	(4,361)	-	1,171
<u>\$ 493,054</u>	<u>\$ 513,805</u>	<u>\$ 532,113</u>	<u>\$ 512,616</u>	<u>\$ 515,572</u>

INLAND EMPIRE UTILITIES AGENCY

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

- All Funds -

Fiscal Years Ended June 30, 2011 through 2020

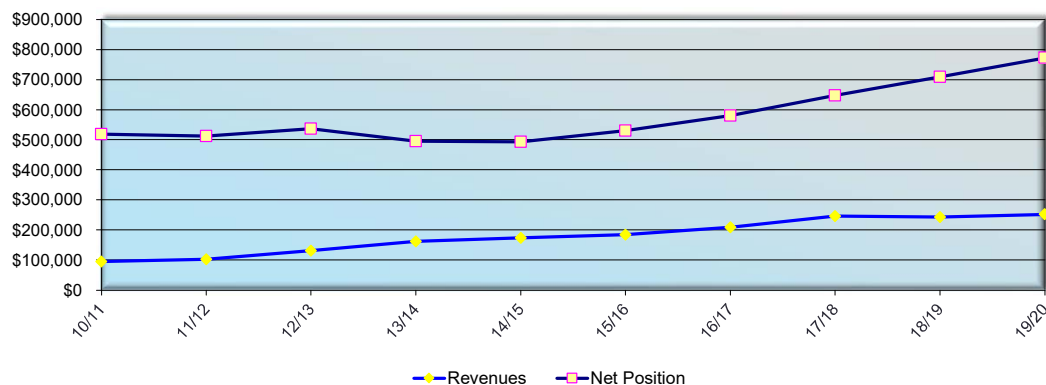
(Dollars in Thousands)

	2019/20	2018/19	2017/18	2016/17
<b>Operating revenues</b>				
Service charges	\$ 88,034	\$ 85,220	\$ 80,449	\$ 73,384
Potable Water sales	40,768	45,519	45,999	29,897
Recycled water sales	15,349	13,902	16,878	16,385
Total operating revenues	144,151	144,641	143,326	119,666
<b>Operating expenses</b>				
Potable Water purchases	40,480	45,519	45,999	29,897
Wastewater collection	9,188	10,334	9,991	8,757
Wastewater treatment	20,959	23,829	26,618	24,242
Wastewater disposal	11,077	11,317	10,236	11,688
Administration and general	5,113	5,317	4,723	4,139
Depreciation and amortization	43,208	36,618	34,567	30,085
Operations and maintenance	37,615	36,303	35,704	37,114
Total operating expenses	167,640	169,237	167,838	145,922
Operating income (loss)	(23,489)	(24,596)	(24,512)	(26,256)
<b>Non-Operating revenues (expenses)</b>				
Interest income	4,230	4,453	2,402	1,399
Property tax revenue	55,613	53,040	48,413	45,674
Wastewater capital connection fees	8,048	5,916	7,889	30,508
Water connection fees	24,259	22,914	32,850	5,415
Other non-operating revenues	16,075	11,752	10,752	6,265
Interest on long-term debt	(7,629)	(6,333)	(5,999)	(7,947)
Other non-operating expenses	(18,885)	(7,628)	(10,658)	(12,231)
Total non-operating revenues (expenses)	81,711	84,114	85,649	69,083
Income (loss) before contributions and transfers	58,222	59,518	61,137	42,827
Capital grants	5,500	2,169	6,108	12,295
<b>Change in net position.....A</b>	<b>\$ 63,722</b>	<b>\$ 61,687</b>	<b>\$ 67,245</b>	<b>\$ 55,122</b>
<b>Total net position - beginning</b>	<b>\$ 708,752</b>	<b>\$ 647,065</b>	<b>\$ 585,716</b>	<b>\$ 530,594</b>
Prior Period Adjustment	-	-	(5,896)	-
<b>Total net position - beginning, as restated....B</b>	<b>\$ 708,752</b>	<b>\$ 647,065</b>	<b>\$ 579,820</b>	<b>\$ 530,594</b>
<b>Net position by component:</b>				
Net Investment in capital assets	475,573	441,827	394,965	373,886
Restricted for Debt service & Capital construction	142,168	112,710	99,176	61,446
Unrestricted	154,733	154,215	152,924	150,384
<b>Total net position - ending.....A+B</b>	<b>\$ 772,474</b>	<b>\$ 708,752</b>	<b>\$ 647,065</b>	<b>\$ 585,716</b>

Operating & Non-Operating Revenues & Net Position Trends

Fiscal Years Ended June 30, 2011 through 2020

(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, 2011 through 2020

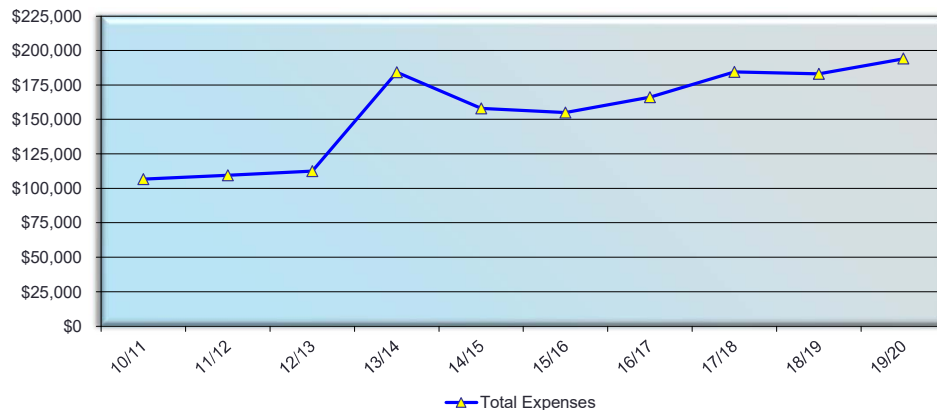
(Dollars in Thousands)

2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
\$ 67,243	\$ 63,956	\$ 56,171	\$ 52,153	\$ 46,468	\$ 44,776
18,654	34,147	40,225	-	-	-
13,468	12,047	10,831	7,952	6,009	4,352
99,365	110,150	107,227	60,105	52,477	49,128
18,654	34,147	40,225	-	-	-
7,510	8,089	5,623	4,656	5,629	6,517
21,104	19,001	20,506	18,908	17,378	17,208
11,148	7,997	7,705	8,613	11,316	10,664
6,200	4,393	4,255	3,868	24,755	23,266
28,866	33,426	35,191	24,473	30,173	29,999
36,856	34,113	32,295	31,933	3,725	3,230
130,338	141,166	145,800	92,451	92,976	90,884
(30,973)	(31,016)	(38,573)	(32,346)	(40,499)	(41,756)
762	436	564	819	963	1,179
45,631	40,946	38,487	48,087	32,695	33,419
24,910	15,074	9,789	14,614	7,686	5,398
997	-	-	-	-	-
13,070	7,543	6,337	7,510	8,562	6,090
(9,142)	(9,593)	(8,565)	(9,805)	(7,447)	(8,058)
(15,481)	(7,180)	(29,841)	(8,088)	(9,014)	(7,773)
60,747	47,226	16,771	53,137	33,445	30,255
29,774	16,210	(21,802)	20,791	(7,054)	(11,501)
7,530	5,917	2,663	3,152	4,841	7,587
<b>\$ 37,304</b>	<b>\$ 22,127</b>	<b>\$ (19,139)</b>	<b>\$ 23,943</b>	<b>\$ (2,213)</b>	<b>\$ (3,914)</b>
\$ 494,708	\$ 517,421	\$ 535,771	\$ 516,242	\$ 518,455	\$ -
(1,418)	(44,841)	790	(4,414)	-	1,170
<b>\$ 493,290</b>	<b>\$ 472,580</b>	<b>\$ 536,561</b>	<b>\$ 511,828</b>	<b>\$ 518,455</b>	<b>\$ 1,170</b>
325,406	333,274	318,292	354,124	365,279	372,277
82,064	67,081	63,073	50,036	42,799	50,378
123,124	94,353	136,056	131,611	108,164	95,800
<b>\$ 530,594</b>	<b>\$ 494,708</b>	<b>\$ 517,421</b>	<b>\$ 535,771</b>	<b>\$ 516,242</b>	<b>\$ 518,455</b>

