Inland Empire Utilities Agency

" An Emerald in the Communities Served"





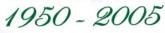








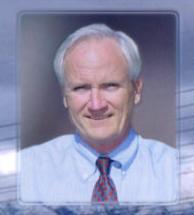






Comprehensive Annual Financial Report





From the Desk of the Chief Executive Officer

The Inland Empire Utilities Agency is committed to providing services that result in a social benefit, and building a better environment by example.

The essential components that drive our practice are community service, innovation, and a quest for excellence.

Richard W. Atwater Chief Executive Officer/General Manager

We continue to strive to be innovative in the areas of:
Recycyled Water,
Renewable Energy, and
Compost Soil Amendments.

During 2005, the Agency celebrates its Emerald Anniversary - 55 Years of service to the communities. It's been said that the symbolic meaning of the Emerald is the promise of new life, growth, integrity, flourishing, and of prosperity and increase. The green color of the emerald is also the color of water, especially at its depths.

IEUA's New Headquarters complex, with the Chino Creek Park and RP-5, demonstrate IEUA's Board of Directors vision of promoting water recycling, composting, renewable energy and overall environmental stewardship.

The headquarters complex is one of the largest public landscapes in Suptleme California to use native plants and to have integrated state-of-the-say storm water management, including restoration of natural drainage and the creation of wetlands and reported habitat, on the property

The Chino Creek Park demonstration gardens will also promote water conservation through use of California native plants and recycled water.

IEUA is committed to helping the Chino Basin develop reliable and cost-effective renewable energy sources that will meet the region's future power needs, and is leading the nation with its new RP-5 Renewable Energy Project; where new power is generated using dairy cow manure (methane gas) as a fuel source.

Lastly, IEUA's Board of Directors is committed to working with our cities, schools and the private sector on implementing innovative water conservation programs. The water conservation initiatives save a significant amount of water and energy for the customer which results in lower water bills. Overall, IEUA's Board and Staff are very proud of our partnerships with all the communities we serve.

Regional Plant No. 3 Recharge Basin



Gity of Chine
City of Chine Hilbs
Gity of Stratush
Gity of Stratush
City of Stratush
City of Stratush
City of Stratush
City of Epidade
Cocomorga County Water Dates

Water Recycling

Recycled Water Distribution System

(LIGENO)

Water recycling is a necessity, not a luxury. Water is a precious natural resource that is in short supply in California. Population increases and efforts to protect the environment have reduced the reliability of our water supply.

Recycled water is domestic wastewater that has been processed through modern primary, secondary, and tertiary treatment that can be used for beneficial non-drinking uses.

Recycled water is used for landscape irrigation of parks, golf courses, street and freeway medians, and school grounds, as well as irrigation of pastures and food crops. Recycled water is also used for recreation purposes, habitat restoration, and commercial uses such as carpet dyeing, paper production, heating and cooling.

Recycled water is safe to use! Recycled water is a highly treated, filtered and disinfected product that meets criteria established by the California Department of Health Services. According to these standards, tertiary-treated recycled water is safe for all human contact, except drinking.

Recycled and potable (drinking) water lines are kept separate and marked for recognition by utility maintenance crews. All distribution facilities such as water meters and irrigation equipment are color coded purple for public identification according to state and regional standards. Each site using recycled water must post signs notifying the public of its use.

Using recycled water frees up imported drinking water for other purposes. It has proven to be safe, reliable, and a cost-effective approach to managing Southern California's limited water resources.











