

**AGENDA
COMMISSION MEETING OF THE
CHINO BASIN REGIONAL FINANCING AUTHORITY**

**WEDNESDAY, DECEMBER 16, 2020
9:55 A.M.**

TELEPHONE ACCESS: (415) 856-9169 / Conf Code: 811 284 110#

PURSUANT TO THE PROVISIONS OF EXECUTIVE ORDER N-25-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 12, 2020, AND EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020 AND IN AN EFFORT TO PROTECT PUBLIC HEALTH AND PREVENT THE SPREAD OF COVID-19, THERE WILL NO PUBLIC LOCATION FOR ATTENDING IN PERSON.

The public may participate and provide public comment during the meeting by dialing into the number provided above. Alternatively, you may email your public comments to the Board Secretary/Office Manager Denise Garzaro at dgarzaro@ieua.org no later than 24 hours prior to the scheduled meeting time. Your comments will then be read into the record during the meeting.

CALL TO ORDER OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Commission on any item that is within the jurisdiction of the Commission; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Commission on any matter, whether or not it appears on the agenda, are requested to email the Board Secretary no later than 24 hours prior to the scheduled meeting time or address the Commission during the public comments section of the meeting. Comments will be limited to three minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action can be the attention of the local agency subsequent to the agenda being posted.

1. ACTION ITEMS

A. MINUTES

Approve minutes of the July 15, 2020 Chino Basin Regional Financing Authority Commission meeting.

B. CHINO BASIN REGIONAL FINANCING AUTHORITY FISCAL YEAR 2019/20 ANNUAL FINANCIAL STATEMENTS

It is recommended that the Commissioners:

1. Approve the financial statements for the FY ended June 30, 2020; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, and other interested parties.

ADJOURN

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Declaration of Posting

I, Denise Garzaro, Board Secretary/Office Manager of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. on the Agency's website at www.ieua.org and at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 10, 2020.



Denise Garzaro, CMC

**ACTION
ITEM**

1A

**MINUTES
OF THE
COMMISSION SPECIAL MEETING OF
THE CHINO BASIN REGIONAL FINANCING AUTHORITY
JULY 15, 2020**

COMMISSIONERS PRESENT via Microsoft Teams Meeting:

Jasmin A. Hall, President
Steven J. Elie, Vice President
Kati Parker, Secretary
Michael Camacho
Paul Hofer

COMMISSIONERS ABSENT:

None

STAFF PRESENT:

Shivaji Deshmukh, General Manager
Laura Mantilla, Interim Board Secretary/Office Manager
Daniel Solorzano, Technology Specialist I

STAFF PRESENT via Microsoft Teams Meeting:

Kathy Besser, Executive Manager of External Affairs & Policy Development/AGM
Christiana Daisy, Executive Manager of Engineering/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Executive Manager of Finance & Administration/AGM
Jerry Burke, Manager of Engineering
Javier Chagoyen-Lazaro, Manager of Finance & Accounting
Robert Delgado, Manager of Operations & Maintenance
Lucia Diaz, Deputy Manager of Maintenance
Don Hamlett, Acting Deputy Manager of Integrated Systems Services
Jennifer Hy-Luk, Acting Executive Assistant
Sylvie Lee, Manager of Planning & Environmental Resources
Jason Marseilles, Deputy Manager of Engineering
Scott Oakden, Manager of Operations & Maintenance
Cathleen Pieroni, Manager of Government Relations
Jesse Pompa, Manager of Grants
Craig Proctor, Deputy Manager of Planning & Environmental Resources
Kenneth Tam, Senior Engineer
Yvonne Taylor, Acting Executive Assistant
Wilson To, Technology Specialist II
Brian Wilson, Senior Engineer
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT via Microsoft Teams Meeting:

Jean Cihigoyenette, JC Law Firm
Bob Feenstra, CBWM
Edgar Tellez Foster, CBWM
Brad Herrema, Brownstein Hyatt Farber Schreck
Peter Kavounas, CBWM
Carlos Rodriguez, BIA Baldy View Chapter
Carolina Sanchez, Wildermuth Environmental, Inc.
Ryan Waterman, Brownstein Hyatt Farber Schreck
Mark Wildermuth, P.E., Wildermuth Environmental, Inc.

A Commission meeting of the Chino Basin Regional Financing Authority was held via teleconference on the above date.

President Hall called the meeting to order at 10:00 a.m. and led the Pledge of Allegiance. Interim Board Secretary/Office Manager Laura Mantilla took roll call and established that a quorum was present.

President Hall provided directions on how the public may address the Commission. There were no public comments received.

