

Annual Comprehensive Financial Report



Fiscal Year Ended June 30, 2021
Chino, CA



**CCWRF ASSET MANAGEMENT AND
IMPROVEMENTS
CHEMICAL ODOR SCRUBBER AT HEADWORKS
TO EXTEND ASSET LIFE**

Annual Comprehensive Financial Report

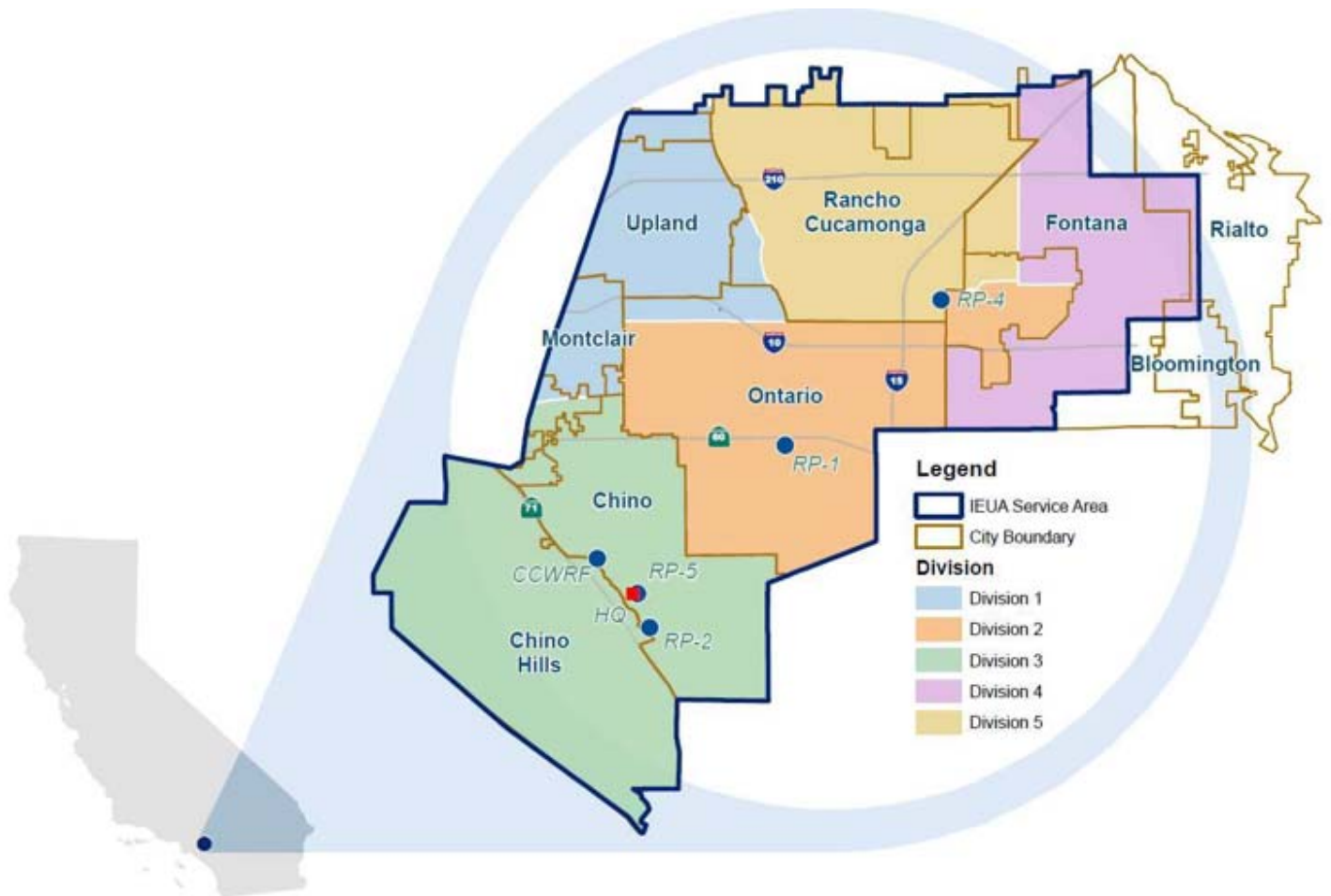


Prepared by the
Finance and
Accounting
Department

Fiscal Year Ended June 30, 2021
Chino, CA

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, 2021

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December 8, 2021

Inland Empire Utilities Agency
Chino, California

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Inland Empire Utilities Agency (referred to as IEUA or the Agency) for fiscal year ended June 30, 2021. State law and local ordinances require the Agency to annually publish a comprehensive report of its financial condition and activities in compliance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board and audited in accordance with general accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

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.

CliftonLarsonAllen LLP (CLA), a firm of certified public accountants, has issued an unmodified opinion on the Agency's financial statements for the year ended June 30, 2021. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

Jasmin A. Hall
President

Michael E. Camacho
Vice President

Steven J. Elie
Secretary/Treasurer

Paul Hofer
Director

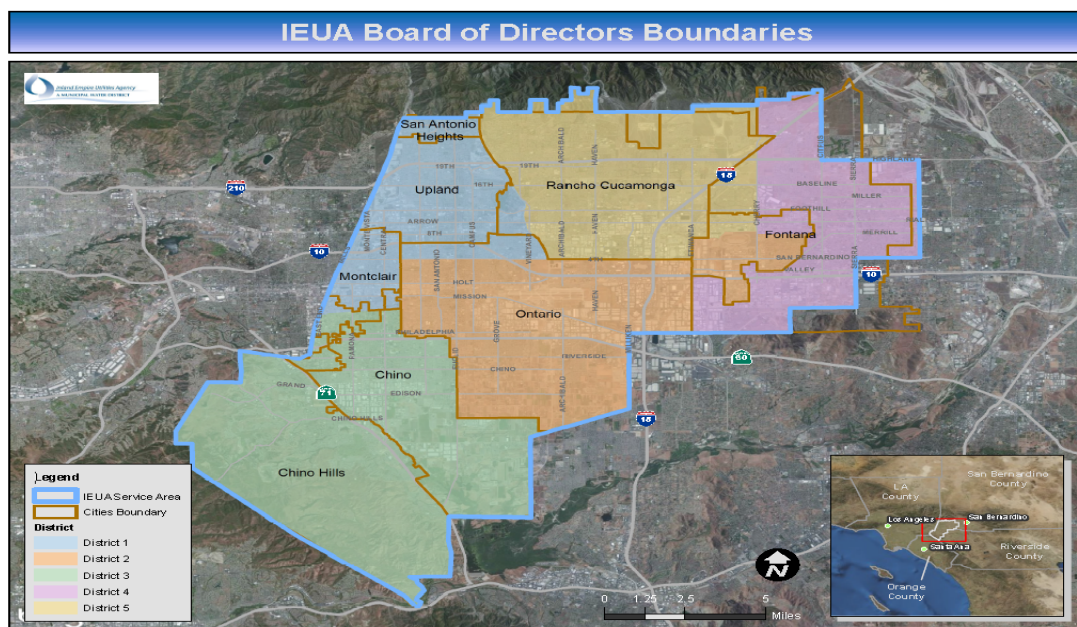
Marco Tule
Director

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.

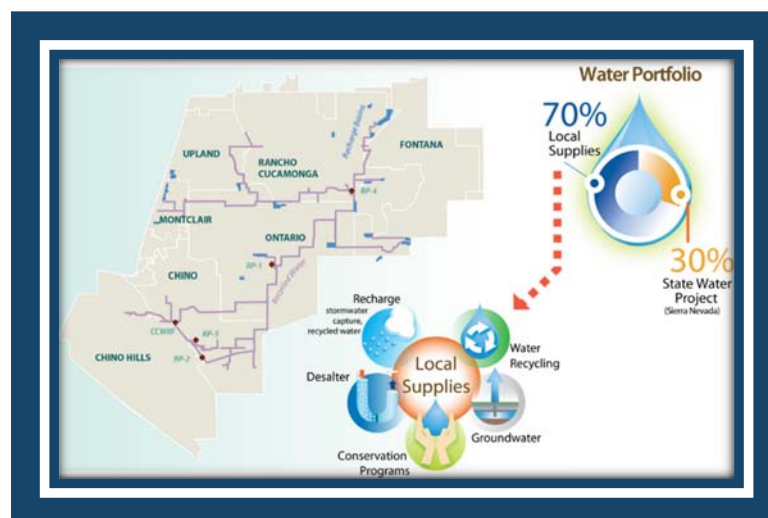


The Agency is focused on providing three key services: (1) treating wastewater and developing recycled water, local water resources, and conservation programs to reduce the region's dependence on imported water supplies, thus enabling the service area to become drought-resilient; (2) converting biosolids and waste products into a high-quality compost made from recycled materials; and (3) generating electrical energy from renewable sources.

WATER RESOURCES

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 and accounts for approximately one-fourth of the water used in the region.

For over fifty years, the Agency has been a leader in water supply planning and programs to protect the region's vital water supplies. As a wholesale provider of imported water, IEUA utilizes multiple wholesale sources of water, including imported water from MWD, and groundwater recharge from local recycled water produced in the Agency's water recycling treatment facilities. The Agency provides wholesale imported water to seven retail agencies: the cities of Chino, Chino Hills, Ontario, Upland, Cucamonga Valley Water District in the city of Rancho Cucamonga, Fontana Water Company in the city of Fontana, and Monte Vista Water District in the city of Montclair. In addition to wholesale supplies, local retail water agencies include sources of supply, including local groundwater, surface water, and desalted ground water.



REGIONAL WASTEWATER SYSTEM

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 (Regional Contract) with the cities of Chino, Fontana, Montclair, Ontario, and Upland, and with the Cucamonga Valley Water District as well as the County Service Area 70Q of the County of San Bernardino (later to become the City of Chino Hills). Pursuant to that Regional 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 five water recycling treatment facilities, four of which produce recycled water.

- Regional Water Recycling Plant No. 1 (RP-1) in Ontario, CA
- Regional Water Recycling Plant No. 2 (RP-2) in Chino, CA
- Regional Water Recycling Plant No. 4 (RP-4) in Rancho Cucamonga, CA
- Regional Water Recycling Plant No. 5 (RP-5) in Chino, CA
- Carbon Canyon Water Recycling Facility (CCWRF) in Chino, CA

The Agency's water recycling plants collectively take in an average of 50 million gallons of wastewater per day for treatment from its contracting member agencies. Several treatment processes contribute to providing high quality recycled water pursuant to Title 22 regulations set forth by the California Department of Health Services.

NON-RECLAIMABLE WASTEWATER SYSTEM

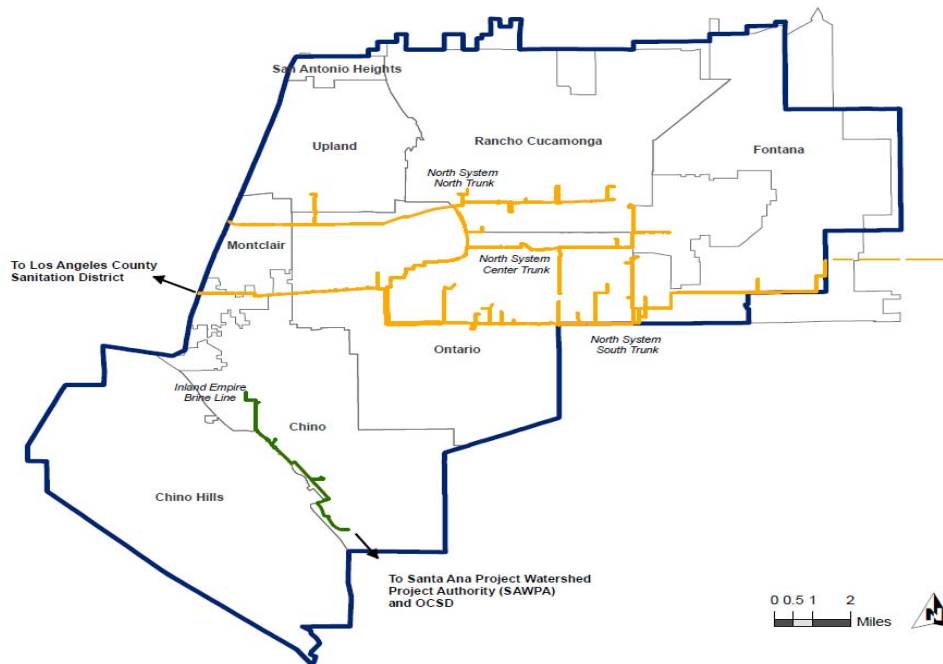
The Agency operates the Non-Reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts to be discharged into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out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

The NRWS 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 non-reclaimable wastewater lines operated by the Agency are comprised of three independent industrial wastewater lines. The Non-Reclaimable Wastewater System (NRWS) and the Etiwanda Wastewater Line (EWL) both serve the northern portion of the Agency's service area, and the Inland Empire Brine Line (IEBL), managed by the Santa Ana Watershed Authority (SAWPA), serves the southern portion of the Agency's service area. The NRWS and EWL discharge the industrial wastewater into the Los Angeles County Sanitation Districts (LACSD) System and the IEBL to Orange County Sanitation District (OCS).

The NRW brine lines are physically separate from the Agency's Regional Sewage System (RSS). The use of separate non-reclaimable wastewater lines helps to ensure RSS compliance with State regulations related to environmental criteria; the RSS final effluent total dissolved solids (TSS) limit as required under the National Pollutant Discharge Elimination System (NPDES) permits; and improves the quality of the recycled water generated by the RSS for local beneficial use.

The Agency's NRW program provides retail services that are billed directly to approximately fifty industrial customers of the Agency, unlike the Agency's regional water and wastewater services which are essentially wholesale services provided to the Agency's Contracting Agencies.

NON-RECLAIMABLE WASTEWATER SYSTEM AND DISCHARGES



RECYCLED WATER DISTRIBUTION SYSTEM

The Agency has been providing recycled water to its member agencies since formation of the Regional Sewage Service Contract in 1973. Initially, recycled water was as a low-cost alternative water supply for large irrigation customers and 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.

In 2000, the region identified recycled water as a critical component in drought-proofing the region and essential to sustaining economic growth. With imported water rates increasing and its long-term reliability in decline, the region committed to aggressively and proactively developing local water supplies. This set the path to development of the Agency's regional recycled water system and implementation of a robust Recycled Water Program.

Based on a series of regional decisions since 2000, over \$350 million has been invested into the implementation of a robust Recycled Water Program. These investments, along with development of nineteen ground water recharge basins, ten of which accept recycled water, have significantly helped the Agency and its contracting agencies develop and maintain a reliable local water supply. The recycled water distribution system consists of over 95 miles of pipeline, four reservoir storage tanks with storage capacity between two and five million gallons, and multiple pump stations.

Since 2010, the rate of connections for direct use customers to the regional recycled water system has been stagnant primarily due to changes in land use from agriculture to residential and commercial. As a result, the Agency has shifted its planning for the Recycled Water Program towards pursuing additional regional groundwater recharge, direct injection, and eventually direct potable reuse.

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.

Over the next few years, a key objective for the Agency and its member agencies is to safeguard the regional capital investments by ensuring the long-term sustainability of the Recycled Water Program. The 2022 Rate Study will evaluate alternative rate structures that will provide revenue stability and lessen the impact of reduced deliveries in years of high precipitation.

The use of recycled water increases the reliability of local water supplies. As a locally developed water supply, recycled water is a practical and essential resource in mitigating the effects of climate change.

GROUNDWATER RECHARGE BASINS

The Chino Basin Groundwater Recharge program (Recharge Water program) is designed to increase artificial groundwater recharge in the Chino Basin using storm water, recycled water, and imported water as part of a long-term solution to the local water supply and water quality issues facing the greater Chino Basin. The Recharge Water 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.

Jointly sponsored by the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino Flood Control District (SBFCD) and the Agency, the Recharge Water program will assist in mitigating future water shortages caused by limitations of imported water supplies from the State Water Project (SWP) by enhancing the recharge capacity in the Chino Basin and increasing artificial groundwater recharge. Capturing greater quantities of high-quality water during wet years provides a subsurface reserve of groundwater for local use during periods of droughts and shortages of imported water.

In this way, the Recharge Water program enhances the current reliability and resiliency of regional groundwater supplies for the region's growing population and is an integral part of the Agency's regional water supply planning and supports the Optimum Basin Management Plan (OBMP). The OBMP, last updated in 2020, enabled expansion of the groundwater storage capacity throughout the Chino Basin.

The groundwater infrastructure consists of a network of pipelines that direct storm water run-off, imported water from the State Water Project (SWP) and recycled water produced by the Agency to recharge sites; most of which consist of multiple basins. These recharge basins, nineteen in total, are located throughout the Agency's service area and are designed to hold water so that it can percolate into the ground and replenish the alluvial aquifers and groundwater supply. Annually, the recharge capacity of the groundwater facilities includes up to 50,000 AF of imported water, up to 25,000 AF of stormwater, and up to 16,000 AF of recycled water. Annual recharge varies due to weather patterns and availability of supplemental water supplies (imported and recycled water).

In 2013, the Agency, CBWM, CBWCD, and their respective member agencies, through the Chino Basin Recharge Master Plan Update Steering Committee (Steering Committee), implemented an amendment to the 2010 Recharge Master Plan (2013 Recharge Master Plan Update or RMPU), per the direction of the Court. The RMPU is a comprehensive program of recharge projects developed to enhance water supplies and protect and enhance water quality in the Chino Basin.

The updated RMPU was approved concurrently by IEUA and CBWM in September 2018 and evaluated 27 potential capital projects. Of the 27 potential projects, the Steering Committee ultimately approved six projects for implementation. The approved projects are estimated to develop approximately 4,727 AF per year (AFY) of stormwater recharge and approximately 7,125 AFY of recycled water recharge. Costs for capital projects enhancing stormwater recharge, including related debt service costs, are fully funded by CBWM. Costs for capital projects enhancing recharge of recycled water, including related debt service costs, are equally shared by CBWM and the Agency. Operating expenses are funded by both CBWM and the Agency.

JOINT POWERS AUTHORITY

CHINO BASIN DESALTER AUTHORITY

The Chino Basin Desalter Authority (CDA) was formed in 2001 as a joint power authority (JPA) to manage the production, treatment, and distribution of highly treated potable water and to acquire all assets and liabilities of the Chino Basin Desalter and its operations from the Santa Ana Watershed Project Authority (SAWPA).

The CDA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, as well as the Jurupa Community Services District (JCSD), the Santa Ana River Water Company, Western Municipal Water District, and the Inland Empire Utilities Agency as an ex-officio member. The CDA purifies brackish groundwater extracted from the lower Chino Basin with the Chino I and II Desalter facilities and produces 24,600 AFY of high-quality drinking water that is delivered to its member agencies. The CDA facilities include two desalters, supply wells for each desalter, two reservoirs, raw water supplies, potable water distribution pipelines and pumping facilities, and pipelines for brine disposal.



The Desalter I facility located in the City of Chino began operation in 2000 and is managed by the Agency. The Desalter II facility located in Jurupa Valley began operation in 2006 and is managed by the Jurupa Community Services District.

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 divert biosolids from their wastewater treatment facilities from landfill disposal and to beneficially reuse organic products generated from within the community.

The 445,275 square foot facility was transformed from a former IKEA warehouse into the nation's largest indoor biosolids composting facility located in Rancho Cucamonga, California. IERCA began operation in March 2007 and produces 240,000 cubic yards of a wood-based, nutrient-rich compost annually. The Agency manages the day-to-day operations of the facility and safety and risk services supported by LACSD. 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.



Over the years, the IERCA has received various awards, including the Certification of Recognition 2010 for Complying with US EPA, the Dave Hardy Leadership in Organics Award in July 2011, the US Composting Award in 2011 and 2012, and the Governor's Environmental and Economic Leadership Award in 2013. In addition, the IERCA staff has earned Master Compost Certificate through the University of California Extension Riverside California.

ECONOMIC CONDITION AND OUTLOOK

The Agency is located approximately 35 miles east of Los Angeles in San Bernardino County in an area referred to as the Inland Empire. The Inland Empire 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.

Since the 1950s, the area has changed from a rural to a suburban environment. The region now comprises numerous cities known as bedroom communities that are suburban cities to Los Angeles, Orange County, and San Diego. The U.S. Census Bureau-defined Riverside–San Bernardino–Ontario metropolitan area, which comprises Riverside County and San Bernardino County, California, covers more than 27,000 sq. miles and has a population of approximately four million. According to the State's labor market information, the Inland Empire, along with the Central Valley, San Francisco Bay area, and greater Sacramento region are all expected to grow faster than the statewide average, increasing their share of the State population through 2060 by one to two percent. With that growth rate, the Inland Empire population may reach more than seven million by 2030.

Affordable home ownership is the primary motivation behind the growth in these Inland Empire cities as homes in the region are generally less expensive than comparable homes in Los Angeles and Orange counties. During the first quarter of 2021, the Inland Empire residential prices continued to soar. Existing

median home prices rose from \$375,446 in the first quarter 2020 to \$436,305 in 2021. Home prices are now 11.9 percent above the \$389,924 high in 2006. The high prices are due to a high demand from families and investors, a lack of supply and increasing costs of construction, according to the Husing Economic Report, May 2021.

Affordable industrial real estate has also been a key factor in the relocation of logistics operations (wholesale trade, warehousing, and transportation) from Los Angeles and Orange Counties to the Inland Empire. Cargo from the ports of Los Angeles and Long Beach is a major economic driver for the Inland Empire. Despite the COVID-19 pandemic, the volume of containers rose from 8.5 million containers in 2019 to 8.8 million in 2020 and has continued to increase to 12.9 million in 2021. This jump in container volume also heightened demand for industrial facilities in the Inland Empire. A total of 25.5 million net square feet of space was occupied by new firms entering the Inland Empire, the highest since 2004. According to the 2020 North America Industrial Big Box Review & Outlook (May 2021), the Inland Empire, which adds between 10 million and 25 million square feet of new space annually, is the second highest industrial market population in the country, behind Northern/Central New Jersey.

The Inland Empire's economy was significantly impacted by the global COVID-19 pandemic due to the business closures and disruptions to supply chains that resulted from Governor Newsom's Executive Order to "shelter in place" issued on March 17, 2020. As of April 2021, the pandemic had claimed 3.2 million lives worldwide, including 580,000 in the U.S. of which approximately 9,200 from the Inland Empire region. According to Dr. John Husing, a local economist, the mandated shutdowns hit the Inland Empire eating and drinking sectors the hardest with an average annual loss of 23,700 jobs or -17.3 percent of workers. The next hardest hit was the combination of retail outlets and consumer service providers such as hair salons, gyms, etc. with job losses of 18,533 or 8.5 percent. However, the logistics operations sector in fact got stronger during the pandemic and added approximately 21,000 jobs, or 10.1 percent, as consumers switched to e-commerce from in-store shopping during the shutdown. The Husing Economic Report (May 2021) forecasts the Inland Empire will add around 62,400 jobs in 2021. Employment will rise from 1,501,900 jobs to 1,564,300 leaving the Inland Empire economy 3,200 jobs short of its 2019 level.

Following the federal and local government shutdown in April 2020, the U.S. unemployment rate reached 14.8 percent, the highest since the Great Depression. As of June 2021, the reopening of the economy has dropped the U.S. unemployment rate to 5.9 percent. While the rate is lower, it is still higher than pre-pandemic levels of 3.5 percent in February 2020. In June, the Federal Reserve estimated that the economy would return to a healthier 4.5 percent unemployment in 2021. California's labor market has also continued to steadily recover from the COVID-19 pandemic. In June 2021, the state's unemployment rate of 7.7 percent was significantly lower than the 14.1 percent reported one year ago but remained higher than the national average. According to the California Employment Development Department, of the 2,714,800 jobs lost in March and April 2020 due to the COVID-19 pandemic, the state has regained nearly 54 percent, or 1,470,500 jobs. Eight of California's 11 industry sectors gained jobs in June 2021. Leisure and hospitality continued to have the state's largest month-over increase as the state reopened and tourism returned.

Prior to the pandemic, construction was a strong job creator for the Inland Empire. In 2020, this sector incurred a slight decrease of 2,200 jobs due to COVID-19. However, March 2021 reported an increase in industrial building construction. The Agency also saw a surge in the number of new connections to its regional wastewater system from new development. As of June 30, 2021, contracting member agencies reported a total of 5,274 new wastewater connections from new development compared to the 3,435 units reported in the previous fiscal year.

As the nation reopens, a risk to the pace of the economic recovery is the rise in inflation which hit a 13-year high of 5.4 percent in June and July 2021. The temporary shortages and supply bottlenecks stemming

from the pandemic, as well as an upsurge in consumer spending, have put upward pressure on prices. The U.S. Labor Department reported consumer prices rose 5.4 percent in June, up from 5.0 percent the previous month and the largest increase since August 2008. According to Trading Economics, the U.S. inflation rate is expected to remain above 5.0 percent through the end of 2021 but then drop to around 2.60 percent in 2022 and 1.90 percent in 2023. Most economists believe this level of inflation is temporary and will begin to ease as supply chains are reinstated.

The pace of the economic recovery will also depend on additional federal and state stimulus, intended to provide relief to families and small business hardest hit by the pandemic. The robust federal stimulus greatly contributed to California's ability to mitigate the impact of the pandemic to the state budget. The Governor's May Revision to his proposed 2021-22 state budget projected nearly \$77 billion in additional revenues. The higher revenues were driven by high-income Californians and corporations thriving amid the pandemic. In combination with direct federal aid from ARP, California has more than \$100 billion in funds available to be invested over the current and future year budgets. The Inland Empire is better positioned to return to normal after the pandemic passes than other California submarkets. According to the Inland Empire Business Daily, one factor is the transition to shopping online which raised demand for warehouse space and resulted in approximately 34,000 new jobs in the logistics operations sector. Another factor is the loss of jobs in the leisure and hospitality sector; with 44,600 fewer jobs during the pandemic. But unlike Orange and Los Angeles counties, the Inland Empire region is not a tourist market that relies heavily on tourism and entertainment for revenue, so it was not as severely impacted by the pandemic and will fully recover when the economy reopens.

However, the speed of the recovery is still completely contingent on controlling the spread of the virus and a return to "new normal" conditions as vaccinations and consumer confidence increase (*Source: John Husing, May 2020 Inland Empire Quarterly Economic Report*).

MAJOR INITIATIVES AND ACCOMPLISHMENTS

MAJOR INITIATIVES FOR FY 2020/21

No one could have predicted the impact of the COVID-19 pandemic to our communities and our day-to-day lives. In response to Governor Newsom's Order issued on March 17, 2020, swift changes had to be implemented to keep our employees and our communities safe. Decades of fiscal discipline positioned the Agency well to successfully deal with such an unprecedented event and continue to provide high quality critical services to our customers and the communities that we serve.

While more than half of our employees continued to come to work under stringent COVID-19 guidelines, the remainder of our employees successfully transitioned to remote work status. With ongoing concerns of exposure to COVID-19 and emerging variants, Agency employees that transitioned to work remotely continued to work offsite throughout fiscal year 2021.

Despite ongoing challenges brought on by the COVID-19 pandemic, the Agency, in collaboration with its member agencies and key stakeholders in the region, accomplished significant milestones and executed several planned initiatives throughout fiscal year ended June 30, 2021. Some of these key initiatives included; 1) Continued evaluation of the Chino Basin Program/Water Storage Investment Program project (CBP/WSIP project) to secure conditional funding of \$212 million awarded to the Agency by the California Water Commission, 2) secured grant funding, low interest state revolving fund (SFR) loans and principal forgiveness for the Recharge Master Plan Update (RMPU) groundwater basin capital improvements projects, significantly reducing the initial estimated unit cost for stormwater capture from \$612 acre foot

(AF) to under \$250 per AF, 3) awarded the Agency's largest construction contract to date for the RP-5 Expansion project and held a virtual groundbreaking event, 4) invited to participate in the second round of funding for the Water Infrastructure Finance and Innovation Act (WIFIA) low interest loan program administered by U.S. Environmental Protection Agency to support the Regional Wastewater Systems Improvement Project, and 5) rescinded the previously adopted and scheduled rate adjustments for FY 2020/21 maintaining the rates unchanged to mitigate any potential fiscal impact of the COVID-19 pandemic to our ratepayers.

WATER RELIABILITY

As a regional purveyor of imported potable water, ensuring water reliability and resiliency for the region is fundamental to the Agency's mission. Of Metropolitan Water District of Southern California's (MWD) twenty-six member agencies, IEUA is the only agency that receives 100 percent of untreated imported water supplies from the State Water Project (SWP). With moderate to severe drought conditions predicted to remain an ongoing challenge, enhancement of local supplies and promoting water use efficiency continue to be essential components of the region's water portfolio.

With that objective in mind, the Agency continued its assessment of the Chino Basin Program/Water Storage Investment Program (CBP/WSIP) and the \$212 million in conditional funding awarded by the California Water Commission (CWC) in July 2018. The CBP/WSIP project is a first-of-its-kind water program that will help the region move beyond traditional water management practices and into a new era of water optimization. The CBP/WSIP project closely aligns with regional planning efforts, including Chino Basin Watermaster's Optimum Basin Management Plan and the Agency's Integrated Water Resources Plan. The CBP/WSIP project invests \$212M of State funding to augment local investment in wastewater treatment, wells, pumps, and pipelines to develop, distribute, and store new advanced treated water supplies within the Chino Basin. In exchange for this funding, the CBP/WSIP project would make available 375,000 acre-feet of water in Lake Oroville over 25 years for the California Department of Fish & Wildlife to manage for the purpose of improving habitat for native fish populations in the Bay-Delta

The Agency also continued its close coordination with the local retail water agencies in the implementation of regional water use efficiency (WUE) programs. The WUE programs provide incentives for high efficiency appliances and devices including weather-based irrigation controllers, high efficiency sprinkler nozzles, turf removal, water tolerant landscape design and education on water conservation and water use efficiency. In the last ten years, these efforts helped to decrease residential water usage by 50 percent. The Agency's local retail agencies include: the cities of Chino, Chino Hills, Ontario, and Upland, Cucamonga Valley Water District, Monte Vista Water District, Fontana Water Company, and the San Antonio Water Company.

The Agency is committed to investing in our regions water supply for today and tomorrow through fiscal responsibility, efficient business practices, water supply management, and environmental stewardship.

GROUNDWATER RECHARGE

The Chino Basin Recycled Water Groundwater Recharge Program is an integral part of the Agency's regional water supply planning. The subsurface reserve of groundwater for local use enhances the current reliability of local groundwater supplies for a rapidly growing population and mitigating future water shortages in California caused by future limitations for importing water supplies from the California State Water Project. In September 2018, the Agency's Board of Directors, and the Chino Basin Watermaster (CBWM) Board of Directors concurrently approved the updated Recharge Master Plan Update (RMPU).

The RMPU evaluated 27 potential capital projects. Of the 27 potential projects, the RMPU Steering Committee ultimately approved six projects for implementation. The approved projects are estimated to develop approximately 4,727 AF per year (AFY) of stormwater recharge and approximately 7,125 AFY of recycled water recharge.

San Sevaine Basin



WASTEWATER MANAGEMENT

RP-5 LIQUIDS TREATMENT AND SOLIDS EXPANSION CONTRACT AWARD

On July 15, 2020, the Agency awarded the construction contract for the Regional Plant No. 5 Expansion Project (RP-5 Expansion Project). At an estimated cost of \$450 million, the RP-5 Expansion Project is the largest capital construction project undertaken by the Agency to date. The Project promotes State planning priorities by utilizing existing infrastructure at RP-5 facility located in the city of Chino. The Project protects all watersheds and parks adjacent to the project sites and supports population growth within IEUA's service area. Additional facilities will be required to meet the expanded treatment capacity at RP-5 to comply with the waste discharge requirements.

The construction contract award, originally planned for April 2020, was delayed due to COVID-19 and the need to adhere to stringent safety guidelines. Agency staff worked closely with the contractors to adjust the bid process to an electronic platform. The ongoing health and safety concerns over the pandemic also lead to the Agency hosting its first virtual groundbreaking ceremony. On October 29, 2020, the Agency virtually hosted dignitaries from local, state, and federal agencies, including US Environmental Protection Agency Region 9 Administrator John Busterud; Congressmembers Judy Chu, Pete Aguilar, Norma Torres, and Gil Cisneros; State Senator Connie Leyva and State Assemblymember Freddie Rodriguez; and Board member Dorene D'Adamo with the State Water Resources Control Board.

FISCAL RESPONSIBILITY

In an effort to mitigate the fiscal impact on ratepayers, taking into account measures implemented at federal, state, and local levels to contain the spread of the COVID-19 pandemic, the IEUA Board unanimously voted to defer the scheduled rate adjustments for FY 2020/21. The estimated shortfall in operating revenues for maintaining the rates unchanged for FY 2020/21 was approximately \$4 million. To mitigate the impact of the estimated revenue shortfall, management deferred non-critical projects, such as the scheduled

replacement of fleet vehicles that had reached or exceeded their useful life. Additionally, staff remained committed to cost containment and curtailed or modified non-critical activities that resulted in cost reductions.

The Agency was successful in securing federal, state, and local grants and low-interest Clean Water State Revolving Fund (SRF) loans and associated principal forgiveness for the RMPU projects. Grant funding and capital forgiveness secured by the Agency supported over 50 percent of total project costs. This diversified financing strategy significantly reduced the initial estimated unit cost for stormwater capture from \$612 AF to under \$250 per AF. Agreements for the SRF loans are expected to be finalized in fall 2021. The RMPU projects will improve stormwater and recycled water for the Wineville/Jurupa/Force Main/RP-3 Basin, Lower Day Basin and Montclair Basin.

The South Archibald Plume Remediation project is another project that greatly benefited from the Agency's proactive pursuit of federal and state funding. At a total project cost of \$26.2 million, the Agency was successful securing federal and state grants to support 90 percent of the project costs. The remaining 10 percent was funded by contributions from private companies and the US Department of Defense. The targeted completion date is August 2021.

As part of the Agency's succession planning efforts, in June 2021, the Board of Directors unanimously approved to increase the number of full time equivalent (FTE) authorized positions from 290 to 302 effective July 1, 2021. The authorized number of 290 FTEs has remained unchanged since FY 2013/14 when it was reduced from 295 as part of the Agency's cost containment efforts.

In the last seven years, an average of almost 10 employees have retired each year. The trend is steadily increasing with 15 retirements in FY 2020/21. Today, 25 percent of full-time employees (FTEs) will be eligible to retire. The number jumps to 41 percent by 2025. Collectively, these employees have hundreds of years expertise and vast institutional knowledge that will take years to replace.

Consistent with the Agency's commitment to sustainable cost containment, the fiscal impact of the increased staffing level was minimized by management's utilization of lower classifications where appropriate to do so, hiring at a lower salary step, and the application of a prudent vacancy factor based on historic trends. This cost-effective approach maintained the total employment budget for FY 2021/22 unchanged from the prior fiscal year.

The increased staffing level will provide management more flexibility and allow for early recruitment of certain critical positions needed to support continuity of critical Agency operations and preservation of critical skills and institutional knowledge transfer through the ability to engage in the necessary succession planning over the next five years.

OTHER AGENCY INITIATIVES

During FY 2020/21 the Agency completed the Pilot Return to Sewer Rate Study (Pilot RTSS) to evaluate the feasibility of establishing a model that could be used to calculate estimated return to sewer flows for residential and non-residential customer classes based on water consumption. The study is also part of a larger effort by the Agency to evaluate our regional wastewater rate structure which is based on an equivalent dwelling unit (EDU) equation. The EDU equation is the Agency's billing unit for sewer connection fees and ongoing monthly sewer fees which have a flow and strength component of an average single-family residential household. The wastewater monthly rate supports the operations and maintenance of

the regional wastewater system which includes the collection, treatment, and disposal of municipal wastewater flows. The wastewater connection fee supports capital investment in the Agency's regional wastewater system and are levied on new or upgraded connections.

The Pilot RTSS, based on data from the city of Montclair/Monte Vista Water District service area, produced a model to estimate return to sewer flows for residential and non-residential customer classes. After further review and discussion with our regional contracting agencies, a decision was made to support an Expanded RTSS with the purpose of obtaining additional representative data. The Expanded RTSS would include three additional contracting agencies: city of Chino, city of Ontario, and Cucamonga Valley Water District. The Expanded RTSS kicked off in July 2021 and is currently on schedule to be complete in April 2022.

The Agency also continued to participate in a flow and loading study through the California Association of Sanitation Agencies (CASA) that began in 2018. The CASA study, which includes the evaluation of both wastewater flow and strength through direct monitoring, was put on hold over concerns of potential impact from the COVID-19 pandemic. The CASA study is expected to resume in 2022.

The Expanded RTSS and the CASA study datasets are meant to provide two meaningful datasets that will support the Agency's regional wastewater rate structure evaluation. It is anticipated that the regional wastewater rates would be evaluated and complete by April 2023.