Inland Empire Utilities Agency*

Chino, California

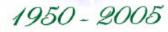
















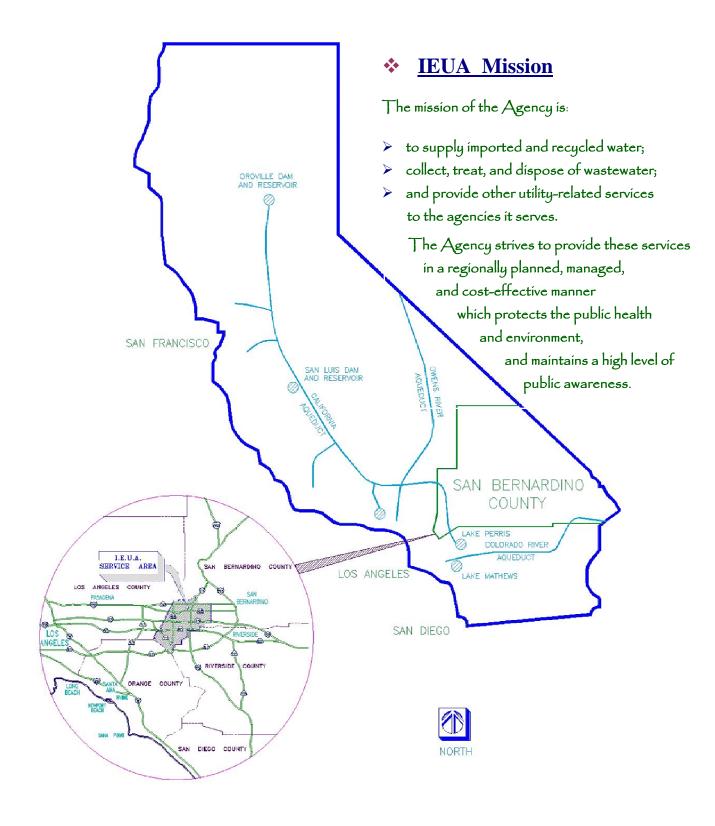


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

* a municipal water district

Prepared by the Finance and Accounting Department Michael C. Chung Finance and Accounting Manager



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2005

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Inland Empire Utilities Agency
will strive to enhance the quality of life
in the Inland Empire
by providing optimum water resources management
for the area's customers
while promoting conservation
and environmental protection
in partnership with the communities we serve.



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* A Municipal Water District

Richard W. Atwater Chief Executive Officer General Manager

January 18, 2006

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

It is with pleasure that we present The Comprehensive Annual Financial Report of the Inland Empire Utilities Agency (herein after referred to as the Agency) for the Fiscal Year ended June 30, 2005. State law and local ordinances require that the Agency publish within six months of the close of each fiscal year a comprehensive report on its financial condition and activities, and that an independent audit firm of certified public accountants audit this report.

The Agency's Finance and Accounting Department prepared this report. The management of the Agency assumes full responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, based upon a comprehensive frame work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and cash flows, where applicable, of the business type activities, and of the various funds of the Agency. All disclosures necessary to enable the reader to gain an understanding of the Agency's financial activities have been included.

Conrad & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Inland Empire Utilities Agency's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of the report.

Included within this letter are several sections that provide important information about the operations and economic conditions of the Agency. These sections are denoted as follows:

The <u>Introductory Section</u> includes this transmittal letter and other information to familiarize the reader with the Agency: the Agency organization chart, a listing of Agency officials, and the Agency's mission and visions statements.

The <u>Financial Section</u> is prepared in accordance with GASB 34 requirements by including a narrative introduction in the form of a Management's Discussion and Analysis (MD&A), the basic financial statements including notes and the required supplementary information. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The basic financial statements include the Agency-wide financial statements that present an overview of the Agency's entire financial operations and the fund financial statements that present the financial information of each of the Agency's major funds, as well as nonmajor funds. Also included in this section is the independent auditor's report on the financial statements and schedules. This section also presents supplemental combining statements and schedules for the Agency's nonmajor funds.

The <u>Statistical Section</u> includes selected financial and demographic information presented on a multi-year basis.

55 Years of Excellence in Water Resources & Quality Management

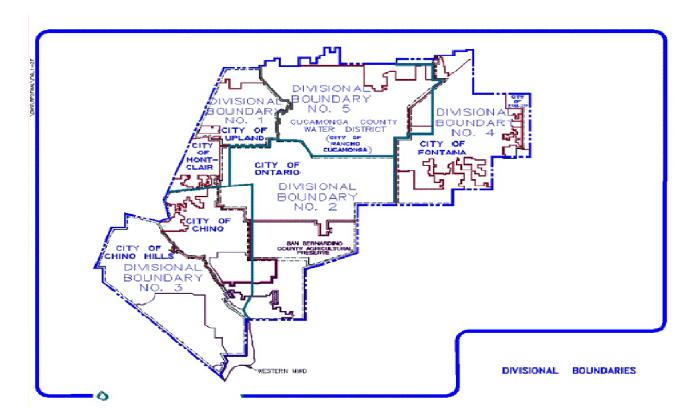
INLAND EMPIRE UTILITIES AGENCY PROFILE

Emerald Year Celebration

This year marked the 55th anniversary of the Agency's existence. During these 55 years, the Agency has continued to provide the residents in its region with the following services: imported water supply, wastewater treatment, recycled water distribution, as well as bio-solids waste and salt management. As a member of the Metropolitan Water District of Southern California since 1951, Inland Empire Utilities Agency (IEUA) is currently responsible for providing water and recycled water to about 739,000 people within its service area.

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 formerly 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, the Agency's electorate voted to annex to the Metropolitan Water District of Southern California in 1951. 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 and extends south to the Riverside County line and then southwest to the Orange County line.



The mission of the Agency was originally to distribute water imported from the Colorado River.

Up to the Present (continued):

Soon thereafter, that role expanded to include the distribution of water imported to Southern California through the State Water Project. 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.