President Hall asked if there were any additions/deletions to the agenda. There were no additions/deletions to the agenda.

1. ACTION ITEMS

A. MINUTES

MOVED BY COMMISSIONER PARKER, SECONDED BY
COMMISSIONER HOFER, THE COMMISSION
APPROVED THE MINUTES OF THE JUNE 17, 2020
CHINO BASIN REGIONAL FINANCING AUTHORITY
COMMISSION MEETING, BY THE FOLLOWING VOTE:

Ayes:	Camacho, Hofer, Parker, Elie, Hall
Noes:	None
Absent:	None
Abstain:	None

ADJOURN

With no further business, President Hall adjourned the meeting at 10:05 a.m.

Commissioner Elie, CBRFA Vice President

APPROVED: DECEMBER 16, 2020


**ACTION
ITEM**

1B

CHINO BASIN REGIONAL FINANCING AUTHORITY

Date: December 16, 2020

To: The Honorable Commissioners

From: Shivaji Deshmukh 
General Manager

Submitted By: Christina Valencia
Treasurer

Subject: Chino Basin Regional Financing Authority Fiscal Year 2019/20 Annual Financial Statements

RECOMMENDATION

It is recommended that the Board of Commissioners:

1. Approve the financial statements for the FY ended June 30, 2020; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, and other interested parties.

BACKGROUND

The Annual Financial Statements of the Chino Basin Regional Financing Authority (Authority) for the Fiscal Year ended June 30, 2020 were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The Inland Empire Utilities Agency (Agency) independent audit firm, Lance, Soll & Lunghard, LLP (LSL) performed the financial audit.

The audited financial statements will allow the Authority to comply with the State Controllers mandate to provide audited financial information when filing the annual State Controller's Report.

The Authority was established by the Agency and the Cucamonga County Water District (now known as the Cucamonga Valley Water District) on May 1, 1993 to provide its members financing in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements or insurance programs. To date, only the Agency has utilized the Authority for issuance of bonds, the Water Infrastructure Finance and Innovation Act (WIFIA) federal loan and 2020B Revenue Notes executed in June 2020 to support the RP-5 Expansion Project. All bonds currently outstanding, the 2017A Refunded Bonds (2008A Refinancing) the 2020A Revenue Bonds (2008B and 2010A Refinancing), the 2020B Revenue Notes and the WIFIA loan, issued through the Authority, were also reported as debt obligations in the Agency's financial statements.

IMPACT ON BUDGET

The associated audit service fees are supported by contributions from Inland Empire Utilities Agency and Chino Basin Watermaster included in the annual operating budget.

Attachments:

Audited Financial Statements for Fiscal Year 2019/20.



CHINO BASIN REGIONAL FINANCING AUTHORITY (A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENTS WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Focused
on YOU



CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2020

CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Chino Basin Regional Financing Authority (the Authority), a component unit of the Inland Empire Utilities Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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
Chino Basin Regional Financing Authority
Chino, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chino Basin Regional Financing Authority, as of June 30, 2020, and the 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the financial statements present the financial position only of the Authority and do not present, or purport to present fairly, the financial position of the Inland Empire Utilities Agency as of June 30, 2020, and the 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. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
November 25, 2020

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Authority's net position did not change, as the revenue and interest earned on the bond reserves equaled the expenditures and interest expense on the bonds payable.

During the year, \$10,000,000 was paid on principal of long-term from payments received from the Installment purchase agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Chino Basin Regional Financing Authority's basic financial statements. The Authority's basic financial statements consist of two components: (1) financial statements and (2) notes to the financial statements. The Authority is a self-supporting entity and follows the enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 4 of the financial statements. The goal of the Authority is to have the installment contracts receivable remain equal to the amount of outstanding debt in order that its proceeds are available to pay the debt. Thus, net position of the Authority (the difference between the installment contracts receivable and the unpaid debt) should be zero. Since the Authority is a financing entity, all of the revenues and principal collected on the investment Authority's Revenue Bonds are used to pay the interest and principal on the outstanding Bonds resulting in no change in net position.