Major capital construction projects underway in FY 2020/21

RP-5 EXPANSION PROJECT

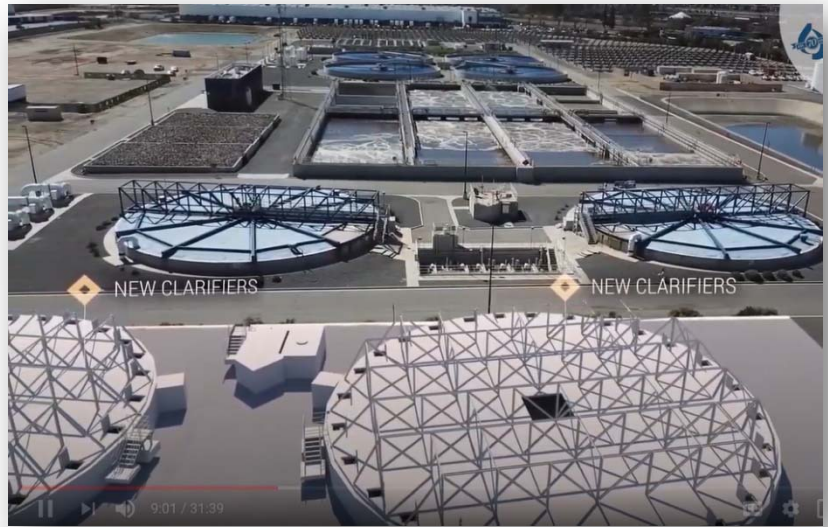
The RP-5 Expansion Project will increase the plants hydraulic treatment capacity from 15 million gallons per day (MGD) to 22.5 MGD. The added capacity will support projected population growth and added system redundancy for the RP-1 Water Recycling Plant (RP-1) and the Carbon Canyon Water Recycling Facility (CCWRF). The Project also includes construction of a 30 MGD solid treatment facility to replace the aging RP-2 solids facility. The RP-2 facility is located within the Prado Dam floodplain and is set to be decommissioned.

The IEUA Board awarded the RP-5 Expansion Project construction contract to W.M. Lyles for approximately \$330 million in July 2020. Construction started in January of 2021 and at the end of June 2021 WM Lyles had earned \$53.4 million or 16.2% of the contract. The total project budget is \$450 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. During FY 2020/21 both primary clarifiers and three secondary clarifiers were rehabilitated. Much of new secondary scum pump station was constructed which will pump the scum to the Etiwanda sewer where it will make its way to RP-1 for treatment. The remaining construction activities which include installation of new high speed turbo aeration blowers will be completed in fiscal year 2022. The total project budget is \$23.5 million.



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.

SOUTH ARCHIBALD PLUME REMEDIATION PROJECT

In collaboration with the Chino Basin Desalter Authority (CDA), the South Archibald Plume Remediation project installed groundwater production well, a dedicated raw water pipeline and treatment equipment to facilitate removal of trichloroethylene (TCE) from the South Archibald Plume.

On August 21, 2021, all major design requirements under the TCE Plume Cleanup project were completed. The Northern Well design equipped the area with three new production wells to provide monitoring and pumping of the TCE groundwater contaminants. The Raw Water Pipeline design provided the additional piping to convey pumped groundwater for treatment at the Desalter II facility. Lastly, the Decarbonator Modification design provided additional treatment processes at the Chino II Desalter to manage and treat TCE. Removal of TCE will enhance regional water supplies by permitting use of previously contaminated groundwater.

The majority of the project scope was completed during FY 2020/21 despite delays in the previous fiscal year due to COVID-19 and generator shortages. In July 2020, the Agency and Big Sky Electric (BSE) were able to procure rental generators to supply power to RP-1 while the new gear was installed. The shutdown of the plant began after testing of the portable generators was complete. In the following days, the installation of the first three sections of gear was completed, which allowed the plant to resume receiving power from Southern California Edison (SCE). In the months that followed, the project team worked to install the remaining sections of the 12kV gear and new generator controls. Once equipment was installed, testing was conducted throughout the end of 2020 going into 2021. The equipment was fully tested and commissioned, by March 2021 and the new Primary Metering Cabinet (PMC) was installed by SCE in June 2021. The plant remained in operations throughout the project execution with no interruptions to operations or service delivery.

MAJOR ACCOMPLISHMENTS FOR FY 2020/21

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 areas 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.

In FY 2020/21, the Agency was awarded a total of \$11.2 million dollars in grants and low-interest loans. The following table highlights these major accomplishments.

| GRANTS/LOANS AWARDED | | | |
|--|--------------------|--------------------|---------------------|
| | Grants | Loans | Total |
| SWRCB* RP-5 Recycled Water Pipeline Bottleneck | \$708,260 | \$2,428,909 | \$3,137,169 |
| SWRCB RP-1 1158 Pump Station Upgrades | \$1,550,500 | \$5,142,500 | \$6,693,000 |
| CALRECYCLE Illegal Disposal Sites Abatement | \$397,639 | | \$397,639 |
| SWRCB Prop 68 Chino Basin Improvement and Groundwater Clean-up | \$1,000,096 | | \$1,000,096 |
| Total Grants and Loans Awarded | \$3,656,495 | \$7,571,409 | \$11,227,904 |

*State Water Resources Control Board

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

- The RP-5 Recycled Water Pipeline Bottleneck and RP-1 1158 Pump Station Upgrades projects both received 1.4 percent fixed low-interest rate loans through the State Water Resources Control Board's (SWRCB) Clean Water State Revolving Fund (CWSRF) loan program. These projects will increase efficiencies in the recycled water distribution system and maximize the use of recycled water at the treatment plants. The total loan repayment amount for each project was reduced by Proposition 1 Water Recycling Funding Program grants received through the CWSRF program. The grant funds reduced the repayment amount of the combined projects by approximately 23 percent.
- CalRecycle's Illegal Disposal Site Abatement grant will fund projects at four groundwater recharge basins that will implement automated removal of debris that is illegally dumped in the basins or adjacent channels. This debris reduces the Agency's recharge capacity and is costly to remove without automated processes in place. This grant will not only improve the groundwater replenishment system capacity, but also the costs to effectively maintain the basins.

In FY 2020/21, the Agency submitted a total of eight grant/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 |
| FEMA/Cal-OES COVID-19 Response Efforts | \$337,947 | | \$337,947 |
| CA DOF COVID-19 Technology Expenses | \$122,634 | | \$122,634 |
| Total Applications Submitted/Pending | \$460,581 | | \$460,581 |

The Agency has six Clean Water State Revolving Fund (CWSRF) loan agreements on California's Intended Use Plan (IUP) Fundable List for FY 2020/21, with four agreements in the final stages of review.

| GRANT/LOAN AGREEMENTS IN NEGOTIATION STAGE | | | |
|---|------------------|----------------------|----------------------|
| | Grants | Loans | Total |
| SWRCB RP-5 Expansion | | \$101,530,000 | \$101,530,000 |
| SWRCB RMPU Lower Day Basin Improvements | | \$2,883,000 | \$2,883,000 |
| SWRCB RMPU Wineville/Jurupa/RP-3 Recharge Improvements | | \$11,742,550 | \$11,742,550 |
| SWRCB RMPU Montclair Basin Improvements | | \$1,273,857 | \$1,273,857 |
| SWRCB Philadelphia Force Main Improvements | | \$20,001,412 | \$20,001,412 |
| SWRCB RP-1 Disinfection Improvements | | \$8,460,000 | \$8,460,000 |
| MWD Montclair Basin Improvements | \$516,000 | | \$516,000 |
| EPA Regional Wastewater System Improvements | | \$94,200,000 | \$94,200,000 |
| Total Grant/Loan Agreements in Negotiation Stage | \$516,000 | \$240,090,819 | \$240,606,819 |



FUTURE YEARS

Conditions are returning to “normal” as the shelter in place restrictions are lifted and states reopen their economies. The downward trend in the number of COVID-19 infections and related deaths throughout the state and in the region is expected to continue as vaccination rates increase. IEUA staff working remotely since March 2020 are anticipated to return to onsite work as early as September 2021. The Agency will continue to follow preventative measures to ensure the safety and wellbeing of staff, customers, vendors, and the public.

ASSET MANAGEMENT

In addition to the RP-5 Expansion Project currently under construction, the upkeep and improvement of existing facilities and infrastructure will continue to be a priority. To support these efforts more effectively, the Agency has created a new Asset Management department that will lead the Agency’s 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. As part of the Agency’s continual commitment to sustainable cost containment, the Asset Management team is comprised of existing full-time positions.

During FY 2020/21 the Asset Management team defined the Asset Management Commitment, developed a Risk Management Program, created an efficient process for adding and removing assets from the Agency’s asset database, and established a condition assessment master service agreement. Condition assessments 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.

Key areas of focus for FY 2021/22 will be to establish the Asset Management department as a conduit between Operations and Maintenance, Engineering and Finance in prioritizing new projects to be included in the Agency’s Capital Improvement Plan (CIP); implement the Asset Management two-year pilot plan for RP-1 facility (the Agency’s oldest facility), continue to conduct condition assessments of the Agency assets, and expand the Agency’s predictive maintenance program. Additionally, the Asset Management department will continue its efforts in developing various planning documents, including Strategic Asset Management Plan, Asset Management Plan for RP-1, Condition Assessment Master Plan, and Root-Cause Analysis Program.

WATER RELIABILITY

While the expansion and upkeep of Agency regional wastewater facilities and infrastructure will continue to be a primary focus over the next few years, the persistent drought conditions across the state will increase demand for water conservation programs as the Agency's retail water customers focus on reducing water use to meet more stringent regulations. The Department of Water Resources (DWR) expects to announce a zero percent water allocation in 2022 for the State Water Project (SWP); following a historic low five percent water allocation in 2021. This unprecedented action is indicative of the severity of the drought and the historically low levels of water reservoirs across the state.

As the region prepares for another dry season, the Agency joined three other wholesale water districts, Eastern Municipal Water District, San Bernardino Valley Municipal Water District and Western Municipal Water District, to form the Inland Empire Clean Water Partnership (IECWP). A key objective is to increase awareness of and advocate for solutions to regional water quality and supply challenges. Collectively, the participating agencies serve more than three million wholesale, residential, commercial, and agricultural water users throughout San Bernardino and Riverside counties. The IECWP will align strategy and implement best practices for more effective regional water solutions. The "Keep It Up Inland Empire" campaign to be launched by the IECWP will recognize the region's efforts in water use efficiency and revitalize awareness of what everyone can do to conserve water during a drought.

The Agency will continue the evaluation and outreach with multiple stakeholders in the Chino Basin area to secure conditional funding of \$212 million awarded to the Agency by the California Water Commission to the CBP/WSIP.

Additionally, IEUA and its member agencies will continue to allocate funds to targeted programs, such as residential, commercial, industrial, institutional, and landscaping, and seek grant funding opportunities whenever applicable to maintain and launch programs identified in the Water Use Efficiency Business Plan. To ensure the programs are meeting customer needs, the Agency plans to work collectively with its member agencies to evaluate the Water Use Efficiency (WUE) program structure and integrate recommended changes in fiscal year 2023.

FISCAL RESPONSIBILITY

As part of the Agency's continual commitment fiscal responsibility, the 2022 Rate Study is intended to evaluate the existing rate structure of the Recycled Water and Non-Reclaimable Wastewater programs to ensure costs are recovered equitably and fairly from those benefiting from the service and to provide revenue stability and rate predictability.

The first phase of the 2022 Rate Study, evaluation of the recycled water rates, is expected to be completed in 2022. A key objective of the evaluation is to transition from a 100 percent volumetric based rate structure to one that provides more revenue stability and fully recovers the cost of service. If approved, the new rate structure will be in effect beginning July 1, 2022. The second phase, evaluation of the Non-Reclaimable Wastewater program, is planned for fiscal year 2022/23.

The Agency will continue to pursue federal, state, and local funding to support CIP investments. In October 2020, the Agency submitted a Letter of Interest (LOI) for the second round of funding of the Water Infrastructure Finance and Innovation Act (WIFIA) loan program to support the Agency's Regional Wastewater System Improvement Project. The Agency's LOI was one of 55 projects across 20 states that were selected by the EPA and invited to submit a full application.

At an overall cost of \$192 million, the Regional Wastewater Improvements Project (Project) is comprised of a suite of four capital projects:

- 1) **The RP-5 Expansion Project** will address projected regional growth and anticipated increased capacity needs by expanding the RP-5 Liquids Treatment System and construction of a new solids treatment plant at RP-5. This project has a current WIFIA loan and the new LOI requests additional funds to cover the difference in increased construction costs.
- 2) **The RP-1 Solids Thickening Project** is intended to increase the RP-1 solids handling capacity, increase RP-1 solids treatment system efficiency, and benefit the liquids treatment processes at both RP-1 and RP-4.
- 3) **The Philadelphia Force Main Improvements Project** will increase the flow capacity and overall efficiency of lift stations that convey industrial wastewater and safeguard the high quality of recycled water.
- 4) **The CCWRF Process Improvements Project** will enhance the facility's ability to reliably produce high quality recycled water and simplify operation and maintenance of the facility. The Project will construct improvements to the primary and secondary treatments to ensure treated wastewater meets Title 22 requirements.

The Agency's application will request a low-interest loan of \$94 million, the maximum 49 percent eligible amount of overall project costs. The remaining balance of project costs will be funded through a combination of pay-go and low-interest state loans.

The Agency will also continue its advocacy on local, state, and federal legislation that impacts the region; sustainable cost containment of expenditures within budgeted targets; and continual oversight of preparation of long-term planning documents, to ensure fiscal stability of the Agency for the next decade.

TRAINING, DEVELOPMENT, AND SUCCESSION PLANNING

The Agency is committed to its Learning and Development programming to maximize individual and organizational performance. A collaborative needs assessment conducted by the Agency's Human Resources department was the basis for the training and development program.

Additionally, the Agency actively engages management in succession planning through its Succession Planning Roadshow program and continues to collaborate with community partners and similarly situated agencies to develop a pipeline of talent to ensure continuity of Agency operations.

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 CliftonLarsenAllen, 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 Inland Empire Utilities Agency (IEUA/Agency) was presented with five Santa Ana River Basin Section (SARBS) awards from the California Water Environment Association (CWEA). CWEA's SARBS awards aims to encourage outstanding achievements within the water industry, improve the professional status of those working in the industry and promote public awareness of the importance of wastewater treatment to public health and the water environment. The awards were received in three categories:

The Community Engagement & Outreach-Best Use of Social Media Award was presented on behalf of the Agency's "No Wipes Down the Pipes" campaign and highlights achievements in promoting awareness and understanding of water quality issues using social media. The campaign was completed fully in-house and advocates for the proper disposal of wipes and various hygiene products while educating the public on the negative impacts these actions impose on city infrastructure.

The Community Engagement & Outreach-Project of the Year (Small Budget) Award was presented on behalf of the Agency's Water Discovery Program that has shifted to a virtual platform and is now a resource under the Agency's newest education program, "Owlies' Virtual Adventures." Like the social media campaign, the education program was completed fully in-house in response to a shift towards a virtual learning environment. The program offers a variety of free, educational resources and can be accessed online by visiting <https://www.ieua.org/owlies-virtual-adventures/>.

The Engineering & Research-Engineering Achievement Award was presented on behalf of the Agency's San Sevaine Basin Improvements Project and recognizes outstanding projects by an individual, group or agency. The project is a partnership between IEUA and Chino Basin

Watermaster with the goal of increasing local groundwater supply in the Chino Basin area in order to reduce the region's dependency on imported water and increase local resiliency to drought.

A second Engineering & Research-Engineering Achievement Award was presented on behalf of the Agency's Regional Water Recycling Plant No. 1 (RP-1) 12kV Switchgear and Generator Controls Replacement Project. The project replaced the 12kV switchgear and generator controls with modern technology in order to increase reliability of RP-1 and provide safety and flexibility for IEUA's Operations and Maintenance staff.

The Operations & Maintenance-Operator of the Year-Silver Award was presented to Kirols Nashed, IEUA Wastewater Treatment Plant Operator V. The award recognizes outstanding contributions to the operations of wastewater treatment facilities and plant processes.

Additional awards received by the Agency related to education and finance are:

2020 Public Outreach & Education – Large Agency Award from the California Association of Sanitation Agencies (CASA) for the Agency's newest education program, "Owl's Virtual Adventures. The award recognizes the development and implementation of programs that impact or educate the local community on issues important to the industry. The Agency launched "Owl's Virtual Adventures" in April 2020. The transition to a virtual platform was implemented due to the learning environment shift from in-class lessons to a digital online learning model. The free, interactive virtual program features a variety of educational resources including Wally's Water Conservation Camp, virtual tours, a series of 'At-Home Activities' from our popular Water Discovery Field Trip Program, how-to videos on YouTube, and more. Each activity aligns with Next Generation Science Standards (NGSS) and Science, Technology, Engineering, Arts and Mathematics (STEAM) components and is geared towards K-12 students.

Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) awarded for Inland Empire Utilities Agency annual financial comprehensive report for the fiscal year ended June 30, 2020. 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, CliftonLarsonAllen 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



Javier Chagoyen-Lazaro
Acting Executive Manager of Finance
and Administration/Assistant General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

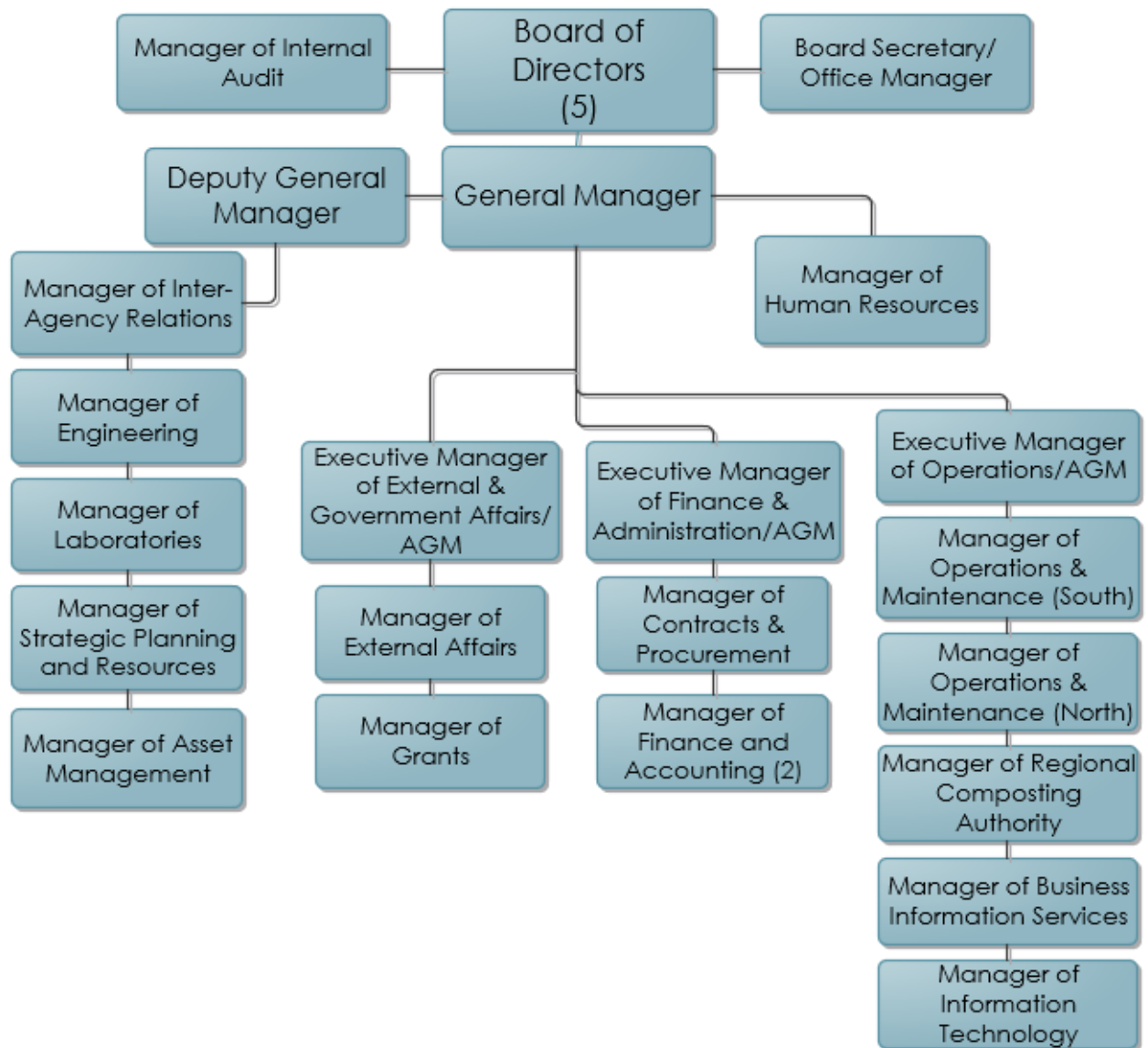


RP-1 BLOWER LAMELLA SILENCERS UPGRADES TO IMPROVE PERFORMANCE AND RELIABILITY

Inland Empire Utilities Agency

FY 2020/21

Organizational Chart



INLAND EMPIRE UTILITIES AGENCY

Principal Officials

June 30, 2021

BOARD OF DIRECTORS

| | |
|---------------------------|----------------------------|
| <i>Jasmin A. Hall</i> | <i>President</i> |
| <i>Michael E. Camacho</i> | <i>Vice President</i> |
| <i>Steven J. Elie</i> | <i>Secretary/Treasurer</i> |
| <i>Paul Hofer</i> | <i>Director</i> |
| <i>Marco Tule</i> | <i>Director</i> |

SENIOR LEADERSHIP

| | |
|---------------------------|--|
| <i>Shivaji Deshmukh</i> | <i>General Manager</i> |
| <i>Christiana Daisy</i> | <i>Deputy General Manager</i> |
| <i>Kathy Besser</i> | <i>Executive Manager - External & Government Affairs/AGM</i> |
| <i>Randy Lee</i> | <i>Executive Manager - Operations/AGM</i> |
| <i>Christina Valencia</i> | <i>Executive Manager – Finance & Administration/AGM</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 who, based on leadership, creativity, performance, teamwork, and other individual outstanding characteristics, are nominated by their peers. Additionally, candidates are voted on by a Selection Committee, which is comprised of the STAR recipients of the previous year. The STAR program has continued to gain acceptance, and the annual award for the Employee of the Year has become a much-anticipated event within the Agency.

For the purposes of the STAR Program, the Agency is divided into three categories: 1) Finance/Administration, 2) Engineering/Planning, and 3) Operations. Each of these categories have two representatives who serve on the Selection Committee (a total of six committee members) with the Employee of the Year recipient serving as the Committee Chair. Though the STAR program started as a quarterly program, it was modified in Fiscal Year 1999/2000 to a semi-annual award, to encourage greater program participation. Accordingly, the prize award was increased to attract more employee appeal.

First Half FY 2020/2021 Winners

Finance/Administration
Miriam Solis

Engineering/Planning
Christian Gomez

Operations
Edward Chavez

Second Half FY 2020/2021 Winners

Finance/Administration
Brandon Duncan

Engineering/Planning
Ryan Ward

Operations
Rodney Brees



IEUA STAR AWARD RECIPIENT EMPLOYEE OF THE YEAR

Rodney's experience and knowledge made him the perfect fit to take the lead for RP-1 Operations on an unprecedented number of construction projects and maintenance shutdowns. Rodney prepared RP-1 Operations for construction projects and Maintenance shutdowns during the COVID-19 pandemic, which was an unpredictable year that also required implementing changes to protect employees and contractors onsite.

Rodney reviewed the shutdown requests, examined the proposed worksites and prepared operational response plans to accommodate over 40 shutdowns! Rodney didn't stop at planning and preparing; Rodney executed many of the shutdowns during dark time operations. Through it all, Rodney displayed a positive and enthusiastic attitude.

A great philosopher named Michael Tyson once said, "everyone has a plan until they get hit in the face". Even when Rodney was hit with unexpected changes, he used his creativity to overcome changes in the field during shutdowns. He had to adapt to unforeseen changes in duration, process, additional impacts, and side effects. One such example of this is peak influent plant flows coming into the plant when a shutdown went longer than the contractor planned.

Rodney's supervisor received several emails and phone calls from other department staff and managers expressing their gratitude for Rodney's teamwork, professionalism, and willingness to work together to accomplish the mission!

Rodney has been with the Agency many years, so it makes it particularly special to witness Rodney's excellent performance, can do attitude, and dedication to his craft, his co-workers, and the Operations Department. Rodney is definitely a STAR!



AGENCY-WIDE ROOFING PHASE III TO EXTENDS ASSET LIFE



INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Empire Utilities Agency
Chino, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency (Agency) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Agency as of June 30, 2021, 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 pension plan contributions, the schedule of changes in net OPEB liability and related ratios, and the schedule of OPEB plan contributions 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 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 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, 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 "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Irvine, California
December 3, 2021



RP-1 AERATION MEMBRANE REPLACEMENT

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, 2021. 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, Expenses, Deferred Inflows, and Deferred Outflows 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 solar and wind.

Total revenues, including grants and subsidies, of \$296,617,000 for Fiscal Year (FY) 2020/21 reported an increase of \$38,739,622 compared to \$257,877,378 recorded for FY 2019/20. The overall increase includes a \$17,165,821 increase in capital grants due to the Federal Principal Forgiveness Grants (PFG) and grant receipt for the South Archibald Trichloroethylene (TCE) Plume Clean Up Project; a \$10,830,308 increase in operating revenue; and 3) a \$10,743,493 increase in non-operating revenues. The net increase in non-operating revenues was primarily due to 1) a \$12,473,295 increase in wastewater connection fees and 2) a \$11,521,868 increase in property tax revenue. These increases were offset by 1) a \$9,685,119 decrease in other non-operating revenues due to lower capital project expenditures reimbursements and lower gain on long-term investments; 2) a \$2,348,221 decrease in water connection fees due to lower connection installations; 3) a \$1,218,330 decrease in interest income.

The increase in operating revenue of \$10,830,308 is primarily due to 1) a \$4,793,359 increase in water sales due to withdrawal of the Dry Year Yield Conjunctive Use (DYY CUP) water by member agencies and three percent rate increases from Metropolitan Water District; 2) a \$3,290,905 increase in service charges as a result of an increase in the number of EDU units reported by contracting agencies; and 3) a \$2,746,044 increase in recycled water as a result of higher demand.

Total expenses of \$193,930,356 for FY 2020/21 reported a decrease of \$224,743 compared to \$194,155,099 recorded in FY 2019/20. The overall decrease includes a reduction in non-operating expenses of \$7,298,961, offset by an increase in operating expenses of \$7,074,218. The decrease in non-operating expenses was primarily due to a \$13,552,989 decrease in other nonoperating expenses due to lower cost for the South Archibald TCE Plume Cleanup Project offset by an increase of \$6,254,028 in interest on long-term debt due to interest expense on the 2020B Revenue Notes issued in June 2020.

The increase in operating expenses was primarily due to 1) a \$5,081,591 increase in imported water withdrawals from the DYY CUP program from MWD and three percent rate increases from Metropolitan Water District; 2) a \$1,067,763 increase in wastewater collection, treatment, and disposal due to higher work orders in operations and maintenance to maintain processes in good condition; 3) a \$861,525 increase in operations and maintenance; and 4) a \$858,980 increase in administration and general as a result of an increase in program services. These increases were partially offset by a \$795,641 decrease in depreciation and amortization.

FINANCIAL HIGHLIGHTS

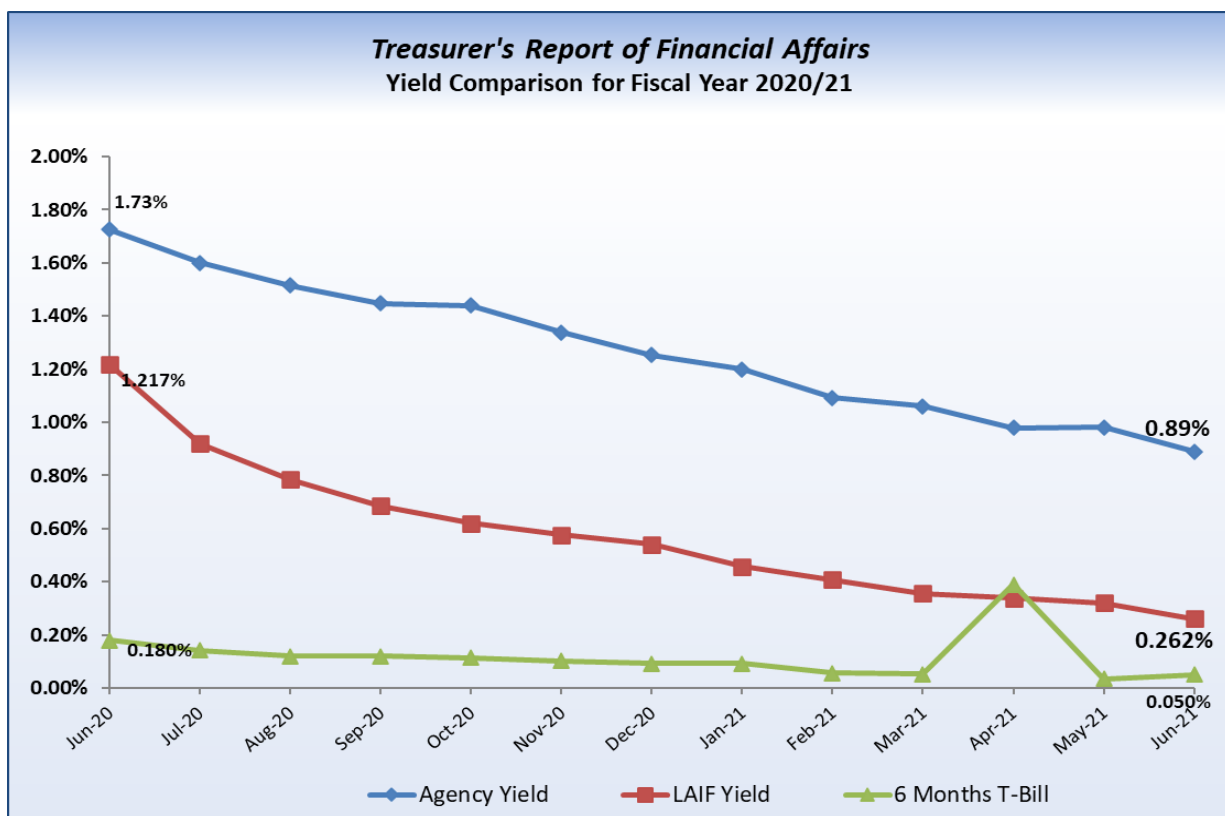
CASH AND INVESTMENT MANAGEMENT

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, 2021, 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.

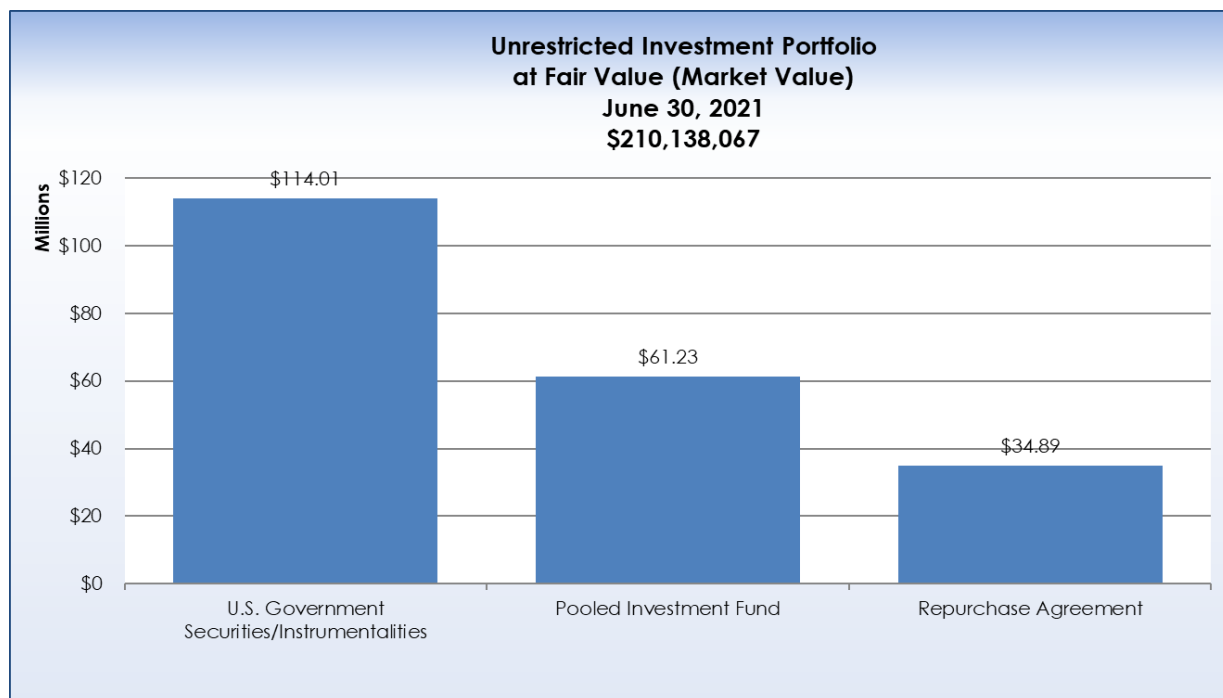
INVESTMENT PORTFOLIO PERFORMANCE

The Agency's overall portfolio rate of return decreased from 1.73 percent in June 2020 to 0.89 percent as of June 30, 2021.

Total interest income for FY 2020/21 was \$3,011,265, a decrease of twenty nine percent compared to \$4,229,596 in FY 2019/20. The decrease in interest income is primarily because of the lower interest rates, due to market conditions 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 fair value for the fiscal years ended June 30, 2021, and June 30, 2020, were \$210,138,067 and \$150,088,095, respectively. Not included are restricted funds held in trust or by a custodian, such as deposits held by CalPERS to support the Agency's Other Post-Employment Benefits (OPEB) unfunded accrued liability, 2020B Revenue Notes to support construction costs for the RP-5 Expansion Project, One 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

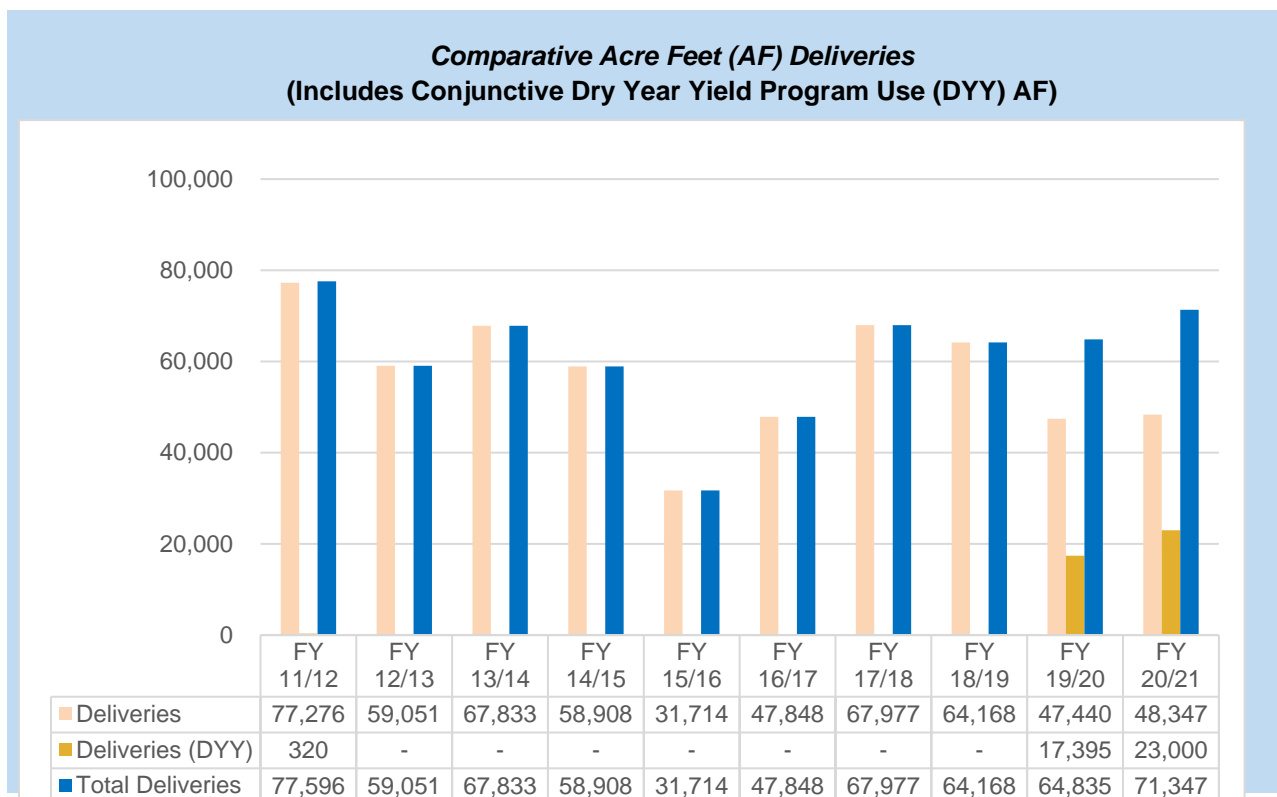
Under the provisions of the Operation and Maintenance Agreement between the Agency and the Chino Basin Desalter Authority (CDA), the Agency provides the appropriate personnel to manage the production, treatment, and distribution of the water produced at the Chino I desalination facility (Chino I Desalter).