The Agency began domestic wastewater collection during the mid-1960's, and built the Southwest Chino Trunk Sewer for domestic wastewater transport. In 1973, the Agency completed lengthy negotiations on the Chino Basin Regional Sewage Service Contract with the cities of Chino, Fontana, Montclair, Ontario and Upland, and with the Cucamonga Valley Water District and the County Service Area 70Q of the County of San Bernardino (later to become the City of Chino Hills). Pursuant to that contract, the Agency agreed to purchase and operate three local wastewater treatment plants, and to plan and construct all new pipelines, regional interceptor sewers and treatment plants.

The Agency currently operates five wastewater treatment plants.

- Regional Plant No. 1 (RP-1) is located south of the 60 freeway at Archibald Avenue in the City of Ontario, and processes approximately 39.6 million gallons per day (mgd) of wastewater.
- Regional Plant No. 2 (RP-2) is located in the southern service area in the City of Chino near El Prado and Pine Avenues. RP2 wastewater flows have been diverted to RP5, and as a result RP2 no longer processes wastewater.
- The Carbon Canyon Wastewater Recycling Facility (CCWRF) is located near the intersection of Central Avenue and Chino Hills Parkway in the City of Chino, and processes approximately 9.6 mgd.
- Regional Plant No. 4 (RP-4) is located in the northeastern section of the service area in the City of Rancho Cucamonga. Due to the energy reduction project during FY 04/05 several of the digesters were shut down. As a result, RP-4 currently processes approximately 2.3 mgd.
- Regional Plant No. 5 (RP-5) is located in the Southwestern area of the Agency's boundary in the City of Chino. Currently, RP-5 processes approximately 8.1 mgd.

In addition to the treatment plants, the Agency owns and operates a number of trunk lines and interceptor sewers into which the Cities' sewers discharge their wastewater.

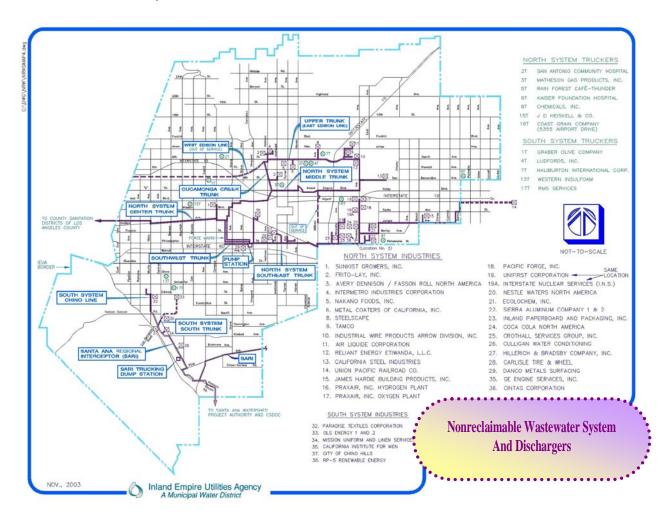
The Agency operates the Nonreclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts for discharge into the Agency's treatment plants. The NRWS transports nonreclaimable, salt-laden, industrial strength wastewater out of the Agency's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

As of June 30, 2005, 50 companies discharged industrial wastewater to the Agency's Nonreclaimable Wastewater System. Some of the largest companies are California Steel Industries, Inland Paperboard and Packaging Inc., Paradise Textile Co., Frito Lay Inc., Mission Linen Companies, Crothall/Tartan Textile Services (Westar Linen), James Hardie Building Products, Clement Pappas, Cintas #1 and Cintas #2, Ecolochem Inc., Arrowhead Water, Sierra Aluminum, Pacific Forge, Unifirst, and Sunkist Growers Inc. These heavy industries directly connect to the Agency's pipelines. The NRWS also serves approximately 12 industrial customers who truck their wastewater to the Agency's dump discharge stations.

Up to the Present (continued):

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

During 1972, bond proceeds were used to purchase treatment capacity in the County Sanitation District of Orange County (CSDOC) Fountain Valley treatment facility for the Agency's Southern System. In 1981, the Santa Ana Watershed Project Authority (SAWPA) assigned the Agency a capacity right of 2.5 mgd in the Santa Ana Regional Interceptor (SARI) System. The Southern System is connected to facilities of the CSDOC for transmission, treatment, and disposal. The NRWS owns a 1.75 mgd capacity right in the SARI system, and 1.85 mgd of treatment capacity in CSDOC treatment plants.



In addition to the pipeline and treatment capacity owned by the NRWS, the Regional Wastewater System also owns 2.25 mgd of SARI capacity, and 0.4 mgd of treatment capacity, used to divert wastewater flows in emergency situations and heavy rain related peak flows at our Regional treatment plants.

Up to the Present (continued):

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

The Agency also owns and operates a Co-Composting Facility in the agricultural preserve, which is located in the southwestern section of the City of Chino. This facility is divided into two sections.