Chino Basin Regional Financing Authority
Management's Discussion and Analysis

NET POSITION

To begin our analysis a summary of the Authority's Statement of Net Position is as follows:

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Total Percent Change
Total assets	\$309,078,743	\$109,131,224	\$199,947,519	183.22%
Total deferred outflows of resources	3,133,374	3,848,349	(714,975)	-18.58%
Current liabilities	13,147,117	10,839,573	2,307,544	21.29%
Noncurrent liabilities	299,065,000	102,140,000	196,925,000	192.80%
Total liabilities	312,212,117	112,979,573	199,232,544	176.34%
Total net position	\$ -	\$ -	\$ -	0.00%

As can be seen from the table above, total assets increased \$199,947,519 to \$309,078,743 in fiscal year 2020, up from \$109,131,224 in fiscal year 2019. The increase was principally the result of the Authority's issuance of the 2020B Revenue Notes.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year 2020	Fiscal Year 2019
General revenues	\$ 5,024,287	\$ 4,438,976
Operating expense	(5,024,287)	(4,438,976)
Change in net position	-	-
Net position, beginning of year	-	-
Net position, end of year	\$ -	\$ -

The revenue of \$5,024,287 was used to pay the interest expense on the bonds.

BUDGETARY HIGHLIGHTS

The Authority's Commissioners are not required to adopt a budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Authority does not own any capital assets.

Long-term Debt - At year-end, the Authority had \$311,005,000 in long-term debt, up from \$112,140,000 in fiscal year 2019 for an increase of \$198,865,000. The increase was principally due to the Authority issuing the 2020B Revenue Notes. More detailed information about the Authority's long-term debt is presented on pages 12 through 15 in the Notes to the Financial Statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Inland Empire Utilities Agency Department of Finance and Accounting.

CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:

Current Assets:

Interest receivable on installment contracts	\$ 1,207,117
Installment contracts receivable	11,940,000
Restricted cash and investments	<u>232,127,718</u>
Total Current Assets	<u>245,274,835</u>

Noncurrent Assets:

Installment contracts receivable	<u>63,803,908</u>
Total Noncurrent Assets	<u>63,803,908</u>

Total Assets	<u>309,078,743</u>
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Deferred Outflows of Resources:

Deferred loss on bond refunding	<u>3,133,374</u>
Total Deferred Outflows of Resources	<u>3,133,374</u>

Liabilities:

Current Liabilities:

Interest payable	1,207,117
Revenue bonds	<u>11,940,000</u>
Total Current Liabilities	<u>13,147,117</u>

Noncurrent Liabilities:

Revenue bonds	102,630,000
Revenue notes	<u>196,435,000</u>
Total Noncurrent Liabilities	<u>299,065,000</u>

Total Liabilities	<u>312,212,117</u>
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Net Position:

Unrestricted	<u>-</u>
Total Net Position	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Revenues:

Interest on installment contracts	\$ 5,024,287
Total Revenues	5,024,287

Expenses:

Debt service interest	5,024,287
Total Expenses	5,024,287

Change in net position	-
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Net Position at the Beginning of the Year	-
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Net Position at the End of the Year	\$ -
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The notes to financial statements are an integral part of this statement.

CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Increase in installment contracts receivable	\$ 30,656,280
Net Cash Provided by Operating Activities	30,656,280
Cash Flows from Capital and Related Financing Activities:	
Principal paid on bonds payable	(53,825,000)
Interest paid on bonds payable	(4,656,743)
Proceeds from issuance of debt	252,690,000
Net Cash Provided by Capital and Related Financing Activities	194,208,257
Cash Flows from Investing Activities:	
Interest received on installment contract receivable	4,656,743
Net Cash Provided by Investing Activities	4,656,743
Cash and cash equivalents July 1	2,606,438
Cash and cash equivalents June 30	\$ 232,127,718
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in installment contracts receivable	\$ 30,656,280
Total Adjustments	30,656,280
Net Cash Provided by Operating Activities	\$ 30,656,280
Noncash transactions:	
Amortization of deferred loss on bond refunding	\$ 714,975

The notes to financial statements are an integral part of this statement.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies

a. Organization

The Chino Basin Regional Financing Authority (the Authority) is a joint exercise of powers authority created by a joint powers agreement between Inland Empire Utilities Agency (Agency) and Cucamonga Valley Water District, dated May 1, 1993. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for the construction of various public improvements. The Authority is a component unit of the Agency.

The Authority functions as a separate entity and its policies are determined by the members of the Commission comprised solely of the governing board of the Agency. All staff work is performed by the officials and staff of the Agency or by consultants.

b. Financial Statement Presentation

The financial statements which include the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows report information on all of the activities of the Authority. The Authority's assets and liabilities are included in the statement of net position. The statement of revenues, expenses and changes in net position presents changes in net position. These financial statements present only the Chino Basin Regional Financing Authority and do not purport and do not present the financial position of the Inland Empire Utilities Agency.

c. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the statement of net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

d. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 2: Cash and Investments

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

Restricted assests:	
Cash and investments	<u>\$ 232,127,718</u>

Cash and investments at June 30, 2020 consisted of the following:

Investments	<u>\$ 232,127,718</u>
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Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value 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. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investments Type	Totals	Remaining Maturity 12 Months or Less
Money Market Mutual Funds	<u>\$ 232,127,718</u>	<u>\$ 232,127,718</u>

Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Minimum Legal Rating	Fiscal Year End Rating			
		Total	AAA	AA	Not Rated
Money Market Mutual Funds	A	<u>\$ 232,127,718</u>	<u>\$ 232,127,718</u>	<u>\$ -</u>	<u>\$ -</u>

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

There are no investments in any one issuer that represent 5% or more of total Authority's investments.

