

AGENDA
SPECIAL
MEETING
OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY
IEUA AGENCY HEADQUARTERS, CHINO, CALIFORNIA
WEDNESDAY, DECEMBER 20, 2017
9:45 A.M.

CALL TO ORDER

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of Section 54954.2 of the Government Code.

ADDITIONS TO THE AGENDA

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

1. ACTION ITEMS

A. MINUTES

It is recommended that the Commissioners approve the minutes of the September 21, 2016 and January 18, 2017.

B. CHINO BASIN REGIONAL FINANCING AUTHORITY FISCAL YEAR 2016/17 ANNUAL FINANCIAL STATEMENTS

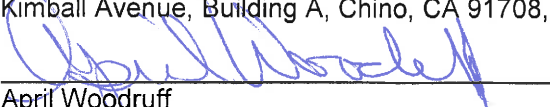
It is recommended that the Board of Commissioners:

1. Approve the financial statements for the FY ended June 30, 2017; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state and local agencies, financial institutions, and other interested parties.

2. ADJOURN

DECLARATION OF POSTING

I, April Woodruff, Board Secretary/Office Manager of the Chino Basin Regional Financing Authority, hereby certify that a copy of this Agenda has been posted by 5:30 p.m. at IEUA's main office, 6075 Kimball Avenue, Building A, Chino, CA 91708, on December 14, 2017.



April Woodruff
Board Secretary/Office Manager

**ACTION ITEM
1A**

**MINUTES
OF THE
COMMISSION MEETING OF
THE CHINO BASIN REGIONAL FINANCING AUTHORITY
SEPTEMBER 21, 2016**

COMMISSIONERS PRESENT:

Terry Catlin, President
Jasmin A. Hall, Vice President
Steven J. Elie, Secretary
Michael Camacho
Paul Hofer

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Paul Hofer (via remote teleconference)
Chris Berch, Executive Manager of Engineering/AGM
Martha Davis, Executive Manager of Policy Development/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Chief Financial Officer/AGM
Blanca Arambula, Deputy Manager of Human Resources
Kathryn Besser, Manager of External Affairs
Sharmeen Bhojani, Manager of Human Resources
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Lucia Diaz, Facilities Program Supervisor
Warren Green, Manager of Contracts and Facility Services
Jason Gu, Grants Officer
Sally Lee, Acting Executive Assistant
Sylvie Lee, Manager of Planning and Environmental Resources
Liza Munoz, Senior Engineer
Jeff Noelte, Manager of Technical Services
Kanes Pantayatiwong, Manager of Business Information Services
John Scherck, Acting Deputy Manager of Engineering
Peter Soelter, Senior Internal Auditor LT
Shaun Stone, Manager of Engineering
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Jean Cihigoyenette, JC Law Firm
Marty Cihigoyenette, JC Law Firm
Vivian Castro, CBWCD
Greg Tross, JC Law Firm

A commission meeting of the Chino Basin Regional Financing Authority was held at the office of the Inland Empire Utilities Agency, *A Municipal Water District, 6075 Kimball Avenue Chino, California on the above date.

President Catlin called the meeting to order at 10:03 a.m., and he led the pledge of allegiance. A quorum was present.

President Catlin stated that members of the public may address the Commission. There was no persons desiring to do so.

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

1. ACTION ITEM

A. MINUTES

Upon motion by Commissioner Hall, seconded by Commissioner Elie, and unanimously carried:

M2016-9-1

MOVED, to approve the minutes of the May 18, 2016 and July 20, 2016, minutes of the Commission meetings of the Chino Basin Regional Financing Authority.

B. ADOPTION OF RESOLUTION NO. 2016-7, APPROVING AND ADOPTING THE IEUA-POMONA-MVWD RW INTERTIE PROJECT CEQA AS CEQA-RESPONSIBLE AGENCY

Grants Officer Jason Gu reported that in December 2015, the Agency submitted the IEUA-Pomona-MVWD Intertie grant and SRF loan application on behalf of the Chino Basin Regional Financing Authority (CBRFA). He stated that since CBRFA is the applicant for the project, the SWRCB requires the CBRFA to adopt the California Environmental Quality Act (CEQA) documents as a CEQA-Responsible Agency for grant application purposes. IEUA Board of Directors has approved the CEQA documents as CEQA-Lead Agency, in July 2016. IEUA-Pomona-MVWD project has an estimated project cost of \$52 million, the application is seeking a \$15 million Prop 1 grant funding and a \$37 million SRF loan.