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 2020/21, the total amount billed was \$1,315,738 and reported as non-operating revenue.

IMPORTED WATER DELIVERIES

Imported water deliveries for FY 2020/21 were 71,347 acre-feet (AF) compared to 64,835 AF in FY 2019/20, an increase of 6,512 AF. The increase in imported water over the last two fiscal years, as reported in the bar graph below, is mainly due to deliveries under the Metropolitan Water District of Southern California Conjunctive Use Dry Year Yield Program (MWD DYY). The MWD DYY program enables MWD to store up to 100,000 acre-feet of imported water groundwater in the Chino Basin when surplus water is available during “wet years” and produce up to 33,000 acre-feet per year during dry, drought, or emergency periods. MWD DYY deliveries of 17,395 AF and 23,000 AF were recorded in FYs 2019/20 and 2020/21, respectively.

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 fiscal years 2017/18 and 2018/19 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.



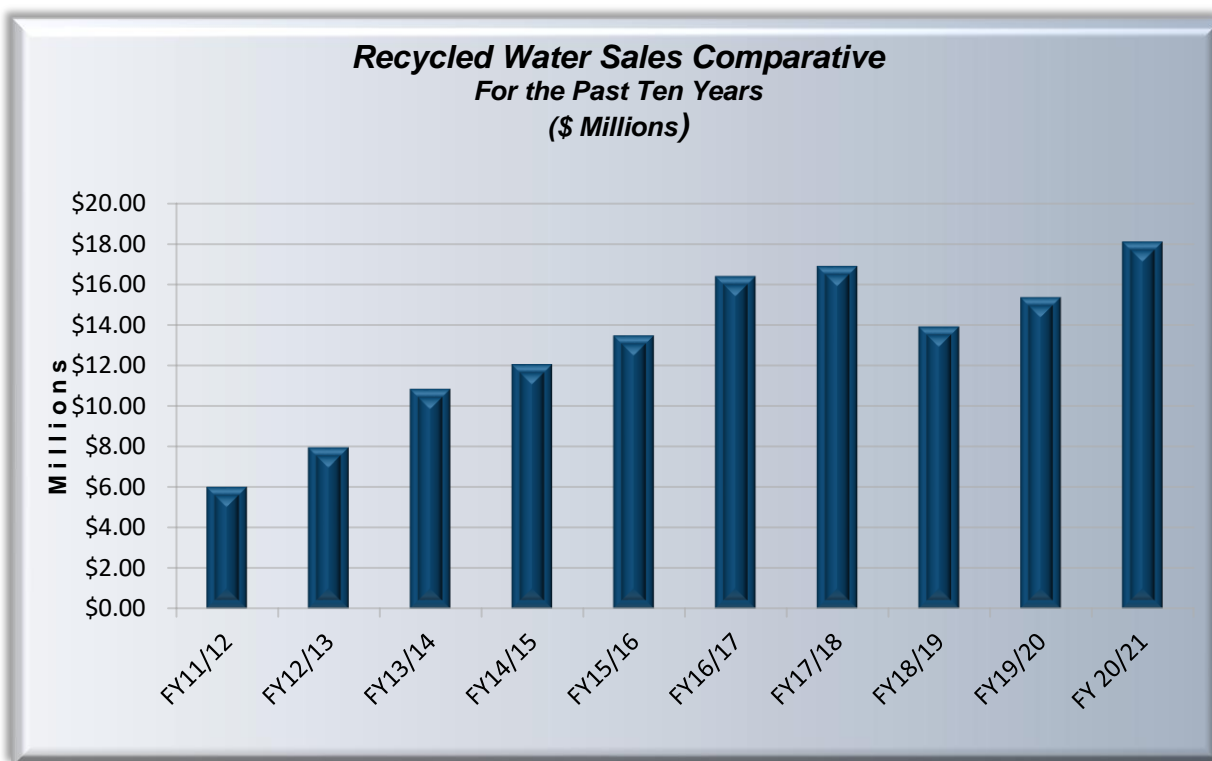
The total operating revenue in the Water Resources Fund increased by \$5,439,425 in FY 2020/21 to \$53,053,096 from \$47,613,671 in FY 2019/20. The increase is due to higher water deliveries for the MWD DYY program, three percent rate increases by Metropolitan Water District, and the implementation of a phased in methodology to recover passthrough Readiness to Service Fees (RTS). In FY 2020/21 the Agency recovered up to 90 percent of the RTS passthrough cost.

Service charge revenue increased to \$5,126,172 in FY 2020/21 from \$4,967,078 in FY 2019/20, due a higher number of Meter Equivalent Units (MEUs) reported by member agencies. MEU reported in FY2020/21 were 410,751 units compared with 398,003 units reported in FY2019/20.

The total operating expenses increased to \$53,599,486 in FY 2020/21 from \$47,434,945 in FY 2019/20. The increase was primarily due to higher water deliveries, increased expenses related to water use efficiency projects, and general and administration expenses.

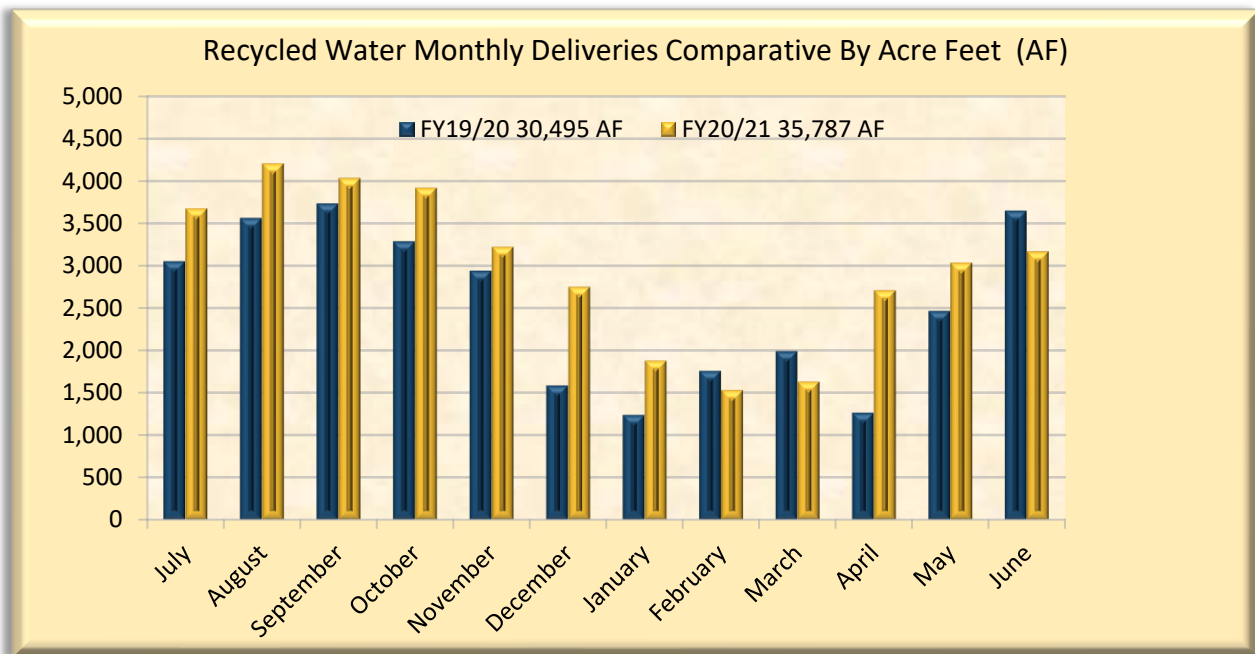
RECYCLED WATER SALES

Total recycled water sales increased by \$2,746,044 to \$18,094,729 in FY 2020/21, compared to \$15,348,685 in FY 2019/20.



The 15 percent increase in revenues was primarily due to an increase in recycled water deliveries from 30,495 acre-feet (AF) in FY 2019/20 to 35,787 AF in FY 2020/21 Total operating expenses increased by \$237,115 to \$18,103,237 in FY 2020/21 from \$17,866,122 in FY 2019/20 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, 2021 was \$109,445,125, an increase by \$17,802,602 from \$91,642,523 on June 30, 2020. The increase was primarily due to Federal and State capital grants for recycled water related projects, for a total of \$10,692,112, and one-water capital connection fees receipts in amount of \$5,699,920.



A total of 35,787 AF was registered for direct use and recharged recycled water deliveries, compared to 30,495 AF for last fiscal year, an increase of nearly 15 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 \$167,934,967 in FY 2020/21, an increase of \$21,151,671, or 13 percent, over last fiscal year, which totaled \$ 146,783,296.

Revenues by Category – Regional Wastewater Program
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

| Revenue Category | 2020/21 | | 2019/20 | | Increase/<Decrease> from 2019/20 | |
|------------------------------|-----------------------|---------------|-----------------------|---------------|-------------------------------------|----------------|
| | AMOUNT | % OF TOTAL | AMOUNT | % OF TOTAL | AMOUNT | % OF CHANGE |
| Service Charges | \$ 71,362,495 | 42% | \$ 68,506,127 | 47% | \$ 2,856,368 | 4% |
| Property Tax Receipts | 53,186,310 | 32% | 45,697,096 | 31% | 7,489,214 | 16% |
| Wastewater Connection Fees | 36,732,365 | 22% | 24,259,070 | 17% | 12,473,295 | 51% |
| Other Non-operating Revenues | 4,397,889 | 3% | 5,694,339 | 4% | (1,296,450) | (23)% |
| Interest Income | 2,255,908 | 1% | 2,626,664 | 2% | (370,756) | (14)% |
| Total Revenues | \$ 167,934,967 | 100% | \$ 146,783,296 | 100% | \$ 21,151,671 | 14% |

The Agency's FY 2020/21 service charges of \$71,362,495, were \$2,856,368 or four percent higher compared to FY 2019/20 total of \$68,506,127. The increase is primarily due to an increase of approximately four percent or 140,709 in the number of billable EDUs to 3,540,422 in FY2020/21 from 3,399,713 in FY2019/20, as reported by member agencies reported in FY 20/21. The Agency Board of Directors adopted in 2020 a rate freeze for FY 2020/21 due to COVID-19.

Property tax receipts allocated to the Regional Wastewater Program increased \$7,489,214, or 16 percent from \$45,697,096 in FY 2019/20 to \$53,186,310 in FY 2020/21 primarily driven by an increase of the overall property taxes received by the Agency. Property taxes are the result of an increase in assessed property values, per the San Bernardino County Treasurer-Tax Collector.

Wastewater connection fees increased by \$12,473,295, or 51 percent in FY 2020/21 to \$36,732,365 from \$24,259,070 in FY 2019/20, due to an increase in new connections reported by contracting agencies. Total number of EDUs reported by the contracting agencies in FY 2020/21 were 5,281 units compared to 3,435 units in FY 2019/20. Cucamonga Valley Water District, Cities of Ontario, Chino, Fontana, and Upland accounted for 98 percent of the total number of new wastewater connections.

Other non-operating revenues were \$4,397,889 in FY 2020/21 compared to \$5,694,339 in FY 2019/20, a decrease of \$1,296,450 or 23 percent. The decrease is primarily due one-time events in FY 2019/20 related to LIBOR settlement received by the Agency, and an easement sale to the Chino Preserve Development Corporation.

Interest income decreased from \$2,626,664 in FY 2019/20 to \$2,255,908 in FY 2020/21 due to lower interest rates.

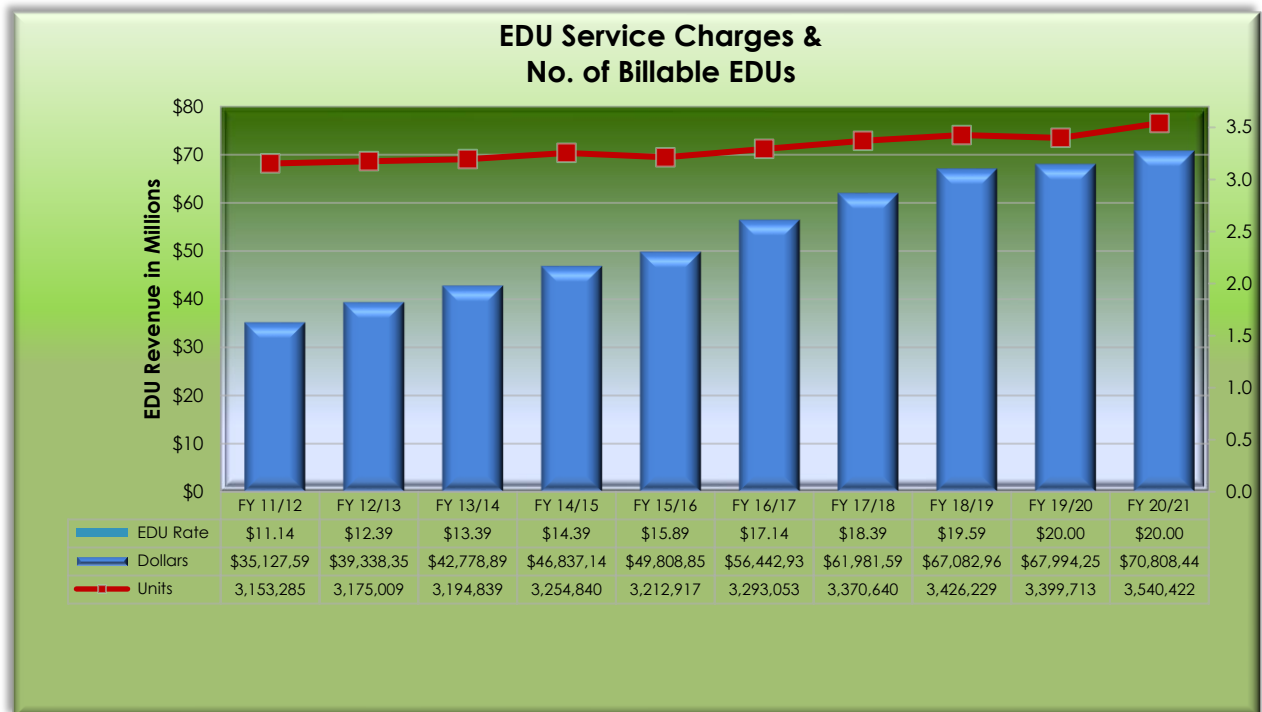
Expenses by Category – Regional Wastewater Program
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

| Expense Category | 2020/21 | | 2019/20 | | Increase/<Decrease> from 2019/20 | |
|----------------------------------|--------------------|---------------|--------------------|---------------|-------------------------------------|----------------|
| | AMOUNT | % OF TOTAL | AMOUNT | % OF TOTAL | AMOUNT | % OF CHANGE |
| Wastewater Collection | \$ 1,384,021 | 1% | \$ 1,677,975 | 2% | \$ (293,954) | (18)% |
| Wastewater Treatment | 22,548,656 | 22% | 20,958,634 | 20% | 1,590,022 | 8% |
| Wastewater Disposal | 10,778,250 | 11% | 11,077,003 | 11% | (298,753) | (3)% |
| Total Wastewater Expenses | 34,710,927 | 34% | 33,713,612 | 32% | 997,315 | 3% |
| Administration & General | 28,640,270 | 28% | 26,647,122 | 25% | 1,993,148 | 7% |
| Depreciation & Amortization | 24,308,990 | 24% | 24,788,328 | 24% | (479,338) | (2)% |
| Interest on long-term debt | 10,430,253 | 10% | 3,953,044 | 4% | 6,477,209 | 164% |
| Other nonoperating exp | 3,674,416 | 4% | 15,880,923 | 15% | (12,206,507) | (77)% |
| Total Expenses | 101,764,856 | 100% | 104,983,029 | 100% | (3,218,173) | (3)% |

Total expenses for FY 2020/21 were \$101,764,856, a decrease of \$3,218,173, or three percent, compared to \$104,983,029 in FY 2019/20. Total wastewater collection, treatment, and disposal costs increased by \$997,315, or three percent to \$34,710,927 in FY 2020/21, primarily due higher cost related to wastewater treatment activities. Interest on long-term debt increased by \$6,477,209, or 164 percent to \$10,430,253 in FY 2020/21 from \$3,953,044 in FY 2019/20, mainly due to higher interest costs for the 2020B Revenue notes and refinancing activities closed in FY 2019/20. Administration and general expenses increased by \$1,993,148 or seven percent to \$28,640,270 in FY 2020/21, compared to \$26,647,122 in FY 2019/20. The increase was mainly due to higher pension expenses and insurance premiums.

Total other non-operating expenses of \$3,674,416 represents a 77 percent decrease compared to \$15,880,923 reported in FY 19/20. The decrease is primarily due to a reduction in contributions in aid to the TCE Plume Cleanup Project which is in the final stages of completion, and the increase in deferred finance amortization related to the 2020A Revenue Bonds refinancing.

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/IEBL, are conveyed through pipelines operated by the Santa Ana Watershed Project Authority (SAWPA) to the Orange County Sanitation District (OCSAN) 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/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 2020/21 for the North and South systems decreased by \$211,529 to \$12,471,174 compared to \$12,682,703 reported in FY 2019/20. The decrease in revenues is primarily due to lower flows compared to the prior fiscal year.

Total operating expenses in FY 2020/21 increased by \$346,073 to \$10,316,066 compared to \$9,969,993 in FY 2019/20. The increase is mainly due Agency maintenance, and general and administration expenses. The net position at June 30, 2021 increased by \$2,968,136 to \$36,332,359.

NRW Pass through Rates
For the Fiscal Year Ended June 30, 2021

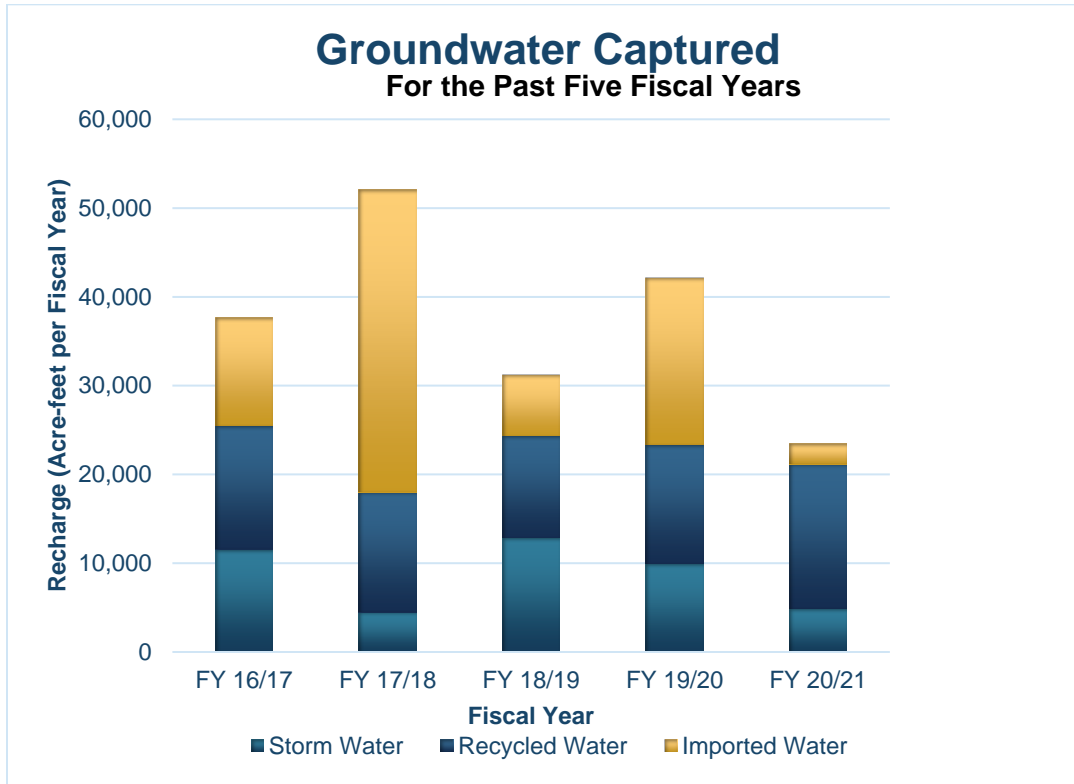
| Rate Description | 2020/21 | 2019/20 |
|---------------------------------|----------|----------|
| <i>North System</i> | | |
| Monthly Capital Improvement Fee | \$8.00 | \$8.00 |
| Operation & Maintenance Charge | \$20.25 | \$20.25 |
| Monthly Volumetric Fee | \$940.00 | \$940.00 |
| Total Suspended Solids (TSS) | \$470.00 | \$470.00 |
| Chemical Oxygen Demand (COD) | \$166.00 | \$166.00 |
| Peak Flow Fee | \$357.00 | \$357.00 |
| | | |
| <i>South System</i> | | |
| Monthly Capital Improvement Fee | \$90.00 | \$90.00 |
| Monthly Capacity Unit Fee | \$418.67 | \$418.67 |
| Monthly Volumetric Fee | \$979.00 | \$979.00 |
| Total Suspended Solids (TSS) | \$442.00 | \$442.00 |
| Biochemical Oxygen Demand (BOD) | \$316.00 | \$316.00 |

A total of forty-seven users were connected to the NRW System (North and South) during FY 2020/21, with a total annual flow of 1,458 million gallons, compared to 1,500 million gallons in FY 2019/20.

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 included in 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 and the Agency for its pro-rata share of costs based on recharged deliveries of recycled water.

Total operating expenses recorded in FY 2020/21 were \$3,185,539, a decrease of 742,233 compared to \$3,927,772 in FY 2019/20. The decrease is due to lower contractual service fees related to basin cleaning and maintenance, and decreased depreciation and amortization expenses. Grant revenues totaled \$1,154,578 in FY 2020/21, mainly in Federal and State capital grants for groundwater cleanup and basin improvement. As of June 30, 2021, total net position was \$34,587,328, an increase of \$331,679 over the prior fiscal year of \$34,255,649.



REVENUES

Combined revenues and other funding sources for the fiscal year totaled \$297,617,000 an increase of \$38,739,622 compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2020/21 and 2019/20.

Combined Revenues and Other Funding Sources by Category - All Funds
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

| Revenue & Other Funding Sources | 2020/21 | | 2019/20 | | Increase/(Decrease) from 2019/20 | |
|---|-----------------------|---------------|-----------------------|---------------|-------------------------------------|----------------|
| | AMOUNT | % OF TOTAL | AMOUNT | % OF TOTAL | AMOUNT | % OF CHANGE |
| Service Charges | \$ 91,325,416 | 31% | \$ 88,034,511 | 34% | \$ 3,290,905 | 4% |
| Water Sales | 45,561,349 | 15% | 40,767,990 | 16% | 4,793,359 | 12% |
| Recycled Water Sales | 18,094,729 | 6% | 15,348,685 | 6% | 2,746,044 | 18% |
| Interest Income | 3,011,265 | 1% | 4,229,595 | 2% | (1,218,330) | (29)% |
| Property Tax Receipts | 67,134,938 | 23% | 55,613,070 | 22% | 11,521,868 | 21% |
| Water Connection Fees | 5,699,920 | 2% | 8,048,141 | 3% | (2,348,221) | (29)% |
| Wastewater Capital Connection Fees | 36,732,365 | 12% | 24,259,070 | 9% | 12,473,295 | 51% |
| Other Non-operating Revenues | 6,390,462 | 2% | 16,075,581 | 6% | (9,685,119) | (60)% |
| Capital Grants | 22,666,556 | 8% | 5,500,735 | 2% | 17,165,821 | 312% |
| Total Revenues & Contributions | \$ 296,617,000 | 100% | \$ 257,877,378 | 100% | \$ 38,739,622 | 15% |

Service Charges

Increase is primarily due to higher number of EDUs reported by contracting agencies

Water Sales

Increase is due to the increase in water deliveries

Property Tax Receipts

Increase is primarily due to higher assessed property values.

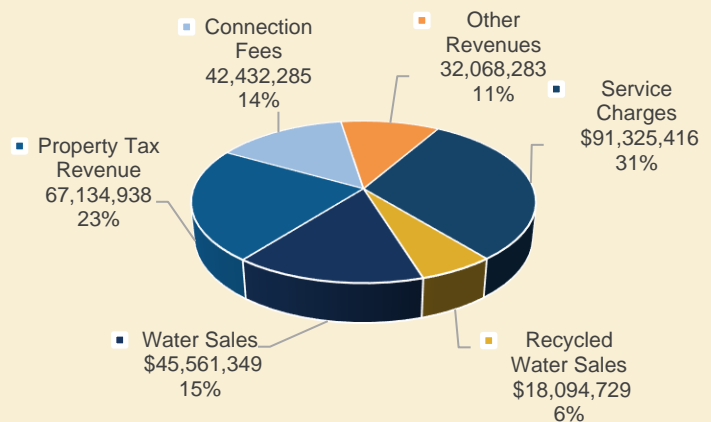
Capital Grants

Increase is primarily due to Federal Principal Forgiveness Grants (PFG) and grant receipts for the South Archibald Trichloroethylene (TCE) Plume Cleanup Project.

Other Non-operating Revenues

A reduction in capital project expenditures reimbursements and in gain on long-term investments resulted in the overall decrease.

**Combined Revenue & Other Funding Sources
by Category - All Funds
Fiscal Year 2020/21
\$296,617,000**



EXPENSES

Combined expenses for fiscal year ended June 30, 2021 totaled \$193,930,356, a decrease of \$224,743, compared to the prior fiscal year. The following table presents a comparison of expenses by category for fiscal years 2020/21 and 2019/20.

| Expense Category | 2020/21 | | 2019/20 | | Increase/(Decrease) from 2019/20 | |
|-------------------------------|-----------------------|------------|-----------------------|-------------|----------------------------------|---------------|
| | AMOUNT | % OF TOTAL | AMOUNT | % OF TOTAL | AMOUNT | % OF CHANGE |
| Water Purchases | \$ 45,561,349 | 22% | \$ 40,479,758 | 21% | \$ 5,081,591 | 13% |
| Wastewater Collection | 8,965,048 | 4% | 9,188,554 | 4% | (223,506) | (2)% |
| Wastewater Treatment | 22,548,656 | 12% | 20,958,634 | 11% | 1,590,022 | 8% |
| Wastewater Disposal | 10,778,250 | 6% | 11,077,003 | 6% | (298,753) | (3)% |
| Operations and Maintenance | 5,974,752 | 3% | 5,113,227 | 3% | 861,525 | 17% |
| Administration and General | 44,066,872 | 23% | 43,207,892 | 22% | 858,980 | 2% |
| Depreciation and Amortization | 36,819,224 | 19% | 37,614,865 | 19% | (795,641) | (2)% |
| Interest on Long-Term Debt | 13,883,835 | 7% | 7,629,807 | 4% | 6,254,028 | 82% |
| Other Non-Operating Expenses | 5,332,370 | 3% | 18,885,359 | 10% | (13,552,989) | (72)% |
| Total Expenses | \$ 193,930,356 | 99% | \$ 194,155,099 | 100% | \$ (224,743) | (0.1)% |

Water Purchases

Increase is primarily due to higher delivery from the MWD Dry Year (DYY) program. DYY deliveries increased by 5,605 AF from 17,395 AF in FY2019/20 to 23,000 AF in FY2020/21.

Wastewater Collection/Treatment

Increase is primarily due to higher work orders in operation and maintenance to maintain processes in good condition.

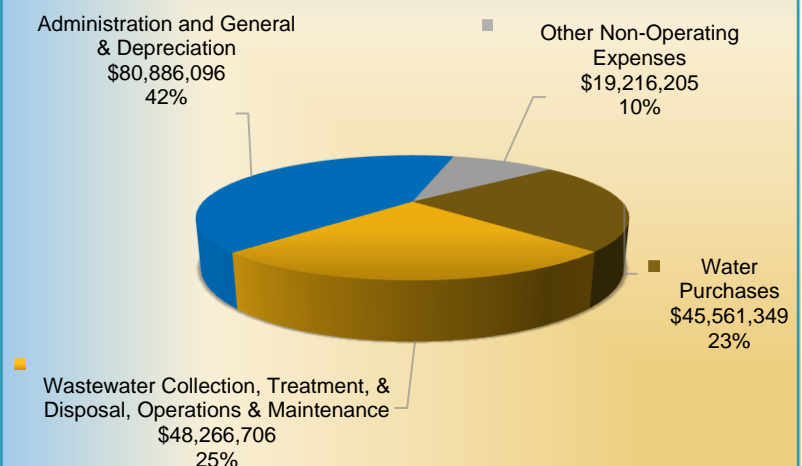
Interest on Long-Term Debt

Increase is due to interest expense on the 2020B Revenue Notes issued in June 2020.

Other Non-Operating Expenses

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

**Combined Expenses by Category - All Funds
Fiscal Year 2020/21
\$193,930,356**



CHANGES IN FINANCIAL CONDITIONS OF THE AGENCY

| Combined Net Position-All Funds | | | | | |
|---|------------|--------------------|------------|--------------------|--|
| For the Fiscal Year Ended June 30, 2021 | | | | | |
| (With Comparative Totals for the Fiscal Year Ended June 30, 2020) | | | | | |
| | FY 2020/21 | | FY 2019/20 | | Increase/(Decrease) from FY 2019/20 |
| Assets | | | | | |
| Current assets | \$ | 265,945,477 | \$ | 211,911,789 | \$ 54,033,688 26% |
| Restricted assets | | 311,286,751 | | 345,572,849 | (34,286,098) (10)% |
| Capital assets | | 761,741,028 | | 687,180,550 | 74,560,478 11% |
| Other assets | | 66,669,879 | | 71,597,553 | (4,927,674) (7)% |
| Total Assets | | 1,405,643,135 | | 1,316,262,741 | 89,380,394 7% |
| Deferred Outflows of Resources | | | | | |
| Deferred outflow-debt refunding | | 2,898,371 | | 3,133,374 | (235,003) (8)% |
| Deferred outflow-net other | | | | | |
| postemployment benefit liability | | 2,011,956 | | 3,106,772 | (1,094,816) (35)% |
| Deferred outflow-net pension liability | | 16,456,764 | | 17,058,433 | (601,669) (4)% |
| Total deferred outflows | | 21,367,091 | | 23,298,579 | (1,931,488) (8)% |
| Liabilities | | | | | |
| Current liabilities | | 56,785,067 | | 46,081,491 | 10,703,576 23% |
| Non-current liabilities | | 493,943,028 | | 518,228,829 | (24,285,801) (5)% |
| Total liabilities | | 550,728,095 | | 564,310,320 | (13,582,225) (2)% |
| Deferred Inflows of Resources | | | | | |
| Deferred inflow-net other | | | | | |
| postemployment benefit liability | | 758,297 | | 1,012,321 | (254,024) (25)% |
| Deferred inflow-net pension liability | | 363,276 | | 1,764,765 | (1,401,489) (79)% |
| Total deferred inflows | | 1,121,573 | | 2,777,086 | (1,655,513) (60)% |
| Net Position | | | | | |
| Net investment in | | | | | |
| capital assets | | 339,650,685 | | 453,236,972 | (113,586,287) (25)% |
| Restricted | | 309,561,979 | | 142,168,409 | 167,393,570 118% |
| Unrestricted | | 225,947,894 | | 177,068,533 | 48,879,361 28% |
| TOTAL NET POSITION | \$ | 875,160,558 | \$ | 772,473,914 | \$ 102,686,644 13% |

Changes in FY 2020/21 compared to FY 2019/20 were:

- ◆ The \$54.0 million increase in Current Assets is due to the \$51.8 million increase in Cash and Investments and the \$2.4 million increase in Accounts Receivable. The 74.6 million increase in Capital Assets is due to an increase in Jobs in Progress of \$111.4 million, mainly composed of the RP-5 Biosolids Facility of \$46.1 million and the RP-5 Expansion to 30 mgd project of \$45.0 million along with an increase in accumulated depreciation of \$36.8 million.

- The Deferred Outflow of Resources for Other Net post-employment benefits liability decreased by \$1.1 million primarily due amortization of changes in investment of \$1.0 million, and a decrease in change in experience of \$.2 million
- The Non-Current Liabilities decreased \$24.3 million primarily due to \$7.3 million in long term debt and \$5.4 million of notes moved to Current Liabilities, and the \$8.6 million in related premium amortization offset by \$3 million decrease in Interfund Loans.
- The Deferred Inflows of Resources for net pension liability decreased \$1.4 million due to: amortization of changes in investment of \$1.0 million, and a decrease in change in experience of \$.3 million and an increase in change in assumptions of \$.7 million.

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

| Item Category | FY 2020/21 | | FY 2019/20 | | Increase/(Decrease) from FY 2019/20 | |
|--|-----------------------|-------------|-----------------------|-------------|--|-------------|
| | Amount | % of Total | Amount | % of Total | Amount | % of Change |
| Total Revenues | \$ 273,950,444 | 31% | \$ 252,376,643 | 33% | \$ 21,573,801 | 9% |
| Total Expenses | 193,930,356 | 22% | 194,155,099 | 25% | (224,743) | (0)% |
| Excess (Deficiency) before Contributions | 80,020,088 | 9% | 58,221,544 | 8% | 21,798,544 | 37% |
| Capital Grants | 22,666,556 | 3% | 5,500,735 | 1% | 17,165,821 | 312% |
| Change in Net Position | 102,686,644 | 12% | 63,722,279 | 8% | 38,964,365 | 61% |
| Beginning Net Position | 772,473,914 | 88% | 708,751,635 | 92% | 63,722,279 | 9% |
| Ending Net Position | \$ 875,160,558 | 100% | \$ 772,473,914 | 100% | \$ 102,686,644 | 13% |

CAPITAL ASSETS

The Agency had total net capital assets of \$761,741,028 in FY 2020/21, compared to \$687,180,550 in FY 2019/20. The \$74,560,478 increase is due to an increase in jobs in progress for the RP-5 Expansion to 30 mgd and the RP-5 Biosolids Facility. The increase is partially offset by an increase of \$36,440,613 in accumulated depreciation and amortization.

Capital Asset Summary – All Funds
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

| Asset Category | 2020/21 | 2019/20 | Increase/ <Decrease> from 2019/20 | % of Change |
|--|-----------------------|-----------------------|---|-------------|
| Land | \$ 14,652,324 | \$ 14,652,324 | \$ - | 0% |
| Land Improvements | 31,250,379 | 31,250,379 | - | 0% |
| Structures and Improvements | 783,999,987 | 779,114,304 | 4,885,683 | 1% |
| Equipment | 283,810,723 | 283,776,642 | 34,081 | 0% |
| Capacity Rights | 14,826,587 | 14,826,587 | - | 0% |
| Water Rights | 1,266,638 | 921,938 | 344,700 | 37% |
| Computer Software | 15,645,690 | 15,280,306 | 365,384 | 2% |
| Jobs in Progress | 197,575,054 | 92,203,811 | 105,371,243 | 114% |
| Sub-total | 1,343,027,382 | 1,232,026,291 | 111,001,091 | 9% |
| Less: Accumulated Depreciation & Amortization | (581,286,354) | (544,845,741) | (36,440,613) | 7% |
| Net Capital Assets | \$ 761,741,028 | \$ 687,180,550 | \$ 74,560,478 | 11% |

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

DEBT MANAGEMENT

As of June 30, 2021, the Agency had outstanding principal bond debt of \$102,630,000.

| Bond Issue | Principal | Premium (discount) | Outstanding on 06/30/21 |
|---------------------|-----------------------|-----------------------|----------------------------|
| 2017A Revenue Bonds | \$ 54,985,000 | \$ 8,607,906 | \$ 63,592,906 |
| 2020A Revenue Bonds | 47,645,000 | 12,573,587 | 60,218,587 |
| TOTAL | \$ 102,630,000 | \$ 21,181,493 | \$ 123,811,493 |

(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, 2021:

- 1) Various Clean Water State Revolving Fund (SRF) loans administered by the State Water Resources Control Board (SWRCB), with an outstanding principal balance of \$88,663,779.
- 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 \$3,591,222.
- 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 \$595,973.

- 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 \$28,366,786, for a total of \$224,801,786, including capitalized interest of \$29,382,065.