One section is for composting a mixture of biosolids from the Agency's wastewater treatment facilities, and approximately 800 tons per day of cow manure from the dairy farms located in the surrounding agricultural preserve. The other section is used to only compost manure organics.



The operation of the Co-Composting Facility provides a cost-effective means of processing and disposing of the biosolids generated by the Agency's wastewater treatment activities. Similarly, the use of cow manure as a bulking agent in the composting process allows the simultaneous removal of dairy wastes.

The process produces a soil amendment/fertilizer product that removes large quantities of salt from the service area, and thus prevents those salts from reaching the groundwater basin under the service area.

In February 2002, the Agency entered into a Joint Powers Agreement with the County Sanitation District No.2 of Los Angeles County (CSDLA) and formed the Inland Empire Regional Composting Authority (RCA). It is the Agency's plan to replace the existing facility with an indoor composting facility to be constructed by the RCA. The current composting site has been sold to a local developer with a plan to vacate the property by June 30 2006.

Economic Condition and Outlook

Fast Facts

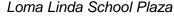
What is it like to live and work in the Inland Empire? In the urban valleys, the average monthly highs range from 66° (*winter*) to 94° (*summer*). In the Coachella Valley (*Palm Springs*) area, the range is from 71° (*winter*) to 107° (*summer*). In the High Desert (*Victor Valley*), it is from 58° (*winter*) to 98° (*summer*). The average annual rainfall is just 3.14 inches a year in the Coachella Valley. It is 9.92 a year in the urban valleys and 5.46 inches in the high desert. With an average elevation of 925- feet, the Agency's service area averages 312 days of sunshine per year.

Historic Route 66 (Foothill Boulevard) remains a legacy in providing the Inland Empire Region with a firm link to the westerly migration of segments of the American population, whether it be seeking relief from the winter climates of the northeast, humidity of the south, dust bowl of the mid-west, or simply sight-seeing the historic route which links the east to the west.

California's colleges and universities remain at the forefront of the technologies that are driving the information and bio-technical revolutions. The Inland Empire Region offers some twenty-seven (27) colleges and universities, twenty-two (22) of which are within 30 minutes of the center of the Agency's service area. Cal Poly Pomona, the state university's premier engineering college; Cal State San Bernardino with its highly rated Graduate School of Management; the University of California at Riverside, a center of engineering, agricultural genomics, environmental and information research; Harvey Mudd College, a private undergraduate school of science and engineering; Keck Graduate School of Applied Science, endowed with \$50 million to train a generation of executives in biotechnology and management; the University of LaVerne School of Law located in Ontario; and Loma Linda University Medical School, an internationally renowned teaching and research facility, and are only a sampling of the educational facilities available.



Loma Linda University Medical School





Fast Facts (continued):

Colleges and Universities nearest the Agency with more than 2000 full time students.

College or University	Number of Full Time Students
California State Polytechnic University	15,527
University of California - Riverside	14,980
Mt. San Antonio College	14,954
California State University – San Bernardino	11,953
Riverside Community College	10,798
Chaffey Community College	7,749
Citrus College	6,830
Loma Linda University School of Medicine	6,685
University of La Verne	4,718
University of Redlands	4,106
Devry Institute of Technology	3,006

Sources: City-data.com

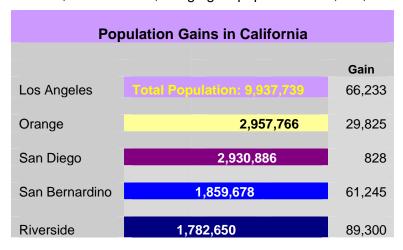
Snow, Sand, Surf: All In One Day. Inland Empire residents brag that they can snow ski, dune buggy and surf on the same day, a fact that points to the region's centralized location. Its urban residents live just 45 minutes from the Coachella Valley or the Mojave Desert; 35 minutes from the San Bernardino Mountains; and an hour from the Pacific Ocean.

[Given the importance of NAFTA and international trade, note that the Mexicali entrance to Mexico is 96 miles from Riverside County's Coachella Valley.]



Growth

San Bernardino and Riverside counties comprise what is commonly known as the Inland Empire, one of the fastest growing metropolitan regions in the nation and the largest by far in terms of physical size. The U.S. Census Bureau reported San Bernardino County was the sixth fastest growing *county* in the nation over the last three years. New data showed the county picked up an estimated 61,245 residents, bringing its population to 1,859,678.