Mr. Gu said the project is the result of a collaborative study by IEUA, Pomona, and MVWD. He stated that the Integrated Water Resources Plan (IRP) identified potential recycled and groundwater supplies from the City of Pomona. The excess water supplies from the City of Pomona's wastewater treatment plan and the Spadra Basin Well 19 could be used by IEUA, and for the mitigation of the land subsidence problems in the Pomona and Montclair area. He said that the project will construct a booster pump station, water conveyance pipeline, and an advanced water treatment plant. The excess water will be recharged to the Montclair Basin for future beneficial use.

Mr. Gu reported that the Initial Environmental Study and public review were completed in June 2016. He said that the Mitigated Negative Declaration (MND) compliance approach will be used during construction to address the environmental impacts via the Mitigation Monitoring and Reporting Program, which includes Traffic Control, Air Quality, Hazards and Hazardous Materials, Biological Resources, Hydrology and Water Quality, Utilities, Service Systems and Energy, Cultural Resources, Land Use and Land Use Planning, Mandatory Findings of Significance, Geology, Soils, and Seismicity and Noise Control.

Mr. Gu stated that staff recommends the Board of Commissioners approve the adoption of Resolution No. 2016-7, approving the Initial Study, Mitigated Negative Declaration (MND) and the Mitigation Monitoring and Reporting Program (MMRP) of the IEUA-Pomona-MVWD Intertie Project, as a CEQA-Responsible Agency.

Upon motion by Commissioner Elie, seconded by Commissioner Camacho, and unanimously carried:

M2016-7-3

MOVED, to:

1. Adopt Resolution No. 2016-7, approving and adopting the Initial Study, Mitigated Negative Declaration (MND) and the Mitigation Monitoring and Reporting Program (MMRP) of the IEUA-Pomona-MVWD Intertie Project as a CEQA-Responsible Agency; and

Continued...

M2016-7-3, continued.

2. Authorize IEUA's General Manager, or his designee, to file the Notice of Determination (NOD) with the San Bernardino County Clerk of the Board and Los Angeles County Clerk.

With no further business, President Catlin adjourned the meeting at 10:07 a.m.

Steven J. Elie, CBRFA Secretary

APPROVED: DECEMBER 20, 2017

**MINUTES
OF THE
COMMISSION MEETING OF
THE CHINO BASIN REGIONAL FINANCING AUTHORITY
JANUARY 18, 2017**

COMMISSIONERS PRESENT:

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

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Commissioner Paul Hofer (via remote teleconference)
Chris Berch, Executive Manager of Engineering/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Chief Financial Officer/AGM
Joshua Aguilar, Senior Engineer
Kathryn Besser, Manager of External Affairs
Sharmeen Bhojani, Manager of Human Resources
Jerry Burke, Assistant Manager of Engineering
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Warren Green, Manager of Contracts & Facility Services
Jason Gu, Grants Officer
Chien Kai Hwang, Operator-in-Training
Sally Lee, Acting Executive Assistant
Dave Mendez, Deputy Manager of Capital Improvement Projects
Richard Mykitta, Manager of Operations & Maintenance
Joshua Papas, Operator-in-Training
Jason Pivovarovoff, Senior Engineer
Jesse Pompa, Senior Engineer
Craig Proctor, Source Control/Environmental Resources Supervisor
Stephanie Riley, External Affairs Analyst
Michael Rodriguez, Wastewater Treatment Plan Operator III
Shaun Stone, Manager of Engineering
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Jean Cihigoyenette, JC Law Firm
Vivian Castro, CBWCD

A commission meeting of the Chino Basin Regional Financing Authority was held at the office of the Inland Empire Utilities Agency, *A Municipal Water District, 6075 Kimball Avenue Chino, California on the above date.