Operating & Non-Operating Expense Trends

Fiscal Years Ended June 30, 2011 through 2020

(Dollars in Thousands)



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

**Table 1**

<b>Fiscal Year</b>	<b>CVWD*</b>	<b>Chino</b>	<b>Chino Hills</b>	<b>Fontana</b>
<b>2010/11</b>	3,713,185	1,425,146	861,408	4,128,203
<b>2011/12</b>	3,527,692	2,031,803	843,754	4,269,896
<b>2012/13</b>	6,929,682	6,872,100	933,078	5,210,856
<b>2013/14</b>	8,831,383	9,492,302	2,918,210	6,041,082
<b>2014/15</b>	7,149,423	11,203,738	2,905,891	6,502,473
<b>2015/16</b>	11,594,817	12,461,412	5,250,644	9,488,546
<b>2016/17</b>	3,305,358	4,095,005	6,136,173	4,703,455
<b>2017/18</b>	10,905,036	10,465,835	6,724,584	6,477,198
<b>2018/19</b>	11,280,117	10,665,100	6,275,501	9,363,869
<b>2019/20</b>	12,788,543	14,914,149	6,722,022	14,248,914
<b>Percentage</b>	<b>14.1%</b>	<b>16.4%</b>	<b>7.4%</b>	<b>15.7%</b>

### *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 2019/20 are subject to further adjustment after audit.

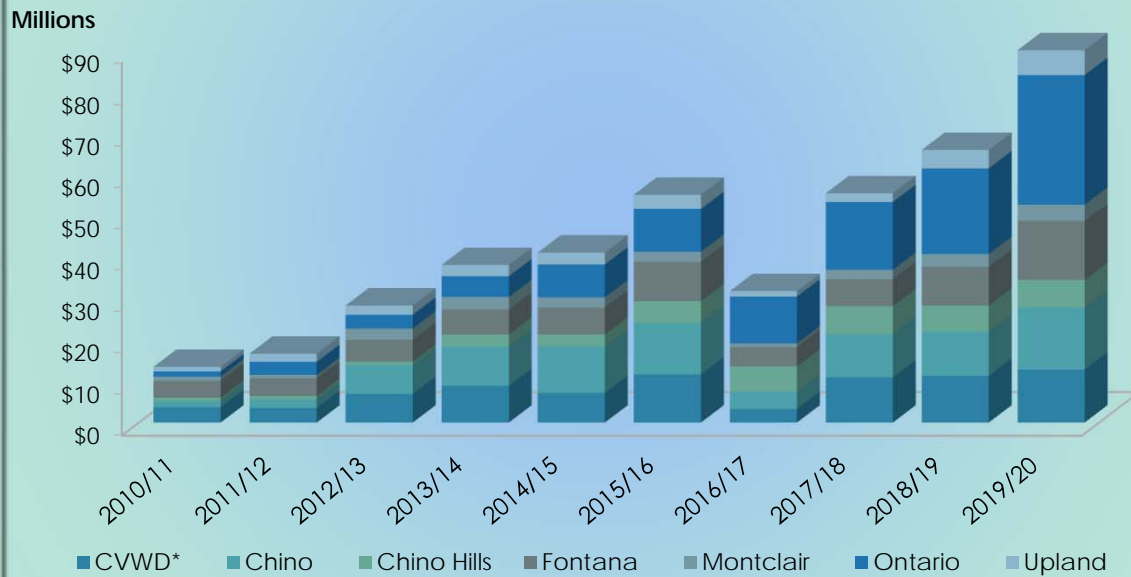
\*Cucamonga Valley Water District

**INLAND EMPIRE UTILITIES AGENCY**  
**Revenue Capacity - Wastewater Capital Connection Deposits**  
**For the Past Ten Fiscal Years**

**Table 2**

Year	Montclair	Ontario	Upland	Total
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
2019/20	4,137,040	31,200,345	6,721,632	90,732,645
Percentage	4.6%	34.4%	7.4%	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, 2030\*

Project Description	Actual	Projected	
	2019/20	2020/21	2021/22
<b><u>Replacement Projects</u></b>			
RP-1 Disinfection Pump Improvements	\$ 44,258	\$ -	\$ -
RP-4 Influent Screen Replacement	384,776	1,460,000	-
Collection System Upgrades 18/19	11,856	-	-
Collection System Upgrades 19/20	371,123	-	-
CCWRF Headwork's Electrical Replacement	142,285	-	-
RP-1 Plant 3 Primary Cover Replacement	-	-	-
RSS Haven Avenue Repairs	117,642	5,751,606	-
RP-1 TP-1 Waste Wash Water Basin Pumps Repairs	118,474	510,000	-
Prado Lift Station Clean-out and Overflow	107,371	-	-
Collection System Upgrades FY 20/21	-	500,000	500,000
RP-1 Dewatering Centrate and Drainage Valves (MOV)	-	50,000	270,000
CCWRF Filter Automatic Valves	-	388,000	-
RP-5 Bar Screen Inlet Gate Actuators Replacement	-	370,000	-
CCWRF Filter Level Sensor Replacement	-	388,000	-
RP-1 Digester Area Utility Water (UW) Line Replacement	-	-	100,000
Replace Anoxic Mixers with Energy Efficient System	-	-	60,000
RP-1 Solids Sludge Recirculating Pump Upgrades	-	-	-
North Major Facilities Repair/Replacemnt	17,830	-	-
North Major Facilities Repair/Replacemen	545,866	-	-
North Major Facilities Repair/Replacemnt	-	600,000	600,000
<b><i>Total Replacement Projects</i></b>	<b><i>\$ 1,861,480</i></b>	<b><i>\$ 10,017,606</i></b>	<b><i>\$ 1,530,000</i></b>
<b><u>Equipment Projects</u></b>			
RP-1 Mixed Liquor Return Pumps	\$ 2,773	\$ -	\$ -
South Major Facilities Repair/Replacemen	(13,577)	-	-
Major Facilities Repair/Replacement So.	341,431	-	-
South Major Facilities Repair/Replacemen	416,733	-	-
GapVax Replacement	520,616	-	-
South Major Facilities Repair/Replacemen	-	600,000	600,000
WW Cybersecurity Projects	16,390	80,000	-
WW Infrastructure Replacement Project	121,227	8,000	-
Control System Ent Historian Enhancement	63,790	45,000	-
Control System Enhancement Projects	25,907	-	-
Control System Replacement Projects	145,691	-	-
Wireless Manager Software Replacement	-	30,000	-
Secure Access for RP-2	-	20,000	-
<b><i>Total Equipment Projects</i></b>	<b><i>\$ 1,640,983</i></b>	<b><i>\$ 783,000</i></b>	<b><i>\$ 600,000</i></b>

\*Source: Projections were derived from the 2020/21 IEUA Ten Year Forecast.

## INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)  
For the Ten Fiscal Years Ending June 30, 2030\*

Projected									10 Year Projected Total
2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30		
\$ -	\$ 150,000	\$ 2,400,000	\$ 4,660,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 7,460,000
-	-	-	-	-	-	-	-	-	\$ 1,460,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
200,000	400,000	-	-	-	-	-	-	-	\$ 600,000
-	-	-	-	-	-	-	-	-	\$ 5,751,606
-	-	-	-	-	-	-	-	-	\$ 510,000
-	-	-	-	-	-	-	-	-	-
500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	\$ -	\$ 5,000,000
-	-	-	-	-	-	-	-	-	\$ 320,000
-	-	-	-	-	-	-	-	-	\$ 388,000
-	-	-	-	-	-	-	-	-	\$ 370,000
-	-	-	-	-	-	-	-	-	\$ 388,000
-	-	-	-	-	-	-	-	-	\$ 100,000
780,000	-	-	-	-	-	-	-	-	\$ 840,000
80,000	105,000	-	-	-	-	-	-	-	\$ 185,000
-	-	-	-	-	-	-	-	-	\$ -
-	-	-	-	-	-	-	-	-	\$ -
600,000	600,000	600,000	700,000	700,000	700,000	700,000	700,000	\$ -	\$ 6,500,000
<b>\$ 2,160,000</b>	<b>\$ 1,755,000</b>	<b>\$ 3,500,000</b>	<b>\$ 5,860,000</b>	<b>\$ 1,450,000</b>	<b>\$ 1,200,000</b>	<b>\$ 1,200,000</b>	<b>\$ 1,200,000</b>	<b>\$ 1,200,000</b>	<b>\$ 29,872,606</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
600,000	600,000	600,000	700,000	700,000	700,000	700,000	700,000	-	6,500,000
-	-	-	-	-	-	-	-	-	80,000
-	-	-	-	-	-	-	-	-	8,000
-	-	-	-	-	-	-	-	-	45,000
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	30,000
-	-	-	-	-	-	-	-	-	20,000
<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 6,683,000</b>

## INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements  
For the Ten Fiscal Years Ending June 30, 2030\*

Project Description	Actual		Projected	
	2019/20	2020/21	2021/22	
<b>Construction Projects</b>				
SCADA Enterprise System	\$ 2,799,891	\$ 3,000,000	\$ 3,000,000	
RP-1 Headworks Primary & Secondary Upgrade	463,649	450,000	-	
Water Quality Laboratory	111,866	-	-	
RP-1 Primary Effluent Conveyance Improve	1,702,894	550,000	-	
CCWRF Asset Management and Improvements	19,310	1,500,000	2,000,000	
Agencywide Lighting Improvements - Phase	799	-	-	
Digester 6 and 7 Roof Repairs	1,554,370	2,800,000	200,000	
RP4 Primary Clarifier Rehab	415,960	4,500,000	500,000	
RP-1 12 kV Switchgear and Generator	3,041,308	-	-	
RP-1 Filter Valve Replacement	590,819	-	-	
Mechanical Restoration and Upgrades	1,653,540	4,300,000	-	
RP-4 Process Improvements	918,778	12,500,000	2,000,000	
RP-1 Flare Improvements	317,167	4,500,000	500,000	
RP-1 Secondary System Rehabilitation	-	-	-	
CCWRF Asset Mgmt and Imprvmnt Pkg. III	76,562	500,000	-	
CCWRF Asset Management and Improvements	-	-	-	
RP-1 Civil Restoration and Upgrades	103,803	-	-	
RP-5 Expansion to 30 mgd	5,169,554	31,711,330	65,146,725	
RP-5 Biosolids Facility	3,630,392	55,345,979	91,364,549	
RP-1 Energy Recovery	-	200,000	-	
Regional Force Main Improvements	227,085	3,500,000	-	
RP-1 PRB and MCC Building Roof and Skyline	1,295	-	-	
RP-1 Aeration Basin Catwalk Safety Railing	114,650	-	-	
San Bernardino Lift Station Facility Improvements	189,077	-	-	
RP-1 Centrifuge Foul Air Line	53,929	-	-	
Agency Wide Chemical Containment Coating	34,246	252,625	-	
RP-1 TP-1 Bleach Mixing Repairs	98,197	586,725	-	
RP-1 Headworks Sump Pump Redundancy	44,882	-	-	
RP-1 TP-1 Level Sensor Replacement	11,597	-	-	
RP-1 MCB and Old Lab Building Rehab	69,139	320,000	1,200,000	
RP-4 Process Improvements Phase II	-	-	-	
RP-1 Plant 2 Sludge Piping Repair	125,784	-	-	
RP-1 Solids Hot Water Loop Valves	10,728	-	-	
Chino Creek Wetlands & Educational Park	-	-	-	
RP-1 Solids Hot Water Loop Valves	-	250,000	560,000	
RP-1 East Influent Gate Replacement	-	450,000	-	
Montclair Force Main Improvements	-	500,000	4,500,000	
RP-1 Old Effluent Structure Rehabilitation	-	15,000	55,000	
RP-1 Blower Lamella Silencers Upgrades	-	300,000	-	
RP-1 Evaporative Cooling for Aeration Blower Building	-	-	300,000	
NRW East End Flowmeter Replacement	15	-	-	
Regional Wastewater Operations Asset Managment	-	-	50,000	
Regional Wastewater Capital Asset Managment	-	-	250,000	
RP-1 Air Compressor Upgrades	-	-	250,000	
RP-1 Dump Station	-	-	64,000	
RP-1 Repurpose Lab	-	-	110,000	
RP-1 Influent Pump Station Electrical Improvements	-	-	500,000	
RP-1 Solids Heat Exchanger Replacements & Upgrades	-	-	-	
RP-1 TP-1 Stormwater Drainage Upgrades	-	-	-	
RP-1 Liquid Treatment Capacity Recovery	87,519	-	-	
RP-1 Solids Treatment Expansion	23,437	-	-	
RP-1 Dewatering Centrate Pumps	-	-	-	
RP-1 Digester Cleaning Lagoon (DCL) Lining	-	-	-	
Regional Conveyance AMP	-	-	-	
RP-1 Equalization Basin #1 Access Ramp	-	-	-	
HQ Solar Photovoltaic Power Plants Ph. 2	-	-	-	
Purchase Existing Solar Installation	-	-	-	
Advanced Water Purification Facility	-	-	-	
<b>Total Construction Projects</b>	<b>\$ 23,662,243</b>	<b>\$ 128,031,659</b>	<b>\$ 172,550,274</b>	
<b>Total Capital Projects</b>	<b>\$ 27,164,706</b>	<b>\$ 138,832,265</b>	<b>\$ 174,680,274</b>	

\*Source: Projections were derived from the 2020/21 IEUA Ten Year Forecast.

## INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)  
For the Ten Fiscal Years Ending June 30, 2030\*

Projected									10 Year Projected Total
2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30		
\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000	
-	-	-	-	-	-	-	-	450,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	550,000	
8,000,000	3,500,000	650,000	-	-	-	-	-	15,650,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	3,000,000	
-	-	-	-	-	-	-	-	5,000,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	4,300,000	
-	-	-	-	-	-	-	-	14,500,000	
-	-	-	-	-	-	-	-	5,000,000	
-	250,000	1,100,000	1,950,000	2,000,000	1,000,000	1,000,000	1,000,000	8,300,000	
200,000	500,000	300,000	-	-	-	-	-	1,500,000	
-	-	-	-	-	-	-	-	-	
62,906,035	24,350,634	236,286	-	-	-	-	-	184,351,010	
40,345,368	-	-	-	-	-	-	-	187,055,896	
-	-	-	-	-	-	-	-	200,000	
-	-	-	-	-	-	-	-	3,500,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	252,625	
-	-	-	-	-	-	-	-	586,725	
-	-	-	-	-	-	-	-	-	
200,000	-	-	-	-	-	-	-	200,000	
80,000	-	-	-	-	-	-	-	1,600,000	
500,000	4,000,000	3,500,000	-	-	-	-	-	8,000,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	810,000	
-	-	-	-	-	-	-	-	450,000	
1,800,000	-	-	-	-	-	-	-	6,800,000	
560,000	-	-	-	-	-	-	-	630,000	
-	-	-	-	-	-	-	-	300,000	
-	-	-	-	-	-	-	-	300,000	
-	-	-	-	-	-	-	-	-	
50,000	50,000	300,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,450,000	
250,000	250,000	2,400,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	43,150,000	
1,500,000	-	-	-	-	-	-	-	1,750,000	
95,400	1,855,600	106,100	-	-	-	-	-	2,121,100	
930,000	-	-	-	-	-	-	-	1,040,000	
1,700,000	800,000	-	-	-	-	-	-	3,000,000	
600,000	600,000	300,000	-	-	-	-	-	1,500,000	
250,000	1,000,000	50,000	-	-	-	-	-	1,300,000	
-	-	-	-	2,500,000	4,750,000	57,000,000	105,000,000	169,250,000	
-	-	-	-	750,000	1,250,000	14,000,000	26,000,000	42,000,000	
-	95,000	330,000	75,000	-	-	-	-	500,000	
-	-	200,000	-	-	-	-	-	200,000	
-	-	-	500,000	-	-	-	-	500,000	
-	-	-	-	35,000	106,500	300,000	-	441,500	
300,000	1,100,000	-	-	-	-	-	-	1,400,000	
-	-	3,500,000	-	-	-	-	-	3,500,000	
-	-	-	-	-	-	5,000,000	5,000,000	10,000,000	
<b>\$ 121,266,803</b>	<b>\$ 38,351,234</b>	<b>\$ 12,972,386</b>	<b>\$ 11,525,000</b>	<b>\$ 14,285,000</b>	<b>\$ 16,106,500</b>	<b>\$ 86,300,000</b>	<b>\$ 146,000,000</b>	<b>\$ 747,388,856</b>	
<b>\$ 124,026,803</b>	<b>\$ 40,706,234</b>	<b>\$ 17,072,386</b>	<b>\$ 18,085,000</b>	<b>\$ 16,435,000</b>	<b>\$ 18,006,500</b>	<b>\$ 88,200,000</b>	<b>\$ 147,900,000</b>	<b>\$ 783,944,462</b>	



# INLAND EMPIRE UTILITIES AGENCY

## Revenue Capacity - Regional Wastewater Funds

### Monthly Sewer Service Charge Revenue and Rates by Contracting Agency

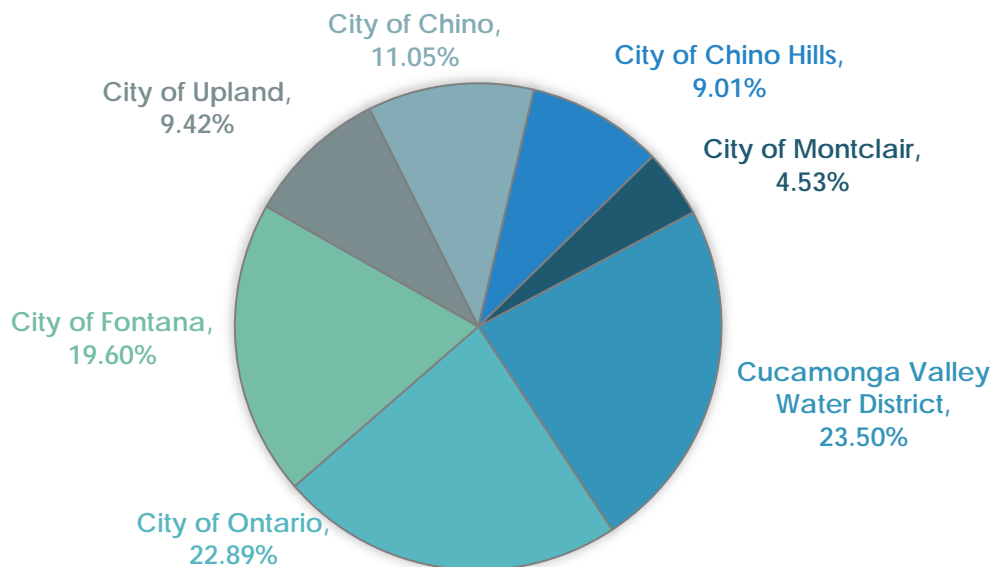
#### For the Fiscal Year Ended June 30, 2020

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 2019/20.

Contracting Agency	Total EDU's*	Rate*	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	798,870	20.00	15,977,403	23.50%
City of Ontario	778,279	20.00	15,565,583	22.89%
City of Fontana	666,284	20.00	13,325,673	19.60%
City of Chino	375,815	20.00	7,516,292	11.05%
City of Upland	320,260	20.00	6,405,195	9.42%
City of Chino Hills	306,057	20.00	6,121,130	9.01%
City of Montclair	154,149	20.00	3,082,979	4.53%
<b>Total Contracting Agency's Service Charge Revenue</b>	<b>3,399,713</b>		<b>\$ 67,994,255</b>	<b>100.0%</b>

\*EDU - Equivalent Dwelling Unit

**TOTAL SERVICE CHARGE REVENUE BY CONTRACTING AGENCY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

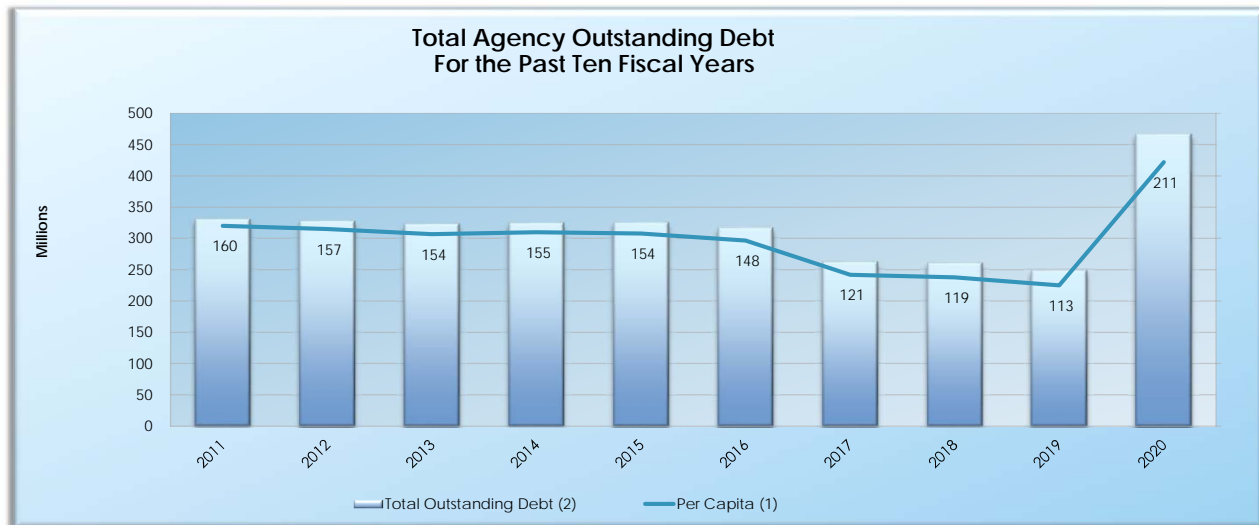


\*Effective July 1, 2019, the total service rate increased from \$19.59 to \$20.00 per equivalent service unit (EDU).