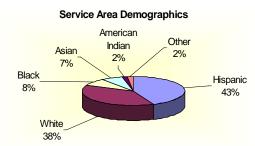


Since 1960, the state's population has doubled, reaching the current 36 million. This growth is comparable to that of a Third World country. Although the specific projections vary, all agree that California will grow substantially in the next two decades. By the year 2025, California's population may reach 45 million or more. The state Department of Finance projects the state will gain 5 million people in the next ten years. Between 2005 and 2015, the US Census Bureau projects gains of 7 million, but also offers other scenarios with increases of slightly more than 3 million. The Agency's service area population has been growing by 2% or more per year for the last 10 years. By the year 2010 the service area population is projected to be 838,000.

- Between 2002 and 2020, the senior population in California will double. By 2030, one in every five Californians will be over 65.
- K-12 public school enrollment is expected to increase only 4 per cent over the next 10 years because the child population is fairly stable. As the relatively small "baby bust" generation reaches childbearing age, the birth rate in California has declined.
- Postsecondary students could increase dramatically, as the current wave of children grows up. Teen populations will increase 30 per

cent between 2000 and 2010.

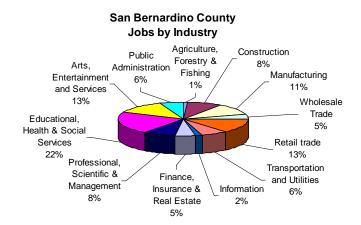
More than 90 per cent of California school-age children attend public K-12 schools and approximately 90 per cent of Californians attending higher education schools attend public universities or colleges.



Trends in Jobs and the Economy

The major national and state labor market trend for 2010 to 2020 will be the large wave of baby boom retirements. The national labor slowdown will be milder in California as a result of the state's younger population and comparatively large number of people of school age. Both result from California's comparatively large foreign-born population and its children and grandchildren. Our challenge will be to educate these young people.

- In 2003, approximately 5.2 million of the state's 16.1 million jobs (32 per cent) were in California's economic base, as defined by the California Regional Economies Project.
- New national job growth projections confirm California's economic base is concentrated in areas with above average growth prospects. Foreign trade is the leading growth sector. Professional services, information services entertainment and tourism have above-average growth prospects.



California's basic industry growth is helped by formation of new firms. The state regularly captures 40 per cent of new venture capital funding, and a recent PPIC study showed that Silicon Valley job growth in the 1990s came from new firms, not firms in existence pre-1990. The Silicon Valley will play a major role in sustaining the growth of California's economy.

Transportation

The IEUA service area boasts excellent transportation resources, major freeways and proximity to the only un-congested southern California airport. Southern California's regional airport strategy plus growing local demand is making Ontario International Airport the alternative to LAX for air passenger and air cargo service.

The freight handling and warehousing that go with serving as a transfer point for goods from Los Angeles and Long Beach ports bound for the rest of the United States is also serviced by the Union Pacific-Southern Pacific and Burlington Northern-Santa Fe (BNSF) Railroads.

Major freeway interchanges servicing the Inland Empire Region are I-10, I-15, I-60, I-91 and the newly constructed I-210 freeway. Amtrak, a host of bus lines, and the Metro link commuter rail service, provide critical transportation for commuters as well as relief for congested commuter freeways.

Real Estate

New census numbers show Riverside was the second-fastest growing county in the nation last year, drawing an average of 244 newcomers a day. San Bernardino County ranked fifth, with 160. Many of the newcomers are refugees from cities closer to the coast, where soaring housing prices have sent people packing to the region known as the Inland Empire, an area about the size of Virginia that includes San Bernardino and Riverside Counties.

Real Estate (continued):

Factors driving the Inland Empire growth include available land for development of new business and industry, paired with the opportunity to build new homes and apartments. Conveniently situated within the Inland Empire's transportation network are large tracts of available, competitively priced land. San Bernardino and Riverside counties have an economy based heavily on home and commercial construction. Land saturation and high prices in the coastal regions of Los Angeles, Orange and San Diego counties, continue to push people and businesses inland.

Median home prices in Southern California have been rising steadily since 2002. According to Frank Williams, head of the Building Industry of Southern California chapter that covers San Bernardino County, the Inland Empire is about where Orange and Los Angeles Counties were about 20 years ago. The median price paid for a home in southern California rose 15.2% year over year, while in San Bernardino County (the Agency's service area) the price paid for a home rose 30.5% in the



last year alone. Data Quick Information Systems reports that since 2000, the median cost of a home in both counties has more than doubled. Riverside went from \$160,000 to \$379,000, while San Bernardino jumped from \$136,000 to \$308,000.

Local Economy

It is estimated that 350,000 people commute between the Inland Empire and coastal counties every day. Such growth in this region would have been hard to fathom a decade or so ago, when the area was still suffering from the shutdown of Kaiser Steel and the Inland Empire in general was suffering from military base closures.