Custodial Credit Risk

The Authority's cash and investments are held by the bond trustee who selects the investment under terms of the applicable indenture agreement, acquires the investment and holds the investment on behalf of the Authority.

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority has all the investments in Level 1 inputs.

Note 3: Installment Contracts Receivable

The Authority issued the \$67,615,000 Series 2017A Refunding Revenue Bonds to refund the Authority's Series 2008A Revenue Bonds. The Authority and the Agency entered into the Installment Purchase Agreement on January 19, 2017. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency at June 30, 2020, was \$58,315,000.

The Authority issued the \$56,255,000 Series 2020A Refunding Revenue Bonds to refund the Authority's Series 2008B Revenue Bonds. The Authority and the Agency entered into the Installment Purchase Agreement on June 1, 2020. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency at June 30, 2020, was \$52,028,518. The balance of the receivable from Chino Basin Watermaster (CBWM) is \$4,226,482.

The Authority issued the \$196,435,000 Series 2020B Revenue Notes to (i) 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 Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency at June 30, 2020, was \$196,435,000.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 3: Installment Contracts Receivable (Continued)

	IEUA	CBWM	TOTAL
2017A Installment Contract Receivable	\$ 58,315,000	\$ -	\$ 58,315,000
2020A Installment Contract Receivable	52,028,518	4,226,482	56,255,000
2020B Installment Contract Receivable	196,435,000	-	196,435,000
	<u>306,778,518</u>	<u>4,226,482</u>	<u>311,005,000</u>
Less:			
Restricted Cash and Investments	(232,117,113)	(10,605)	(232,127,718)
Deferred Loss on Refunding	(3,133,374)	-	(3,133,374)
Total Installment Contracts Receivable	<u>\$ 71,528,031</u>	<u>\$ 4,215,877</u>	<u>\$ 75,743,908</u>

Note 4: Long-Term Debt

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
2008 Variable Rate Demand Revenue Refunding Bonds	\$ 36,175,000	\$ -	\$ 36,175,000	\$ -	\$ -
2010A Refunding Revenue Bonds	14,450,000	-	14,450,000	-	-
2017A Refunding Revenue Bonds	61,515,000	-	3,200,000	58,315,000	3,330,000
2020A Refunding Revenue Bonds	-	56,255,000	-	56,255,000	8,610,000
2020B Revenue Notes	-	196,435,000	-	196,435,000	-
	<u>-</u>	<u>196,435,000</u>	<u>-</u>	<u>196,435,000</u>	<u>-</u>
Total long-term debt	<u>\$ 112,140,000</u>	<u>\$ 252,690,000</u>	<u>\$ 53,825,000</u>	<u>\$ 311,005,000</u>	<u>\$ 11,940,000</u>

2008B Variable Rate Demand Revenue Refunding Bonds:

Pursuant to an indenture dated March 1, 2008, on March 1, 2008, the Authority issued \$55,675,000 Variable Rate Demand Revenue Refunding Bonds to refund the Authority's Series 2002A Revenue Bonds, to fund the reserve requirement and pay the costs of issuing the bonds.

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

2010A Refunding Revenue Bonds:

Pursuant to an indenture dated March 1, 2010, on July 15, 2010, the Authority issued \$45,570,000 Refunding Revenue Bonds to refund the Authority's Series 1994 Revenue Bonds and pay costs of issuance.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 4: Long-Term Debt (Continued)

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 Authority Series 2010A. (Refer to note on 2020A Revenue Bonds.)

2017A Refunding Revenue Bonds:

Pursuant to an indenture dated January 19, 2017, on February 2, 2017, the Authority issued \$67,615,000 Refunding Revenue Bonds to refund the Authority's Series 2008A Revenue Bonds and pay costs of issuance.

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2017A Installment Purchase Agreement. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency. In the event of default, the entire principal amount of the unpaid installment payments and accrued interest thereon, are due and payable immediately.