Vice President Hall called the meeting to order at 10:05 a.m., and Commissioner Camacho led the pledge of allegiance. A quorum was present.

Vice President Hall stated that members of the public may address the Commission. There were no persons desiring to do so.

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

General Counsel Jean Cihigoyenette announced that Commissioner Hofer is on the telephone. He is going to participate by telephone during the Regular IEUA Board meeting following this meeting, as posted; however, the Chino Basin Regional Financing Authority (CBRFA) meeting did not include a notice as required by the Brown Act, for him to participate in the CBRFA meeting by telephone. He will be exercising his first amendment right as a citizen to listen in the meeting, but he will not be able to comment or vote on any matters that come before the CBRFA.

1. ACTION ITEM

A. ELECTION OF OFFICERS

Vice President Hall turned the meeting over to General Counsel Jean Cihigoyenette, who opened the nominations for the Board's officers. General Counsel stated that every year the Commissioners elects officers of the Chino Basin Regional Financing Authority Commission. He stated that the positions include President, Vice-President, and Secretary.

He opened the nominations for President. Commissioner Camacho nominated Commissioner Hall for the office of President. Hearing no other nominations, the nominations were closed. By voice vote, Commissioner Hall was unanimously elected President of the Chino Basin Regional Financing Authority Commission.

General Counsel opened the nominations for Vice President. Commissioner Camacho nominated Commissioner Elie for office of Vice President. Hearing no other nominations, the nominations were closed. By voice vote, Commissioner Elie was unanimously elected Vice President of the Chino Basin Regional Financing Authority Commission.

General Counsel opened the nominations for Secretary. Commissioner Camacho nominated Commissioner Parker for the office of Secretary. Hearing no other nominations, the nominations were closed. By voice vote, Commissioner Parker was unanimously elected Secretary of the Chino Basin Regional Financing Authority Commission.

Upon voice vote the motion was unanimously carried:

M2017-1-1

MOVED, approval the following slate of officers:

President – Jasmin A. Hall
Vice President – Steven J. Elie
Secretary – Kati Parker

B. ADOPTION OF RESOLUTION NOS. 2017-1 THROUGH 2017-3, FOR RECHARGE MASTER PLAN UPDATE GRANT AND LOAN APPLICATIONS

Grants Officer Jason Gu stated that this item is to recommend that the Commission adopt three resolutions supporting a grant award received from the State Water Resources Control Board (SWRCB), and a State Revolving Fund (SRF) loan application for the Recharge Master Plan Update (RMPU) project. He stated the RMPU project is a joint regional project between IEUA and the Chino Basin Watermaster (CBWM), and for this reason, the application for grant loans were submitted through the Chino Basin Regional Financing Authority (CBRFA). Mr. Gu stated the SWRCB administers the 2014 Proposition 1 Water Bond, which made available \$80 million for the Storm Water Grant - Round 1. He reported that in July 2016 IEUA submitted grant an application for the RMPU project 23a, and in December 2016, a \$10 million grant award was received. He stated that IEUA also submitted a SRF loan application for the entire RMPU Project planning, design and administration through the CBRFA. Mr. Gu stated that the SWRCB required that the CBRFA adopt resolutions for both the grant and the SRF loan programs, authorizing the President of CBRFA, or designee, to sign and file financial assistance applications and execute the financial assistant agreements. He said additionally, to align with the established IEUA procedures, it is requested that the CBRFA adopt a resolution designating the Grants Officer as the Project Director to negotiate the agreement and sign grant reimbursement invoices and progress reports.

Upon motion by Commissioner Elie, seconded by Commissioner Parker, and unanimously carried:

M2017-1-2

MOVED, to:

1. Adopt Resolution No. 2017-1, authorizing the President of the Authority to sign and file a Financial Assistance Application for an assistance agreement from the State Water Resources Control Board (SWRCB) for the planning, design, and construction of the Storm Water Management Facilities;
2. Adopt Resolution No. 2017-2, authorizing the President of the Authority to sign and file the State Revolving Fund (SRF) loan application and agreement with the SWRCD for the planning and design of the Recharge Master Plan Update (RMPU) projects;
3. Adopt Resolution No. 2017-3, designating the grant Project Director; and
4. Authorize the President of the Authority to sign the Designation Letter.