Last year, however, the region generated 35 percent of all new jobs in California – gains fueled by new home construction and demand for workers at giant distribution centers for Target, Costco, Wal-Mart and other firms. Many new jobs have popped up in the eastern reaches of the region, where the most affordable homes are being built. Half of all building permits being pulled in San Bernardino County are in the high desert about 90 miles east of Los Angeles in the cities of Hesperia and Victorville. Homebuilder John Young reported that interest in his firm's tract housing throughout the Inland Empire remains high, with prospective buyers often signing up on waiting lists.

Summary

The region's geographic location, rising labor force, available housing, outstanding academic resources, and sophisticated infrastructure have allowed the Inland Empire to become one of California's fastest growing regions. Southern California's Inland Empire Economic Partnership web site (www.ieep.com) summarizes the Inland Empire best. "Love it or hate it, California's entrepreneurial enormous economy, growing labor force and population, great weather, coastal location and ethnic mix, plus the worldwide projection of its prosperity through the film industry have made the state a place that is difficult for companies to ignore. Within this setting, the Inland Empire offers companies the opportunity to expand in an environment that is relatively inexpensive while still giving them access to the elements that are driving the state's prosperity."

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Effective starting with fiscal year 2004/05, the state's tax shift of \$7.4 million per year for two consecutive years has resulted in the deferment of several capital improvement projects. Despite this setback, other construction activities continued at a high pace. Some of major projects include: the Chino Basin (Groundwater) Recharge Facility Improvement project nearing completion, RP-4 liquid expansion to 14 mgd, the recycled water line project entering into its second phase and the ground breaking of the enclosed regional composting facility, a joint venture with the County Sanitation District of Los Angeles County. Additionally, IEUA held firm its position of no sewer rate increase for the fiscal year.

Major Accomplishments for FY 2004/2005

- On April 20, 2005, the IEUA Board approved the adoption of the Interest Rate Swap Policy. Additionally, the Board adopted the resolution approving the execution of the interest rate swap agreement with Citibank.
- In May 2005, the Agency completed the issuance of \$25.2 million Revenue Bonds, Series 2005 A to refund a portion of the outstanding 1999 Revenue Bonds, utilizing the executed interest rate swap agreement with Citibank.
- Established two new departments: 1) A Technical Support Department in Operations Division to provide technical assistance to operations and maintenance. The department will provide maximum process optimization and also assist with special projects. 2) A Training and Compliance Department in Finance & Administration Division to supervise the development of standard operating procedures and site specific training for our various treatment facilities.
- The Agency secured commitments for the following grants/State Revolving Loans applications which include: 1) \$1.7 million from Department of Water Resources for Multi-Family Ultra low Toilet Direct Install Program; 2) \$4.0 million from Sate Water Resources Control Board for the Recycled Water Distribution System, Phase II.
- Negotiated and entered into a major construction contract of \$53 million with Tilden-Coil Constructors for the construction of a fully enclosed composting facility. Construction started in August 2004.



Future Years

IEUA will continue to strive to engage all resources available to cope with continuous rapid growth in the Inland Empire region. To meet these many challenges related to growth, many capital improvement projects have been floated to the top of the priority list. IEUA is also advancing toward expanding its recycled water projects. There are four more phases to be completed and the goal is to complete all phases by 2010.

Vision



In addition, IEUA has embarked on an innovative, award winning environmental management program to recycle water, produce organic compost fertilizer, and generate renewable energy for our communities.

Through the vision and cooperation of the cities, local water districts, state and federal agencies, and private partners, IEUA will execute the conceived master plan to attain its goals.

The following highlights some of the significant projects the Agency will undertake in the future years.

- Continue to expand the Regional Recycled Water Distribution System to deliver recycled water to customers throughout the Agency's service area.
- Complete the major regional capital improvements that started the previous fiscal year. They include, but are not limited to:
 - 1. Expand capacity at Regional Plant No. 4 from 7 mgd to 14 mgd to accommodate the region's rapid growth, and reduce the Agency's operational costs by creating additional fuel for co-generation.
 - Complete the Chino Creek Master plan and Surface Wetland project. This project includes the design and construction to develop 22 acres of the Regional Plant No. 5 site which will become known as "Chino Creek Park". The total project cost is estimated to be \$4,552,000, of which \$3,505,040 grant funding has been received.
 - 3. Complete the Chino Creek Park Wetlands and Ecosystem Restoration project. This projects objectives include the use of native/drought tolerant plants, and attracting endangered birds while coordinating with Prado wetland habitat. The project will serve as a focal point for Community Education and Outreach with demonstration gardens, view platforms for habitat and demonstration of natural treatment system. The estimated project cost is \$2,461,000, of which \$1,196,900 grant funding has been received.