In June 2021, the Agency's credit rating for long-term debt was affirmed by two major credit rating agencies:

Moody's: Aa2

Standard and Poor's: AA+

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

INLAND EMPIRE UTILITIES AGENCY

Basic Financial Statements

OVERVIEW

FINANCIAL STATEMENTS

The following Basic Financial Statements, along with the supplementary Notes to the Basic Financial Statements, convey a summary of the Agency's financial position as of June 30, 2021, 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, 2021

| | Enterprise Funds | | |
|---|---------------------|------------------------|-------------------|
| | Regional Capital | Regional Operations | Recycled Water |
| ASSETS | | | |
| Current assets | | | |
| Cash and investments (note 3) | \$ 45,036,611 | \$ 70,662,218 | \$ 22,845,365 |
| Accounts receivable | 659,153 | 23,533,313 | 4,890,204 |
| Interest receivable | 1,347,875 | 151,903 | 43,356 |
| Taxes receivable | 199,242 | 55,879 | 12,699 |
| Other receivables | 347,994 | 278 | 89,232 |
| Inventory | - | - | - |
| Water inventory (note 17) | - | - | - |
| Prepaid items | 1,201 | - | 3,500 |
| Total current assets | 47,592,076 | 94,403,591 | 27,884,356 |
| Noncurrent assets | | | |
| Restricted assets (note 3) | | | |
| Deposits held by governmental agencies | 91,465,009 | - | - |
| Restricted investments | 164,275,998 | - | 23,499,715 |
| Investments held with trustee/fiscal agent | 31,897,857 | 146,540 | 1,590 |
| Total restricted assets | 287,638,864 | 146,540 | 23,501,305 |
| Capital assets (note 7) | | | |
| Land | 14,047,045 | - | 584,450 |
| Jobs in progress | 118,490,756 | 44,500,214 | 11,876,177 |
| Capital assets, net of accumulated depreciation | 249,139,278 | 58,198,393 | 172,355,379 |
| Intangible assets, net of accumulated amortization | 5,111,427 | 2,687,041 | 686,669 |
| Total capital assets | 386,788,506 | 105,385,648 | 185,502,675 |
| Other assets | | | |
| Investment in joint venture (note 11) | 40,110,343 | - | - |
| Long-term receivables (note 10) | 2,236,500 | - | 2,392,038 |
| Advances to other funds (note 14) | 13,500,000 | - | 933,000 |
| Prepaid interest - SRF loans | 564,488 | - | 701,582 |
| Net other postemployment benefits (note 18) | 15,200 | 104,471 | 14,263 |
| Total other assets | 56,426,531 | 104,471 | 4,040,883 |
| Total noncurrent assets | 730,853,901 | 105,636,659 | 213,044,863 |
| Total assets | 778,445,977 | 200,040,250 | 240,929,219 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflow related to debt refunding | 1,325,049 | 165,693 | 1,131,798 |
| Deferred outflow net other postemployment benefit liability | 187,424 | 1,320,660 | 163,705 |
| Deferred outflow related to net pension liability | 1,269,143 | 10,932,336 | 1,430,160 |
| Total deferred outflows of resources | 2,781,616 | 12,418,689 | 2,725,663 |

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

| Water Resources | Non-Major | Totals 2021 |
|--------------------|--------------------|----------------------|
| \$ 22,804,887 | \$ 50,417,469 | \$ 211,766,550 |
| 13,126,711 | 4,287,710 | 46,497,091 |
| 45,972 | 1,556,426 | 3,145,532 |
| 29,403 | 11,489 | 308,712 |
| 4,343 | 70,815 | 512,662 |
| - | 1,332,575 | 1,332,575 |
| 2,273,056 | - | 2,273,056 |
| - | 104,598 | 109,299 |
| <u>38,284,372</u> | <u>57,781,082</u> | <u>265,945,477</u> |
| - | - | 91,465,009 |
| - | - | 187,775,713 |
| - | 42 | 32,046,029 |
| <u>-</u> | <u>42</u> | <u>311,286,751</u> |
| - | 20,829 | 14,652,324 |
| 5,873,275 | 16,834,632 | 197,575,054 |
| 16,652 | 59,165,446 | 538,875,148 |
| - | 2,153,365 | 10,638,502 |
| <u>5,889,927</u> | <u>78,174,272</u> | <u>761,741,028</u> |
| - | - | 40,110,343 |
| 71,743 | - | 4,700,281 |
| - | 6,000,000 | 20,433,000 |
| - | - | 1,266,070 |
| 7,181 | 19,070 | 160,185 |
| <u>78,924</u> | <u>6,019,070</u> | <u>66,669,879</u> |
| 5,968,851 | 84,193,384 | 1,139,697,658 |
| <u>44,253,223</u> | <u>141,974,466</u> | <u>1,405,643,135</u> |
| - | 275,831 | 2,898,371 |
| 66,400 | 273,767 | 2,011,956 |
| 821,131 | 2,003,994 | 16,456,764 |
| <u>887,531</u> | <u>2,553,592</u> | <u>21,367,091</u> |

INLAND EMPIRE UTILITIES AGENCY
Statement of Net Position (Continued from previous page)
June 30, 2021

| | Enterprise Fund Types | | |
|--|-----------------------|------------------------|-------------------|
| | Regional Capital | Regional Operations | Recycled Water |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 8,183,870 | \$ 6,818,919 | \$ 563,932 |
| Accrued liabilities | 21,385 | 15,357 | - |
| Compensated absences | - | - | - |
| Retentions payable | 59,806 | 857,584 | 157,338 |
| Long-term debt, due within one year (note 12) | 2,681,591 | 198,940 | 3,563,939 |
| Notes payable, due within one year (note 12) | 1,858,796 | 731,598 | 2,521,258 |
| Interest payable | 1,607,259 | 180,077 | 3,130,555 |
| Retention deposits and escrows | 2,515,559 | 146,515 | 1,418 |
| Total current liabilities | 16,928,266 | 8,948,990 | 9,938,440 |
| Noncurrent liabilities | | | |
| Compensated absences | - | - | - |
| Long-term debt, due in more than one year (note 12) | 46,092,926 | 3,436,460 | 51,681,377 |
| Notes payable, due in more than one year (note 12) | 242,025,651 | 21,847,608 | 48,667,849 |
| Advances from other funds (note 14) | - | - | 19,500,000 |
| Other noncurrent liabilities | - | - | 589,298 |
| Net pension liability (note 5) | 4,544,988 | 25,342,329 | 3,725,328 |
| Total noncurrent liabilities | 292,663,565 | 50,626,397 | 124,163,852 |
| Total liabilities | 309,591,831 | 59,575,387 | 134,102,292 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflow net other postemployment benefit liability | 71,883 | 490,756 | 73,899 |
| Deferred inflow related to net pension liability | 21,334 | 239,869 | 33,566 |
| Total deferred inflows of resources | 93,217 | 730,625 | 107,465 |
| NET POSITION | | | |
| Net Investment in capital assets | 115,414,891 | 76,503,695 | 79,954,835 |
| Restricted for: | | | |
| Capital construction | 255,741,007 | - | 23,499,715 |
| SRF Loan debt service | 1,447,479 | 1,046,416 | 3,494,381 |
| Bond operating contingency requirement | 1,819,793 | 19,297,272 | - |
| Total restricted | 259,008,279 | 20,343,688 | 26,994,096 |
| Unrestricted | 97,119,375 | 55,305,544 | 2,496,194 |
| Total net position | \$ 471,542,545 | \$ 152,152,927 | \$ 109,445,125 |

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

| Water Resources | | Non-Major | Totals 2021 |
|-----------------|------------|----------------|----------------|
| \$ | 9,642,954 | \$ 2,678,077 | \$ 27,887,752 |
| | 817,341 | 4,367,518 | 5,221,601 |
| | - | 2,284,406 | 2,284,406 |
| | - | 211,879 | 1,286,607 |
| | - | 890,530 | 7,335,000 |
| | - | - | 5,111,652 |
| | - | 76,666 | 4,994,557 |
| | - | - | 2,663,492 |
| | 10,460,295 | 10,509,076 | 56,785,067 |
| | - | 3,575,682 | 3,575,682 |
| | - | 15,265,730 | 116,476,493 |
| | - | - | 312,541,108 |
| | - | 933,000 | 20,433,000 |
| | - | - | 589,298 |
| | 1,548,075 | 5,166,727 | 40,327,447 |
| | 1,548,075 | 24,941,139 | 493,943,028 |
| | 12,008,370 | 35,450,215 | 550,728,095 |
| | 37,630 | 84,129 | 758,297 |
| | 17,178 | 51,329 | 363,276 |
| | 54,808 | 135,458 | 1,121,573 |
| | 5,784,114 | 61,993,150 | 339,650,685 |
| | - | - | 279,240,722 |
| | - | - | 5,988,276 |
| | - | 3,215,916 | 24,332,981 |
| | - | 3,215,916 | 309,561,979 |
| | 27,293,462 | 43,733,319 | 225,947,894 |
| \$ | 33,077,576 | \$ 108,942,385 | \$ 875,160,558 |

INLAND EMPIRE UTILITIES AGENCY
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Enterprise Fund Types | | |
|--|-----------------------|------------------------|-------------------|
| | Regional Capital | Regional Operations | Recycled Water |
| OPERATING REVENUES | | | |
| Service charges | \$ - | \$ 71,362,495 | \$ - |
| Water Sales | - | - | - |
| Recycled water sales | - | - | 18,094,729 |
| Total operating revenues | - | 71,362,495 | 18,094,729 |
| OPERATING EXPENSES | | | |
| Water purchases | - | - | - |
| Wastewater collection | - | 1,384,021 | - |
| Wastewater treatment | - | 22,548,656 | - |
| Wastewater disposal | - | 10,778,250 | - |
| Operations and maintenance | - | - | 4,124,834 |
| Administration and general | 5,459,380 | 23,180,890 | 4,985,631 |
| Depreciation and amortization | 16,941,464 | 7,367,526 | 8,992,772 |
| Total operating expenses | 22,400,844 | 65,259,343 | 18,103,237 |
| Operating income (loss) | (22,400,844) | 6,103,152 | (8,508) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 1,405,016 | 850,892 | 221,602 |
| Property tax revenue | 43,637,710 | 9,548,600 | 2,170,100 |
| Water connection fees | - | - | 5,699,920 |
| Wastewater capital connection fees | 36,732,365 | - | - |
| Other nonoperating revenues | 56,815 | 4,341,074 | 97,402 |
| Interest on long-term debt | (9,755,762) | (674,491) | (2,795,605) |
| Other nonoperating expenses | 6,020,031 | (9,694,447) | 436,052 |
| Total nonoperating revenues (expenses) | 78,096,175 | 4,371,628 | 5,829,471 |
| Income (loss) before capital contributions and transfers | 55,695,331 | 10,474,780 | 5,820,963 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | |
| Transfers in (note 15) | 8,511,422 | 6,719,370 | 2,538,591 |
| Transfers out (note 15) | (12,328,569) | (8,710,591) | (1,249,064) |
| Capital grants | - | 10,697,438 | 10,692,112 |
| Change in net position | 51,878,184 | 19,180,997 | 17,802,602 |
| Total net position - beginning | 419,664,361 | 132,971,930 | 91,642,523 |
| Total net position - ending | \$ 471,542,545 | \$ 152,152,927 | \$ 109,445,125 |

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

| Water Resources | Non-Major | Totals 2021 |
|--------------------|----------------|----------------|
| \$ 7,491,747 | \$ 12,471,174 | \$ 91,325,416 |
| 45,561,349 | - | 45,561,349 |
| - | - | 18,094,729 |
| 53,053,096 | 12,471,174 | 154,981,494 |
| 45,561,349 | - | 45,561,349 |
| - | 7,581,027 | 8,965,048 |
| - | - | 22,548,656 |
| - | - | 10,778,250 |
| 1,849,918 | - | 5,974,752 |
| 6,185,684 | 4,255,287 | 44,066,872 |
| 2,535 | 3,514,927 | 36,819,224 |
| 53,599,486 | 15,351,241 | 174,714,151 |
| (546,390) | (2,880,067) | (19,732,657) |
| 213,478 | 320,277 | 3,011,265 |
| 9,806,328 | 1,972,200 | 67,134,938 |
| - | - | 5,699,920 |
| - | - | 36,732,365 |
| 333,989 | 1,561,182 | 6,390,462 |
| - | (657,977) | (13,883,835) |
| (838,303) | (1,255,703) | (5,332,370) |
| 9,515,492 | 1,939,979 | 99,752,745 |
| 8,969,102 | (940,088) | 80,020,088 |
| 747,898 | 3,820,290 | 22,337,571 |
| - | (49,347) | (22,337,571) |
| 122,428 | 1,154,578 | 22,666,556 |
| 9,839,428 | 3,985,433 | 102,686,644 |
| 23,238,148 | 104,956,952 | 772,473,914 |
| \$ 33,077,576 | \$ 108,942,385 | \$ 875,160,558 |

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows
For the Fiscal Year ended June 30, 2021

| | Enterprise Funds | | |
|--|---------------------|------------------------|-------------------|
| | Regional Capital | Regional Operations | Recycled Water |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 296,293 | \$ 59,771,934 | \$ 17,550,352 |
| Cash received from interfund services provided | - | - | - |
| Cash payments to suppliers for goods and services | (772,921) | (22,037,515) | (5,439,422) |
| Cash payments to employees for services | (1,294,328) | (11,593,612) | (1,113,930) |
| Cash payments for interfund services used | (3,547,193) | (21,833,373) | (3,463,130) |
| Net cash provided by (used for) operating activities | (5,318,149) | 4,307,434 | 7,533,870 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers in | 8,511,422 | 6,719,370 | 2,538,591 |
| Transfers out | (12,328,569) | (8,710,591) | (1,249,064) |
| Contract reimbursement from others | 56,815 | 4,341,073 | 97,402 |
| Tax revenues | 43,624,063 | 9,554,937 | 2,171,576 |
| Collection of long-term receivable | 520,344 | - | 264,109 |
| Cash paid to others | 13,366,257 | (9,667,824) | 1,212,844 |
| Investment in IERCA | 1,069,891 | - | - |
| Advances from other funds | - | - | (4,000,000) |
| Advances to other funds | - | - | (933,000) |
| Net cash provided by (used for) noncapital financing activities | 54,820,223 | 2,236,965 | 102,458 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (61,495,315) | (27,195,936) | (4,060,408) |
| Proceeds from State Revolving Funds | - | - | 13,251,413 |
| Connection fees on deposit held by members | 36,732,365 | - | - |
| Water connection Fees | - | - | 5,699,920 |
| Capital grants received | - | 10,697,438 | 10,692,110 |
| Principal paid on capital debt | (15,356,784) | (355,149) | (4,357,851) |
| Interest paid on capital debt | (8,810,865) | (623,182) | (2,432,646) |
| Payments on State Revolving Funds | (1,369,917) | (570,772) | (2,375,278) |
| Bond administration fees | (7,346,228) | (26,622) | (776,793) |
| Contractor deposits collected | - | - | - |
| Net cash provided by (used for) capital and related financing activities | (57,646,744) | (18,074,223) | 15,640,467 |

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

| Water Resources | Non-Major | Totals 2021 |
|--------------------|---------------|----------------|
| \$ 49,358,930 | \$ 13,117,663 | \$ 140,095,172 |
| - | 32,750,008 | 32,750,008 |
| (49,972,012) | (14,035,774) | (92,257,644) |
| (927,978) | (27,760,372) | (42,690,220) |
| (1,351,539) | (1,083,491) | (31,278,726) |
| (2,892,599) | 2,988,034 | 6,618,590 |
| 747,898 | 3,820,290 | 22,337,571 |
| - | (49,347) | (22,337,571) |
| 333,989 | 3,380,058 | 8,209,337 |
| 9,789,675 | 1,973,563 | 67,113,814 |
| - | - | 784,453 |
| (838,302) | (1,472,666) | 2,600,309 |
| - | - | 1,069,891 |
| - | 933,000 | (3,067,000) |
| - | 4,000,000 | 3,067,000 |
| 10,033,260 | 12,584,898 | 79,777,804 |
| (1,208,448) | (8,062,836) | (102,022,943) |
| - | - | 13,251,413 |
| - | - | 36,732,365 |
| - | - | 5,699,920 |
| 122,428 | 1,154,578 | 22,666,554 |
| - | (1,099,271) | (21,169,055) |
| - | (1,226,791) | (13,093,484) |
| - | - | (4,315,967) |
| - | 22,364 | (8,127,279) |
| - | 176,296 | 176,296 |
| (1,086,020) | (9,035,660) | (70,202,180) |

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows (Continued from previous page)
For the Fiscal Year ended June 30, 2021

| | | Enterprise Funds | |
|--|-----------------------|------------------------|----------------------|
| | Regional Capital | Regional Operations | Recycled Water |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | \$ 1,196,069 | \$ 1,029,125 | \$ 188,805 |
| Purchase of investments | - | - | - |
| Net cash provided by (used for) investing activities | 1,196,069 | 1,029,125 | 188,805 |
| Net increase (decrease) in cash and cash equivalents | (6,948,601) | (10,500,699) | 23,465,600 |
| Cash and cash equivalents - beginning | 339,624,076 | 81,309,457 | 22,881,070 |
| Cash and cash equivalents - ending | <u>\$ 332,675,475</u> | <u>\$ 70,808,758</u> | <u>\$ 46,346,670</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (22,400,844) | \$ 6,103,152 | \$ (8,508) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | |
| Depreciation and amortization | 16,941,464 | 7,367,526 | 8,992,772 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in | | | |
| Accounts receivable | (154,733) | (11,590,283) | (545,648) |
| Water inventory | - | - | - |
| Short-term receivable | 451,026 | (278) | 1,271 |
| Long-term receivable | - | - | - |
| Inventory | - | - | - |
| Prepaid items | - | - | - |
| Increase (decrease) in | | | |
| Deferred outflow related to net pension liability | 318,801 | 125,205 | 166,516 |
| Deferred outflow related to net other post employment benefit | 100,518 | 699,356 | 121,260 |
| Accounts payable | - | 1,811,630 | (96,817) |
| Accrued liabilities | (176,002) | 840 | (63,871) |
| Net other postemployment benefits liability | (107,545) | (783,455) | (93,557) |
| Net pension liability | 147,322 | 756,724 | 25,797 |
| Deferred inflow related to net pension liability | (413,769) | (639,660) | (134,598) |
| Deferred inflow related to net other post employment benefit | (24,387) | (161,356) | (24,641) |
| Change in contractor deposits | - | 618,033 | (806,106) |
| Compensated absences | - | - | - |
| Net cash provided by (used for) operating activities | <u>\$ (5,318,149)</u> | <u>\$ 4,307,434</u> | <u>\$ 7,533,870</u> |

| Water Resources | Non-Major | Totals 2021 |
|-----------------------|----------------------|-----------------------|
| \$ 225,365 | \$ 314,300 | \$ 2,953,664 |
| - | (1,591,518) | (1,591,518) |
| 225,365 | (1,277,218) | 1,362,146 |
| 6,280,006 | 5,260,054 | 17,556,360 |
| 16,524,881 | 45,157,457 | 505,496,941 |
| <u>\$ 22,804,887</u> | <u>\$ 50,417,511</u> | <u>\$ 523,053,301</u> |
| | | |
| \$ (546,390) | \$ (2,880,067) | \$ (19,732,657) |
| | | |
| 2,535 | 3,514,927 | 36,819,224 |
| | | |
| (3,687,041) | 692,360 | (15,285,345) |
| 1,044 | - | 1,044 |
| (4,343) | (45,870) | 401,806 |
| (3,825) | - | (3,825) |
| - | (40,781) | (40,781) |
| - | (1,136) | (1,136) |
| (93,447) | 84,594 | 601,669 |
| 49,902 | 123,780 | 1,094,816 |
| 1,024,620 | 201,834 | 2,941,267 |
| 268,980 | 1,464,005 | 1,493,952 |
| (25,739) | (173,121) | (1,183,417) |
| 137,346 | (211,344) | 855,845 |
| (2,118) | 164,690 | (1,025,455) |
| (14,123) | (29,517) | (254,024) |
| - | - | (188,073) |
| - | 123,680 | 123,680 |
| <u>\$ (2,892,599)</u> | <u>\$ 2,988,034</u> | <u>\$ 6,618,590</u> |

INLAND EMPIRE UTILITIES AGENCY
Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year ended June 30, 2021

| | | Enterprise Funds | |
|--|-----------------------|----------------------|----------------------|
| | | Regional | Regional |
| | | Capital | Operations |
| | | | Recycled |
| | | | Water |
| | | | |
| RECONCILIATION OF CASH & CASH EQUIVALENTS | | | |
| TO THE STATEMENT OF NET POSITION: | | | |
| Cash and short-term investments | \$ 45,036,611 | \$ 70,662,218 | \$ 22,845,365 |
| Restricted assets | 287,638,864 | 146,540 | 23,501,305 |
| Cash & cash equivalents at end of year | <u>\$ 332,675,475</u> | <u>\$ 70,808,758</u> | <u>\$ 46,346,670</u> |

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

| <u>Water</u> | | <u>Totals</u> |
|----------------------|----------------------|-----------------------|
| <u>Resources</u> | <u>Non-Major</u> | <u>2021</u> |
| | | |
| \$ 22,804,887 | \$ 50,417,469 | \$ 211,766,550 |
| - | 42 | 311,286,751 |
| <u>\$ 22,804,887</u> | <u>\$ 50,417,511</u> | <u>\$ 523,053,301</u> |



RP-4 Aeration Basin Wall Repair to Increase Operational Efficiency

INLAND EMPIRE UTILITIES AGENCY

Index of Notes to the Basic Financial Statements

JUNE 30, 2021

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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). Separate financial information for the Authority may be obtained by contacting the Agency's Department of Finance and Accounting. 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, 2021, the Agency's staff is led by the General Manager who is appointed by the Board, Deputy General Manager of Engineering, Planning, and Science, Executive Manager of External Affairs and Policy Development/Assistant General Manager (AGM), Executive Manager of Operations/AGM, and the Executive Manager of Finance and Administration/AGM. The

Agency's staff consisted of 290 regular authorized positions, of which 267 were filled as of June 30, 2021. 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 " measurement focus. This means that all assets, deferred outflows of resources, all liabilities (whether current or non-current) and deferred outflows associated with their activity are included on the statement of net position. The reported fund equity (net fund position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in the total net position.

ENTERPRISE FUNDS

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

MAJOR FUNDS

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND

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

REGIONAL WASTEWATER OPERATIONS AND MAINTENANCE FUND

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

RECYCLED WATER FUND

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

WATER RESOURCES FUND

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

BASIS OF ACCOUNTING

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

accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

USE OF ESTIMATES

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

RECOGNITION OF REVENUES AND EXPENSES

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

OPERATING AND NON-OPERATING REVENUES AND EXPENSES

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

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

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, 2021, 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 and short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement Number 40 regarding risk disclosures on deposits and investments have been followed.

INTEREST INCOME ALLOCATION METHOD

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

RECEIVABLES AND PAYABLES

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

The San Bernardino County Tax Assessor (The County) attaches liens on property as of January 1 and property taxes are levied annually on July 1. 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.

INVENTORIES AND PREPAIDS

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

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

RESTRICTED ASSETS

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

Assets held with Trustee/Fiscal Agents include: (a) unspent 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 |

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 and OPEB, the net difference between projected and actual earnings on pension and OPEB plan investments, and the difference between expected and actual experiences. These amounts are amortized over the expected average remaining service life beginning with the current year, except for the net difference between projected and actual earnings on pension and OPEB plan investments which are amortized over five and seven years respectively.

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 difference between expected and actual experiences 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.

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, 2019 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

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, 2020 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

COMPENSATED ABSENCES

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

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

LONG-TERM OBLIGATIONS

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

STEWARDSHIP

NOTE 2: STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

ENCUMBRANCES

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

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

DETAILED NOTES ON ALL FUNDS

NOTE 3: CASH AND INVESTMENTS

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

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

Restricted deposits held by governmental agencies represents the funds held by contracting agencies in a Capital Capacity Reimbursement Account (CCRA) on behalf of the Agency to support the improvement and expansion of the Regional Wastewater System, in accordance with the Chino Basin Regional Sewage Service Contract. Restricted short-term investment includes proceeds from the 2020B Revenue Notes issued on June 30, 2021 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, 2021 are classified in the accompanying financial statement as follows:

Statement of net position:

| | |
|---|-----------------------|
| Cash and investments | \$ 211,766,550 |
| Restricted deposits held by governmental agencies | 91,465,009 |
| Restricted short term investments | 187,775,713 |
| Restricted assets held with trustee/fiscal agent | 32,046,028 |
| Total cash and investments | \$ 523,053,300 |

Cash and investments as of June 30, 2021 consist of the following:

| | |
|--|-----------------------|
| Cash on hand (Petty Cash) | \$ 2,250 |
| Deposits with financial institutions | 3,903,122 |
| Deposits held by other governmental agencies | 91,465,009 |
| Investments | 427,682,919 |
| Total cash and investments | \$ 523,053,300 |

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.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|--------------------------------|---|--|
| 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 | 25% | 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 |
| U.S. Instrumentalities (Supranational) | None | None | None | None |
| Money Market Funds | AAAm | 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 |
| Medium-Term Notes | A | None | 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, 2021, the carrying amount of the Agency's deposits was \$3,903,122 and the bank balance was \$1,289,893. The \$2,613,229 difference represents the net amount between the outstanding checks of \$50,264 less vendor retention for \$2,663,493.

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, 2021 for each investment type:

| Investment Type | Amount | Minimum Legal Rating | Moody's Rating as of June 30, 2021 | | | |
|---------------------------------|-----------------------|----------------------------|------------------------------------|----------------------|-------------|-----------------------|
| | | | Aaa to Aa3 | A1 to A3 | P1 | Unrated |
| Repurchase Agreement | \$ 34,893,026 | N/A | \$ 34,893,026 | \$ - | \$ - | \$ - |
| U.S. Agency Securities | 33,692,809 | N/A | 33,692,809 | - | - | - |
| US Treasury | 55,363,581 | A | 55,363,581 | - | - | - |
| Medium Term Notes | 19,641,581 | A | 2,922,452 | 16,719,129 | | |
| LAIF | 212,433,608 | N/A | - | - | - | 212,433,608 |
| CAMP | 65,956,581 | N/A | - | - | - | 65,956,581 |
| Municipal Bonds | 2,147,721 | N/A | 1,744,757 | 204,202 | - | 198,762 |
| Brokered Certificate of Deposit | 3,167,408 | N/A | 731,609 | 2,435,799 | - | - |
| Money Market Mutual Funds | 386,604 | N/A | | | | 386,604 |
| Total | \$ 427,682,919 | | \$129,348,234 | \$ 19,359,130 | \$ - | \$ 278,975,555 |

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 | \$19,412,360 | 5.0% |

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 fair 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, 2021, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

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

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

INTEREST RATE RISK

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

As of June 30, 2021, the Agency had the following investments and original maturities:

| Investment Type | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months | Fair Value |
|---------------------------------|--------------------------|------------------------|------------------------|----------------------------|-----------------------|
| Repurchase Agreement | \$ 34,893,026 | \$ - | \$ - | \$ - | \$ 34,893,026 |
| U.S Agency Securities | 1,727,553 | 8,294,068 | 23,671,188 | | 33,692,809 |
| Medium Term Notes | 4,806,302 | 5,519,741 | 9,315,538 | | 19,641,581 |
| US Treasury Note | 4,977,031 | 11,461,919 | 38,924,631 | | 55,363,581 |
| Municipal Bonds | | 198,762 | 1,948,959 | | 2,147,721 |
| State Investment Pool | 212,433,608 | | | | 212,433,608 |
| CAMP | 65,956,581 | | | | 65,956,581 |
| Brokered Certificate of Deposit | 945,210 | 2,222,198 | | | 3,167,408 |
| Money Market Mutual Funds | 386,604 | | | | 386,604 |
| Total | \$ 326,125,915 | \$ 27,696,688 | \$ 73,860,316 | \$ - | \$ 427,682,919 |

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, 2021. 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, 2021</u> | <u>Level 1 ^(A)</u> | <u>Level 2 ^(B)</u> | <u>Uncategorized ^(C)</u> |
|--|-----------------------|-------------------------------|-------------------------------|-------------------------------------|
| Repurchase Agreement | \$ 34,893,026 | | \$ 34,893,026 | |
| U.S. Agency Securities | 33,692,809 | | 33,692,809 | |
| Medium Term Notes | 19,641,581 | | 19,641,581 | |
| US Treasury Notes | 55,363,581 | 55,363,581 | | |
| Municipal Bonds | 2,147,721 | | | 2,147,721 |
| State Investment Pool | 212,433,608 | | | 212,433,608 |
| CAMP | 65,956,581 | | | 65,956,581 |
| Brokered Certificate of Deposit | 3,167,408 | 3,167,408 | | |
| Total | \$ 427,296,315 | \$ 58,530,989 | \$ 88,227,416 | \$ 280,537,910 |

(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) dollars 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 \$58,000 for 2021. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current Internal Revenue Service regulations once an employee elects to participate in the plan, they cannot change their contribution amount or withdraw from the plan until they leave Agency employment.

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

NOTE 5: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLANS

PLAN DESCRIPTION

The Agency contributes to the CalPERS, an agent multiple-employer public employee defined benefit pension plan. The Agency's defined benefit pension plan is identified as the Miscellaneous Plan of the Inland Empire Utilities Agency (Agency's Plan). CalPERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California.

Benefit provisions, and all other requirements, are established by State statutes within the Public Employees' Retirement Law and by the Public Employee's Pension Reform Act of 2013 (PEPRA). The Agency's Plan selects optional provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 "Q" Street - Sacramento, CA 95811.

BENEFITS PROVIDED

The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the retirement benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

The Plans' provisions and benefits in effect as of June 30, 2021, are summarized as follows:

| Hire date | Prior to January 1, 2012 ⁺ | On or After January 1, 2012 ⁺ | After January 1, 2013 |
|---|--|---|--------------------------|
| Benefit formula | 2.5% @55 | 2% @55 | 2% @62 |
| Final average compensation period | 1 year | 3 years | 3 years |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Eligible retirement age | 50 – 55+ | 50 – 63+ | 52 – 67+ |
| Monthly benefits, as a % of eligible compensation | 2% - 2.5% | 1.4% - 2.4% | 1% - 2.5% |
| FY2019/20 required employee contribution rates* | 8% | 7% | 6.25% |
| FY2019/20 required employer contribution rates | 20.192% | 20.192% | 20.192% |

⁺ Closed to new entrants

* Effective the first pay period of fiscal year 2019/20 and FY 2020/21, limited term and full-time employees, respectively, are fully funding the employees paid member contribution rate. Employees hired after January 1, 2013 pay for one half (1/2) of their total normal cost rate as determined by CalPERS.

EMPLOYEES COVERED

As of June 30, 2021 (measurement date as of June 30, 2020) actuarial valuation, the following employees were covered by the Plans' terms:

| | |
|-----------------------------------|------------|
| Retired members and beneficiaries | 279 |
| Active employees | 277 |
| Total | 556 |

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 all 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. Total contributions made for year ended June 30, 2021, is \$10,692,868.

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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2020 actuarial accounting valuations were determined using the following actuarial assumptions:

| | |
|-----------------------------------|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth | 2.875% |
| Projected Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.25% (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 the retirement age probabilities 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.

DISCOUNT RATE

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

LONG-TERM EXPECTED RATE OF RETURN

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

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

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

| Asset Class (a) | New Strategic Allocation | Real Return Years 1-10 (b) | Real Return Years 11+(c) |
|------------------|--------------------------|-------------------------------|-----------------------------|
| Global Entity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 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) |
| Balances at June 30, 2019 | \$ 220,221,134 | \$ 181,125,566 | \$ 39,095,568 |
| Changes in the Year: | | | |
| Service cost | 4,763,123 | - | 4,763,123 |
| Interest on Total Pension Liability | 15,744,171 | - | 15,744,171 |
| Differences Between Actual and Expected Experience | 2,118,811 | - | 2,118,811 |
| Changes in Assumptions | - | - | - |
| Change in Benefits | - | - | - |
| Net Plan to Plan Resources Movement | - | - | - |
| Contributions - Employer | - | 10,209,060 | (10,209,060) |
| Contributions - Employee | - | 2,265,833 | (2,265,833) |
| Net Investment Income | - | 9,174,676 | (9,174,676) |
| Benefit Payments | (9,046,642) | (9,046,642) | - |
| Administrative Expenses | - | (255,343) | 255,343 |
| Other Miscellaneous Income/(Expense) | - | - | - |
| Current Year Net Changes | \$ 13,579,463 | \$ 12,347,584 | \$ 1,231,879 |
| Balance at June 30, 2020 | \$ 233,800,597 | \$ 193,473,150 | \$ 40,327,447 |

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

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

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|------------------------------|---------------------------------------|--|---------------------------------------|
| Net Pension Liability | \$ 72,198,071 | \$ 40,327,447 | \$ 13,972,252 |

PENSION PLAN FIDUCIARY NET POSITION

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

AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

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

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

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

For the fiscal year ended June 30, 2021, the Agency recognized pension expense of \$11,124,927. As of June 30, 2021, 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 | \$ 10,692,868 | |
| Differences between actual and expected experience | 4,134,661 | |
| Change in assumptions | | (363,276) |
| Net differences between projected and actual earnings on plan investments | 1,629,235 | |
| Total | \$ 16,456,764 | \$ (363,276) |

Deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date of \$10,692,868 will be recognized as a reduction of net pension liability in the fiscal year ending June 30, 2022.