With no further business, President Hall adjourned the meeting at 10:15 a.m.

Commissioner Kati Parker, CBRFA Secretary

APPROVED: DECEMBER 20, 2017

**ACTION ITEM
1B**

CHINO BASIN REGIONAL FINANCING AUTHORITY

Date: December 20, 2017

To: The Honorable Board of Directors

From: Halla Razak, General Manager

Executive Contact: Christina Valencia, Treasurer

Subject: Chino Basin Regional Financing Authority Fiscal Year 2016/17 Annual Financial Statements

Executive Summary:

The Annual Financial Statements of the Chino Basin Regional Financing Authority (CBRFA) for the Fiscal Year ended June 30, 2017, were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The Inland Empire Utilities Agency (Agency) independent audit firm, Lance, Soll & Lunghard, LLP (LSL) performed the financial audit.

The audited financial statements will allow the CBRFA to comply with the State Controllers mandate to provide audited financial information when filing the annual State Controller's Report, as well as allow the use of the CBRFA to apply for financing the future regional projects, such as the Regional Recycling Water Plant No. 5 (RP-5) liquid and solid expansion and the Regional Recycling Water Plant No. 1 capacity recovery.

The CBRFA was established by the Agency and the Cucamonga County Water District (now known as the Cucamonga Valley Water District) on May 1, 1993, to provide its members financing in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements or insurance programs. To date, only the Agency has utilized the CBRFA for debt issuance. All bonds currently outstanding, comprised of the 2008B Variable Rate Debt Bonds (2002A Refinancing), 2010A Revenue Bonds (1994 Refinancing, and the 2017A Refunded Bonds (2008A Refinancing), are also reported as debt obligations in the Agency's financial statements.

Staff's Recommendation:

1. Approve the financial statements for the FY ended June 30, 2017; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, and other interested parties.

Budget Impact *Budgeted* (Y/N): Y *Amendment* (Y/N): N *Amount for Requested Approval:*

Account/Project Name:

Fiscal Impact (explain if not budgeted):

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

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On December 21, 2016, the Commissioners adopted Resolution No. 2016-8 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A.

Environmental Determination:

Not Applicable

Business Goal:

Attachments:

Attachment 1 - Comprehensive Annual Financial Reports for Fiscal Year 2016/17

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

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2017

DRAFT

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

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2017

DRAFT

CHINO BASIN REGIONAL FINANCING AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	
Statement of Revenues, Expenditures and Changes in Net Position	
Statement of Cash Flows	
Notes to Financial Statements	

DRAFT

Chino Basin Regional Financing Authority
Management's Discussion and Analysis

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

During the year, \$6,015,000 in long-term debt was paid from payments received from the Installment Purchase Agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 6 of the financial statements. The goal of the Authority is to have the installment contracts receivable remain equal to the amount of outstanding debt in order that its proceeds are available to pay the debt. Thus, net position of the Authority (the difference between the installment contracts receivable and the unpaid debt) should be zero. Since the Authority is a financing entity, all of the revenues and principal collected on the investment Authority's Revenue Bonds are used to pay the interest and principal on the outstanding Bonds resulting in no change in net position.

Chino Basin Regional Financing Authority
 Management's Discussion and Analysis

NET POSITION

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Total Percent Change
Total assets and deferred outflows of resources	\$131,802,975	\$195,783,566	\$ (63,980,591)	-32.67%
Current liabilities	10,192,975	7,598,566	2,594,409	34.14%
Noncurrent liabilities	121,610,000	188,185,000	(66,575,000)	-35.37%
Total liabilities	131,802,975	195,783,566	(63,980,591)	-32.67%
Total net position	\$ -	\$ -	\$ -	

As can be seen from the table above, total assets decreased \$63,980,591 to \$131,802,975 in fiscal year 2017, down from \$195,783,566 in fiscal year 2016. The decrease was principally the result of the Authority's payment of debt service.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year 2016	Fiscal Year 2015
General revenues	\$ 6,518,138	\$ 7,648,108
Operating expenses	(6,518,138)	(7,648,108)
Change in net position	-	-
Net position, beginning of year	-	-
Net position, end of year	\$ -	\$ -

The revenue of \$6,518,138 was used to pay the interest expense on the bonds.