Project Components

- Educational signs
- Pamphlets
- Information centers (gazebos)
- Boardwalks
- Water quality monitoring
- Photo monitoring
- Wetland and natural habitat monitoring

Future Years (continued):

<u>Vision</u> (continued):

- Continue to pursue the salinity reduction study with water softener industry to develop incentives for the public to reduce the amount of salt entering our sewage system through water softeners.
- Continue to strive to implement energy related projects to sustain the Agency's energy objectives of self power generation to reduce energy costs.
- Continue to assist Chino Basin Watermaster with the implementation of the Optimum Basin Management Plan in a collaborative and cooperative inter-agency manner.
- Continue to implement Organics Management Strategy plan through inter-agency effort with other municipalities.



FINANCIAL INFORMATION

Internal Controls

The Management of the Agency is 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 generally accepted accounting principles. 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 valuation 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 can not legally exceed the appropriated amount) is the category level (i.e., Office and Administrative Expenses, etc.) 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.

Cash and Investment Management

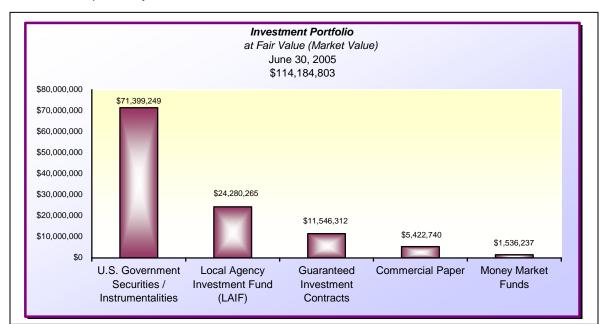
In order of priority, the Agency's objectives when investing, reinvesting, purchasing, acquiring, selling, enhancing and managing public funds are as follows:

- 1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments made by the Agency are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- 2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements that might be reasonably anticipated.
- 3. **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

All cash and investment transactions are conducted in accordance with the Agency's stringent resolutions and Investment Policy and Master Resolutions. While management recognizes that investment risks may result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity, portfolio diversification is employed as a way to control these risks. The Agency therefore limits the allowable investment amount, per financial institution, to the lesser of \$8,000,000 or 20% of the surplus funds investment portfolio at the time of the investment decision. The computation of this limitation does not include the funds in demand deposit accounts, money market accounts, passbook savings accounts, escrow agreements for construction retention payments, or the funds invested in U.S. Government Securities, Agencies, Instrumentalities, or Local Agency Investment Fund (LAIF), deposits.

Investment Portfolio Performance

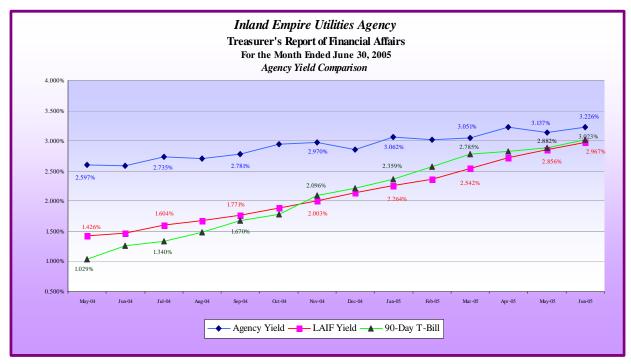
Investment interest for Fiscal Year 2004/05 totaled \$3,192,999. The Agency's portfolio fund balance for the Fiscal Years ended June 30, 2005 and 2004 were \$114,184,803 and \$100,588,617, respectively.



Cash and Investment Management (continued):

<u>Investment Portfolio Performance</u> (continued):

The Agency has followed a conservative approach in conducting its investment activities. By following the established Investment Policy and Master Resolution, Agency staff has successfully managed the investment portfolio to attain the Agency's investment objectives.



Year-End portfolio earnings rates for Fiscal Years 2004/05 and 2003/04 were 3.23% and 2.59%, respectively.

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 Conrad and Associates, L.L.P., CPA's to perform the annual audit. As part of the audit, reviews were made to determine the adequacy of the internal control, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Agency. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements, supplementary and statistical schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities Agency for its comprehensive annual financial report for the Fiscal Year ended June 30, 2004. This was the seventh consecutive year the Agency has received this prestigious award.

OTHER INFORMATION (continued):

Awards (continued):

In order 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.