The bonds maturing through November 2033 are Serial Bonds payable in annual installments ranging from \$3,010,000 to \$4,920,000 with interest rates from 2.00% to 5.00%. Principal payments are due November 1 each year with semi-annual interest payments due May 1 and November 1.

The balance outstanding on June 30, 2020, was \$58,315,000.

Future debt service principal and interest payments owed on the 2017A Refunding Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 3,330,000	\$ 2,815,850	\$ 6,145,850
2022	3,480,000	2,662,250	6,142,250
2023	3,660,000	2,483,750	6,143,750
2024	4,185,000	2,287,625	6,472,625
2025	4,395,000	2,073,125	6,468,125
2026-2030	20,930,000	7,089,000	28,019,000
2031-2035	18,335,000	1,889,375	20,224,375
Totals	<u>\$ 58,315,000</u>	<u>\$ 21,300,975</u>	<u>\$ 79,615,975</u>

2020A Refunding Revenue Bonds:

Pursuant to an indenture dated June 1, 2020, on June 24, 2020, the Authority issued \$56,255,000 Refunding Revenue Bonds to refund the Authority's Series 2008B Revenue Bonds, refund the Series 2010A Revenue Bonds, and pay costs of issuance.

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2020A Installment Purchase Agreement. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency. In the event of default, the entire principal amount of the unpaid installment payments and accrued interest thereon, are due and payable immediately.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 4: Long-Term Debt (Continued)

The bonds maturing through June 2035 are Serial Bonds payable in annual installments ranging from \$1,540,000 to \$8,610,000 with an interest rate of 5.00% per annum. Principal payments are due June 1 each year with semi-annual interest payments due June 1 and December 1.

The balance outstanding on June 30, 2020, was \$56,255,000.

Future debt service principal and interest payments owed on the 2020A Refunding Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 8,610,000	\$ 2,586,167	\$ 11,196,167
2022	3,855,000	2,382,250	6,237,250
2023	4,025,000	2,189,500	6,214,500
2024	4,240,000	1,988,250	6,228,250
2025	4,380,000	1,776,250	6,156,250
2026-2030	18,910,000	5,861,500	24,771,500
2031-2035	12,235,000	1,479,500	13,714,500
Totals	<u>\$ 56,255,000</u>	<u>\$ 18,263,417</u>	<u>\$ 74,518,417</u>

2020B Revenue Notes:

Pursuant to an indenture dated June 15, 2020, on June 25, 2020, the Authority issued \$196,435,000 Revenue Notes to finance, on an interim basis, a portion of the cost of the Regional Plant No. 5 (RP-5) Expansion project, pay a portion of the capitalized interest with respect to the Notes, and pay costs of issuance.

The notes are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2020B Installment Purchase Agreement. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency. In the event of default, the entire principal amount of the unpaid installment payments and accrued interest thereon, are due and payable immediately.

The notes mature and are payable on November 1, 2025. Interest payments are due semi-annually on May 1 and November 1, ranging from \$2,640,959 to \$3,928,700 with an interest rate of 4.00% per annum.

The balance outstanding on June 30, 2020, was \$196,435,000.

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 as of June 30, 2020. The WIFIA loan amount of up to \$196,436,445 will be drawn upon at the project completion to repay the 2020B Revenue notes. The WIFIA loan carries an annual interest of 1.36% and has a maturity in November 1, 2060, with principal and interest payments due one year after the project's substantial completion.

**CHINO BASIN REGIONAL FINANCING AUTHORITY
(A COMPONENT UNIT OF THE INLAND EMPIRE UTILITIES AGENCY)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

Note 4: Long-Term Debt (Continued)

Future debt service principal and interest payments owed on the 2020B Revenue Notes are as follows:

Year Ending June 30,	Principal	Interest	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
Totals	<u>\$ 196,435,000</u>	<u>\$ 37,999,259</u>	<u>\$ 234,434,259</u>

Note 5: Subsequent Events

The Authority has evaluated events subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 25, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

We have audited, in accordance with the 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, the financial statements of the Chino Basin Regional Financing Authority (the Authority) a component unit of the Inland Empire Utilities Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
November 25, 2020



November 25, 2020

To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

We have audited the financial statements of the Chino Basin Regional Financing Authority (the Authority), a component unit of the Inland Empire Utilities Agency, for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2019-2020. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.



To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2019-2020 audit:

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*.

GASB Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowing and Direct Placements*.



To the Board of Directors
Chino Basin Regional Financing Authority
Chino, California

The following pronouncements have been postponed as a temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date are reflected in the following fiscal years and should be reviewed for proper implementation by management:

Fiscal year 2021

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Chino Basin Regional Financing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Brea, California