BUDGETARY HIGHLIGHTS

The Authority's Board of Directors is not required to adopt a budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

Long-term Debt - At year-end, the Authority had \$130,800,000 in long-term debt, down from \$194,200,000 in fiscal year 2016, for a decrease of \$63,400,000. The decrease was due to the Authority refunding the \$125,000,000 of 2008A Revenue Bonds with the \$67,615,000 2017A Revenue Bonds and \$6,015,000 of debt service payments. More detailed information about the Authority's long-term debt is presented on pages 13 through 17 in the Notes to the Financial Statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

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

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CHINO BASIN REGIONAL FINANCING AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current assets:

Interest receivable on installment contracts	\$ 1,002,975
Installment contracts receivable	9,190,000
Restricted cash and investments	<u>2,552,576</u>
Total current assets	<u>12,745,551</u>

Noncurrent assets:

Installment contracts receivable	<u>114,427,464</u>
Total noncurrent assets	<u>114,427,464</u>
Total assets	<u>127,173,015</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on bond refunding	<u>4,629,960</u>
Total deferred outflows or resources	<u>4,629,960</u>

LIABILITIES

Current liabilities:

Interest payable	1,002,975
Revenue bonds	<u>9,190,000</u>
Total current liabilities	<u>10,192,975</u>

Noncurrent liabilities:

Revenue bonds	<u>121,610,000</u>
Total noncurrent liabilities	<u>121,610,000</u>
Total liabilities	<u>131,802,975</u>

NET POSITION

Total net position	<u>\$ -</u>
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The Notes to Financial Statements are an Integral Part of this Statement.

CHINO BASIN REGIONAL FINANCING AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
JUNE 30, 2017

REVENUES

Interest on installment contracts	<u>\$ 6,518,138</u>
Total revenues	<u>6,518,138</u>

EXPENSES

Debt service interest	<u>6,518,138</u>
Total expenses	<u>6,518,138</u>

Net position at the end of the year	<u><u>\$ -</u></u>
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CHINO BASIN REGIONAL FINANCING AUTHORITY

**STATEMENT OF CASH FLOWS
JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from installment contracts receivable	\$ 6,015,000
Net cash provided by operating activities	<u>6,015,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bonds payable	(6,015,000)
Interest paid on bonds payable	<u>(7,098,729)</u>
Net cash used for capital and related financing activities	<u>(13,113,729)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on installment contract receivable	<u>7,106,577</u>
Net cash provided by investing activities	<u>7,106,577</u>
Cash and cash equivalents July 1 (including \$2,544,729 reported in restricted accounts)	<u>2,544,728</u>
Cash and cash equivalents June 30 (including \$2,552,576 reported in restricted accounts)	<u>\$ 2,552,576</u>

Reconciliation of operating income to net cash provided by operating activities

Adjustments to reconcile operating income to net cash provided by operating activities:

Decrease in installment contracts receivable	<u>6,015,000</u>
Total adjustments	<u>6,015,000</u>
Net cash provided by operating activities	<u>\$ 6,015,000</u>

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CHINO BASIN REGIONAL FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1: Summary of Significant Accounting Policies

a) Organization

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

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

b) Financial Statement Presentation

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

c) Measurement Focus and Basis of Accounting

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

d) Use of Estimates

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

e) New Accounting Pronouncements

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

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, effective for periods beginning after June 30, 2017.