**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	2020B Revenue Notes	Total Outstanding Debt (2)	Per Capita (1)	Percentage of Personal Income(1)
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	0.299%
2020	137,826,905	92,979,745	-	-	4,073,800	720,860	231,347,967	466,949,277	211	0.515%



(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, 2020  
(With Comparative Total for the Fiscal Year Ended June 2019)**

	2020	2019
<b><u>Revenues:</u></b>		
Wastewater System Service Charges	\$ 68,506,127	\$ 66,498,642
Wastewater Capital Connection Fees	24,259,070	22,914,037
Water Connection Fees	8,048,141	5,479,877
Property Tax	49,839,396	48,166,951
NRW System Service Charges	12,682,703	12,455,880
Interest	3,449,538	3,583,464
Recycled Water Sales	15,348,685	13,901,786
Desalter/Composter Services	5,654,034	5,133,379
Other	1,712,659	3,335,598
Total Revenues	<u>\$ 189,500,353</u>	<u>\$ 181,469,613</u>
<b><u>Operation and Maintenance Costs:</u></b>		
Wastewater Treatment	\$ 20,958,634	\$ 23,829,235
Administration and General	37,397,947	31,356,401
Wastewater Disposal	11,077,003	11,316,753
Wastewater Collection	9,188,554	10,341,109
Operations and maintenance	3,972,509	3,860,564
Desalter/Composter Services	5,653,866	5,133,379
Other	430,459	1,125,456
Total Operation and Maintenance Costs:	<u>\$ 88,678,972</u>	<u>\$ 86,962,897</u>
<b>Revenues Available to Debt Service</b>	<b>\$ 100,821,381</b>	<b>\$ 94,506,716</b>
<b><u>Parity Obligation Debt Service</u></b>		
2008B Installment Payments	2,527,175	2,538,525
2010A Installment Payments	5,227,000	5,114,625
2017 Installment Payments	6,146,450	6,146,800
Total Parity Obligation Debt Service	<u>\$ 13,900,625</u>	<u>\$ 13,799,950</u>
<b>Parity Obligation Debt Service Coverage</b>	<u><b>7.25</b></u>	<u><b>6.85</b></u>
<b>Net Revenues</b>	<b>\$ 86,920,755</b>	<b>\$ 80,706,766</b>
<b><u>Subordinate Obligations</u></b>		
State Revolving Fund Loan	\$ 7,162,893	\$ 6,471,244
City of Fontana	482,578	562,402
CSDLAC Past 4R's	737,448	737,600
SCE On-Bill Financing	159,986	142,735
Total Subordinate Obligations	<u>\$ 8,542,905</u>	<u>\$ 7,913,982</u>
<b>Other Debt Service Coverage</b>	<u><b>10.17</b></u>	<u><b>10.20</b></u>
<b>Remaining Net Revenue</b>	<u><b>\$ 78,377,850</b></u>	<u><b>\$ 72,792,784</b></u>
Revenues available after O&M expenses	<b>\$ 100,821,381</b>	<b>\$ 94,506,716</b>
Total debt service	<b>\$ 22,443,530</b>	<b>\$ 21,713,932</b>
<b>Total Debt Coverage Ratio</b>	<u><u><b>4.49</b></u></u>	<u><u><b>4.35</b></u></u>

## INLAND EMPIRE UTILITIES AGENCY

### Debt Capacity - Agency System Total Debt Coverage Ratio (With Comparative Totals for the Fiscal Year ended June 2019)

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 June 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Refunding Revenue Bonds, Series 2020A. The bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Demand Refunding Revenue Bond Series 2008B, (ii) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Refunding Revenue Bonds Series 2010A, (iii) refund eight Clean Water State Revolving Fund Financing Agreements from the State Water Resources Control Board, and (iv) pay the costs of issuing the bonds.

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 2019/20 for operating and maintenance expenses for four months was \$35,381,000.
- ◆ As of the Fiscal Year Ended June 30, 2020 the \$232,127,718 is primarily the 2020B note revenue proceeds and capitalized interest which has been included in Net Investment in Capital Assets, and SRF Loan debt service of \$5,769,712 included in Restricted Net Position.

INLAND EMPIRE UTILITIES AGENCY			
Debt Capacity - Continuing Disclosure Compliance Report			
	2017A Bond	2020A Bond	FY19/20 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 service during each fiscal year."		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)	\$940.00/mgd \$166.00/klb \$470.00/klb  \$418.67 \$979.00/mgd \$316.00/klb \$442.00/klb		MD & A: Financial Highlights/Non-reclaimable wastewater treatment states: NRW Pass through Rates table
NRW Revenues	\$12,682,703		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	\$58,315,000	\$56,255,000	MD & A: Financial Highlights/Debt Management Note 12: Long-term Debt and Notes Payable
Recycled Water Rates: Direct Delivery Groundwater Recharge Connection Fee	\$490/Acre Feet (AF) \$550/Acre Feet 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	30,495 AF  \$ 15,348,685 \$ 8,048,141 <u>\$ 683,404</u> \$ 22,713,422		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 \$ 55,613,070 <u>\$ 5,773,674</u> \$ 49,839,396		Economic Condition and Outlook: "The Agency's service area in San Bernardino County is settled in a well-developed transportation center... Even with this favorable positioning, COVID-19 has brought economic growth to a halt" 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	\$27,164,706	Not Required	Statistical Section: Regional Wastewater Program Capital Requirements
Wastewater System Rates and Charges: Volumetric Fee per Month Wastewater Connection Fee	\$20.00/Equivalent Dwelling Unit (EDU) \$6,655/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	\$68,506,127 \$24,259,070 \$92,765,197		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:	3,399,713		Statistical Section: Regional Wastewater Monthly Sewer Service Charge Revenue and Rates by Contracting Agency
Wastewater Production/Flow within the Agency's services area:	49.2/mgd		Statistical Section: Operating Indicators -Wastewater Facilities Statistical Section: Operating Indicators - Actual Wastewater Flow