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

| Measurement Period | Deferred Outflows/(Inflows) of Resources |
|--------------------|---|
| Ending June 30: | |
| 2021 | \$ 1,342,562 |
| 2022 | 1,934,003 |
| 2023 | 1,351,222 |
| 2024 | 772,833 |
| 2025 | - |
| Thereafter | - |

PAYABLE TO THE PENSION PLAN

At June 30, 2021, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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, 2021, 2020, and 2019. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

CLAIM LIABILITIES

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

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

| | Worker's Compensation | | General Liability | |
|--|-----------------------|-------------------|---------------------|---------------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| Unpaid Claims, beginning of fiscal year | \$ 196,014 | \$ 212,844 | \$ 1,000,000 | \$ 500,000 |
| Incurred claims (including IBNRs) | 418,800 | 184,517 | 112,865 | 509,525 |
| Claim payments | (82,814) | (201,347) | (865) | (9,525) |
| Unpaid claims, end of fiscal year | \$ 532,000 | \$ 196,014 | \$ 1,112,000 | \$ 1,000,000 |

NOTE 7: CHANGES IN CAPITAL ASSETS

JOBS IN PROGRESS

As of fiscal year ended June 30, 2021, the Agency had various jobs in progress designed to expand the Regional Wastewater System. Other significant projects are also underway to improve, and refurbish the Agency's Regional Wastewater System, existing water recycling facilities, including the disposition of wastewater by-products, and providing for ancillary facilities that support operating activities.

| | |
|---|---------------|
| RP-5 Biosolids Facility | \$ 46,063,457 |
| RP-5 Expansion to 30 mgd | 45,030,760 |
| RP-4 Process Improvements | 16,057,107 |
| Mechanical Restoration and Upgrades | 8,843,519 |
| 1158 Recycled Water Pump Station Upgrades | 6,923,489 |
| RP-1 12 kV Switchgear and Generator Cont | 6,312,859 |
| Chino Basin Program | 4,959,599 |
| RP-1 Liquid Treatment Capacity Recovery | 4,331,110 |
| RP-4 Primary Clarifier Rehabilitation | 4,160,765 |
| Recharge Master Plan Update | 4,052,216 |
| RP-1 Flare Improvements | 3,947,760 |
| Digester 6 and 7 Roof Repairs | 3,855,125 |
| Lower Day Basin Improvements (RMPU PID 1 | 3,758,954 |
| CCWRF Asset Management and Improvements | 3,681,642 |
| NRW East End Flowmeter Replacement | 2,513,170 |
| SCADA Enterprise System | 2,464,876 |
| RP-5 Expansion PDR | 2,336,004 |
| RP-4 Influent Screen Replacement | 2,231,734 |
| 1158 West Reservoir Re-coating/painting | 1,795,111 |
| 1158 East Reservoir Re-coating/painting | 1,736,624 |
| Structural Agency Wide Roofing Phase II | 1,554,774 |
| Regional Force Main Improvements | 1,480,071 |
| RP-1 Solids Treatment Expansion | 1,283,778 |
| CBWM Pomona Extensometer Construction | 1,242,997 |
| RP-1 Disinfection Pump Improvements | 1,136,393 |
| Philadelphia Lift Station Force Main Imp | 1,091,913 |
| RP-1 RP-1 Hot Water Loop Replacement | 1,081,453 |
| Other Projects (less than \$1,000,000 each) | 13,647,796 |

| | |
|-------------------------------|-----------------------|
| Total Jobs in Progress | \$ 197,575,054 |
|-------------------------------|-----------------------|

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets as of June 30, 2021:

CAPITAL ASSETS

| Capital Assets | Balance at 6/30/20 | Additions | Transfers & Retirements | Balance at 6/30/21 | Accumulated Depreciation at 6/30/21 | Net Book Value at 6/30/21 |
|--|-----------------------|----------------------|-------------------------|-----------------------|-------------------------------------|---------------------------|
| Capital Assets-not being depreciated: | | | | | | |
| Land | \$ 14,652,324 | \$ - | \$ - | \$ 14,652,324 | \$ - | \$ 14,652,324 |
| Jobs in Progress | 92,203,811 | 111,380,083 | (6,008,840) | 197,575,054 | - | 197,575,054 |
| Total Capital Assets, not being depreciated | \$ 106,856,135 | \$ 111,380,083 | \$ (6,008,840) | \$ 212,227,378 | \$ - | \$ 212,227,378 |
| Capital Assets-being depreciated: | | | | | | |
| Interceptors, trunk lines and inter-ties | \$ 36,721,245 | \$ - | \$ - | \$ 36,721,245 | \$ (15,067,203) | \$ 21,654,042 |
| Office facilities | 14,319,044 | 441,913 | - | 14,760,957 | (4,327,513) | 10,433,444 |
| Collection, outfall, and transmission lines | 132,616,113 | 107,160 | - | 132,723,273 | (84,725,975) | 47,997,298 |
| Reservoirs, settling basins, ponds, and chlorination station | 122,844,420 | 461,142 | - | 123,305,562 | (44,169,320) | 79,136,242 |
| Recycled water distribution system | 170,422,406 | 69 | - | 170,422,475 | (40,871,758) | 129,550,717 |
| Treatment plants, pump stations and office buildings | 302,191,076 | 3,875,399 | - | 306,066,475 | (151,694,438) | 154,372,037 |
| Equipment | 283,776,642 | 413,073 | (378,992) | 283,810,723 | (201,722,615) | 82,088,107 |
| Land improvement | 31,250,379 | - | - | 31,250,379 | (17,607,117) | 13,643,262 |
| Total capital assets, being depreciated | \$ 1,094,141,325 | \$ 5,298,756 | \$ (378,992) | \$ 1,099,061,089 | \$ (560,185,940) | \$ 538,875,148 |
| Less accumulated depreciation for: | | | | | | |
| Interceptors, trunk lines and inter-ties | \$ (14,230,214) | \$ (836,989) | \$ - | \$ (15,067,203) | | |
| Office facilities | (4,028,156) | (299,357) | - | (4,327,513) | | |
| Collection, outfall, and transmission lines | (82,432,687) | (2,293,288) | - | (84,725,975) | | |
| Reservoirs, settling basins, ponds, and chlorination station | (41,010,043) | (3,159,277) | - | (44,169,320) | | |
| Recycled water distribution system | (36,903,939) | (3,967,819) | - | (40,871,758) | | |
| Treatment plants, pump stations and office buildings | (146,184,745) | (5,509,693) | - | (151,694,438) | | |
| Equipment | (183,637,357) | (18,463,869) | 378,611 | (201,722,615) | | |
| Land improvement | (16,498,947) | (1,108,170) | | (17,607,117) | | |
| Total accumulated depreciation | \$ (524,926,089) | \$ (35,638,462) | \$ 378,611 | \$ (560,185,940) | | |
| Total capital assets, being depreciated, net | \$ 569,215,235 | \$ (30,339,706) | \$ (381) | \$ 538,875,148 | | |
| Total capital assets- Enterprise Funds, Net | \$ 676,071,370 | \$ 81,040,377 | \$ (6,009,221) | \$ 751,102,526 | | |

INTANGIBLE ASSETS

| Intangible Assets | Balance at 6/30/20 | Additions | Transfers & Retirements | Balance at 6/30/21 | Accumulated Amortization at 6/30/21 | Net Book Value at 6/30/21 |
|--|-----------------------|----------------------|----------------------------|-----------------------|---|---------------------------------|
| Intangible assets-being amortized: | | | | | | |
| Computer software | \$ 15,280,306 | \$ 365,384 | \$ - | \$ 15,645,690 | \$ (11,747,204) | \$ 3,898,486 |
| Contributed capital-lease | 129,324 | - | - | 129,324 | (48,495) | 80,829 |
| Metropolitan Water District connections | 198,891 | - | - | 198,891 | (198,891) | - |
| Corps of Engineers-Cucamonga Creek | 43,489 | - | - | 43,489 | (31,663) | 11,826 |
| California Auto Club Speedway Water Rights | 921,938 | 344,700 | - | 1,266,638 | - | 1,266,638 |
| San Bernardino County Flood Control-Chino Road Barrier | 48,076 | - | - | 48,076 | (28,047) | 20,029 |
| Santa Ana Watershed Project Authority capacity rights | 12,467,002 | - | - | 12,467,002 | (8,180,253) | 4,286,749 |
| Organization and master planning | 1,939,805 | - | - | 1,939,805 | (865,860) | 1,073,945 |
| Total intangible assets being-amortized | \$ 31,028,831 | \$ 710,084 | \$ - | \$ 31,738,915 | \$ (21,100,413) | \$ 10,638,502 |
| Less accumulated amortization for: | | | | | | |
| Computer software | \$ (10,906,290) | \$ (840,914) | \$ - | \$ (11,747,204) | | |
| Contributed capital-lease | (42,029) | (6,466) | - | (48,495) | | |
| Metropolitan Water District connections | (196,903) | (1,989) | - | (198,891) | | |
| Corps of Engineers-Cucamonga Creek | (30,793) | (870) | - | (31,663) | | |
| San Bernardino County Flood Control-Chino Road Barrier | (26,444) | (1,603) | - | (28,047) | | |
| Santa Ana Watershed Project Authority capacity rights | (7,882,669) | (297,584) | - | (8,180,253) | | |
| Organization and master planning | (834,524) | (31,336) | - | (865,860) | | |
| Total accumulated amortization | \$ (19,919,652) | \$ (1,180,762) | \$ - | \$ (21,100,413) | | |
| Total intangible assets-Enterprise Funds, Net | \$ 11,109,179 | \$ (470,678) | \$ - | \$ 10,638,502 | | |
| Total capital assets-Enterprise Funds, net | \$ 687,180,550 | \$ 80,569,699 | \$ (6,009,221) | \$ 761,741,028 | | |

For the fiscal year ended June 30, 2021, depreciation expense was \$35,638,462 and amortization expense was \$1,180,762.

NOTE 8: CONSTRUCTION COMMITMENTS

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$296,655,938 as of June 30, 2021. Some of the contracts for ongoing projects at the Agency's regional plants are listed below:

💧 RP-5 Solids Treatment Facility – EN19006.

The Regional Water Recycling Plant No. 5 (RP-5) is located immediately east of the Agency's Administrative Headquarters campus in the City of Chino and began operation in March 2004. It has a capacity rating of 16.3 MGD, which includes capacity for approximately 15 MGD of raw sewage and 1.3 MGD of solids processing return or recycled flows from RP-2.

RP-5 does not currently have any solids treatment capacity. Waste sludge produced at RP-5 is pumped to the RP-2 solids handling facility. However, solids treatment at RP-5 will soon be necessary. RP-2 was deemed to be within the 100-year flood level by the U.S. Army Corps of Engineers, so the facility needs to be decommissioned by the year 2035. Construction of the new solids handling facility at RP-5 is necessary to meet the Agency's needs throughout the decommissioning of the Regional Plant No. 2 (RP-2) site. This project has an outstanding obligation of \$157,494,128.

💧 **RP-5 Liquids Expansion – EN19001**

The RP-5 Liquids Expansion and RP-5 Solids Treatment Facility projects will be completed concurrently, with design completion aimed for in FY 2021/22 and construction to start in FY 2022/23 and completed by FY 2024/25. Currently, RP-5 has liquid treatment capacity of 15 million gallons per day (MGD). To meet the future projected wastewater flow for the Agency's service area, the plant capacity needs to increase to 30 MGD. This project has an outstanding obligation of \$124,866,201.

💧 **RP-1 Flare Improvements – EN18006**

Existing candlestick flare permitted capacity is not adequate to accommodate the facility digester gas production when minimal or no gas is used by the hot water boilers. Currently there is no co-generation facility to use the bulk of the digester gas produced. Two new 100 percent redundant flares and one small flare will be installed to control digester gas pressure within the RP-1 treatment plant during normal and emergency operations; and, to reduce emissions from non-refinery flares by requiring all non-refinery flares to meet current Best Available Control Technology (BACT) for NOx emissions and thermal oxidation for volatile organic compounds (VOC's). Along with the new flares installation, the digester gas piping system in the flare will be upgraded to accommodate the new flare system and associated auxiliaries. This will provide the needed flexibility to comply with the South Coast Air Quality Management District (SCAQMD) requirements. The RP-1 Flare Improvement project has an outstanding obligation of \$3,264,644.

💧 **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 \$2,871,000.

💧 **RP-4 Aeration Basin Wall Repair – EN17110.03**

The RP-4 Aeration Basin Wall Repair project is the third project in the overall RP-4 process improvements. It includes mechanical upgrades and concrete rehabilitation. Mechanical equipment in the aeration basin is at the end of their useful life. Existing panel diffusers and recycled water piping will be replaced. The center basin walls will be strengthened, and corroded piping will be costed. The project is expected to be completed in January 2022. This project has an outstanding obligation of \$2,305,453.

💧 **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 \$1,868,639.

💧 **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 \$931,412.

💧 **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 hydrogen sulfide (H₂S) ventilation will be added. Concrete on the primary influent diversion structure will be rehabilitated, H₂S 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 \$849,001.

◆ **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 \$661,899.

- ◆
 Additionally, the Agency has twelve (12) on-going projects, each with a remaining individual outstanding obligation of less than \$400,000.

| | | |
|---|------------|-----------|
| - RP-1 Tertiary Treatment FM-1 Bleach Mixing & Access - | EN20041 | \$399,170 |
| - Recharge Master Plan Update Basin Improvements – | RW15004 | 372,279 |
| - Hot Water Loop Replacement – | EN20065 | 364,962 |
| - 1158 West Reservoir Re-Coating and Painting – | EN21004 | 90,732 |
| - 1158 East Reservoir Re-Coating and Painting – | EN22004 | 80,104 |
| - Regional System Manhole and Collection Upgrade – | EN21015 | 59,645 |
| - RP-1 Centrifuge Foul Air Line Retrofit – | EN19043 | 58,500 |
| - PR-1 Primary Effluent Conveyance Improvement Phase II – | EN15012.01 | 56,331 |
| - NRW Manhole and Pipeline Condition – | EN19028 | 34,863 |
| - RP-1 TP-1 Waste Wash Water Basin Pump Replacement – | EN20058 | 13,137 |
| - Regional System Asset Management – | EN19024 | 10,433 |
| - NRWS Manhole and Collection System Upgrades – | EN21014 | 3,405 |
| - | | |

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, 2021, 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, 2021, the long-term receivable amount is \$822,982 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, 2021, the long-term receivable amount is \$370,600 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, 2021, the long-term receivable amount is \$277,421 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, 2021, the Agency has incurred \$4,224,173 in connections and permanent system costs and the Speedway has assigned 1,797-acre feet to the Agency. This leaves an outstanding long-term receivable of \$1,744,017 in the Recycled Water Fund for their portion of the Napa Lateral construction costs and \$1,213,518 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, 2021 is \$71,743. 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, 2021, the long-term receivable amount is \$200,000, 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.

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 Orange County Sanitation District (OCSAN) for the construction of a 30 million gallon per day (mgd) increment of capacity in a brine removal interceptor, constructed by OCSAN 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.

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) collections system that serves the southern portion of the Agency's service area. SAWPA pass through activity in FY 2021 was \$1,408,493.

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.

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. Under the new agreement, customers have the ability to acquire wastewater discharge rights as capacity units and acquire or lease discharge rights rather than make a mandatory acquisition as required under the prior agreement. LACSD pass through activity in FY 2021 was \$7,663,688. 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, was adjusted after June 30, 2018, to a current baseline of 15,286 Capacity Units. The Agency shall pay to LACSD a fee for the use of the system in excess of its annual baseline capacity.
- Replacement of East End flowmeter, expected to be completed in FY 2021/22.

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. The Agency 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, 2021, Desalter 1 and Desalter 2 delivered a total of 32,211.19-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, 2021, the Agency's equity share is \$40,110,343 recorded in the Regional Wastewater Capital Improvement Fund. There was an additional write-down of \$1,319,891 (around fifty percent of the Agency's equity share) of the JPA's net position at June 30, 2021; this reduction is recorded in the non-operating expenses on the statement of revenues in the Regional Wastewater Capital Improvement Fund. The Agency records the JPA labor costs for operating the facility in the Regional Wastewater Operation and Maintenance Fund. IERCA financial data is available at the Agency's main office.

SANTA ANA RIVER WATERMASTER

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

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

Costs and expenses incurred by the individual representatives are reimbursed directly from their respective water districts. Collective Watermaster costs and expenses are budgeted and funded by contributions from

the four water districts. Financial data is available at the Agency's main office. The Agency's share of assets, liabilities, fund equity and changes therein during the year is twenty percent.

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

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

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

CHINO BASIN WATER BANK

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

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

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

NOTE 12: LONG-TERM DEBT AND NOTES PAYABLE

LONG-TERM DEBT

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2021:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year | Amounts Due after One Year |
|--|-----------------------|-------------|----------------------|-----------------------|--------------------------------|-------------------------------|
| Bonds Payable: | | | | | | |
| 2017A Revenue Bonds (2008A Refinancing) | 58,315,000 | - | 3,330,000 | 54,985,000 | 3,480,000 | 51,505,000 |
| 2020A Revenue Bonds (2008B, 2010A Refunding) | 56,255,000 | - | 8,610,000 | 47,645,000 | 3,855,000 | 43,790,000 |
| Sub-Total | 114,570,000 | - | 11,940,000 | 102,630,000 | 7,335,000 | 95,295,000 |
| Bond Premium | 23,256,905 | - | 2,075,412 | 21,181,493 | - | 21,181,493 |
| Revenue Bonds | \$ 137,826,905 | \$ - | \$ 14,015,412 | \$ 123,811,493 | \$ 7,335,000 | \$ 116,476,493 |

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, 2021 is comprised of the principal amount of \$54,985,000, plus unamortized deferred bond premium of \$8,607,906 for a total of \$63,592,906.

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, 2021 is comprised of the principal amount of \$47,645,000, plus unamortized deferred bond premium of \$12,573,587 for a total of \$60,218,587.

AGGREGATE LONG-TERM DEBT

As of June 30, 2021, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

| Year Ending June 30 | Principal Payments | Interest Payments | Total |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| 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 | 8,365,000 | 3,405,000 | 11,770,000 |
| 2027-2031 | 39,535,000 | 10,968,125 | 50,503,125 |
| 2032-2035 | 22,510,000 | 1,946,250 | 24,456,250 |
| Subtotal | 102,630,000 | 34,162,375 | 136,792,375 |
| Plus: Net Premium | 21,181,493 | - | 21,181,493 |
| Total Debt Service Payable | \$ 123,811,493 | \$ 34,162,375 | \$ 157,973,868 |

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, 2021. (*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, 2021 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due After One Year |
|----------------------------|------------------------------|----------------------|---------------------|---------------------------|--|---|
| Notes Payable : | | | | | | |
| State Revolving Fund Loan | \$ 92,979,745 | \$ 10,513,085 | \$14,829,051 | \$ 88,663,779 | \$ 4,482,244 | \$ 84,181,535 |
| City of Fontana | 4,073,800 | - | 482,578 | 3,591,222 | 482,578 | 3,108,644 |
| Southern California Edison | 720,860 | - | 124,887 | 595,973 | 146,830 | 449,143 |
| 2020B Revenue Notes | 196,435,000 | - | - | 196,435,000 | - | 196,435,000 |
| Subtotal | 294,209,405 | 10,513,085 | 15,436,516 | 289,285,974 | 5,111,652 | 284,174,322 |
| Note Premium | 34,912,967 | - | 6,546,181 | 28,366,786 | | 28,366,786 |
| Total Notes Payable | \$ 329,122,372 | \$ 10,513,085 | \$21,982,697 | \$ 317,652,760 | \$ 5,111,652 | \$ 312,541,108 |

STATE WATER RESOURCES CONTROL BOARD

- ◆ 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, 2021 of \$4,363,317. 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, 2021 is \$7,589,535.
- ◆ 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, 2021 is \$474,021.
- ◆ 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, one year after completion of construction, at an annual interest rate of 1.0 percent. The outstanding balance at June 30, 2021 is \$22,395,481.
- ◆ 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, 2021 is \$15,491,439.
- ◆ 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, 2021 is \$21,983,232.
- ◆ The Napa Lateral project was funded in part by the State Revolving Fund (SRF). 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 outstanding balance at June 30, 2021 is \$3,436,368.
- ◆ The San Sevaine Basin Improvements project was funded in part by the State Revolving Fund (SRF). 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 outstanding balance at June 30, 2021 is \$2,277,463.
- ◆ The Baseline Extension project was funded in part by the State Revolving Fund (SRF). Principal and interest are paid annually for thirty years beginning October 31, 2021, one year after the completion of construction at an annual interest rate of 1.4 percent. The outstanding balance at June 30, 2021 is \$3,347,007.
- ◆ The RP-1 1158 Recycled Water Pump Station Upgrades project was funded in part by the State Revolving Fund (SRF) and part by the Proposition 1 – the Water Quality, Supply, and Infrastructure Improvement Act of 2014. Principal and interest on both funding sources are paid annually for thirty years beginning August 31, 2021, one year after the completion of construction at an annual interest rate of 1.4 percent. The outstanding balance at June 30, 2021 is \$5,142,500.

- The RP-5 Recycled Water Pipeline Bottleneck project was funded in part by the State Revolving Fund (SRF) and by the Proposition 1 – the Water Quality, Supply, and Infrastructure Improvement Act of 2014. Principal and interest on both funding sources are paid annually for thirty years beginning July 01, 2021, one year after the completion of construction at an annual interest rate of 1.4 percent. The outstanding balance at June 30, 2021 is \$2,163,416.

As of June 30, 2021, the future payments for the remaining loan obligations by year are as follows:

| Year Ending June 30 | Principal Payments | Interest Payment | Total |
|----------------------------|-------------------------------|-----------------------------|-----------------------|
| 2022 | \$ 4,482,244 | \$ 959,504 | \$ 5,441,748 |
| 2023 | 4,454,158 | 990,555 | 5,444,713 |
| 2024 | 4,488,351 | 956,362 | 5,444,713 |
| 2025 | 4,523,019 | 921,694 | 5,444,713 |
| 2026 | 4,558,170 | 886,544 | 5,444,714 |
| 2027/2031 | 22,190,257 | 3,887,981 | 26,078,238 |
| 2032/2036 | 11,611,631 | 2,992,056 | 14,603,687 |
| 2037/2041 | 10,984,603 | 2,171,604 | 13,156,207 |
| 2042/2046 | 11,870,260 | 1,285,947 | 13,156,207 |
| 2047/2051 | 9,501,086 | 343,249 | 9,844,335 |
| Total SRF Loans | \$ 88,663,779 | \$ 15,395,496 | \$ 104,059,275 |

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, 2021, the future payments for the remaining note payable obligation by year are as follows:

| Year Ending June 30 | Principal Payments | Interest Amortization | Total |
|----------------------------|---------------------------|------------------------------|---------------------|
| 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 | 482,578 | 79,824 | 562,402 |
| 2027/2028 | 1,178,332 | 165,368 | 1,343,700 |
| Total SRF Loans | \$ 3,591,222 | \$ 564,488 | \$ 4,155,710 |

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, 2021, the outstanding balance is \$111,756.

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, 2021, the balance of this note is \$123,640.

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, 2021, the balance of this note is \$230,234.

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, 2021, the balance of this note is \$71,213.

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, 2021, the balance of this note is \$59,130.

As of June 30, 2021, the remaining note payable obligation is \$595,973.

| Year Ending June 30 | Principal Payments |
|----------------------------|---------------------------|
| 2022 | \$ 146,830 |
| 2023 | 146,830 |
| 2024 | 140,252 |
| 2025 | 60,442 |
| 2026 | 38,091 |
| 2027-2028 | 63,528 |
| Total SCE Loan | \$ 595,973 |

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.
- 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, 2021. The WIFIA loan amount up to \$196,436,445 will be drawn upon completion of the project to repay the 2020B Revenue notes. The WIFIA loan carries an annual interest of 1.36 percent and has a maturity in November 1, 2060, with principal and interest payments due one year after project substantial completion.
- 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, 2021, is comprised of the principal amount of \$196,435,000 plus unamortized deferred premium of \$28,366,786, for a total of \$224,801,786. This includes capitalized interest of \$29,382,065 to be used toward interest payments due.

| Year Ending June 30 | Principal Payments | Interest Payment | Total |
|----------------------------|-------------------------------|-----------------------------|-----------------------|
| 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 |
| Total Revenue Notes | \$ 196,435,000 | \$ 31,429,600 | \$ 227,864,600 |

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 2017A and 2020A Refunding Revenue bonds and the 2020B Revenue Notes are subject to arbitrage limitations.
 - 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.
 - The initial arbitrage rebate computation on the 2020A bonds and the 2020B notes prepared in August 2021, resulted in no arbitrage rebate due for fiscal ending June 30, 2021. The next installment computation date according to bond documents is June 2025.

NOTE 14: ADVANCES TO/FROM OTHER FUNDS

The composition of advances to/from other funds balances as of June 30, 2021, is as follows:

| Funds | Advances To Other Funds: | | Total |
|--|--------------------------|---------------------|--------------|
| | Recycled Water Fund | Recharge Water Fund | |
| Advances To Other Funds: | | | |
| Major Funds: | | | |
| Regional Wastewater Capital Improvement Fund | \$13,500,000 | - | \$13,500,000 |
| Subtotal | 13,500,000 | - | 13,500,000 |
| Non-Major Funds: | | | |
| Non-Reclaimable Wastewater Fund | 6,000,000 | - | 6,000,000 |
| Recycled Water Fund | - | 933,000 | 933,000 |
| Subtotal | 6,000,000 | 933,000 | 6,933,000 |
| Total advances | \$19,500,000 | \$933,000 | \$20,433,000 |

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

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND & RECYCLED WATER FUND

On June 30, 2021, 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 & RECHARGE WATER FUND

At June 30, 2021, the Non-Reclaimable Wastewater Fund reported an advance to the Recycled Water Fund, in the amount of \$6,000,000. 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 \$4,000,000 was made during the current fiscal year. The remainder is scheduled to be repaid over several fiscal years from increased recycled water deliveries.

At June 30, 2021, the Recycled Water Fund reported an advance to the Recharge Water Fund, in the amount of \$933,000. This advance supports the implementation of the Recharge Master Plan Updates projects that are included in the Recharge Water Fund. This advance is to be repaid one year from the date of execution.

NOTE 15: INTERFUND TRANSFERS

In FY 2020/21, the Agency allocated inter-fund transfers of \$22,337,571 supporting debt service requirements, the Agency's pro-rata share of groundwater recharge O&M costs, capital and O&M/non-capital project costs based upon information defined in 2015 and 2020 Rate Studies.

Transfers In

The Regional Wastewater Capital Improvement Fund received a Transfer In of \$8,511,422 from the Regional Wastewater Operations & Maintenance fund to support the portion of the capital project costs for existing excess capacity in the Regional Wastewater system.

The Regional Wastewater Operations & Maintenance Fund received a Transfer In of \$6,719,370 from the Regional Wastewater Capital Improvement Fund for regional wastewater system management and expansion project costs, and to support its share of debt service costs for the Water Quality Laboratory State Revolving Fund (SRF) loan.

The Recycled Water Fund received Transfers In of \$2,538,591 from the Regional Wastewater Capital Improvement Fund for its share of the 2017A Refunding Revenue Bonds debt service costs and from the Regional Wastewater Operations & Maintenance Fund to support its share of debt service costs for the SCADA Enterprise/Wineville project.

The Water Resources Fund received Transfers In of \$747,898 in One Water Connection Fees from the Recycled Water Fund to support capital and O&M/non-capital project costs for water resource management, water expansion, and conservation projects.

Non-Major Enterprise funds received Transfers In the amount of \$3,820,290, as follows:

The Administrative Services Fund received Transfers In of \$2,036,342 from the Regional Wastewater Capital Improvement Fund to support capital and O&M/ non-capital project costs; from the Regional Wastewater Operations & Maintenance Fund for operating costs; the Recycled Water Fund to support capital and O&M/non-capital projects and operating costs; and from the Non-Major Non-Reclaimable Wastewater fund to support capital project and operating costs.

The Non-Reclaimable Wastewater Fund received Transfer In of \$909,088 from the Regional Wastewater Capital Improvement Fund to support capital and O&/non-capital project costs.

The Recharge Water Fund received Transfers In of \$874,860 from the Regional Wastewater Capital Improvement Fund to support its share of the 2020A Refunding Revenue Bonds; and from the Recycled Water Fund to support the Agency's pro rata share of basin maintenance costs per Peace I and II agreements with Chino Basin Watermaster and for support of O&M/non-capital projects.

Transfers Out

The Regional Wastewater Capital Improvement Fund sent transfers out of \$12,328,569 to the Regional Wastewater Operations Fund to support or regional wastewater system management and expansion costs, and for debt service support; to the Recycled Water fund to support its share of the 2017A Refunding Revenue Bonds annual principal and interest expense; to the Administrative Services Fund, the Non-Reclaimable Wastewater Fund to support capital project costs; and to the Recharge Water Fund to support the Agency's share of principal and interest expense for the 2020A Refunding Revenue Bonds.

The Regional Wastewater Operations & Maintenance Fund sent transfers out of \$8,710,591 to the Regional Wastewater Capital Improvement Fund to support its share of capital project costs related to RP-5 Expansion project; to the Recycled Water Fund for its share of the SCADA Enterprise/Wineville project costs; and to the Administrative Services Fund to support operating cost.

The Recycled Water Fund sent transfers out of \$1,249,064 to the Water Resources Fund to support water use efficiency and conservation project costs; to the Recharge Water Fund to support operations support and capital and O&M/non-capital projects; and to the Administrative Services Fund to support capital and O&M/non-capital projects and operating costs.

The Non-Reclaimable Wastewater Fund sent transfers out of \$49,347 to the Administrative Services Fund to support capital project and operating costs.

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2021

FY 2020/21 Summary of Transfers In and Transfers Out by Fund

| Transfers Out: | Transfers In: | | | | | | | Total |
|---|--|--------------------------------|----------------|-----------------|----------------------------|---------|--|---------------|
| | Regional Wastewater Capital Imprv Fund | Regional Wastewater O & M Fund | Recycled Water | Water Resources | Non-Major Enterprise Funds | | | |
| Regional Wastewater Capital Improvement Fund | \$ - | \$ 6,719,370 | \$ 2,391,284 | \$ - | \$ 3,217,915 | | | \$ 12,328,569 |
| Regional Wastewater Operations & Maintenance Fund | 8,511,422 | | 147,307 | | | 51,862 | | 8,710,591 |
| Recycled Water Fund | | | | 747,898 | | 501,166 | | 1,249,064 |
| Non-Major Enterprise Funds | | | | | | 49,347 | | 49,347 |
| Total Transfers | \$ 8,511,422 | \$ 6,719,370 | \$ 2,538,591 | \$ 747,898 | \$ 3,820,290 | | | \$ 22,337,571 |

NOTE 16: OPERATING LEASES

The Agency has two operating leases at June 30, 2021:

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

Total operating lease costs were \$64,818 for the year ended June 30, 2021. The future minimum lease payments for equipment leases are as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|-------------------|
| 2022 | \$ 61,789 |
| 2023 | 26,193 |
| 2024 | 13,440 |
| | <u>\$ 101,422</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, 2021, 3,604.32 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.

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 \$139.00, 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.

EMPLOYEES COVERED

As of the June 30, 2021 (measurement date as of June 30, 2020) 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 | 141 |
| Inactive employees entitled to, but not yet receiving benefits | 0 |
| Active employees | 277 |
| Total | 418 |

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, 2021, the Agency's contributions were \$661,074.

NET OPEB LIABILITY

The Agency's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, rolled forward to June 30, 2020, using standard update procedures, and based on the following actuarial methods and assumptions:

| | |
|--|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| 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⁽¹⁾ | Derived using CalPERS' Membership Data for all funds |
| Pre-Retirement Turnover⁽²⁾ | Derived using CalPERS' Membership Data for all funds |
| Healthcare Trend Rate | 6.50% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO |

Notes:

⁽¹⁾ 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 under Forms and Publications.

⁽²⁾ 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 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, 2020, are summarized in the following table:

| Asset Class | Target Allocation |
|------------------------|-------------------|
| CERBT | |
| Global Entity | 40.00% |
| Global Debt Securities | 43.00% |
| Inflation Assets | 5.00% |
| Commodities | 4.00% |
| REITs | 8.00% |
| Total | 100.00% |

Long-term expected rate of return is 6.50%

DISCOUNT RATE

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

CHANGES IN THE OPEB LIABILITY

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

| | Increase (Decrease) | | |
|---|----------------------|-----------------------------|----------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| Balances at June 30, 2020 <i>(Measurement Date June 30, 2019)</i> | \$ 18,253,695 | \$ 17,230,464 | \$ 1,023,231 |
| Changes in Current Year: | | | |
| Service cost | 464,821 | - | 464,821 |
| Interest on the total OPEB liability | 1,186,978 | - | 1,186,978 |
| Differences between actual and expected experience | - | - | - |
| Changes in assumptions | (36,017) | - | (36,017) |
| Contributions - employer | - | 1,878,603 | (1,878,603) |
| Projected earnings on investment | - | 1,152,203 | (1,152,203) |
| Differences between projected and actual earnings on OPEB plan investment | - | (223,090) | 223,090 |
| Administrative expenses | - | (8,519) | 8,519 |
| Benefit payments, including refunds of employee contributions | (878,603) | (878,603) | - |
| Current Year Net Changes | \$ 737,179 | \$ 1,920,594 | \$ (1,183,415) |
| Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i> | \$ 18,990,874 | \$ 19,151,058 | \$ (160,184) |

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, 2020:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability | \$ 3,942,104 | \$ (160,184) | \$ (3,348,499) |

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, 2020:

| | 1% Decrease (5.50% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO) | Current Healthcare Cost Trend Rates (6.50% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO) | 1% Increase (7.50% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO) |
|--------------------|---|---|---|
| Net OPEB Liability | \$ (1,918,468) | \$ (160,184) | \$ 1,824,142 |

OPEB PLAN FIDUCIARY NET POSITION

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

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

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

| | |
|--|--|
| Net difference between projected and actual earnings on OPEB plan investments | 5-year straight-line amortization |
| All other amounts | Expected average remaining service lifetime (EARSL) (7.0 Years at June 30, 2020) |

RECOGNITION OF DERERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

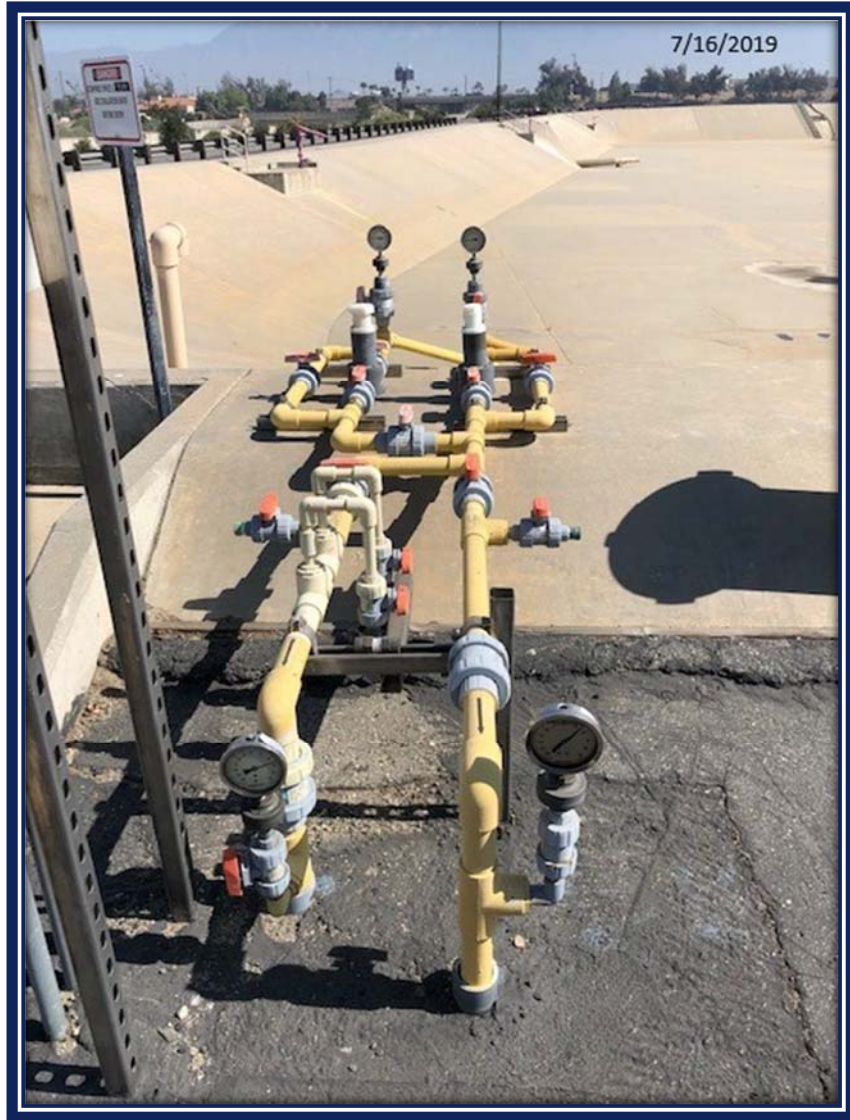
For the fiscal year ended June 30, 2021, the Agency recognized OPEB expense of \$318,451. As of fiscal year ended June 30, 2021, the Agency reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| OPEB contributions subsequent to measurement date | \$ 661,074 | \$ - |
| Change in experience | 1,054,713 | 30,872 |
| Change in assumptions | - | 727,425 |
| Net differences between projected and actual earnings on OPEB plan investments | 296,169 | - |
| Total | \$ 2,011,956 | \$ 758,297 |

The \$661,074 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022.

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 |
|--|---|
| 2022 | \$ 51,668 |
| 2023 | 2,247 |
| 2024 | 192,690 |
| 2025 | 197,871 |
| 2026 | 153,256 |
| 2027 | (5,147) |
| Thereafter | - |



RP-1 TP-1 BLEACH MIXING REPAIRS TO REHABILITATE/REPAIR EXISTING ASSETS

INLAND EMPIRE UTILITIES AGENCY
Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Schedule of Contributions

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

CALPERS MISCELLANEOUS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2021
LAST TEN YEARS*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$6,192,868 | \$ 5,751,862 | \$ 4,266,593 | \$ 4,785,958 | \$ 4,986,891 | \$ 4,653,741 | \$ 3,854,702 |
| Contributions in relation to the actuarially determined contributions | (10,692,868) | (10,251,862) | (9,766,593) | (9,285,958) | (9,486,891) | (9,153,741) | (8,354,702) |
| Contribution deficiency (excess) | (\$4,500,000) | (\$4,500,000) | (\$4,500,000) | (\$4,500,000) | (\$4,500,000) | (\$4,500,000) | (\$4,500,000) |
| Covered payroll | \$30,559,735 | \$ 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 | 34.99% | 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 | 2.625% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 7.25%, 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 seven years of data are shown.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | (Measurement Date June 30, 2020) | (Measurement Date June 30, 2019) | (Measurement Date June 30, 2018) | (Measurement Date June 30, 2017) | (Measurement Date June 30, 2016) | (Measurement Date June 30, 2015) | (Measurement Date June 30, 2014) |
| Total Pension Liability: | | | | | | | |
| Service Cost | \$ 4,763,123 | \$ 4,618,250 | \$ 4,646,509 | \$ 4,454,352 | \$ 3,749,410 | \$ 3,685,630 | \$ 3,768,503 |
| Interest on total pension liability | 15,744,171 | 14,817,042 | 13,746,742 | 12,950,950 | 12,103,023 | 11,654,818 | 10,818,920 |
| Differences between expected and actual experience | 2,118,811 | 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 | (9,046,642) | (8,272,800) | (7,528,545) | (6,509,351) | (6,263,541) | (5,730,808) | (5,304,990) |
| Net Change in Total Pension Liability | 13,579,463 | 15,653,303 | 11,512,227 | 24,000,182 | 6,072,637 | 8,679,847 | 9,282,433 |
| Total Pension Liability - Beginning of Year | 220,221,134 | 204,567,831 | 193,055,604 | 169,055,422 | 162,982,785 | 154,302,938 | 145,020,505 |
| Total Pension Liability - End of Year (a) | \$ 233,800,597 | \$ 220,221,134 | \$ 204,567,831 | \$ 193,055,604 | \$ 169,055,422 | \$ 162,982,785 | \$ 154,302,938 |
| Plan Fiduciary Net Position: | | | | | | | |
| Contributions- employer | \$ 10,209,060 | \$ 9,747,753 | \$ 9,461,289 | \$ 9,481,188 | \$ 9,014,122 | \$ 8,330,807 | \$ 3,733,583 |
| Contributions- employee | 2,265,833 | 2,207,304 | 2,374,114 | 2,170,535 | 1,949,174 | 1,812,908 | 2,374,649 |
| Net investment income | 9,174,676 | 11,107,508 | 13,002,740 | 15,011,231 | 649,762 | 2,718,511 | 17,346,113 |
| Benefit payments | (9,046,642) | (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 | (255,343) | (118,785) | (233,464) | (191,729) | (75,929) | (140,237) | - |
| Other miscellaneous income (expense) | - | 385 | (443,351) | - | - | - | - |
| Net Change in Plan Fiduciary Net Position | 12,347,584 | 14,671,365 | 16,632,398 | 19,961,874 | 5,273,588 | 6,991,181 | 18,149,355 |
| Plan Fiduciary Net Position - Beginning of Year | 181,125,566 | 166,454,201 | 149,821,803 | 129,859,929 | 124,586,341 | 117,595,160 | 99,445,805 |
| Plan Fiduciary Net Position - End of Year (b) | \$ 193,473,150 | \$ 181,125,566 | \$ 166,454,201 | \$ 149,821,803 | \$ 129,859,929 | \$ 124,586,341 | \$ 117,595,160 |
| Net Pension on Liability - Ending | \$ 40,327,447 | \$ 39,095,568 | \$ 38,113,630 | \$ 43,233,801 | \$ 39,195,493 | \$ 38,396,444 | \$ 36,707,778 |
| Plan Fiduciary Net Position as Percentage of the Total Pension Liability | 82.75% | 82.25% | 81.37% | 77.61% | 76.82% | 76.44% | 76.21% |
| Covered Payroll | \$ 29,615,605 | \$ 28,525,130 | \$ 29,042,418 | \$ 27,131,239 | \$ 25,127,054 | \$ 23,007,322 | \$ 23,082,763 |
| Net Pension Liability as Percentage of Covered Payroll | 136.17% | 137.06% | 131.23% | 159.35% | 155.99% | 166.89% | 159.03% |

Notes to schedule:

Benefit Changes: There were no changes in benefits.