CHINO BASIN REGIONAL FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

Note 2: Cash and Investments

Cash and investments at June 30, 2017 are classified in the accompanying financial statement as follows:

Restricted assets:	
Cash and investments	\$ 2,552,576

Cash and investments at June 30, 2017 consisted of the following:

Investments	\$ 2,552,576
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Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

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

Investments Type	Totals	Remaining Maturity 12 Months or Less
Money Market Mutual Funds	\$ 2,552,576	\$ 2,552,576

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Minimum Legal Rating	Total	Fiscal Year End Rating		
			AAA	AA	Not Rated
Money Market Mutual Funds	A	\$ 2,552,576	\$ 2,552,576	-	-

CHINO BASIN REGIONAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

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

Note 3: Installment Contracts Receivable

The Authority issued the \$125,000,000 Series 2008A Revenue Bonds to primarily finance the cost of certain replacements and improvements of the Agency's facilities. The Authority and the Agency entered into the Installment Purchase Agreement (Replacement Projects) and the Installment Purchase Agreement (Improvement Projects) on November 1, 2007. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. These Bonds were refunded on February 2, 2017 by the issuance of the Refunding Revenue Bonds, Series 2017A. The balance of the receivable from the Agency at June 30, 2017, was \$0.

The Authority issued the \$55,875,000 Series 2008B Variable Rate Demand Revenue Refunding Bonds to refund the Authority's Series 2002A Variable Rate Revenue Bond. The Authority and the Agency entered into the Installment Purchase Agreement on March 1, 2008. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency (IEUA) at June 30, 2017, was \$33,456,575 and from Chino Basin Watermaster (CBWM) \$6,828,425.

The Authority issued the \$45,570,000 Series 2010A Refunding Revenue Bonds to refund the Authority's Series 1994 Revenue Bonds. The Authority and the Agency entered into the Installment Purchase Agreement on March 1, 2010. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency at June 30, 2017, was \$22,900,000.

CHINO BASIN REGIONAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 3: Installment Contracts Receivable (Continued)

The Authority issued the \$67,615,000 Series 2017A Refunding Revenue Bonds to refund the Authority's Series 2008A Revenue Bonds. The Authority and the Agency entered into the Installment Purchase Agreement on January 19, 2017. The Agency agrees to pay the Authority installment payments in an amount sufficient to pay the principal and interest coming due on the Bonds. The balance of the receivable from the Agency at June 30, 2017, was \$63,776,347.

	IEUA	CBWM	TOTAL
2008B Installment Contract Receivable	\$ 33,456,575	\$ 6,828,425	\$ 40,285,000
2010A Installment Contract Receivable	22,900,000	-	22,900,000
2017A Installment Contract Receivable	67,615,000	-	67,615,000
	<u>123,971,575</u>	<u>6,828,425</u>	<u>130,800,000</u>
Less:			
Restricted Cash and Investments	(2,122,731)	(429,845)	(2,552,576)
Deferred Loss on Refunding	(4,629,960)	-	(4,629,960)
Total Installment Contracts Receivable	<u>\$ 117,218,884</u>	<u>\$ 6,398,580</u>	<u>\$ 123,617,464</u>

Note 4: Long-Term Debt

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	July 1, 2016	Additions	Deletions	June 30, 2017	One Year
2008A Revenue Bonds	\$ 125,000,000	\$ -	\$ 125,000,000	\$ -	\$ -
2008 Variable Rate Demand Revenue Refunding Bonds	42,195,000	-	1,910,000	40,285,000	2,015,000
2010A Refunding Revenue Bonds	27,005,000	-	4,105,000	22,900,000	4,165,000
2017A Refunding Revenue Bonds	-	67,615,000	-	67,615,000	3,010,000
Total long-term debt	<u>\$ 194,200,000</u>	<u>\$ 67,615,000</u>	<u>\$ 131,015,000</u>	<u>\$ 130,800,000</u>	<u>\$ 9,190,000</u>

2008A Revenue Bonds:

Pursuant to an indenture dated November 1, 2007, on February 5, 2008, the Authority issued \$125,000,000 Revenue Bonds to (i) finance the cost of certain replacements of the Agency's wastewater facilities and certain improvements to the wastewater recycled water and non-reclaimable wastewater facilities, (ii) to refund the outstanding Chino Basin Regional Financing Authority Commercial Paper, (iii) to purchase a debt service surety bond for deposit in the Reserve Fund, (iv) to capitalize interest on a portion of the Bonds, and (v) to pay the cost of issuing the Bonds.