# INLAND EMPIRE UTILITIES AGENCY

## Debt Capacity - Computation of Direct and Overlapping Bonded Debt

As of June 30, 2020

2019/20 ASSESSED VALUATION: \$120,287,785,122

	<u>Total Debt</u> <u>6/30/20</u>	<u>%</u> <u>Applicable (1)</u>	<u>Agency's Share of</u> <u>Debt 6/30/20</u>
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 37,300,000	3.891%	\$ 1,451,343
Chaffey Community College District	318,275,000	98.718	314,194,715
San Bernardino Community College District	738,367,480	1.656	12,227,365
Chino Valley Unified School District	568,980,000	100.000	568,980,000
Colton Joint Unified School District	182,403,765	1.095	1,997,321
Fontana Unified School District	170,125,349	91.876	156,304,366
Rialto Unified School District	107,443,793	11.658	12,525,797
Upland Unified School District	95,424,688	99.765	95,200,440
Chaffey Union High School District	486,526,948	99.853	485,811,753
Alta Loma School District	57,974,945	99.846	57,885,664
Central School District	46,983,660	100.000	46,983,660
Etiwanda School District	90,391,760	99.802	90,212,784
Mountain View School District and School Facilities Improvement District No. 1	10,482,376	100.000	10,482,376
Ontario-Montclair School District	114,200,015	100.000	114,200,015
<b>Inland Empire Utilities Agency</b>	<b>-</b>	<b>100.000</b>	<b>-</b>
City of Chino Community Facilities Districts	175,525,000	100.000	175,525,000
City of Chino Hills Community Facilities Districts	26,385,000	100.000	26,385,000
Cucamonga School District Community Facilities District No 97-1	4,295,000	100.000	4,295,000
Etiwanda School District Community Facilities Districts	69,385,000	100.000	69,385,000
Upland Unified School District Community Facilities Districts	2,958,000	100.000	2,958,000
City of Fontana Community Facilities Districts	66,755,000	4.930-100.000	52,361,402
Mountain View School District Community Facilities Districts	560,000	100.000	560,000
San Bernardino County Community Facilities District No. 2002-1	17,330,000	100.000	17,330,000
City of Ontario Community Facilities Districts	92,935,000	100.000	92,935,000
City of Rancho Cucamonga Community Facilities Districts	63,489,000	100.000	63,489,000
City of Upland Community Facilities Districts	52,200,000	100.000	52,200,000
City of Chino Hills 1915 Act Bonds	425,000	100.000	425,000
City of Ontario 1915 Act Bonds	1,710,000	100.000	1,710,000
City of Rancho Cucamonga 1915 Act Bonds	640,000	100.000	640,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$2,528,656,001</b>

<b><u>TOTAL OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Bernardino County General Fund Obligations	\$ 239,140,000	50.751%	\$ 121,365,941
San Bernardino County Pension Obligation Bonds	237,212,638	50.751	120,387,786
San Bernardino County Flood Control General Fund Obligations	57,155,000	50.751	29,006,734
Chaffey Community College District Certificates of Participation	29,955,000	98.718	29,570,977
Chino Valley Unified School District Certificates of Participation	1,315,000	100.000	1,315,000
Colton Joint Unified School District Certificates of Participation	602,300	1.095	6,595
Fontana Unified School District Certificates of Participation	28,615,000	91.876	26,290,317
Rialto Unified School District Certificates of Participation	11,732,844	11.658	1,367,815
Cucamonga School District Certificates of Participation	4,960,000	100.000	4,960,000
City of Fontana Certificates of Participation	37,415,000	82.207	30,757,749
City of Montclair General Fund Obligations	41,040,000	100.000	41,040,000
City of Ontario General Fund and Pension Obligation Obligations	295,570,000	100.000	295,570,000
City of Rancho Cucamonga General Fund Obligations	11,885,000	100.000	11,885,000
City of Rialto General Fund Obligations	12,010,311	20.973	2,518,923
City of Upland General Fund Obligations	6,939,762	100.000	6,939,762
West Valley Vector Control District Certificates of Participation	2,221,501	100.000	2,221,501
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>\$725,204,100</b>

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$797,374,100 31.516-100.000% \$663,209,996

<b>DIRECT DEBT</b>	<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>	<b>\$3,917,070,097</b>
<b>NET COMBINED TOTAL DEBT</b>	<b>\$3,917,070,097(2)</b>

## INLAND EMPIRE UTILITIES AGENCY

### Debt Capacity - Computation of Direct and Overlapping Bonded Debt As of June 30, 2020

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#### RATIOS TO 2019-20 ASSESSED VALUATION:

Direct Debt.....	0.00%
Total Direct and Overlapping Tax and Assessment Debt..	2.10%
Combined Direct Debt .....	3.26%

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#### RATIOS TO REDEVELOPMENT SUCCESSOR AGENCIES INCREMENTAL VALUATION (\$40,155,821,547):

Total Overlapping Tax Increment Debt.....	1.65%
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#### **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, 2020**

The Agency operates four water recycling plants: Regional Plant No. 1 (RP-1) located in the City of Ontario, Carbon Canyon Water Recycling Facility (CCWRF) located in the City of Chino, Regional Plant No. 4 (RP-4) 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, 2020:

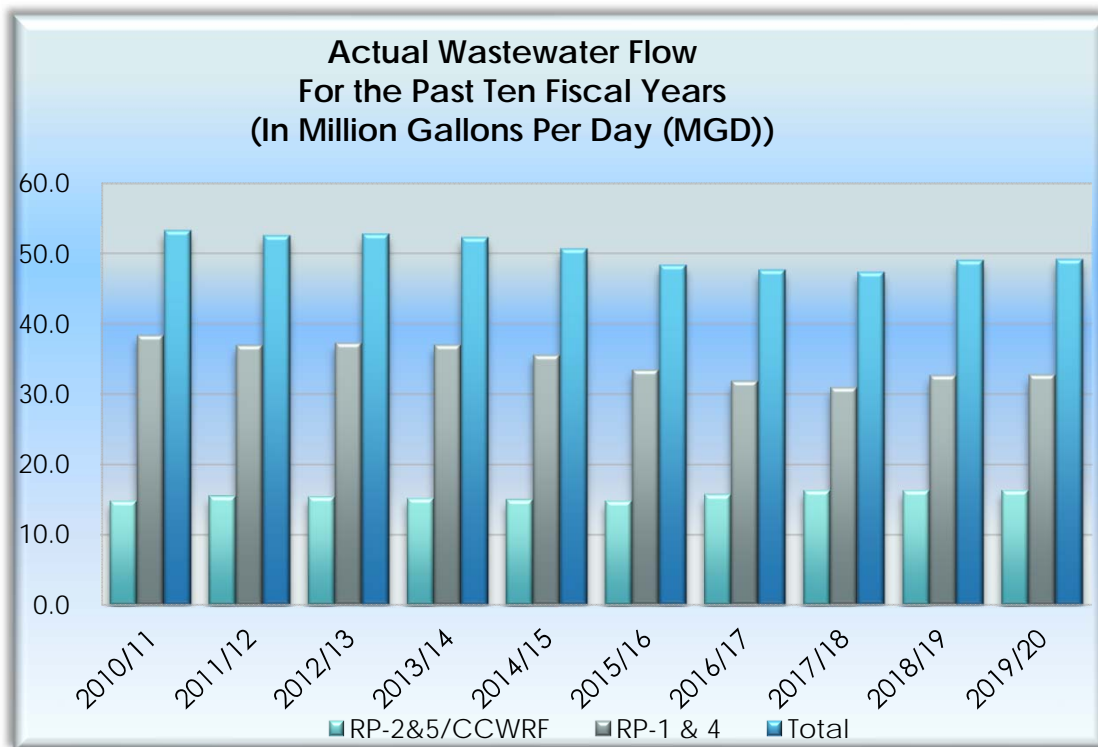
Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	23.5	53.4%
RP-4	14.0	9.3	66.4%
RP-5	16.3	8.5	52.1%
CCWRF	12.0	7.9	65.8%
<b>Total</b>	<b>86.3</b>	<b>49.2</b>	<b>57.0%</b>