Changes in Assumptions: There were no changes in assumptions.

*Fiscal Year 2014/2015 was the first year of GASB 68 implementation, therefore only seven years of data is shown.

CALPERS RETIREE HEALTHCARE PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2021
LAST TEN YEARS*

| | 2021 | 2020 | 2019 | 2018 |
|---|--------------------|-----------------------|-----------------------|-----------------------|
| Actuarially determined contribution | \$ 607,966 | \$ 593,115 | \$ 608,943 | \$ 561,354 |
| Contributions in relation to the actuarially determined contributions | (661,074) | (1,637,271) | (2,608,943) | (2,561,354) |
| Contribution deficiency (excess) | (\$ 53,108) | (\$ 1,044,156) | (\$ 2,000,000) | (\$ 2,000,000) |
| Covered-employee payroll | \$ 4,216,543 | \$ 4,008,335 | \$ 3,737,662 | \$ 3,788,381 |
| Contributions as a percentage of covered-employee payroll | 15.68% | 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 | 2.75% 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 four 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*

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | (Measurement Date June 30, 2020) | (Measurement Date June 30, 2019) | (Measurement Date June 30, 2018) | (Measurement Date June 30, 2017) |
| Total OPEB Liability: | | | | |
| Service cost | \$ 464,821 | \$ 534,995 | \$ 520,676 | \$ 491,205 |
| Interest on total OPEB Liability | 1,186,978 | 1,068,735 | 1,005,737 | 954,618 |
| Differences between expected and actual experience | - | 1,476,597 | - | - |
| Changes in assumptions | (36,017) | (367,808) | (1,161,761) | - |
| Changes in benefits | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (878,603) | (731,819) | (666,542) | (580,077) |
| Net Change in the Total OPEB Liability | 737,179 | 1,980,700 | (301,890) | 865,746 |
| Total OPEB Liability - Beginning of Year | 18,253,695 | 16,272,995 | 16,574,885 | 15,709,139 |
| Total OPEB Liability - End of Year (a) | \$ 18,990,874 | \$ 18,253,695 | \$ 16,272,995 | \$ 16,574,885 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - employer | 1,878,603 | \$ 2,731,819 | \$ 2,666,542 | \$ 2,580,077 |
| Contributions - employee | - | - | - | - |
| Net Investment income | 1,152,203 | 1,015,006 | 551,142 | 372,066 |
| Difference between expected and actual investment income | (223,090) | - | - | - |
| Benefit payments | (878,603) | (731,819) | (666,542) | (580,077) |
| Administrative expense | (8,519) | (3,076) | (6,115) | (4,884) |
| Other expense | - | - | (15,471.00) | - |
| Net Change in Plan Fiduciary Net Position | 1,920,594 | 3,011,930 | 2,529,556 | 2,367,182 |
| Plan Fiduciary Net Position - Beginning of Year | 17,230,464 | 14,218,534 | 11,688,978 | 9,321,796 |
| Plan Fiduciary Net Position - End of Year (b) | \$ 19,151,058 | \$ 17,230,464 | \$ 14,218,534 | \$ 11,688,978 |
| Net OPEB Liability - Ending (a)-(b) | \$ (160,184) | \$ 1,023,231 | \$ 2,054,461 | \$ 4,885,907 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 100.84% | 94.39% | 87.38% | 70.52% |
| Covered-Employee Payroll | \$ 4,008,335 | \$ 3,737,662 | \$ 3,788,381 | \$ 3,507,284 |
| Net OPEB Liability as Percentage of Covered-Employee Payroll | -4.00% | 27.38% | 54.23% | 139.31% |

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Differences between Expected and Actual Experience: There were no differences between expected and actual experience.

*Fiscal year 2017/2018 was the first year of GASB 75 implementation, therefore only four years of data is shown.



RP-1 HOT WATER LOOP
REPLACEMENT
TO IMPROVE RELIABILITY

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, 2021

| | Non-Major Enterprise Funds | |
|---|----------------------------|------------|
| | Non-reclaimable | Recharge |
| | Wastewater | Water |
| ASSETS | | |
| Current assets | | |
| Cash and investments | \$ 19,217,688 | \$ 449,538 |
| Accounts receivable | 2,216,635 | 1,002,343 |
| Interest receivable | 1,503,805 | 152 |
| Taxes receivable | 1 | - |
| Other receivables | - | - |
| Inventory | - | - |
| Prepaid items | - | - |
| | | |
| Total current assets | 22,938,129 | 1,452,033 |
| Noncurrent assets | | |
| Restricted assets | | |
| Assets held with trustee/fiscal agent | 41 | 1 |
| | | |
| Total restricted assets | 41 | 1 |
| Capital assets | | |
| Land | - | - |
| Jobs in progress | 4,388,195 | 9,097,331 |
| Capital assets, net of accumulated depreciation | 11,482,526 | 35,955,522 |
| Intangible assets, net of accumulated amortization | 1,200,607 | - |
| | | |
| Total capital assets | 17,071,328 | 45,052,853 |
| Other assets | | |
| Advances to other funds | 6,000,000 | - |
| Net other postemployment benefit | 7,828 | 3,276 |
| Total other assets | 6,007,828 | 3,276 |
| | | |
| Total noncurrent assets | 23,079,197 | 45,056,130 |
| | | |
| Total assets | 46,017,326 | 46,508,163 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow related to debt refunding | 275,831 | - |
| Deferred outflow net other postemployment benefit liability | 96,148 | 38,493 |
| Deferred outflow related to net pension liability | 766,233 | 307,120 |
| Total deferred outflows of resources | 1,138,212 | 345,613 |

| Administrative Services | Totals 2021 |
|----------------------------|--------------------|
| \$ 30,750,243 | \$ 50,417,469 |
| 1,068,732 | 4,287,710 |
| 52,469 | 1,556,426 |
| 11,488 | 11,489 |
| 70,815 | 70,815 |
| 1,332,575 | 1,332,575 |
| 104,598 | 104,598 |
| <u>33,390,920</u> | <u>57,781,082</u> |
| <u>-</u> | <u>42</u> |
| <u>-</u> | <u>42</u> |
| 20,829 | 20,829 |
| 3,349,106 | 16,834,632 |
| 11,727,398 | 59,165,446 |
| <u>952,758</u> | <u>2,153,365</u> |
| <u>16,050,091</u> | <u>78,174,272</u> |
| - | 6,000,000 |
| <u>7,966</u> | <u>19,070</u> |
| <u>7,966</u> | <u>6,019,070</u> |
| <u>16,058,057</u> | <u>84,193,384</u> |
| <u>49,448,977</u> | <u>141,974,466</u> |
| - | 275,831 |
| 139,126 | 273,767 |
| <u>930,641</u> | <u>2,003,994</u> |
| <u>1,069,767</u> | <u>2,553,592</u> |

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Net Position (Continued from previous page)
June 30, 2021

| | Non-Major Enterprise Funds | |
|--|-------------------------------|-------------------|
| | Non-reclaimable Wastewater | Recharge Water |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 611,894 | \$ 266,318 |
| Accrued liabilities | 1,747,068 | - |
| Compensated absences | - | - |
| Retentions payable | 76,615 | 135,264 |
| Long-term debt, due within one year | 331,180 | 559,350 |
| Interest payable | 43,606 | 33,060 |
| Total current liabilities | 2,810,363 | 993,992 |
| Noncurrent liabilities | | |
| Compensated absences | - | - |
| Long-term debt, due in more than one year | 5,720,750 | 9,544,980 |
| Advances from other funds | - | 933,000 |
| Net pension liability | 2,236,377 | 774,962 |
| Total noncurrent liabilities | 7,957,127 | 11,252,942 |
| Total liabilities | 10,767,490 | 12,246,934 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow net other postemployment benefit liability | 37,096 | 15,431 |
| Deferred inflow related to net pension liability | 18,593 | 4,083 |
| Total deferred inflows of resources | 55,689 | 19,514 |
| NET POSITION | | |
| Net investment in capital assets | 11,173,130 | 34,805,163 |
| Restricted for: | | |
| Bond operating contingency requirement | 3,145,337 | - |
| Total restricted | 3,145,337 | - |
| Unrestricted | 22,013,892 | (217,835) |
| Total net position | \$36,332,359 | \$ 34,587,328 |

| Administrative Services | | Totals 2021 | |
|----------------------------|------------|----------------|-------------|
| \$ | 1,799,865 | \$ | 2,678,077 |
| | 2,620,450 | | 4,367,518 |
| | 2,284,406 | | 2,284,406 |
| | - | | 211,879 |
| | - | | 890,530 |
| | - | | 76,666 |
| | 6,704,721 | | 10,509,076 |
| | 3,575,682 | | 3,575,682 |
| | - | | 15,265,730 |
| | - | | 933,000 |
| | 2,155,388 | | 5,166,727 |
| | 5,731,070 | | 24,941,139 |
| | 12,435,791 | | 35,450,215 |
| | 31,602 | | 84,129 |
| | 28,653 | | 51,329 |
| | 60,255 | | 135,458 |
| | 16,014,857 | | 61,993,150 |
| | 70,579 | | 3,215,916 |
| | 70,579 | | 3,215,916 |
| | 21,937,262 | | 43,733,319 |
| \$ | 38,022,698 | \$ | 108,942,385 |

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Non-Major Enterprise Funds | |
|--|----------------------------|---------------|
| | Non-reclaimable | Recharge |
| | Wastewater | Water |
| OPERATING REVENUES | | |
| Service charges | \$ 12,471,174 | \$ - |
| Total operating revenues | 12,471,174 | - |
| OPERATING EXPENSES | | |
| Wastewater collection | 7,581,027 | - |
| Administration and general | 1,854,985 | 1,872,523 |
| Depreciation and amortization | 880,054 | 1,313,016 |
| Total operating expenses | 10,316,066 | 3,185,539 |
| Operating income (loss) | 2,155,108 | (3,185,539) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 188,199 | 1,752 |
| Property tax revenue | - | - |
| Other nonoperating revenues | 1,712 | 1,681,594 |
| Interest on long-term debt | (265,862) | (392,115) |
| Other nonoperating expenses | 29,238 | 196,549 |
| Total nonoperating revenues (expenses) | (46,713) | 1,487,780 |
| Income (loss) before capital contributions and transfers | 2,108,395 | (1,697,759) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | |
| Transfers in | 909,088 | 874,860 |
| Transfers out | (49,347) | - |
| Capital grants | - | 1,154,578 |
| Change in net position | 2,968,136 | 331,679 |
| Total net position - beginning | \$33,364,223 | 34,255,649 |
| Total net position - ending | \$ 36,332,359 | \$ 34,587,328 |

| Administrative Services | Totals 2021 |
|----------------------------|----------------|
| \$ - | \$ 12,471,174 |
| - | 12,471,174 |
| - | 7,581,027 |
| 527,779 | 4,255,287 |
| 1,321,857 | 3,514,927 |
| 1,849,636 | 15,351,241 |
| (1,849,636) | (2,880,067) |
| 130,326 | 320,277 |
| 1,972,200 | 1,972,200 |
| (122,124) | 1,561,182 |
| - | (657,977) |
| (1,481,490) | (1,255,703) |
| 498,912 | 1,939,979 |
| (1,350,724) | (940,088) |
| 2,036,342 | 3,820,290 |
| - | (49,347) |
| - | 1,154,578 |
| 685,618 | 3,985,433 |
| 37,337,080 | 104,956,952 |
| \$ 38,022,698 | \$ 108,942,385 |

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows
For the Fiscal Year ended June 30, 2021

| | Non-Major Enterprise Funds | |
|--|----------------------------|--------------------|
| | Non-Reclaimable | Recharge |
| | Wastewater | Water |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 12,784,985 | \$ - |
| Cash received from interfund services provided | - | - |
| Cash payments to suppliers for goods and services | (6,762,790) | (1,123,920) |
| Cash payments to employees for services | (778,505) | (516,402) |
| Cash payments for interfund services used | <u>(719,329)</u> | <u>(364,162)</u> |
| Net cash provided by (used for) operating activities | <u>4,524,361</u> | <u>(2,004,484)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in | 909,088 | 874,860 |
| Transfers out | (49,347) | - |
| Contract reimbursement from others | 1,712 | 2,028,630 |
| Tax revenues | - | - |
| Cash paid to others | (7,569) | - |
| Advances from other funds | - | 933,000 |
| Advances to other funds | <u>4,000,000</u> | <u>-</u> |
| Net cash provided by (used for) noncapital financing activities | <u>4,853,884</u> | <u>3,836,490</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (3,334,106) | (2,888,363) |
| Capital grants | - | 1,154,578 |
| Principal paid on capital debt | (383,326) | (715,945) |
| Interest paid on capital debt | (231,169) | (979,230) |
| Bond administration fees | 22,364 | - |
| Contractor deposits collected | <u>72,907</u> | <u>103,389</u> |
| Net cash provided by (used for) capital and related financing activities | <u>(3,853,330)</u> | <u>(3,325,571)</u> |

| Administrative Services | Totals 2021 |
|----------------------------|----------------|
| \$ 332,678 | \$ 13,117,663 |
| 32,750,008 | 32,750,008 |
| (6,149,064) | (14,035,774) |
| (26,465,465) | (27,760,372) |
| - | (1,083,491) |
| 468,157 | 2,988,034 |

| | |
|-------------|-------------|
| 2,036,342 | 3,820,290 |
| - | (49,347) |
| 1,349,716 | 3,380,058 |
| 1,973,563 | 1,973,563 |
| (1,465,097) | (1,472,666) |
| - | 933,000 |
| - | 4,000,000 |
| 3,894,524 | 12,584,898 |

| | |
|-------------|-------------|
| (1,840,367) | (8,062,836) |
| - | 1,154,578 |
| - | (1,099,271) |
| (16,392) | (1,226,791) |
| - | 22,364 |
| - | 176,296 |
| (1,856,759) | (9,035,660) |

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year ended June 30, 2021

| | Non-Major Enterprise Funds | |
|--|----------------------------|-------------------|
| | Non-Reclaimable | Recharge |
| | Wastewater | Water |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | \$ 160,651 | \$ 3,998 |
| Sale of investments | - | - |
| Net cash provided by (used for) investing activities | 160,651 | 3,998 |
| Net increase (decrease) in cash and cash equivalents | 5,685,566 | (1,489,567) |
| Cash and cash equivalents - beginning | 13,532,163 | 1,939,106 |
| Cash and cash equivalents - ending | <u>\$ 19,217,729</u> | <u>\$ 449,539</u> |

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

| | | |
|---|---------------------|-----------------------|
| Operating income (loss) | \$ 2,155,108 | \$ (3,185,539) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | |
| Depreciation and amortization | 880,054 | 1,313,016 |
| Changes in assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts receivable | 313,812 | - |
| Short term receivables | - | - |
| Inventory | - | - |
| Prepaid items | - | - |
| Increase (decrease) in | | |
| Deferred outflow related to net pension liability | 63,476 | 21,030 |
| Deferred outflow related to net other post employment benefit | 51,860 | 19,715 |
| Accounts payable | (586,178) | (119,043) |
| Accrued liabilities | 1,747,068 | (20,616) |
| Deferred inflow related to net pension liability | (141,660) | (48,745) |
| Deferred inflow related to net other post employment benefit | (13,590) | (5,182) |
| Net other postemployment benefits liability | (53,253) | (20,959) |
| Net pension liability | 107,664 | 41,839 |
| Compensated absences | - | - |
| Net cash provided by (used for) operating activities | <u>\$ 4,524,361</u> | <u>\$ (2,004,484)</u> |

| Administrative Services | Totals 2021 |
|----------------------------|----------------|
| \$ 149,651 | \$ 314,300 |
| (1,591,518) | (1,591,518) |
| (1,441,867) | (1,277,218) |
| 1,064,055 | 5,260,054 |
| 29,686,188 | 45,157,457 |
| \$ 30,750,243 | \$ 50,417,511 |
| \$ (1,849,636) | \$ (2,880,067) |
| 1,321,857 | 3,514,927 |
| 378,548 | 692,360 |
| (45,870) | (45,870) |
| (40,781) | (40,781) |
| (1,136) | (1,136) |
| 88 | 84,594 |
| 52,205 | 123,780 |
| 907,055 | 201,834 |
| (262,447) | 1,464,005 |
| (20,939) | (211,344) |
| (10,745) | (29,517) |
| (98,909) | (173,121) |
| 15,187 | 164,690 |
| 123,680 | 123,680 |
| \$ 468,157 | \$ 2,988,034 |

INLAND EMPIRE UTILITIES AGENCY
Combining Statement of Cash Flows - (Continued from previous page)
For the Fiscal Year ended June 30, 2021

| | 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 | \$ 19,217,688 | \$ 449,538 |
| Restricted assets | 41 | 1 |
| Cash & cash equivalents at end of year | <u>\$ 19,217,729</u> | <u>\$ 449,539</u> |

| <u>Administrative</u> | <u>Totals</u> |
|-----------------------|----------------------|
| <u>Services</u> | <u>2021</u> |
| | |
| \$ 30,750,243 | \$ 50,417,469 |
| - | 42 |
| <u>\$ 30,750,243</u> | <u>\$ 50,417,511</u> |



**RP-5 BAR SCREEN INLET & OUTLET GATE
ACTUATORS REPLACEMENT
TO EXTEND ASSET LIFE**

INLAND EMPIRE UTILITIES AGENCY

Regional Wastewater Program

THE REGIONAL WASTEWATER PROGRAM CONSISTS OF THE FOLLOWING FUNDS:

REGIONAL WASTEWATER CAPITAL IMPROVEMENT FUND

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

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

REGIONAL WASTEWATER OPERATIONS AND MAINTENANCE FUND

The Regional Wastewater Operations and Maintenance Fund accounts for the revenue and operating costs directly related to the Agency's domestic sewage treatment service provided to the contracting member agencies (wastewater collection and treatment) and organics management activities, including 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, 2021

| | Regional Capital Improvement | Regional Operations & Maintenance | Totals 2021 |
|---|------------------------------------|---|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 45,036,611 | \$ 70,662,218 | \$ 115,698,829 |
| Accounts receivable | 659,153 | 23,533,313 | 24,192,466 |
| Interest receivable | 1,347,875 | 151,903 | 1,499,778 |
| Taxes receivable | 199,242 | 55,879 | 255,121 |
| Other receivables | 347,994 | 278 | 348,272 |
| Prepaid items | 1,201 | - | 1,201 |
| Total current assets | 47,592,076 | 94,403,591 | 141,995,667 |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Deposits held by governmental agencies | 91,465,009 | - | 91,465,009 |
| Restricted short-term investments | 164,275,998 | - | 164,275,998 |
| Assets held with trustee/fiscal agents | 31,897,857 | 146,540 | 32,044,397 |
| Total restricted assets | 287,638,864 | 146,540 | 287,785,404 |
| Capital assets | | | |
| Land | 14,047,045 | - | 14,047,045 |
| Jobs in progress | 118,490,756 | 44,500,214 | 162,990,970 |
| Capital assets, net of accumulated depreciation | 249,139,278 | 58,198,393 | 307,337,671 |
| Intangible assets, net of accumulated amortization | 5,111,427 | 2,687,041 | 7,798,468 |
| Total capital assets | 386,788,506 | 105,385,648 | 492,174,154 |
| Other assets | | | |
| Investment in joint venture | 40,110,343 | - | 40,110,343 |
| Advances to other funds | 13,500,000 | - | 13,500,000 |
| Long-term receivables | 2,236,500 | - | 2,236,500 |
| Prepaid Interest - SRF loans | 564,488 | - | 564,488 |
| Net other postemployment benefits | 15,200 | 104,471 | 119,671 |
| Total other assets | 56,426,531 | 104,471 | 56,531,002 |
| Total noncurrent assets | 730,853,901 | 105,636,659 | 836,490,560 |
| Total assets | 778,445,977 | 200,040,250 | 978,486,227 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflow related to debt refunding | 1,325,049 | 165,693 | 1,490,742 |
| Deferred outflow net other postemployment benefit liability | 187,424 | 1,320,660 | 1,508,084 |
| Deferred outflow related to net pension liability | 1,269,143 | 10,932,336 | 12,201,479 |
| Total deferred outflows of resources | 2,781,616 | 12,418,689 | 15,200,305 |

(Continued)

| | Regional Capital Improvement | Regional Operations & Maintenance | Totals 2021 |
|--|------------------------------------|---|----------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 8,183,870 | \$ 6,818,919 | \$ 15,002,789 |
| Accrued liabilities | 21,385 | 15,357 | 36,742 |
| Retentions payable | 59,806 | 857,584 | 917,390 |
| Long-term debt, due within one year | 2,681,591 | 198,940 | 2,880,531 |
| Notes payable, due within one year | 1,858,796 | 731,598 | 2,590,394 |
| Interest payable | 1,607,259 | 180,077 | 1,787,336 |
| Retention deposits and escrows | 2,515,559 | 146,515 | 2,662,074 |
| Total current liabilities | 16,928,266 | 8,948,990 | 25,877,256 |
| Noncurrent liabilities | | | |
| Long-term debt, due in more than one year | 46,092,926 | 3,436,460 | 49,529,386 |
| Notes payable, due in more than one year | 242,025,651 | 21,847,608 | 263,873,259 |
| Net other postemployment benefits liability | - | - | - |
| Net pension liability | 4,544,988 | 25,342,329 | 29,887,317 |
| Total noncurrent liabilities | 292,663,565 | 50,626,397 | 343,289,962 |
| Total liabilities | 309,591,831 | 59,575,387 | 369,167,218 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflow net other postemployment benefit liability | 71,883 | 490,756 | 562,639 |
| Deferred inflow related to net pension liability | 21,334 | 239,869 | 261,203 |
| Total deferred inflows of resources | 93,217 | 730,625 | 823,842 |
| NET POSITION | | | |
| Net Investment in capital assets | 115,414,891 | 76,503,695 | 191,918,586 |
| Restricted for: | | | |
| Capital construction | 255,741,007 | - | 255,741,007 |
| SRF Loan debt service | 1,447,479 | 1,046,416 | 2,493,895 |
| Bond operating contingency requirement | 1,819,793 | 19,297,272 | 21,117,065 |
| Total restricted | 259,008,279 | 20,343,688 | 279,351,967 |
| Unrestricted | 97,119,375 | 55,305,544 | 152,424,919 |
| Total net position | \$ 471,542,545 | \$ 152,152,927 | \$ 623,695,472 |

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, 2021

| | Regional Capital Improvement | Regional Operations & Maintenance | Totals 2021 |
|---|------------------------------------|---|----------------|
| OPERATING REVENUES | | | |
| Service charges | \$ - | \$ 71,362,495 | \$ 71,362,495 |
| Total operating revenues | - | 71,362,495 | 71,362,495 |
| OPERATING EXPENSES | | | |
| Wastewater collection | - | 1,384,021 | 1,384,021 |
| Wastewater treatment | - | 22,548,656 | 22,548,656 |
| Wastewater disposal | - | 10,778,250 | 10,778,250 |
| Administration and general | 5,459,380 | 23,180,890 | 28,640,270 |
| Depreciation and amortization | 16,941,464 | 7,367,526 | 24,308,990 |
| Total operating expenses | 22,400,844 | 65,259,343 | 87,660,187 |
| Operating income (loss) | (22,400,844) | 6,103,152 | (16,297,692) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 1,405,016 | 850,892 | 2,255,908 |
| Property tax revenue | 43,637,710 | 9,548,600 | 53,186,310 |
| Wastewater capital connection fees | 36,732,365 | - | 36,732,365 |
| Other nonoperating revenues | 56,815 | 4,341,074 | 4,397,889 |
| Interest on long-term debt | (9,755,762) | (674,491) | (10,430,253) |
| Other nonoperating expenses | 6,020,031 | (9,694,447) | (3,674,416) |
| Total nonoperating revenues (expenses) | 78,096,175 | 4,371,628 | 82,467,803 |
| Income (loss) before capital contributions and transfers | 55,695,331 | 10,474,780 | 66,170,111 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | |
| Transfers in | 8,511,422 | 6,719,370 | 15,230,792 |
| Transfers out | (12,328,569) | (8,710,591) | (21,039,160) |
| Capital grants | - | 10,697,438 | 10,697,438 |
| Change in net position | 51,878,184 | 19,180,997 | 71,059,181 |
| Total net position - beginning | 419,664,361 | 132,971,930 | 552,636,291 |
| Total net position - ending | \$ 471,542,545 | \$ 152,152,927 | \$ 623,695,472 |

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, recycled water, and groundwater recharge 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, 2021

| | Totals |
|---|---------------|
| | 2021 |
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 22,845,365 |
| Accounts receivable | 4,890,204 |
| Interest receivable | 43,356 |
| Taxes receivable | 12,699 |
| Other receivable | 89,232 |
| Prepaid items | 3,500 |
| Total current assets | 27,884,356 |
| Noncurrent assets | |
| Restricted assets | |
| Restricted short-term investments | 23,499,715 |
| Assets held with trustee/fiscal agents | 1,590 |
| Total restricted assets | 23,501,305 |
| Capital assets | |
| Land | 584,450 |
| Jobs in progress | 11,876,177 |
| Capital assets, net of accumulated depreciation | 172,355,379 |
| Intangible assets, net of accumulated amortization | 686,669 |
| Total capital assets | 185,502,675 |
| Other assets | |
| Long term receivables | 2,392,038 |
| Advances to other funds | 933,000 |
| Prepaid interest - SRF loans | 701,582 |
| Net other postemployment benefits | 14,263 |
| Total other assets | 4,040,883 |
| Total noncurrent assets | 213,044,863 |
| Total assets | 240,929,219 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow related to debt refunding | 1,131,798 |
| Deferred outflow net other postemployment benefit liability | 163,705 |
| Deferred outflow related to net pension liability | 1,430,160 |
| Total deferred outflows of resources | 2,725,663 |

| | Totals |
|--|----------------|
| | 2021 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 563,932 |
| Accrued liabilities | - |
| Retentions payable | 157,338 |
| Long term debt, due within one year | 3,563,939 |
| Notes payable, due within one year | 2,521,258 |
| Interest payable | 3,130,555 |
| Retention deposits and escrows | 1,418 |
| Total current liabilities | 9,938,440 |
| Noncurrent liabilities | |
| Advances from other funds | 19,500,000 |
| Long-term debt, due in more than one year | 51,681,377 |
| Notes payable, due in more than one year | 48,667,849 |
| Other noncurrent liabilities | 589,298 |
| Net other postemployment benefits liability | - |
| Net pension liability | 3,725,328 |
| Total noncurrent liabilities | 124,163,852 |
| Total liabilities | 134,102,292 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow net other postemployment benefit liability | 73,899 |
| Deferred inflow related to net pension liability | 33,566 |
| Total deferred inflows of resources | 107,465 |
| NET POSITION | |
| Net Investment in capital assets | 79,954,835 |
| Restricted for: | |
| Capital construction | 23,499,715 |
| SRF Loan debt service | 3,494,381 |
| Total restricted | 26,994,096 |
| Unrestricted | 2,496,194 |
| Total net position | \$ 109,445,125 |

INLAND EMPIRE UTILITIES AGENCY
Recycled Water Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Totals |
|--|----------------|
| | 2021 |
| OPERATING REVENUES | |
| Recycled water sales | \$ 18,094,729 |
| Total operating revenue | 18,094,729 |
| OPERATING EXPENSES | |
| Operations and Maintenance | 4,124,834 |
| Administration and general | 4,985,631 |
| Depreciation and amortization | 8,992,772 |
| Total operating expenses | 18,103,237 |
| Operating income (loss) | (8,508) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 221,602 |
| Property tax revenue | 2,170,100 |
| Water connection fees | 5,699,920 |
| Other nonoperating revenues | 97,402 |
| Interest on long-term debt | (2,795,605) |
| Other nonoperating expenses | 436,052 |
| Total nonoperating revenues (expenses) | 5,829,471 |
| Income (loss) before capital contributions and transfers | 5,820,963 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | |
| Transfers in | 2,538,591 |
| Transfers out | (1,249,064) |
| Capital grants | 10,692,112 |
| Change in net position | 17,802,602 |
| Total net position - beginning | 91,642,523 |
| Total net position - ending | \$ 109,445,125 |

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, 2021

| | Totals 2021 |
|---|----------------|
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 22,804,887 |
| Accounts receivable | 13,126,711 |
| Interest receivable | 45,972 |
| Taxes receivable | 29,403 |
| Water inventory | 2,273,056 |
| Other receivable | 4,343 |
| Total current assets | 38,284,372 |
| Noncurrent assets | |
| Capital assets | |
| Jobs in progress | 5,873,275 |
| Capital assets, net of accumulated depreciation | 16,652 |
| Intangible assets, net of accumulated amortization | - |
| Total capital assets | 5,889,927 |
| Other assets | |
| Long-term receivables | 71,743 |
| Net other post-employment benefits | 7,181 |
| Total other assets | 78,924 |
| Total noncurrent assets | 5,968,851 |
| Total assets | 44,253,223 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow net other postemployment benefit liability | 66,400 |
| Deferred outflow related to net pension liability | 821,131 |
| Total deferred outflows of resources | 887,531 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 9,642,954 |
| Accrued liabilities | 817,341 |
| Current liabilities | 10,460,295 |
| Noncurrent liabilities | |
| Net other post-employment benefits liability | - |
| Net pension liability | 1,548,075 |
| Total noncurrent liabilities | 1,548,075 |
| Total liabilities | 12,008,370 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow net other postemployment benefit liability | 37,630 |
| Deferred inflow related to net pension liability | 17,178 |
| Total deferred inflows of resources | 54,808 |
| NET POSITION | |
| Net Investment in capital assets | 5,784,114 |
| Unrestricted | 27,293,462 |
| Total net position | \$ 33,077,576 |

INLAND EMPIRE UTILITIES AGENCY
Water Resources Fund
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Totals |
|--|---------------|
| | 2021 |
| OPERATING REVENUES | |
| Sales | \$ 45,561,349 |
| Service charges | 7,491,747 |
| Total operating revenues | 53,053,096 |
| OPERATING EXPENSES | |
| Water Purchases | 45,561,349 |
| Operations and maintenance | 1,849,918 |
| Administration and general | 6,185,684 |
| Depreciation and amortization | 2,535 |
| Total operating expenses | 53,599,486 |
| Operating income (loss) | (546,390) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 213,478 |
| Property tax revenue | 9,806,328 |
| Other nonoperating revenues | 333,989 |
| Other nonoperating expenses | (838,303) |
| Total nonoperating revenues (expenses) | 9,515,492 |
| Income (loss) before capital contributions and transfers | 8,969,102 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | |
| Transfers in | 747,898 |
| Capital grants | 122,428 |
| Change in net position | 9,839,428 |
| Total net position - beginning | 23,238,148 |
| Total net position - ending | \$ 33,077,576 |



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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, capacity, 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, 2021

| | Totals 2021 |
|---|-------------------|
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 19,217,688 |
| Accounts receivable | 2,216,635 |
| Interest receivable | 1,503,805 |
| Taxes receivable | 1 |
| Other receivables | - |
| Prepaid items | - |
| Total current assets | <u>22,938,129</u> |
| Noncurrent assets | |
| Restricted assets | |
| Assets held with trustee/fiscal agent | <u>41</u> |
| Total restricted assets | <u>41</u> |
| Capital assets | |
| Jobs in progress | 4,388,195 |
| Capital assets, net of accumulated depreciation | 11,482,526 |
| Intangible assets, net of accumulated amortization | <u>1,200,607</u> |
| Total capital assets | <u>17,071,328</u> |
| Other assets | |
| Advances to other funds | 6,000,000 |
| Net other postemployment benefits | <u>7,828</u> |
| Total other assets | <u>6,007,828</u> |
| Total noncurrent assets | <u>23,079,197</u> |
| Total assets | <u>46,017,326</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow related to debt refunding | 275,831 |
| Deferred outflow net other postemployment benefit liability | 96,148 |
| Deferred outflow related to net pension liability | <u>766,233</u> |
| Total deferred outflows of resources | <u>1,138,212</u> |

| | Totals 2021 |
|--|-----------------------------|
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 611,894 |
| Accrued liabilities | 1,747,068 |
| Retentions payable | 76,615 |
| Long term Debt, due within one year | 331,180 |
| Notes payable, due within one year | - |
| Interest payable | 43,606 |
| Total current liabilities | <u>2,810,363</u> |
| Noncurrent liabilities | |
| Long-term debt, due in more than one year | 5,720,750 |
| Net other postemployment benefits liability | - |
| Net pension liability | 2,236,377 |
| Total noncurrent liabilities | <u>7,957,127</u> |
| Total liabilities | <u>10,767,490</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow net other postemployment benefit liability | 37,096 |
| Deferred inflow related to net pension liability | 18,593 |
| Total deferred inflows of resources | <u>55,689</u> |
| NET POSITION | |
| Net Investment in capital assets | <u>11,173,130</u> |
| Restricted for: | |
| Bond operating contingency requirement | 3,145,337 |
| Total restricted | <u>3,145,337</u> |
| Unrestricted | <u>22,013,892</u> |
| Total net position | <u><u>\$ 36,332,359</u></u> |

INLAND EMPIRE UTILITIES AGENCY
Non-reclaimable Wastewater Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Totals |
|---|----------------------|
| | <u>2021</u> |
| OPERATING REVENUES | |
| Service charges | \$ 12,471,174 |
| Total operating revenues | <u>12,471,174</u> |
| OPERATING EXPENSES | |
| Wastewater collection | 7,581,027 |
| Administration and general | 1,854,985 |
| Depreciation and amortization | <u>880,054</u> |
| Total operating expenses | <u>10,316,066</u> |
| Operating income (loss) | <u>2,155,108</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 188,199 |
| Other nonoperating revenues | 1,712 |
| Interest on long-term debt | (265,862) |
| Other nonoperating expenses | <u>29,238</u> |
| Total nonoperating revenues (expenses) | <u>(46,713)</u> |
| Income (loss) before transfers | 2,108,395 |
| TRANSFERS | |
| Transfers in | 909,088 |
| Transfers out | <u>(49,347)</u> |
| Change in net position | <u>2,968,136</u> |
| Total net position - beginning | <u>33,364,223</u> |
| Total net position - ending | <u>\$ 36,332,359</u> |

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 for the Chino Basin Facilities Improvement Project (CBFIP) funded by the 2020A Refunding Revenue Bond (refinancing the 2008B Variable Rate Bonds in June 2020 and the 2002A Bonds in May 2008). Debt principal and interest costs are equally shared by CBWM and the Agency. The Agency's portion is supported by an inter-fund transfer from the Regional Wastewater Capital Improvement fund.