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to an Installment Purchase Agreement (Replacement Projects), dated as of November 1, 2007 by and between the Agency and Authority and an Installment Purchase Agreement (Improvement Projects) dated as of November 1, 2007 by and between the Authority and Agency. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency.

CHINO BASIN REGIONAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 4: Long-Term Debt

2008A Revenue Bonds (Continued):

The Bonds were refunded on February 2, 2017 by the issuance of the Refunding Revenue Bonds, Series 2017A. The balance outstanding at June 30, 2017, was \$0.

2008B Variable Rate Demand Revenue Refunding Bonds:

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

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2008B Installment Purchase Agreement and payments received by the Authority from the Agency pursuant to a Financing Agreement and from Chino Basin Watermaster pursuant to a Recharge Facilities Agreement both dated as of June 1, 2002. The obligation of the Agency and of CBWM to make Installment Payments is a special obligation payable solely from the Net Revenues of the Agency.

The bonds maturing through 2032 are Serial Bonds payable in annual installments ranging from \$1,910,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. Principal payments are due June 1 of each year with interest payments due monthly.

A reserve of \$2,130,836 is required to be set aside to further secure the payment of principal and interest on the bonds. The actual reserve amount was \$2,130,836.

The balance outstanding at June 30, 2017 was \$40,285,000.

Future debt service principal and interest payments on the 2008B Variable Rate Demand Revenue Refunding Bonds using variable interest rate of 1.0%, the rate in effect as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,015,000	\$ 382,700	\$ 2,397,700
2019	2,095,000	361,750	2,456,750
2020	2,180,000	339,950	2,519,950
2021	2,270,000	317,250	2,587,250
2022	2,355,000	293,700	2,648,700
2023-2027	13,250,000	1,081,750	14,331,750
2028-2032	16,120,000	335,100	16,455,100
Totals	\$ 40,285,000	\$ 3,112,200	\$ 43,397,200

CHINO BASIN REGIONAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Note 4: Long-Term Debt (Continued)

2010A Refunding Revenue Bonds:

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

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2010A Installment Purchase Agreement. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency.

The bonds maturing through 2022 are Serial Bonds payable in annual installments ranging from \$3,945,000 to \$5,075,000 with interest rates from 2.00% to 5.00%. Principal payments are due August 1 each year with semi-annual interest payments due August 1 and February 1.

The balance outstanding on June 30, 2017 was \$22,900,000.

Future debt service principal and interest payments owed on the 2010A Refunding Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 4,165,000	\$ 1,020,050	\$ 5,185,050
2019	4,285,000	829,625	5,114,625
2020	4,620,000	607,000	5,227,000
2021	4,755,000	372,625	5,127,625
2022	5,075,000	126,875	5,201,875
Totals	\$ 22,900,000	\$ 2,956,175	\$ 25,856,175

2017A Refunding Revenue Bonds

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

The bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the indenture. Revenues consist primarily of Installment Payments received by the Authority from the Agency pursuant to the 2017A Installment Purchase Agreement. The obligation of the Agency to make Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Agency.

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

The balance outstanding on June 30, 2017 was \$67,615,000.

CHINO BASIN REGIONAL FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 4: Long-Term Debt (Continued)

2017A Refunding Revenue Bonds (Continued):

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,010,000	\$ 3,133,250	\$ 6,143,250
2019	3,090,000	3,056,800	6,146,800
2020	3,200,000	2,946,450	6,146,450
2021	3,330,000	2,815,850	6,145,850
2022	3,480,000	2,662,250	6,142,250
2023-2027	21,720,000	10,303,000	32,023,000
2028-2032	20,185,000	5,033,875	25,218,875
2033-2034	9,600,000	486,000	10,086,000
Totals	<u>\$ 67,615,000</u>	<u>\$ 30,437,475</u>	<u>\$ 98,052,475</u>

Note 5: Subsequent Events

The Authority has evaluated events subsequent to June 30, 2017 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 30, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.