*\*MGD = million gallons per day*

## INLAND EMPIRE UTILITIES AGENCY

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

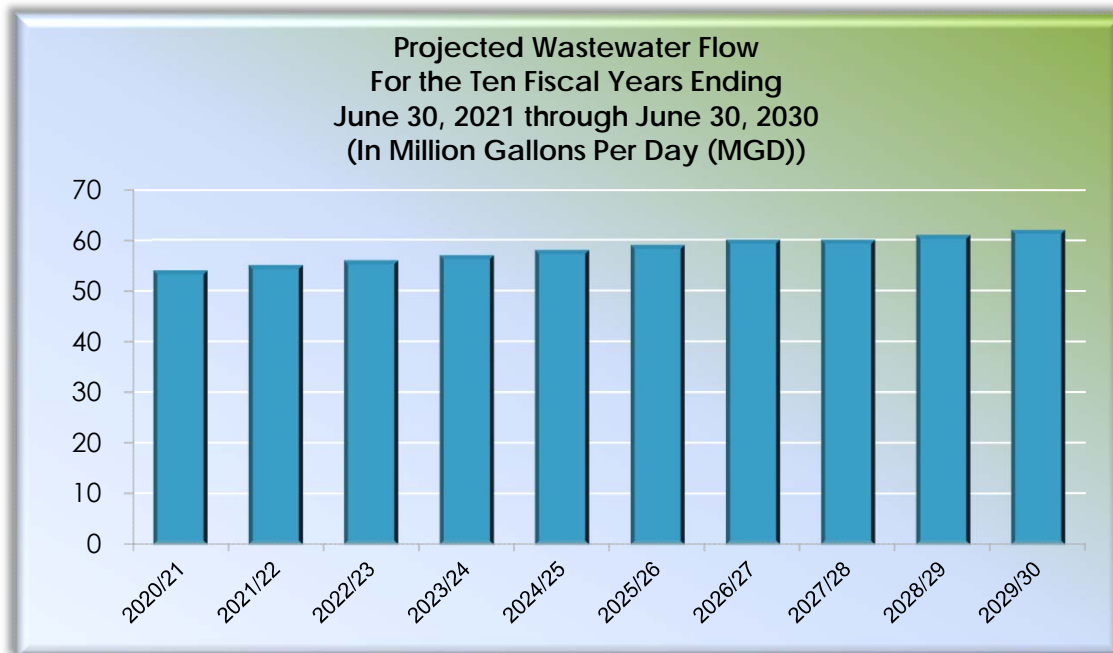
Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.3
2014/15	35.6	15.1	50.7
2015/16	33.5	14.9	48.4
2016/17	31.9	15.8	47.7
2017/18	31.0	16.4	47.4
2018/19	32.7	16.4	49.1
2019/20	32.8	16.4	49.2



## INLAND EMPIRE UTILITIES AGENCY

Operating Indicator - Projected Wastewater Flow  
For the Ten Fiscal Years Ending June 30, 2021 through June 30, 2030\*  
(In Million Gallons Per Day (MGD))

Fiscal Year	Total (MGD)
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
2029/30	62

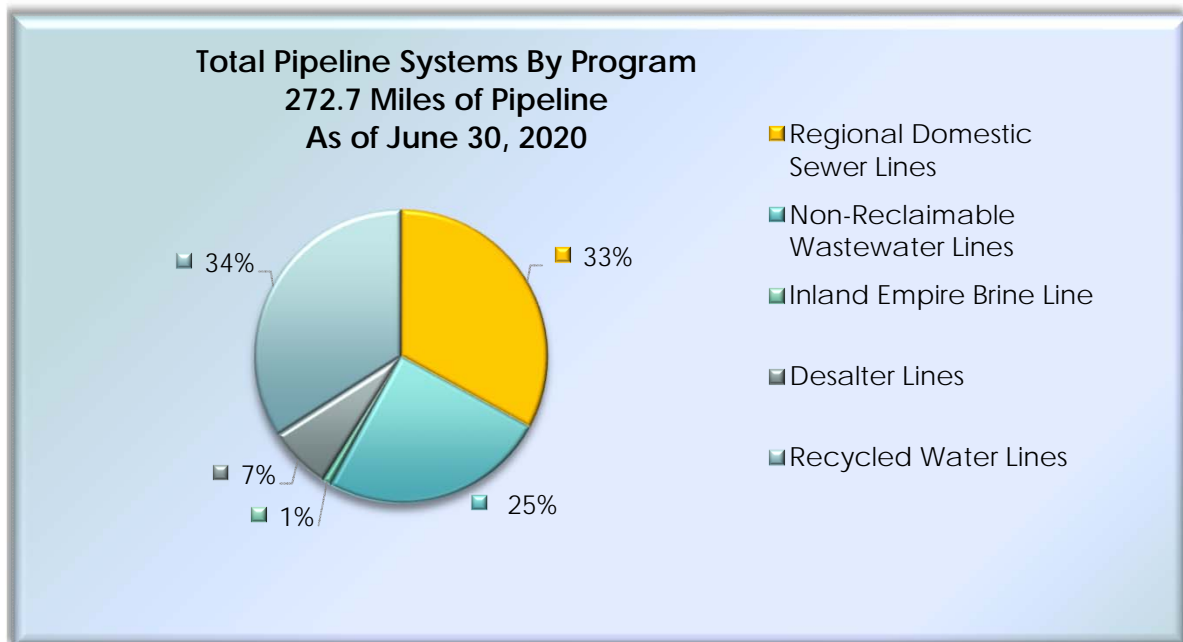


\* Source: Statistics were Provided by IEUA Planning and Water Resources Department.

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 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).

<p align="center"><b>INLAND EMPIRE UTILITIES AGENCY</b></p> <p align="center">Operating and Capacity Indicators - Pipeline Systems By Program</p> <p align="center">As of June 30, 2020</p>
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Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	89.8	33%
Non-Reclaimable Wastewater Lines	66.7	25%
Inland Empire Brine Line	4.0	1%
Desalter Lines	19.6	7%
Recycled Water Lines	92.6	34%
<b>Total Miles of Pipeline</b>	<b>272.7</b>	<b>100%</b>



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

# INLAND EMPIRE UTILITIES AGENCY

Operating Indicators - FY 2019/20 Staffing Allocations  
As of June 30, 2020

<b>Actual staffing allocation by Agency Program</b>	<b>*FTE</b>
Regional Wastewater Operations and Capital Programs	179.5
Recycled Water Programs	22.0
Inland Empire Regional Composting Authority Operations	25.0
Non-reclaimable Wastewater System Programs	14.7
Chino Basin Desalter Operations & Capital Programs	5.5
Recharge Water Programs	3.7
Water Resources Related Activities & Conservation Programs	13.8
General Administration	1.8
<b>Total FTE Count</b>	<b>266</b>
<b>Total Authorized FTE</b>	<b>290</b>
<b>Vacancy Factor Percentage</b>	<b>8.3%</b>