INLAND EMPIRE UTILITIES AGENCY
Recharge Water Fund
Schedule of Net Position
June 30, 2021

| | Totals |
|---|-------------------|
| | 2021 |
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 449,538 |
| Accounts receivable | 1,002,343 |
| Interest receivable | 152 |
| Prepaid items | |
| Total current assets | <u>1,452,033</u> |
| Noncurrent assets | |
| Restricted assets | |
| Assets held with trustee/fiscal agents | <u>1</u> |
| Total restricted assets | <u>1</u> |
| Capital assets | |
| Jobs in progress | 9,097,331 |
| Capital assets net of accumulated depreciation | 35,955,522 |
| Total capital assets | <u>45,052,853</u> |
| Other assets | |
| Long-term investments | - |
| Net other postemployment benefits | <u>3,276</u> |
| Total other assets | <u>3,276</u> |
| Total noncurrent assets | <u>45,056,130</u> |
| Total assets | <u>46,508,163</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow net other postemployment benefit liability | 38,493 |
| Deferred outflow related to net pension liability | <u>307,120</u> |
| Total deferred outflows of resources | <u>345,613</u> |

| | Totals 2021 |
|--|----------------|
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 266,318 |
| Accrued liabilities | - |
| Retentions payable | 135,264 |
| Long-term debt, due within one year | 559,350 |
| Interest payable | 33,060 |
| Total current liabilities | 993,992 |
| Noncurrent liabilities | |
| Advances from other funds | 933,000 |
| Long-term debt, due in more than one year | 9,544,980 |
| Net other postemployment benefits liability | - |
| Net pension liability | 774,962 |
| Total noncurrent liabilities | 11,252,942 |
| Total liabilities | 12,246,934 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow net other postemployment benefit liability | 15,431 |
| Deferred inflow related to net pension liability | 4,083 |
| Total deferred inflows of resources | 19,514 |
| NET POSITION | |
| Net Investment in capital assets | 34,805,163 |
| Unrestricted | (217,835) |
| Total net position | \$34,587,328 |

INLAND EMPIRE UTILITIES AGENCY
Recharge Water Fund
Schedule of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Totals |
|--|---------------|
| | 2021 |
| OPERATING REVENUES | |
| Recycled water sales | \$ - |
| Total operating revenues | - |
| OPERATING EXPENSES | |
| Administration and general | 1,872,523 |
| Depreciation and amortization | 1,313,016 |
| Total operating expenses | 3,185,539 |
| Operating income (loss) | (3,185,539) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 1,752 |
| Other nonoperating revenues | 1,681,594 |
| Interest on long-term debt | (392,115) |
| Other nonoperating expenses | 196,549 |
| Total nonoperating revenues (expenses) | 1,487,780 |
| Income (loss) before capital contributions and transfers | (1,697,759) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | |
| Transfers in | 874,860 |
| Capital grants | 1,154,578 |
| Change in net position | 331,679 |
| Total net position - beginning | 34,255,649 |
| Total net position - ending | \$ 34,587,328 |

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 includes: property tax receipts, reimbursement for services provided to the Chino Basin Desalter Authority (CDA), and inter-fund transfers from Regional Wastewater Capital Improvement, Regional Wastewater Operations and Maintenance, Recycled Water, and Non-Reclaimable Wastewater funds for capital and non-capital acquisition costs of general-use assets

INLAND EMPIRE UTILITIES AGENCY
Administrative Services Fund
Schedule of Net Position
June 30, 2021

| | Totals |
|---|---------------|
| | 2021 |
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 30,750,243 |
| Accounts receivable | 1,068,732 |
| Interest receivable | 52,469 |
| Taxes receivable | 11,488 |
| Other receivables | 70,815 |
| Inventory | 1,332,575 |
| Prepaid items | 104,598 |
| Total current assets | 33,390,920 |
| Noncurrent assets | |
| Capital assets | |
| Land | 20,829 |
| Jobs in progress | 3,349,106 |
| Capital assets, net of accumulated depreciation | 11,727,398 |
| Intangible assets, net of accumulated amortization | 952,758 |
| Total capital assets | 16,050,091 |
| Other assets | |
| Net other post-employment benefits | 7,966 |
| Total other assets | 7,966 |
| Total noncurrent assets | 16,058,057 |
| Total assets | 49,448,977 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow net other postemployment benefit liability | 139,126 |
| Deferred outflow related to net pension liability | 930,641 |
| Total deferred outflows of resources | 1,069,767 |

| | Totals |
|--|---------------|
| | 2021 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 1,799,865 |
| Accrued liabilities | 2,620,450 |
| Compensated absences | 2,284,406 |
| Current liabilities | 6,704,721 |
| Noncurrent liabilities | |
| Compensated absences | 3,575,682 |
| Net other postemployment benefits liability | - |
| Net pension liability | 2,155,388 |
| Total noncurrent liabilities | 5,731,070 |
| Total liabilities | 12,435,791 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow net other postemployment benefit liability | 31,602 |
| Deferred inflow related to net pension liability | 28,653 |
| Total deferred inflows of resources | 60,255 |
| NET POSITION | |
| Net Investment in capital assets | 16,014,857 |
| Restricted for: | |
| Bond operating contingency requirement | 70,579 |
| Total restricted | 70,579 |
| Unrestricted | 21,937,262 |
| Total net position | \$ 38,022,698 |

INLAND EMPIRE UTILITIES AGENCY
Administrative Services Fund
Schedule of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Totals |
|--|---------------|
| | 2021 |
| OPERATING REVENUES | |
| Service charges | \$ - |
| Total operating revenues | - |
| OPERATING EXPENSES | |
| Administration and general | 527,779 |
| Depreciation and amortization | 1,321,857 |
| Total operating expenses | 1,849,636 |
| Operating income (loss) | (1,849,636) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 130,326 |
| Property tax revenue | 1,972,200 |
| Other nonoperating revenues | (122,124) |
| Other nonoperating expenses | (1,481,490) |
| Total nonoperating revenues (expenses) | 498,912 |
| Income (loss) before capital contributions and transfers | (1,350,724) |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | |
| Transfers in | 2,036,342 |
| Transfers out | - |
| Change in net position | 685,618 |
| Total net position - beginning | 37,337,080 |
| Total net position - ending | \$ 38,022,698 |

INLAND EMPIRE UTILITIES AGENCY

Index of Statistical Section Schedules

JUNE 30, 2021

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

| | | |
|-----------|---|------------|
| 1. | <i>Financial Trends</i> | 144 |
| | <i>These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being has changed over time.</i> | |
| 2. | <i>Revenue Capacity</i> | 148 |
| | <i>These schedules contain information to help the reader assess IEUA's most significant revenue sources.</i> | |
| 3. | <i>Debt Capacity</i> | 155 |
| | <i>These schedules present information to help the reader assess the affordability of IEUA's current levels of outstanding debt and ability to issue additional debt in the future.</i> | |
| 4. | <i>Operating Indicators</i> | 161 |
| | <i>These schedules contain service and infrastructure data to help the reader understand the information in IEUA's financial reports and how it relates to the services that IEUA provides and the activities it performs.</i> | |
| 5. | <i>Demographic and Economic Indicators</i> | 167 |
| | <i>These schedules contain service and infrastructure data to help the reader understand the environment within which IEUA's financial activities take place</i> | |
| 6. | <i>Appropriations Limit</i> | 169 |
| | <i>This section shows the trend of the Agency's appropriations limit under the California Constitution Amendment XIIIB. 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, 2012 through 2021 (Dollars in Thousands)

| | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating revenues | | | | | |
| Service charges | \$ 83,833 | \$ 81,189 | \$ 78,954 | \$ 75,105 | \$ 68,589 |
| Recycled Water Sales | 18,095 | 15,349 | 13,902 | 16,878 | 16,385 |
| Total operating revenues | 101,928 | 96,538 | 92,856 | 91,983 | 84,974 |
| Operating expenses | | | | | |
| Wastewater collection | 8,965 | 9,189 | 10,334 | 9,991 | 8,757 |
| Wastewater treatment | 22,548 | 20,959 | 23,829 | 26,618 | 24,242 |
| Wastewater disposal | 10,778 | 11,077 | 11,317 | 10,236 | 11,688 |
| Operations and maintenance | 4,125 | 3,972 | 3,860 | 3,324 | 3,056 |
| Administration and general | 37,881 | 37,398 | 31,364 | 29,685 | 24,872 |
| Depreciation and amortization | 36,817 | 37,610 | 36,298 | 35,698 | 37,108 |
| Total operating expenses | 121,114 | 120,205 | 117,002 | 115,552 | 109,723 |
| Operating income (loss) | (19,186) | (23,667) | (24,146) | (23,569) | (24,749) |
| Non-operating revenues (expenses) | | | | | |
| Interest income | 2,798 | 3,944 | 4,227 | 2,302 | 1,347 |
| Property tax revenue | 57,329 | 49,839 | 48,167 | 45,160 | 43,379 |
| Wastewater capital connection fees | 36,732 | 24,259 | 22,914 | 32,850 | 30,508 |
| Water connection fees | 5,700 | 8,048 | 5,916 | 7,889 | 5,415 |
| Other nonoperating revenues | 6,056 | 15,679 | 11,484 | 10,331 | 6,196 |
| Interest on long-term debt | (13,884) | (7,629) | (6,333) | (5,999) | (7,947) |
| Other nonoperating expenses | (4,494) | (17,934) | (7,110) | (10,278) | (11,650) |
| Total nonoperating revenues (expenses) | 90,237 | 76,206 | 79,265 | 82,255 | 67,248 |
| Income (loss) before contributions and transfers | 71,051 | 52,539 | 55,119 | 58,686 | 42,499 |
| Capital grants | 22,544 | 4,373 | 1,946 | 5,889 | 12,144 |
| Transfers (to Water Resource Fund) | (748) | (683) | (436) | (321) | (59) |
| Change in net position | \$ 92,847 | \$ 56,229 | \$ 56,629 | \$ 64,254 | \$ 54,584 |
| Total net position - beginning | 748,684 | 692,455 | 635,826 | 577,318 | 522,734 |
| Prior period adjustment | - | - | - | (5,746) | - |
| Total net position - ending | \$ 841,531 | \$ 748,684 | \$ 692,455 | \$ 635,826 | \$ 577,318 |

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, 2012 through 2021
(Dollars in Thousands)**

| <u>2015/16</u> | <u>2014/15</u> | <u>2013/14</u> | <u>2012/13</u> | <u>2011/12</u> |
|-------------------|-------------------|--------------------|-------------------|-------------------|
| \$ 61,929 | \$ 58,265 | \$ 51,248 | \$ 47,891 | \$ 42,209 |
| 13,468 | 12,047 | 10,830 | 7,952 | 6,009 |
| <u>75,397</u> | <u>70,312</u> | <u>62,078</u> | <u>55,843</u> | <u>48,218</u> |
| 7,510 | 8,089 | 5,623 | 4,656 | 5,629 |
| 21,104 | 19,001 | 20,506 | 18,908 | 17,377 |
| 11,149 | 7,997 | 7,705 | 8,613 | 11,316 |
| 4,788 | 3,262 | 3,765 | 3,195 | 2,987 |
| 22,988 | 28,562 | 30,658 | 20,714 | 21,398 |
| 36,851 | 34,108 | 32,289 | 31,928 | 30,168 |
| <u>104,390</u> | <u>101,019</u> | <u>100,546</u> | <u>88,014</u> | <u>88,875</u> |
| (28,993) | (30,707) | (38,468) | (32,171) | (40,657) |
| 722 | 424 | 555 | 809 | 951 |
| 41,336 | 39,446 | 38,487 | 48,087 | 32,695 |
| 24,910 | 15,074 | 9,789 | 14,614 | 7,686 |
| 997 | - | - | - | - |
| 8,735 | 7,405 | 6,311 | 7,486 | 8,160 |
| (9,142) | (9,593) | (7,120) | (8,321) | (7,447) |
| (13,520) | (6,184) | (31,066) | (9,407) | (8,907) |
| <u>54,038</u> | <u>46,572</u> | <u>16,956</u> | <u>53,268</u> | <u>33,138</u> |
| <u>25,045</u> | <u>15,865</u> | <u>(21,512)</u> | <u>21,097</u> | <u>(7,519)</u> |
| 6,137 | 5,353 | 2,314 | 2,561 | 4,263 |
| (295) | - | 100 | 200 | 300 |
| <u>\$ 30,887</u> | <u>\$ 21,218</u> | <u>\$ (19,098)</u> | <u>\$ 23,858</u> | <u>\$ (2,956)</u> |
| 493,054 | 513,805 | 532,113 | 512,616 | 515,572 |
| (1,207) | (41,969) | 790 | (4,361) | - |
| <u>\$ 522,734</u> | <u>\$ 493,054</u> | <u>\$ 513,805</u> | <u>\$ 512,113</u> | <u>\$ 512,616</u> |

INLAND EMPIRE UTILITIES AGENCY

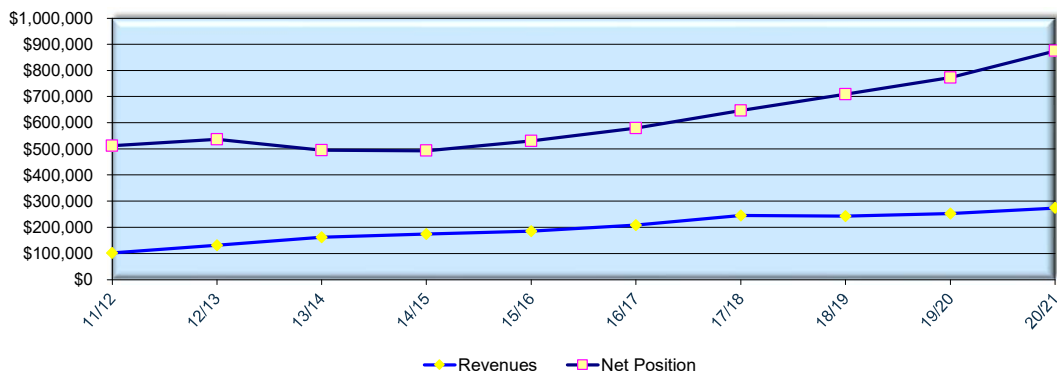
Financial Trends - Combined Schedule of Revenues, Expenses and Changes in Net Position

- All Funds -

**Fiscal Years Ended June 30, 2012 through 2021
(Dollars in Thousands)**

| | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|-------------------|-------------------|-------------------|-------------------|
| Operating revenues | | | | |
| Service charges | \$ 91,325 | \$ 88,034 | \$ 85,220 | \$ 80,449 |
| Potable Water sales | 45,561 | 40,768 | 45,519 | 45,999 |
| Recycled water sales | 18,095 | 15,349 | 13,902 | 16,878 |
| Total operating revenues | 154,981 | 144,151 | 144,641 | 143,326 |
| Operating expenses | | | | |
| Potable Water purchases | 45,561 | 40,480 | 45,519 | 45,999 |
| Wastewater collection | 8,965 | 9,188 | 10,334 | 9,991 |
| Wastewater treatment | 22,549 | 20,959 | 23,829 | 26,618 |
| Wastewater disposal | 10,778 | 11,077 | 11,317 | 10,236 |
| Operations and maintenance | 5,975 | 5,113 | 5,317 | 4,723 |
| Administration and general | 44,067 | 43,208 | 36,618 | 34,567 |
| Depreciation and amortization | 36,819 | 37,615 | 36,303 | 35,704 |
| Total operating expenses | 174,714 | 167,640 | 169,237 | 167,838 |
| Operating income (loss) | (19,733) | (23,489) | (24,596) | (24,512) |
| Non-Operating revenues (expenses) | | | | |
| Interest income | 3,011 | 4,230 | 4,453 | 2,402 |
| Property tax revenue | 67,135 | 55,613 | 53,040 | 48,413 |
| Wastewater capital connection fees | 5,700 | 8,048 | 5,916 | 7,889 |
| Water connection fees | 36,732 | 24,259 | 22,914 | 32,850 |
| Other non-operating revenues | 6,390 | 16,075 | 11,752 | 10,752 |
| Interest on long-term debt | (13,883) | (7,629) | (6,333) | (5,999) |
| Other non-operating expenses | (5,332) | (18,885) | (7,628) | (10,658) |
| Total non-operating revenues (expenses) | 99,753 | 81,711 | 84,114 | 85,649 |
| Income (loss) before contributions and transfers | 80,020 | 58,222 | 59,518 | 61,137 |
| Capital grants | 22,667 | 5,500 | 2,169 | 6,108 |
| Change in net position.....A | \$ 102,687 | \$ 63,722 | \$ 61,687 | \$ 67,245 |
| Total net position - beginning | \$ 772,473 | \$ 708,752 | \$ 647,065 | \$ 585,716 |
| Prior Period Adjustment | - | - | - | (5,896) |
| Total net position - beginning, as restated....B | \$ 772,473 | \$ 708,752 | \$ 647,065 | \$ 579,820 |
| Net position by component: | | | | |
| Net Investment in capital assets | 339,651 | 453,236 | 441,827 | 394,965 |
| Restricted for Debt service & Capital construction | 309,562 | 142,168 | 112,710 | 99,176 |
| Unrestricted | 225,948 | 177,069 | 154,215 | 152,924 |
| Total net position - ending.....A+B | \$ 875,161 | \$ 772,473 | \$ 708,752 | \$ 647,065 |

**Operating & Non-Operating Revenues & Net Position Trends
Fiscal Years Ended June 30, 2012 through 2021
(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, 2012 through 2021

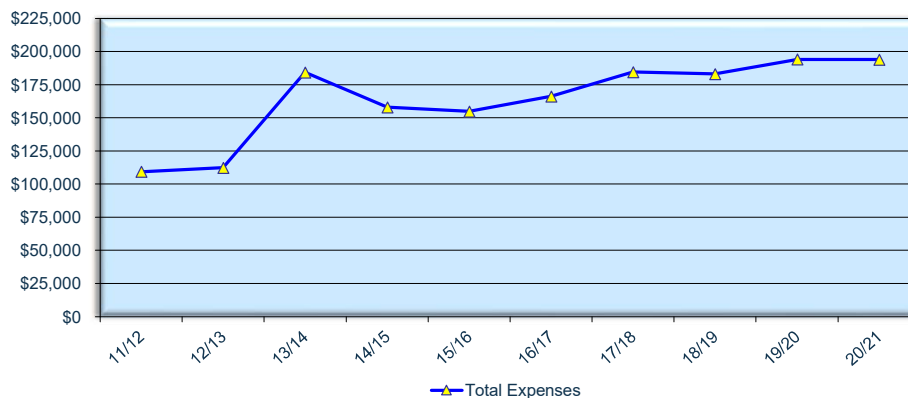
(Dollars in Thousands)

| 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| \$ 73,384 | \$ 67,243 | \$ 63,956 | \$ 56,171 | \$ 52,153 | \$ 46,468 |
| 29,897 | 18,654 | 34,147 | 40,225 | - | - |
| 16,385 | 13,468 | 12,047 | 10,831 | 7,952 | 6,009 |
| 119,666 | 99,365 | 110,150 | 107,227 | 60,105 | 52,477 |
| 29,897 | 18,654 | 34,147 | 40,225 | - | - |
| 8,757 | 7,510 | 8,089 | 5,623 | 4,656 | 5,629 |
| 24,242 | 21,104 | 19,001 | 20,506 | 18,908 | 17,378 |
| 11,688 | 11,148 | 7,997 | 7,705 | 8,613 | 11,316 |
| 4,139 | 6,200 | 4,393 | 4,255 | 3,868 | 24,755 |
| 30,085 | 28,866 | 33,426 | 35,191 | 24,473 | 30,173 |
| 37,114 | 36,856 | 34,113 | 32,295 | 31,933 | 3,725 |
| 145,922 | 130,338 | 141,166 | 145,800 | 92,451 | 92,976 |
| (26,256) | (30,973) | (31,016) | (38,573) | (32,346) | (40,499) |
| 1,399 | 762 | 436 | 564 | 819 | 963 |
| 45,674 | 45,631 | 40,946 | 38,487 | 48,087 | 32,695 |
| 30,508 | 24,910 | 15,074 | 9,789 | 14,614 | 7,686 |
| 5,415 | 997 | - | - | - | - |
| 6,265 | 13,070 | 7,543 | 6,337 | 7,510 | 8,562 |
| (7,947) | (9,142) | (9,593) | (8,565) | (9,805) | (7,447) |
| (12,231) | (15,481) | (7,180) | (29,841) | (8,088) | (9,014) |
| 69,083 | 60,747 | 47,226 | 16,771 | 53,137 | 33,445 |
| 42,827 | 29,774 | 16,210 | (21,802) | 20,791 | (7,054) |
| 12,295 | 7,530 | 5,917 | 2,663 | 3,152 | 4,841 |
| \$ 55,122 | \$ 37,304 | \$ 22,127 | \$ (19,139) | \$ 23,943 | \$ (2,213) |
| \$ 530,594 | \$ 494,708 | \$ 517,421 | \$ 535,771 | \$ 516,242 | \$ 518,455 |
| - | (1,418) | (44,841) | 790 | (4,414) | - |
| \$ 530,594 | \$ 493,290 | \$ 472,580 | \$ 536,561 | \$ 511,828 | \$ 518,455 |
| 373,886 | 325,406 | 333,274 | 318,292 | 354,124 | 365,279 |
| 61,446 | 82,064 | 67,081 | 63,073 | 50,036 | 42,799 |
| 150,384 | 123,124 | 94,353 | 136,056 | 131,611 | 108,164 |
| \$ 585,716 | \$ 530,594 | \$ 494,708 | \$ 517,421 | \$ 535,771 | \$ 516,242 |

Operating & Non-Operating Expense Trends

Fiscal Years Ended June 30, 2012 through 2021

(Dollars in Thousands)



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

Table 1

| Fiscal Year | CVWD* | Chino | Chino Hills | Fontana |
|-------------|------------|------------|-------------|------------|
| 2011/12 | 3,527,692 | 2,031,803 | 843,754 | 4,269,896 |
| 2012/13 | 6,929,682 | 6,872,100 | 933,078 | 5,210,856 |
| 2013/14 | 8,831,383 | 9,492,302 | 2,918,210 | 6,041,082 |
| 2014/15 | 7,149,423 | 11,203,738 | 2,905,891 | 6,502,473 |
| 2015/16 | 11,594,817 | 12,461,412 | 5,250,644 | 9,488,546 |
| 2016/17 | 3,305,358 | 4,095,005 | 6,136,173 | 4,703,455 |
| 2017/18 | 10,905,036 | 10,465,835 | 6,724,584 | 6,477,198 |
| 2018/19 | 11,280,117 | 10,665,100 | 6,275,501 | 9,363,869 |
| 2019/20 | 12,788,543 | 14,914,149 | 6,722,022 | 14,248,914 |
| 2020/21 | 11,578,030 | 12,540,351 | 4,892,678 | 20,217,464 |
| Percentage | 12.7% | 13.7% | 5.3% | 22.1% |

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 2020/21 are subject to further adjustment after audit.

*Cucamonga Valley Water District

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Wastewater Capital Connection Deposits

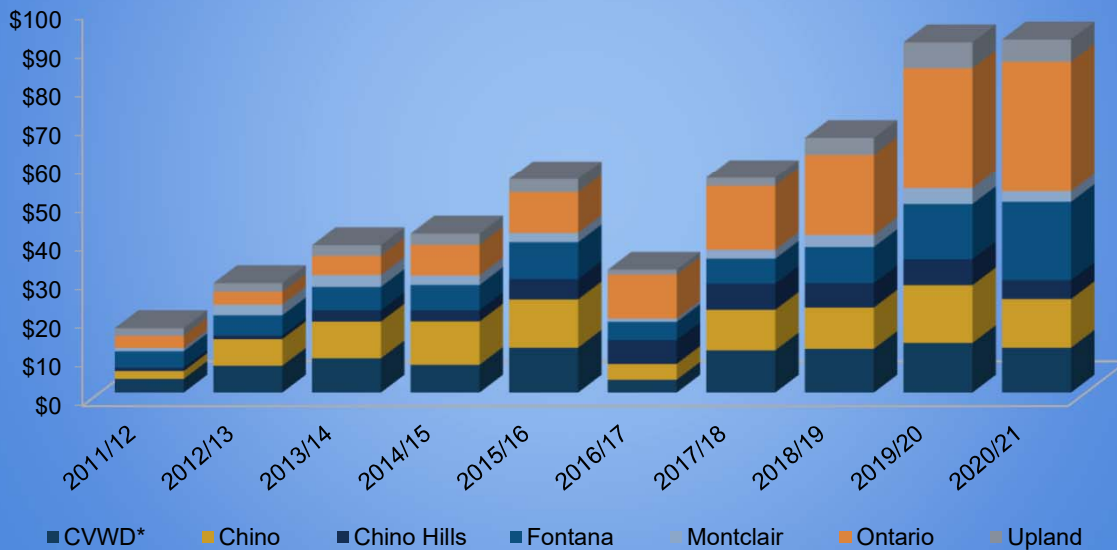
For the Past Ten Fiscal Years

Table 2

| Year | Montclair | Ontario | Upland | Total |
|------------|-----------|------------|-----------|------------|
| 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 |
| 2020/21 | 2,770,381 | 33,717,646 | 5,748,459 | 91,465,009 |
| Percentage | 3.0% | 36.9% | 6.3% | 100.0% |

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

Millions



INLAND EMPIRE UTILITIES AGENCY

**Revenue Capacity - Regional Wastewater Program Capital Requirements
For the Ten Fiscal Years Ending June 30, 2031***

| Project Description | Actual | | Projected | |
|--|-----------|--------------|--------------|--|
| | 2020/21 | 2021/22 | 2022/23 | |
| <u>Replacement Projects</u> | | | | |
| RP-1 Disinfection Pump Improvements | \$ 85,377 | \$ 2,400,000 | \$ 4,660,000 | |
| RP-4 Influent Screen Replacement | 1,809,184 | - | - | |
| Collection System Upgrades 19/20 | 158,875 | - | - | |
| CCWRF Headwork's Electrical Replacement | 18,516 | - | - | |
| RP-1 Plant 3 Primary Cover Replacement | - | - | 200,000 | |
| RSS Haven Ave Repair/Replace from Airpor | 253,437 | - | - | |
| RP-1 TP-1 Waste Wash Water Basin Pumps R | 667,759 | - | - | |
| Prado Lift Station Clean-out and overflo | 1,295 | - | - | |
| Collection System Upgrades FY 20/21 | 360,028 | 500,000 | 500,000 | |
| RP-1 Dewatering Centrate and Drainage Va | 94,160 | 320,000 | - | |
| CCWRF Filter automatic valves | 114 | - | - | |
| RP-5 Bar Screen Inlet Gate Actuators Rep | 3,004 | - | - | |
| RP-1 Digester Area Utility Water (UW) Li | - | 100,000 | - | |
| North Major Facilities Repair/Replacemen | 22,964 | - | - | |
| North Major Facilities Repair/Replacemnt | 213,823 | 600,000 | 600,000 | |

Total Replacement Projects

| | | |
|---------------------|---------------------|---------------------|
| \$ 3,688,536 | \$ 3,920,000 | \$ 5,960,000 |
|---------------------|---------------------|---------------------|

Equipment Projects

| | | | |
|--|----------|---------|---------|
| Major Facilities Repair/Replacement So. | \$ 1,313 | \$ - | \$ - |
| South Major Facilities Repair/Replacemen | 182,517 | - | - |
| GapVax Replacement | 99,132 | - | - |
| South Major Facilities Repair/Replacemen | 292,018 | 400,000 | 400,000 |
| WW Cybersecurity Projects | 7,742 | - | - |
| WW Infrastructure Replacement Project | 56,399 | - | - |
| Control System Ent Historian Enhancement | 5,850 | - | - |
| Maintenance Scheduling Software | 170,000 | - | - |
| SCADA Network Infrastructure Replacement | - | 335,000 | 300,000 |
| RP-1 and RP-2 DCS Upgrade | - | 420,000 | - |
| Operation Electronic Log Book | - | 140,000 | - |
| TOC Combustion Instrument | 29,688 | - | - |

Total Equipment Projects

| | | |
|-------------------|---------------------|-------------------|
| \$ 844,658 | \$ 1,295,000 | \$ 700,000 |
|-------------------|---------------------|-------------------|

*Source: Projections were derived from the 2021/22 IEUA Ten Year Forecast.

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)

For the Ten Fiscal Years Ending June 30, 2031*

Projected

| 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 10 Year Projected Total |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------------|
| \$ 350,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,410,000 |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ - |
| 400,000 | - | - | - | - | - | - | - | \$ 600,000 |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ - |
| 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | \$ 5,000,000 |
| - | - | - | - | - | - | - | - | \$ 320,000 |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ - |
| - | - | - | - | - | - | - | - | \$ 100,000 |
| - | - | - | - | - | - | - | - | \$ - |
| 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | \$ 6,000,000 |
| | | | | | | | | \$ - |
| | | | | | | | | \$ - |
| | | | | | | | | \$ - |
| | | | | | | | | \$ - |
| | | | | | | | | \$ - |
| | | | | | | | | \$ - |
| \$ 1,850,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 1,100,000 | \$ 19,430,000 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 400,000 | 400,000 | 400,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 5,000,000 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 635,000 |
| - | - | - | - | - | - | - | - | 420,000 |
| - | - | - | - | - | - | - | - | 140,000 |
| - | - | - | - | - | - | - | - | - |
| \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 600,000 | \$ 600,000 | \$ 600,000 | \$ 600,000 | \$ 600,000 | \$ 6,195,000 |

INLAND EMPIRE UTILITIES AGENCY

**Revenue Capacity - Regional Wastewater Program Capital Requirements
For the Ten Fiscal Years Ending June 30, 2031***

| Project Description | Actual | | Projected | |
|---|----------------------|-----------------------|-----------------------|--|
| | 2020/21 | 2021/22 | 2022/23 | |
| Construction Projects | | | | |
| SCADA Enterprise System | \$ 1,075,750 | \$ 1,300,000 | \$ 5,250,000 | |
| RP-1 Headworks Primary and Secondary Upg | 43,513 | - | - | |
| Water Quality Laboratory | 10,018 | - | - | |
| RP-1 Primary Effluent Conveyance Improve | 905,033 | - | - | |
| CCWRF Asset Management and Improvements | 1,048,346 | 3,000,000 | 13,000,000 | |
| Digester 6 and 7 Roof Repairs | 714,176 | 2,500,000 | 300,000 | |
| RP4 Primary Clarifier Rehab | 3,230,327 | 3,500,000 | - | |
| RP-1 12 kV Switchgear and Generator Cont | 2,194,101 | - | - | |
| RP-1 Mechanical Restoration and Upgrades | 6,399,088 | - | - | |
| RP-4 Process Improvements | 8,942,700 | 5,000,000 | - | |
| RP-1 Flare Improvements | 2,949,402 | 2,500,000 | 100,000 | |
| RP-1 Secondary System Rehabilitation | - | - | - | |
| CCWRF Asset Mgmt and Imprvmnt Pkg. III | - | - | 200,000 | |
| RP-5 Expansion to 30 mgd | 29,914,860 | 72,000,000 | 50,000,000 | |
| RP-5 Biosolids Facility | 32,068,308 | 105,000,000 | 63,000,000 | |
| RP-1 Energy Recovery | - | 200,000 | - | |
| Regional Force Main Improvements | 1,130,080 | - | - | |
| RP-1 Centrifuge Foul Air Line | 301,017 | - | - | |
| Agencywide Chemical Containment Coating | 306,995 | - | - | |
| RP-1 TP-1 Bleach Mixing Repairs | 131,003 | 150,000 | - | |
| RP-1 TP-1 Level Sensor Replacement | 23,714 | - | 500,000 | |
| RP-1 MCB and Old Lab Building Rehab | 56,022 | 506,000 | 110,000 | |
| RP-4 Process Improvements Phase II | - | - | 500,000 | |
| RP-1 Plant 2 Sludge Piping Repair | 10,971 | - | - | |
| RP-1 Solids Hot Water Loop Valves | 1,070,725 | - | - | |
| RP-1 East Influent Gate Replacement | 43,070 | 400,000 | - | |
| Montclair Force Main Improvements | 105,430 | 800,000 | 5,500,000 | |
| RP-1 Old Effluent Structure Rehabilitati | 80,507 | 400,000 | 1,000,000 | |
| RP-1 Blower Lamella Silencers Upgrades | 8,105 | - | - | |
| RP-1 Evaporative Cooling for Aeration Bl | - | 400,000 | 50,000 | |
| RP-4 Energy Meters | 37,035 | - | - | |
| RO Asset Management | - | 50,000 | 50,000 | |
| RC Asset Management | - | 250,000 | 250,000 | |
| RP-1 Air Compressor Upgrades | - | 250,000 | 1,500,000 | |
| RP-1 Dump Station | - | - | - | |
| RP-1 Repurpose Lab | - | - | - | |
| RP-1 Influent Pump Station Electrical Im | 909 | 200,000 | 400,000 | |
| RP-5 Emergency Generator Load Bank Installation | - | 120,000 | - | |
| Generator Retrofit RP-1 | - | 85,000 | - | |
| Generator Retrofit RP-4 | - | 50,000 | - | |
| RP4 SCADA Improvements | - | 100,000 | 912,000 | |
| NFPA 70E required labels | - | 105,000 | 105,000 | |
| RP-1 Aeration Basins UW System Improvements | - | 141,000 | - | |
| RP-4 Ammonia Analyzers and Support System | - | 500,000 | - | |
| Chemical Contrainment Area Rehab Phase 2 | - | 505,000 | - | |
| RP-1 Thickening Building & Acid Phase Digester | 3,629 | 12,000,000 | 13,000,000 | |
| New Regional Project PDR's | - | 250,000 | 250,000 | |
| New NRW Project PDR's | - | 50,000 | 50,000 | |
| New NRW Project PDR's | - | 50,000 | 50,000 | |
| RP-1 TP-1 Stormwater Drainage Upgrades | - | - | 250,000 | |
| Agency Power Monitor | - | - | 250,000 | |
| RP-1 Liquid Treatment Capacity Recovery | 56,440 | - | - | |
| RP-1 Solids Treatment Expansion | 27,819 | - | - | |
| RP-1 Dewatering Centrate Pumps | - | - | - | |
| Chemical Contrainment Area Rehab Phase 3 | - | - | - | |
| TP-1 Wire ReplacementT PLANT | - | - | - | |
| RP-1 Digester Cleaning Lagoon (DCL) Lini | - | - | - | |
| Regional Conveyance AMP | - | - | - | |
| RP-1 Equilization Basin #1 Access Ramp | - | - | - | |
| HQ Solar Photovoltaic Power Plants Ph. 2 | - | - | 300,000 | |
| Purchase Existing Solar Installation | - | - | - | |
| Advanced Water Purification Facility | - | - | - | |
| RP-1 Centrate Pipeline Assessment | - | 11,000 | - | |
| | - | - | - | |
| Total Construction Projects | \$ 92,889,094 | \$ 212,373,000 | \$ 156,877,000 | |
| Total Capital Projects | \$ 97,422,289 | \$ 217,588,000 | \$ 163,537,000 | |

*Source: Projections were derived from the 2021/22 IEUA Ten Year Forecast.

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Program Capital Requirements (continued)

For the Ten Fiscal Years Ending June 30, 2031*

Projected

| 2023/24 | | 2024/25 | | 2025/26 | | 2026/27 | | 2027/28 | | 2028/29 | | 2029/30 | | 2030/31 | | 10 Year Projected Total |
|---------|-------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|-------------------------|
| \$ | 3,350,000 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ 9,900,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | 50,000 | | 650,000 | | - | | - | | - | | - | | - | | - | 16,700,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 2,800,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 3,500,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | 5,000,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 2,600,000 |
| | 250,000 | | 1,100,000 | | 1,950,000 | | 2,000,000 | | 1,000,000 | | 1,000,000 | | 1,000,000 | | - | 8,300,000 |
| | 500,000 | | 300,000 | | - | | - | | - | | - | | - | | - | 1,000,000 |
| | 37,600,000 | | 7,803,147 | | - | | - | | - | | - | | - | | - | 167,403,147 |
| | 14,758,090 | | - | | - | | - | | - | | - | | - | | - | 182,758,090 |
| | - | | - | | - | | - | | - | | - | | - | | - | 200,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | 150,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 500,000 |
| | 1,905,000 | | - | | - | | - | | - | | - | | - | | - | 2,521,000 |
| | 4,000,000 | | 3,500,000 | | - | | - | | - | | - | | - | | - | 8,000,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | 400,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 6,300,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 1,400,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | - | | - | | - | | - | | - | | - | | - | | - | 450,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | - |
| | 50,000 | | 300,000 | | 1,000,000 | | 1,000,000 | | 1,000,000 | | 1,000,000 | | 1,000,000 | | 1,000,000 | 6,450,000 |
| | 250,000 | | 2,400,000 | | 8,000,000 | | 8,000,000 | | 8,000,000 | | 8,000,000 | | 8,000,000 | | 8,000,000 | 51,150,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 1,750,000 |
| | 64,000 | | 95,400 | | 1,855,600 | | 106,100 | | - | | - | | - | | - | 2,121,100 |
| | 228,400 | | 1,619,000 | | - | | - | | - | | - | | - | | - | 1,847,400 |
| | 1,400,000 | | - | | - | | - | | - | | - | | - | | - | 2,000,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 120,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 85,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 50,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 1,012,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 210,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 141,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 500,000 |
| | - | | - | | - | | - | | - | | - | | - | | - | 505,000 |
| | 40,000,000 | | 30,000,000 | | 5,000,000 | | - | | - | | - | | - | | - | 100,000,000 |
| | 250,000 | | 250,000 | | 250,000 | | 250,000 | | 250,000 | | 250,000 | | 250,000 | | 250,000 | 2,500,000 |
| | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | 500,000 |
| | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | | 50,000 | 500,000 |
| | 1,000,000 | | 50,000 | | - | | - | | - | | - | | - | | - | 1,300,000 |
| | 280,000 | | - | | - | | - | | - | | - | | - | | - | 530,000 |
| | - | | - | | - | | - | | - | | - | | 15,000,000 | | 20,000,000 | 35,000,000 |
| | - | | 4,000,000 | | 8,000,000 | | 8,000,000 | | - | | - | | - | | - | 20,000,000 |
| | 200,000 | | 500,000 | | 120,000 | | - | | - | | - | | - | | - | 820,000 |
| | 870,000 | | - | | - | | - | | - | | - | | - | | - | 870,000 |
| | - | | 80,000 | | - | | - | | - | | - | | - | | - | 80,000 |
| | - | | 200,000 | | - | | - | | - | | - | | - | | - | 200,000 |
| | - | | - | | 500,000 | | - | | - | | - | | - | | - | 500,000 |
| | - | | - | | - | | 35,000 | | 106,500 | | 300,000 | | - | | - | 441,500 |
| | 1,100,000 | | - | | - | | - | | - | | - | | - | | - | 1,400,000 |
| | - | | 3,500,000 | | - | | - | | - | | - | | - | | - | 3,500,000 |
| | - | | - | | - | | - | | - | | 5,000,000 | | 5,000,000 | | 11,276,500 | 21,276,500 |
| | - | | - | | - | | - | | - | | - | | - | | - | 11,000 |
| \$ | 108,205,490 | \$ | 56,447,547 | \$ | 26,775,600 | \$ | 19,491,100 | \$ | 10,456,500 | \$ | 15,650,000 | \$ | 30,350,000 | \$ | 40,626,500 | \$ 677,252,737 |
| \$ | 110,455,490 | \$ | 57,947,547 | \$ | 28,275,600 | \$ | 21,191,100 | \$ | 12,156,500 | \$ | 17,350,000 | \$ | 32,050,000 | \$ | 42,326,500 | \$ 702,877,737 |

INLAND EMPIRE UTILITIES AGENCY

Revenue Capacity - Regional Wastewater Funds

Monthly Sewer Service Charge Revenue and Rates by Contracting Agency

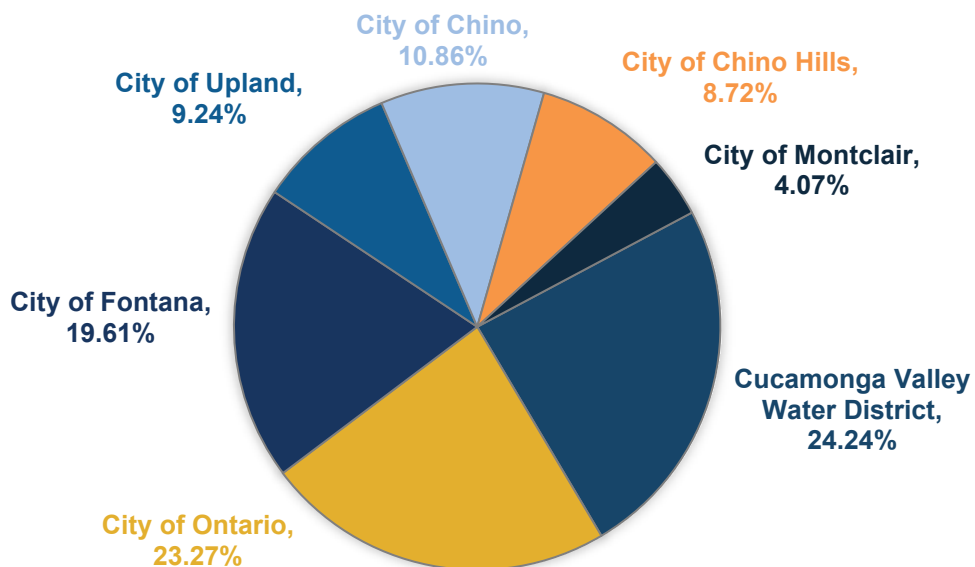
For the Fiscal Year Ended June 30, 2021

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 2020/21

| Contracting Agency | Total EDU's* | Rate* | Service Charge Revenue | % of Service Charge Revenue |
|--|------------------|-------|------------------------|-----------------------------|
| Cucamonga Valley Water District | 850,451 | 20.00 | 17,009,029 | 24.24% |
| City of Ontario | 816,377 | 20.00 | 16,327,541 | 23.27% |
| City of Fontana | 687,725 | 20.00 | 13,754,491 | 19.61% |
| City of Chino | 380,959 | 20.00 | 7,619,175 | 10.86% |
| City of Upland | 324,225 | 20.00 | 6,484,500 | 9.24% |
| City of Chino Hills | 305,518 | 20.00 | 6,110,367 | 8.72% |
| City of Montclair | 142,618 | 20.00 | 2,852,363 | 4.07% |
| Total Contracting Agency's Service Charge Revenue | 3,507,873 | | \$ 70,157,466 | 100.0% |

*EDU - Equivalent Dwelling Unit

**TOTAL SERVICE CHARGE REVENUE BY CONTRACTING AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

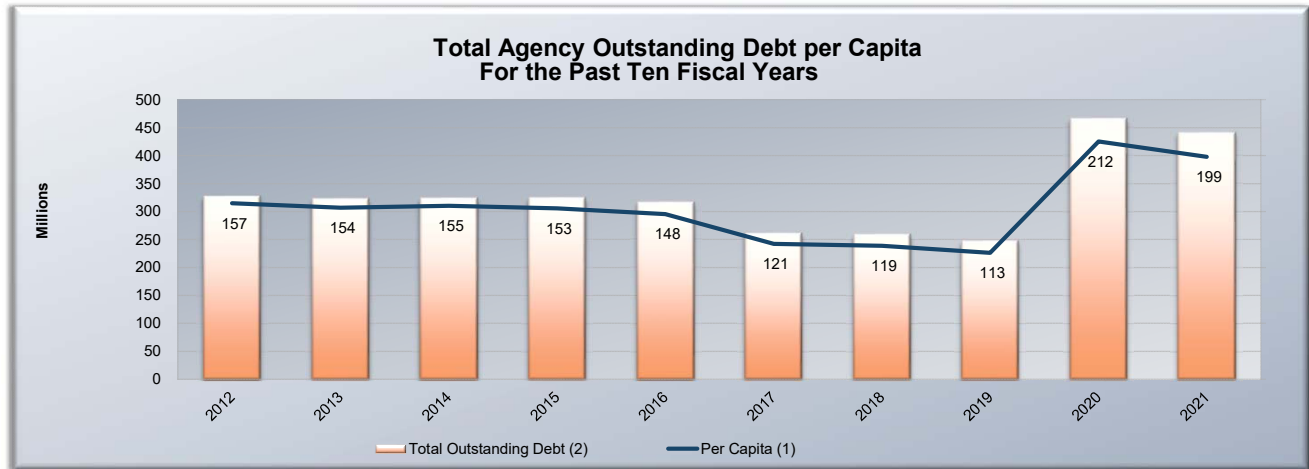


*Effective July 1, 2020, the total service rate remained at \$20.00 per equivalent service unit (EDU), same as previous year.

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) |
|-------------------|------------------------|-------------------------------|----------------|----------------|--------------------|----------------------------|---------------------|----------------------------|----------------|----------------------------------|
| 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 | 153 | 0.377% |
| 2016 | 199,628,550 | 107,450,944 | 2,788,113 | 489,861 | 6,004,112 | - | - | 316,361,580 | 148 | 0.359% |
| 2017 | 143,571,309 | 110,195,651 | 2,114,640 | 252,064 | 5,521,535 | 230,963 | - | 261,886,160 | 121 | 0.294% |
| 2018 | 133,347,456 | 119,305,744 | 1,425,677 | - | 5,038,956 | 1,023,581 | - | 260,141,414 | 119 | 0.288% |
| 2019 | 122,843,604 | 119,330,235 | 720,868 | - | 4,556,378 | 880,846 | - | 248,331,931 | 113 | 0.273% |
| 2020 | 137,826,905 | 92,979,745 | - | - | 4,073,800 | 720,860 | 231,347,967 | 466,949,277 | 212 | 0.504% |
| 2021 | 123,811,493 | 88,663,779 | - | - | 3,591,222 | 595,973 | 224,801,786 | 441,464,253 | 199 | 0.486% |



(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, 2021 (With Comparative Total for the Fiscal Year Ended June 2020)

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Revenues: | | |
| Wastewater System Service Charges | \$ 71,362,495 | \$ 68,506,127 |
| Wastewater Capital Connection Fees | 36,732,365 | 24,259,070 |
| Water Connection Fees | 5,699,920 | 8,048,141 |
| Property Tax | 57,328,610 | 49,839,396 |
| NRW System Service Charges | 12,471,174 | 12,682,703 |
| Interest | 2,696,387 | 3,449,538 |
| Recycled Water Sales | 18,094,729 | 15,348,685 |
| Desalter/Composter Services | 5,490,841 | 5,654,034 |
| Other | 1,947,455 | 1,712,659 |
| Total Revenues | \$ 211,823,976 | \$ 189,500,353 |
| Operation and Maintenance Costs: | | |
| Wastewater Treatment | \$ 22,548,656 | \$ 20,958,634 |
| Administration and General | 37,565,145 | 37,397,947 |
| Wastewater Disposal | 10,778,250 | 11,077,003 |
| Wastewater Collection | 8,965,048 | 9,188,554 |
| Operations and maintenance | 4,124,834 | 3,972,509 |
| Desalter/Composter Services | 5,482,144 | 5,653,866 |
| Other | 563,337 | 430,459 |
| Total Operation and Maintenance Costs: | \$ 90,027,414 | \$ 88,678,972 |
| Revenues Available to Debt Service | \$ 121,796,561 | \$ 100,821,381 |
| Parity Obligation Debt Service | | |
| 2008B Installment Payments | - | 2,527,175 |
| 2010A Installment Payments | - | 5,227,000 |
| 2017 Installment Payments | 6,145,850 | 6,146,450 |
| Total Parity Obligation Debt Service | \$ 6,145,850 | \$ 13,900,625 |
| Parity Obligation Debt Service Coverage | 19.82 | 7.25 |
| Net Revenues | \$ 115,650,711 | \$ 86,920,755 |
| Subordinate Obligations | | |
| State Revolving Fund Loan | \$ 5,086,932 | \$ 7,162,893 |
| 2020A Installment Payments | 11,196,167 | - |
| 2020B Revenue Notes | 481,589 | - |
| City of Fontana | 482,578 | 482,578 |
| SCE On-Bill Financing | 124,886 | 159,986 |
| CSDLAC Past 4R's | - | 737,448 |
| Total Subordinate Obligations | \$ 17,372,153 | \$ 8,542,905 |
| Other Debt Service Coverage | 6.66 | 10.17 |
| Remaining Net Revenue | \$ 98,278,558 | \$ 78,377,850 |
| Revenues available after O&M expenses | \$ 121,796,561 | \$ 100,821,381 |
| Total debt service | \$ 23,518,003 | \$ 22,443,530 |
| Total Debt Coverage Ratio | 5.18 | 4.49 |

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Agency System Total Debt Coverage Ratio (With Comparative Totals for the Fiscal Year ended June 2020)

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 June 2020, the Chino Basin Regional Financing Authority issued the Chino Basin Revenue Notes, Series 2020B. The revenue notes were issued to (i) pay for construction cost of RP-5 Expansion project, as interim financing, and (ii) pay the costs of issuing the revenue notes. The revenue notes will be paid off at the end of substantial completion of the project with Water Infrastructure Finance and Innovation Act loan from the U.S. Environmental Protection Agency, signed in May 2020.

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 2020/21 for operating and maintenance expenses for four months was \$38,474,333.
- ◆ As of the Fiscal Year Ended June 30, 2021, the Agency had designated debt service reserve of \$29,652,103 which has been included in Net Investment in Capital Assets, and SRF Loan debt service of \$9,312,283 included in Restricted Net Position.

| INLAND EMPIRE UTILITIES AGENCY | | | |
|---|--|--------------|--|
| Debt Capacity - Continuing Disclosure Compliance Report | | | |
| | 2017A Bond | 2020A Bond | FY20/21 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 | \$12,471,174 | | 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 | \$54,985,000 | \$47,645,000 | 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 | 35,787 AF \$ 18,094,729 \$ 5,699,920 <u>\$ 747,898</u> \$ 23,046,751 | | 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 \$ 67,134,938 <u>\$ 9,806,328</u> \$ 57,328,610 | | 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 | \$97,422,289 | Not Required | Statistical Section: Regional Wastewater Program Capital Requirements |
| Wastewater System Rates and Charges: Volumetric Fee per Month Wastewater Connection Fee | \$20.00/Equivalen 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 | \$71,362,495 <u>\$36,732,365</u> \$108,094,860 | | 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: | 3,540,422 | | Statistical Section: Regional Wastewater Monthly Sewer Service Charge Revenue and Rates by Contracting Agency |
| Wastewater Production/Flow within the Agency's services area: | 50.3/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, 2021

2020/21 ASSESSED VALUATION: \$127,256,944,299

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>Total Debt</u> | <u>%</u> | <u>Agency's Share of</u> |
|--|--------------------------|------------------------------|---------------------------------|
| | <u>6/30/21</u> | <u>Applicable (1)</u> | <u>Debt 6/30/21</u> |
| Metropolitan Water District | \$ 26,830,000 | 3.900% | \$ 1,046,370 |
| Chaffey Community College District | 315,490,000 | 98.677 | 311,316,067 |
| San Bernardino Community College District | 727,578,368 | 1.856 | 13,503,855 |
| Chino Valley Unified School District | 557,230,000 | 100. | 557,230,000 |
| Colton Joint Unified School District | 203,682,661 | 1.076 | 2,191,625 |
| Fontana Unified School District | 278,934,841 | 91.625 | 255,574,048 |
| Rialto Unified School District | 100,756,111 | 12.888 | 12,985,448 |
| Upland Unified School District | 90,918,463 | 99.776 | 90,714,806 |
| Chaffey Union High School District | 530,528,431 | 99.856 | 529,764,470 |
| Alta Loma School District | 54,982,209 | 99.848 | 54,898,636 |
| Central School District | 71,496,410 | 100. | 71,496,410 |
| Etiwanda School District | 88,691,760 | 99.805 | 88,518,811 |
| Mountain View School District and School Facilities Improvement District No. 1 | 9,899,676 | 100. | 9,899,676 |
| Ontario-Montclair School District | 109,165,015 | 100. | 109,165,015 |
| Inland Empire Utilities Agency | 0 | 100. | 0 |
| City of Chino Community Facilities Districts | 184,560,000 | 100. | 184,560,000 |
| City of Chino Hills Community Facilities Districts | 21,615,000 | 100. | 21,615,000 |
| Cucamonga School District Community Facilities District No 97-1 | 4,110,000 | 100. | 4,110,000 |
| Etiwanda School District Community Facilities Districts | 72,935,000 | 100. | 72,935,000 |
| Upland Unified School District Community Facilities Districts | 2,753,000 | 100. | 2,753,000 |
| City of Fontana Community Facilities Districts | 69,435,000 | 4.930-100. | 56,091,926 |
| Mountain View School District Community Facilities Districts | 499,000 | 100. | 499,000 |
| San Bernardino County Community Facilities District No. 2002-1 | 16,615,000 | 100. | 16,615,000 |
| City of Ontario Community Facilities Districts | 129,080,000 | 100. | 129,080,000 |
| City of Rancho Cucamonga Community Facilities Districts | 60,350,000 | 100. | 60,350,000 |
| City of Upland Community Facilities Districts | 59,055,000 | 100. | 59,055,000 |
| California Statewide Community Development Authority 1915 Act Bonds | 840,000 | 100. | 840,000 |
| City of Rancho Cucamonga 1915 Act Bonds | 440,000 | 100. | 440,000 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$2,717,249,163 |
| <u>TOTAL OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| San Bernardino County General Fund Obligations | \$ 214,095,000 | 50.839% | \$108,843,757 |
| San Bernardino County Pension Obligation Bonds | 180,825,585 | 50.839 | 91,929,919 |
| San Bernardino County Flood Control General Fund Obligations | 51,360,000 | 50.839 | 26,110,910 |
| Chaffey Community College District Certificates of Participation | 28,935,000 | 98.677 | 28,552,190 |
| Fontana Unified School District Certificates of Participation | 22,110,000 | 91.625 | 20,258,288 |
| Rialto Unified School District Certificates of Participation | 10,868,570 | 12.888 | 1,400,741 |
| Cucamonga School District Certificates of Participation | 4,207,000 | 100. | 4,207,000 |
| City of Fontana Certificates of Participation | 36,185,000 | 81.76 | 29,584,856 |
| City of Montclair General Fund Obligations | 40,155,000 | 100. | 40,155,000 |
| City of Ontario General Fund and Pension Obligation Obligations | 291,080,000 | 100. | 291,080,000 |
| City of Rancho Cucamonga General Fund Obligations | 11,460,000 | 100. | 11,460,000 |
| City of Rialto General Fund Obligations | 11,393,196 | 22.463 | 2,559,254 |
| City of Upland General Fund Obligations | 6,757,282 | 100. | 6,757,282 |
| West Valley Vector Control District Certificates of Participation | 2,046,710 | 100. | 2,046,710 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | \$664,945,907 |
| <hr/> | | | |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | \$771,572,600 | 33.571-100.000% | \$645,257,234 |
| DIRECT DEBT | | | \$0 |
| TOTAL OVERLAPPING DEBT | | | \$4,027,452,304 |
| NET COMBINED TOTAL DEBT | | | \$4,027,452,304(2) |

INLAND EMPIRE UTILITIES AGENCY

Debt Capacity - Computation of Direct and Overlapping Bonded Debt As of June 30, 2021

RATIOS TO 2020-21 ASSESSED VALUATION:

| | |
|---|--------------|
| Direct Debt | 0.00% |
| Total Direct and Overlapping Tax and Assessment Debt..... | 2.14% |
| Combined Direct Debt..... | 3.16% |

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCIES INCREMENTAL VALUATION (\$42,736,933,741):

| | |
|--|-------|
| Total Overlapping Tax Increment Debt | 1.51% |
|--|-------|

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, 2021

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, 2021:

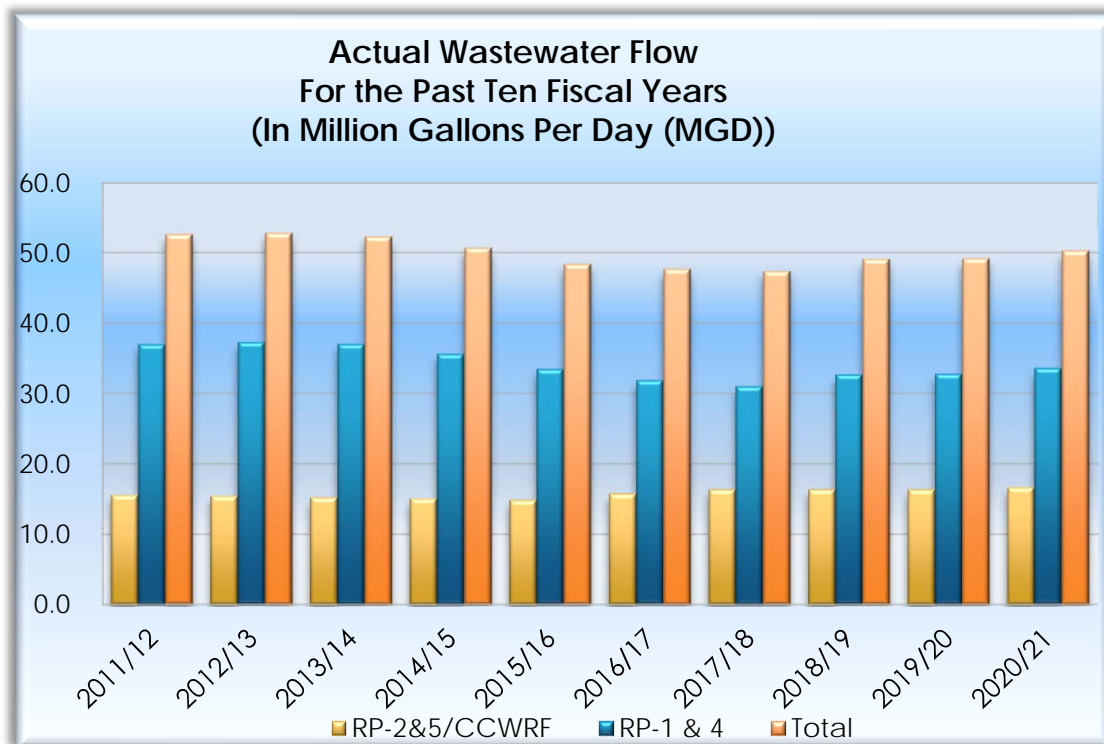
| Facility | Design Capacity (MGD)* | Average Flow (MGD)* | Average Flow as % of Design Capacity |
|--------------|---------------------------|------------------------|---|
| RP-1 | 44.0 | 24.7 | 56.1% |
| RP-4 | 14.0 | 8.9 | 63.6% |
| RP-5 | 16.3 | 8.7 | 53.4% |
| CCWRF | 12.0 | 8.0 | 66.7% |
| Total | 86.3 | 50.3 | 58.3% |

**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))

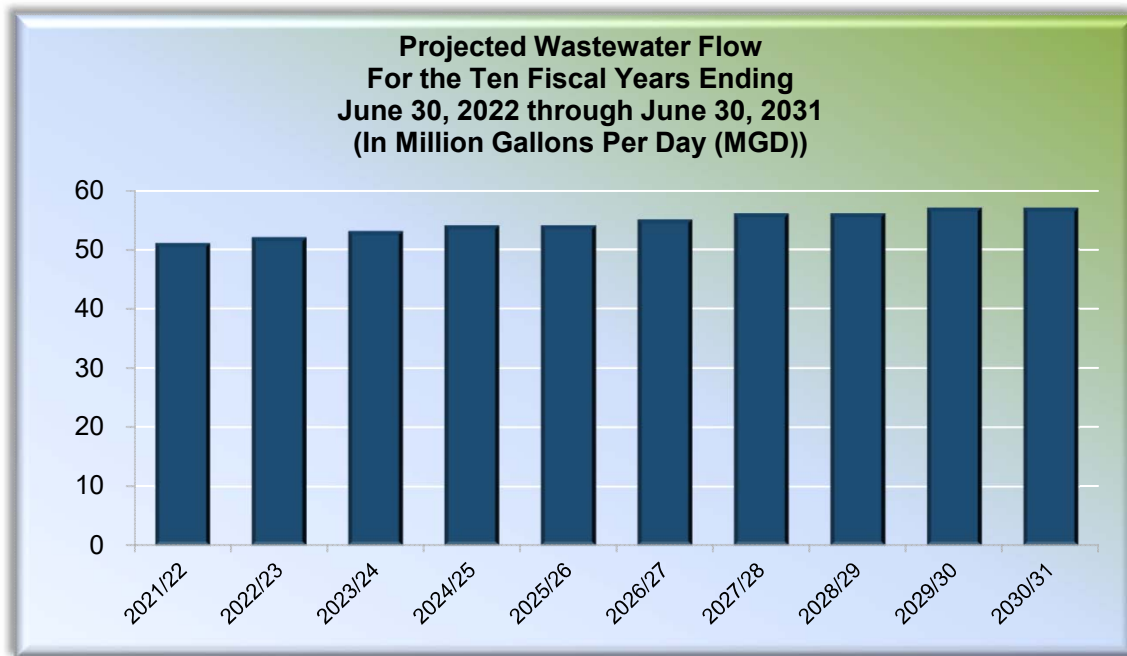
| Fiscal Year | RP-1 & 4 (MGD) | RP-2&5/CCWRF (MGD) | Total (MGD) |
|-------------|----------------|--------------------|-------------|
| 2011/12 | 37.0 | 15.6 | 52.6 |
| 2012/13 | 37.3 | 15.5 | 52.8 |
| 2013/14 | 37.0 | 15.3 | 52.3 |
| 2014/15 | 35.6 | 15.1 | 50.7 |
| 2015/16 | 33.5 | 14.9 | 48.4 |
| 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 |
| 2020/21 | 33.6 | 16.7 | 50.3 |



INLAND EMPIRE UTILITIES AGENCY

Operating Indicator - Projected Wastewater Flow
For the Ten Fiscal Years Ending June 30, 2022 through June 30, 2031*
(In Million Gallons Per Day (MGD))

| Fiscal Year | Total (MGD) |
|-------------|-------------|
| 2021/22 | 51 |
| 2022/23 | 52 |
| 2023/24 | 53 |
| 2024/25 | 54 |
| 2025/26 | 54 |
| 2026/27 | 55 |
| 2027/28 | 56 |
| 2028/29 | 56 |
| 2029/30 | 57 |
| 2030/31 | 57 |



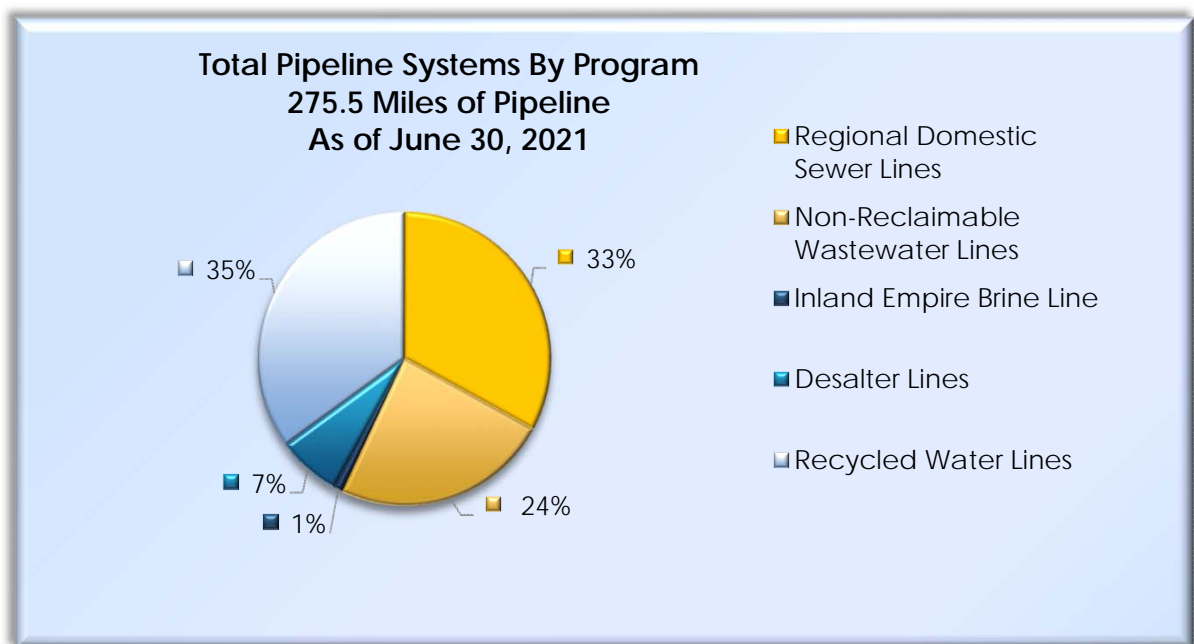
* Source: Statistics were Provided by IEUA Planning and Water Resources Department.

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).

INLAND EMPIRE UTILITIES AGENCY

Operating and Capacity Indicators - Pipeline Systems By Program As of June 30, 2021

| Program | Miles of Pipeline | Percentage of Pipelines |
|----------------------------------|-------------------|-------------------------|
| Regional Domestic Sewer Lines | 89.9 | 33% |
| Non-Reclaimable Wastewater Lines | 66.7 | 24% |
| Inland Empire Brine Line | 4.0 | 1% |
| Desalter Lines | 19.6 | 7% |
| Recycled Water Lines | 95.3 | 35% |
| Total Miles of Pipeline | 275.5 | 100% |



Source: IEUA Business Information Services Dept.

No data available prior to most recent information.

INLAND EMPIRE UTILITIES AGENCY

Operating Indicators - FY 2020/21 Staffing Allocations

As of June 30, 2021

| Actual staffing allocation by Agency Program | *FTE |
|--|-------------|
| Regional Wastewater Operations and Capital Programs | 180.4 |
| Recycled Water Programs | 22.1 |
| 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 |
| Total Filled FTE Count | 267 |
| Total Authorized FTE | 290 |
| Vacancy Factor Percentage | 7.9% |

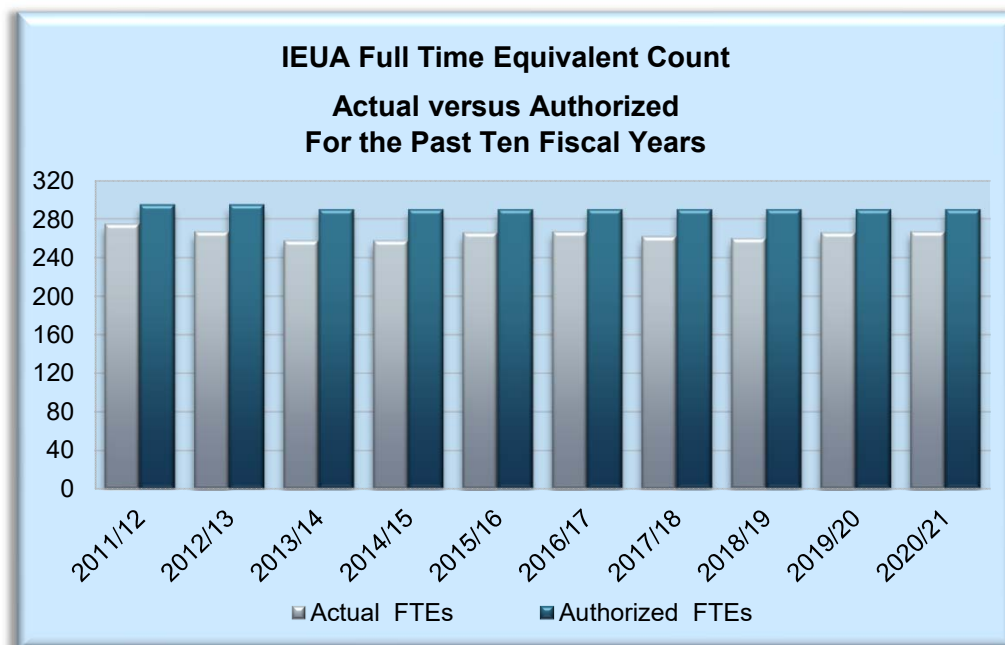
Source: IEUA June 2021 Position Control Report

***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 |
| 2020/21 | 267 | 290 |



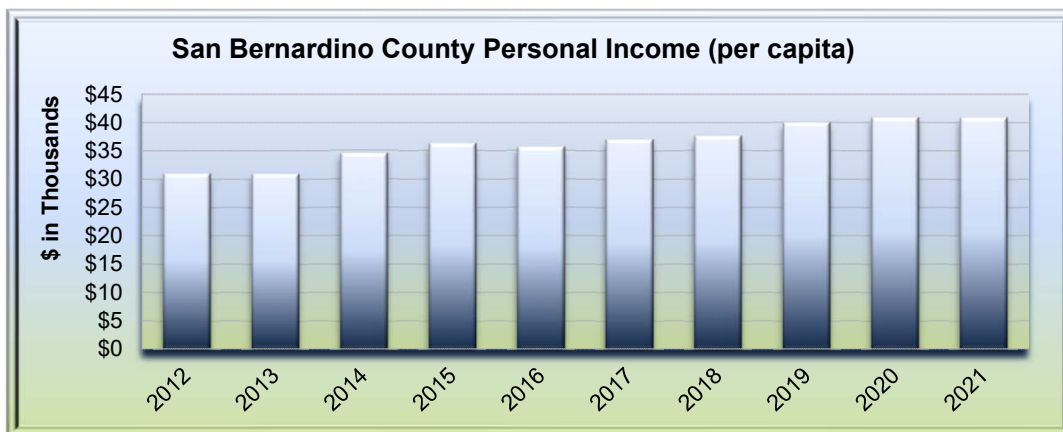
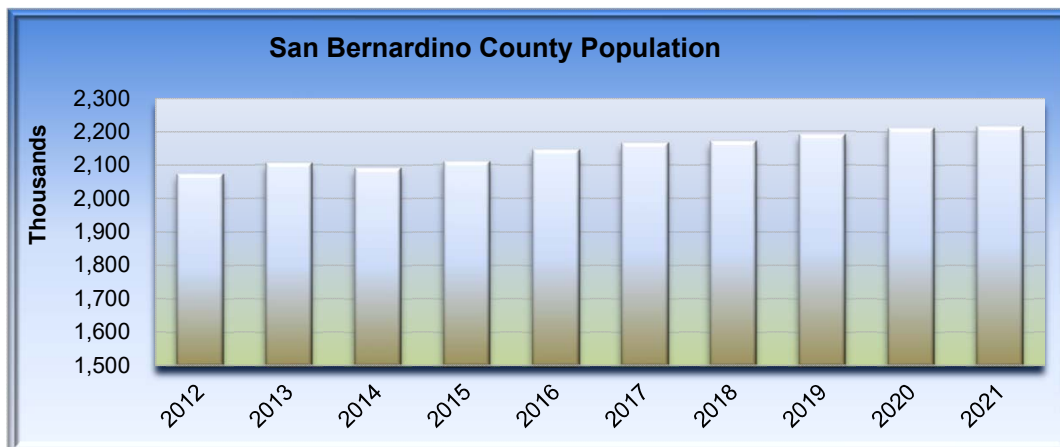
The chart and table above compared the number of authorized full time equivalent (FTE) positions to actual employees at the end of the fiscal year for the past ten years.

INLAND EMPIRE UTILITIES AGENCY

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

San Bernardino County (1)

| <u>Year</u> | <u>Population</u> | <u>Personal Income (billions)</u> | <u>Personal Income (per capita)</u> |
|-------------|-------------------|---|---|
| 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 |
| 2021 | 2,218,010 | 93.3 | 40,943 |



Footnotes:

- (1) Source: San Bernardino County Economic Forecast 2020.
- (2) The County data is representative of the conditions and experience of the Agency's service area.
- (3) Data for Year 2021 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 | 5,000-9,999 |
| United Parcel Services (UPS) | Ontario | 5,000-9,999 |
| Kaiser Medical Center | Fontana | 6,248 |
| Fontana Unified School District | Fontana | 5,898 |
| Chino Valley Unified School District | Chino | 3,350 |
| Amazon.com Services LLC | Fontana | 3,008 |
| Ontario-Montclair School District | Montclair | 2,234 |
| San Antonio Community Hospital | Upland | 2,001 |
| Inland Empire Health Plan | Rancho Cucamonga | 2,000 |
| 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, 2017 through 2021*

| Fiscal Year | Annual Appropriations Limit | Proceeds of Taxes (Appropriations) |
|-------------|-----------------------------|------------------------------------|
| 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 |
| 2020/21 | \$ 203,521,116 | \$ 53,934,900 |

* Source: Board Resolution No. 2020-6-3

INLAND EMPIRE UTILITIES AGENCY, CALIFORNIA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

**INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES APPLIED TO
APPROPRIATIONS LIMIT WORKSHEET NO. 6**

YEAR ENDED JUNE 30, 2021



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Inland Empire Utilities Agency
Chino, California

We have performed the procedures enumerated below on the accompanying Appropriations Limit Worksheet No. 6 of the Inland Empire Utilities Agency, California, (the Agency) for the year ended June 30, 2021. The Agency's management is responsible for the Appropriations Limit Worksheet No. 6.

The Agency and the League of California Cities (as presented in the League publication entitled Article XIII-B Appropriations Limit Uniform Guidelines) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

- a. We obtained the completed Appropriations Limit Worksheet No. 6 for the year ended June 30, 2021, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the board of directors. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the board of directors.

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

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

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


- c. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the board of directors for the prior year.

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

We were engaged by the Agency to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the board of directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Irvine, California
December 3, 2021

**INLAND EMPIRE UTILITIES AGENCY
APPROPRIATIONS LIMIT WORKSHEET NO. 6
YEAR ENDED JUNE 30, 2021**

Appropriations Limit for Fiscal Year Ended June 30, 2020 (see Note 2) \$ 195,207,240

Adjustments Factors for the Fiscal Year Ended June 30, 2021 (see Note 2):

| Inflation Factor (Note 3) | Population Factor (Note 4) | Combined Factor | |
|--|----------------------------------|--------------------|------------------------------|
| 1.0373000 | 1.0051000 | 1.0425900 | <u>x 0.0425900</u> |
| Adjustment for Inflation and Population | | | 8,313,876 |
| Other Adjustments (Note 5) | | | <u>-</u> |
| Total Adjustments | | | <u>8,313,876</u> |
| Appropriations Limit for Fiscal Year Ended June 30, 2021 | | | <u><u>\$ 203,521,116</u></u> |

See accompanying Notes to Appropriations Limit Worksheet No. 6.

INLAND EMPIRE UTILITIES AGENCY
NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6
JUNE 30, 2021

NOTE 1 PURPOSE OF LIMITED PROCEDURES REVIEW

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

NOTE 2 METHOD OF CALCULATION

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

NOTE 3 INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the percentage change in California per capita personal income from the preceding year (which is supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the Inland Empire Utilities Agency (the Agency) for fiscal year 2020-2021 represents the percentage change in California per capita personal income from the preceding year.

NOTE 4 POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the Agency for fiscal year 2020-2021 represents the annual percentage change in the population in the County where the Agency is located.

NOTE 5 OTHER ADJUSTMENTS

A California governmental agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another governmental agency or private entity. The Agency had no such adjustments for the year ended June 30, 2021.



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Acknowledgements

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



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