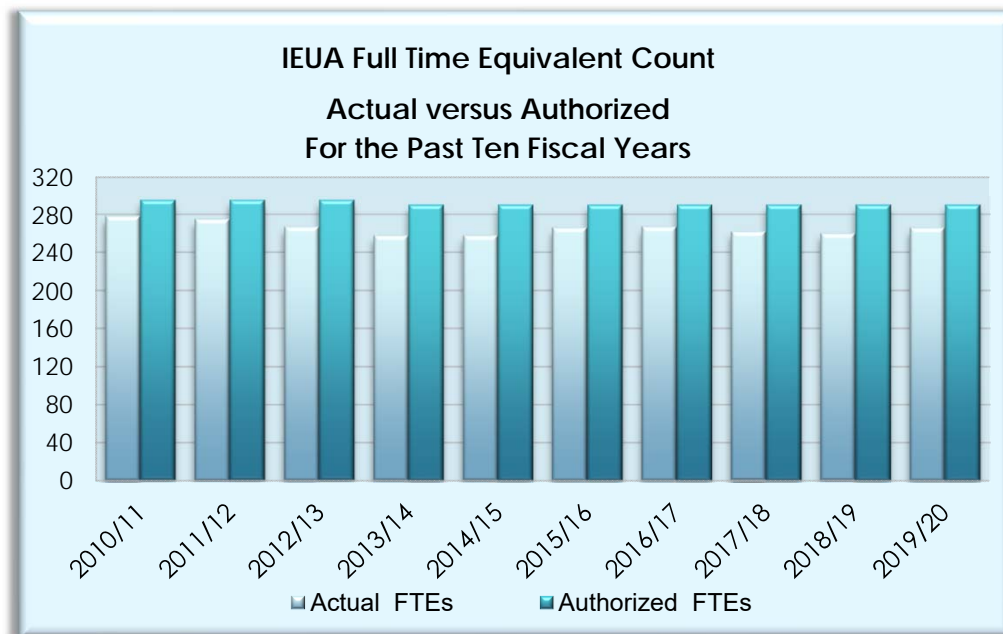
Source: IEUA June 2020 Position Control Report

*\*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
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
2019/20	266	290

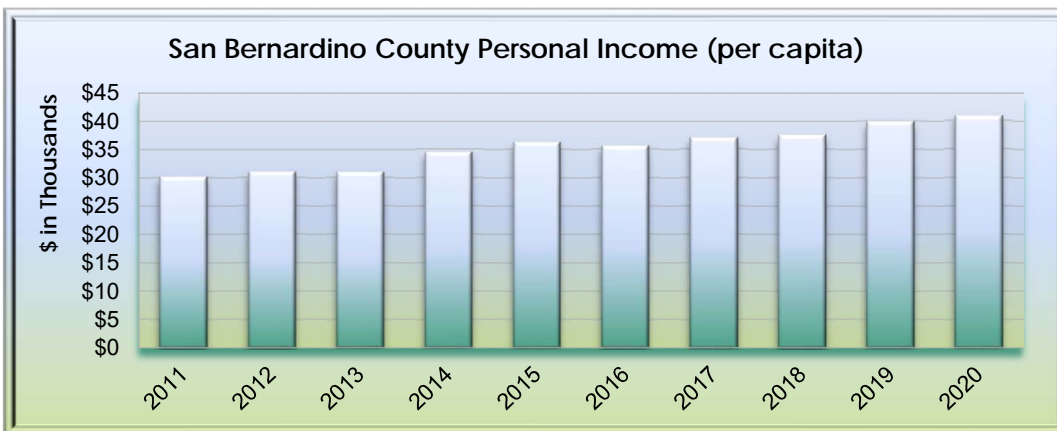
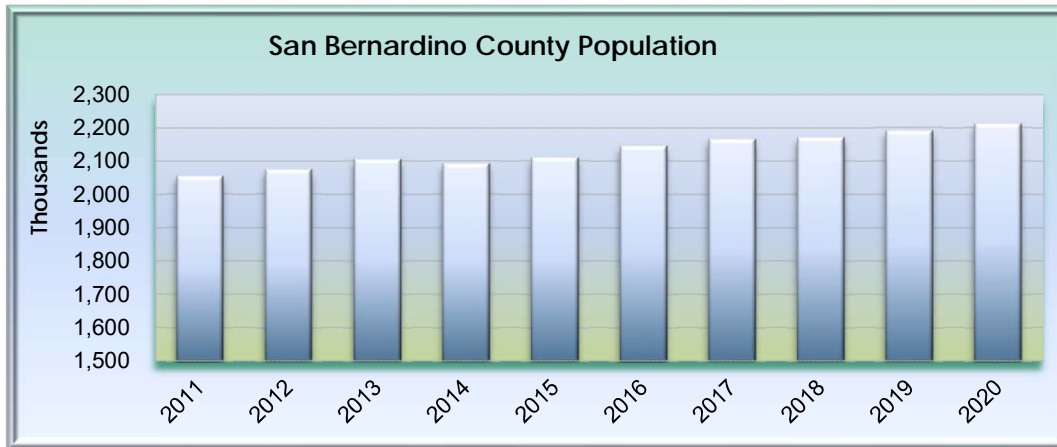


The chart and table above compared the number of authorized full time equivalent (FTE) positions to actual employees at the end of the fiscal year for the past ten years.

## 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)
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
2020	2,213,153	95.6	40,959



**Footnotes:**

- (1) Source: San Bernardino County Economic Forecast 2019-2020.
- (2) The County data is representative of the conditions and experience of the Agency's service area.
- (3) Data for Year 2020 has been estimated.



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

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,510
Kaiser Medical Center	Fontana	5,574
Fontana Unified School District	Fontana	4,928
Chino Valley Unified School District	Chino	2,617
Ontario-Montclair School District	Montclair	2,532
San Antonio Community Hospital	Upland	2,400
Etiwanda School District	Rancho Cucamonga	2,387
Chaffey Community College District	Rancho Cucamonga	2,120
Inland Empire Health Plan	Rancho Cucamonga	2,078
Chaffey Joint Union High School District	Ontario	2,000

*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, 2016 through 2020\***

Fiscal Year	Annual Appropriations Limit	Proceeds of Taxes (Appropriations)
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	\$ 186,293,115	\$ 47,887,800
2019/20	\$ 195,207,240	\$ 52,364,002

\* Source: Board Resolution No. 2019-6-9

## RP-4 Influent Screen Replacement



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, 2020. These procedures, which were agreed to by the Agency and the League of California Cities (as presented in the publication entitled Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the Agency in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The Agency's management is responsible for the Appropriations Limit Worksheet No. 6 (or other alternative computation).

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

The procedures performed and our findings were as follows:

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
May 20, 2019

INLAND EMPIRE UTILITIES AGENCY  
FISCAL YEAR 2019-2020  
APPROPRIATIONS LIMIT CALCULATION

A.	2018-2019 APPROPRIATIONS LIMIT:	\$ 186,293,115	
B.	2019-2020 CHANGE IN PER CAPITA PERSONAL INCOME:		1.0385
C.	2019-2020 CHANGE IN POPULATION:		1.0090
D.	RATIO OF CHANGE (1.0385 X 1.0090):	x <u>1.04785</u>	
E.	2019-2020 APPROPRIATIONS LIMIT: (\$186,293,115 X 1.04785)	<u>\$ 195,207,240</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-5 Recycled Water Pipeline Bottleneck



RP-5 Recycled Water Piping





*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

## *Water Smart - Thinking In Terms of Tomorrow*

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A Municipal Water District  
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