<u>Acknowledgements</u>

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 manner in which our auditors, Conrad and Associates, L.L.P., 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 Inland Empire Utilities Agency's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

Chief Executive Officer General Manager

Richard W. Atwater

Dean Martin

Executive Manager of Finance & Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Inland Empire Utilities Agency, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

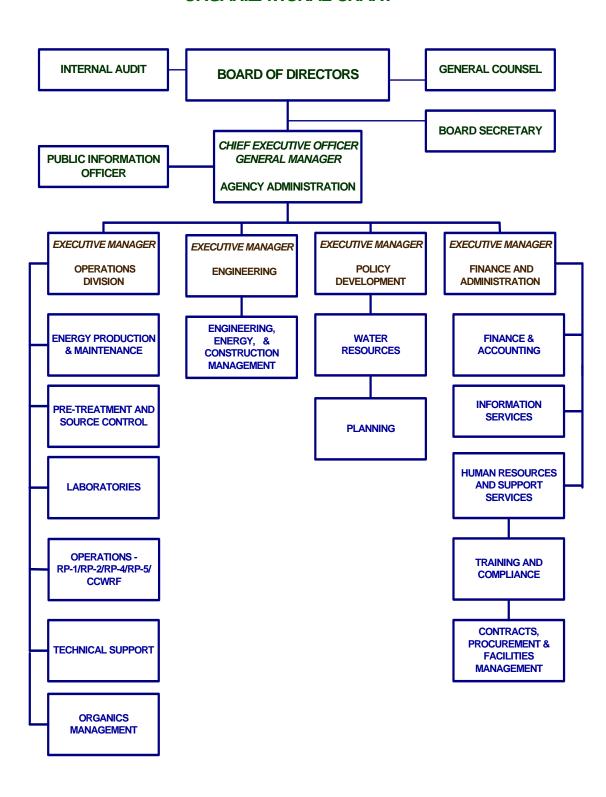
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

WE OPPORATION SEALS OF CHICAGO

Maney L. Zielle President

Executive Director

FY 2004/05 ORGANIZATIONAL CHART



INLAND EMPIRE UTILITIES AGENCY Principal Officials

June 30, 2005

BOARD OF DIRECTORS

John L. Anderson President

Wyatt Troxel Vice President

Gene Koopman Secretary/Treasurer

Angel Santiago Director

Terry Catlin Director

EXECUTIVE STAFF

Richard W. Atwater Chief Executive Officer - General Manager

Dean Martin Executive Manager - Finance and Administration

Patrick Sheilds Executive Manager - Operations Division

Thomas A. Love Executive Manager - Engineering

Martha Davis Executive Manager - Policy Development

MANAGEMENT STAFF

Gary P. Bankston Manager - Energy Production & Maintenance

Chris Berch Manager - Technical Support

Tina Y. Cheng Budget Officer

Michael C. Chung Manager - Finance and Accounting

Neil W. Clifton Manager - Engineering, Energy

and Construction Management

Parivash Dezham Manager - Pre-Treatment and Source Control

Sondra J. Elrod Public Information Officer

Jack E. Frazier Manager - Training and Compliance

Nelletje Groenveld Manager - Laboratories

John C. Gundlach Manager - Organics Management

Gary E. Hackney Manager - Planning and Water Resources

Patrick M. King Manager - Human Resources & Support Services

Cameron B. Langner Manager - Contracts, Procurement

and Facilities Management

Fred W. Mouat Manager - Information Services

Robert H. Nienhuis Manager - Operations - RP-1 / RP-4

Robert A. Valenti Grants Manager-Internal Audit Officer

David R. Wall Manager - Construction Management

April Woodruff Board Secretary

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.



 \bigstar Innovation in meeting the present and future needs of the Agency.

The STAR Program was conceived based upon the concept of giving public recognition to employees who consistently perform their job duties diligently and superbly. Since its inception, the STAR Program has been considered an "employee" program. Candidates must be non-management employees. Based on leadership, creativity, performance, teamwork, and other individual outstanding characteristics, candidates are nominated by their peers. Additionally, candidates are voted on by a Selection Committee of their peers, with management exempt from the voting. The STAR program has continued to gain acceptance, and the annual award for the Employee for the Year has become a much-anticipated event.

For the purposes of the STAR Program, the Agency is divided into three areas: 1) Finance/Administration Division, 2) Engineering/Planning Division, and 3) Operations Division. Each of these three areas has three representatives who serve on the Selection Committee (a total of nine committee members). The STAR program was started as a quarterly program. In Fiscal Year 1999/2000 the program was modified to a semi-annual award, to enjoy greater program participation. Accordingly, the prize award was also increased to afford more employee appeal. Following are the semi-annual STAR Award recipients for the Fiscal Year 2004/2005:

First Half FY 2004/2005

Second Half FY 2004/2005

Finance/Administration

Ting Chen – Applications System Analyst

Finance/Administration

Bonita Fan – Associate Engineer

Engineering/Planning

Ryan Gross – Constr. Project Manager-P.E.I

Engineering/Planning

Ken Petersen- Senior Engineer

Operations

Craig Proctor – Environmental Compliance Sup.

Operations

Steve Noel – Electrical Technician II





For the Fiscal Year 2004/2005, **Steve Noel**, *Electrical Technician II*, was chosen by the Selection Committee as the Employee of the Year.

IEUA Star Award Recipient Employee of The Year 2004/2005



Steve Noel began his employment at the Agency in 1992 as a Plant Maintenance Technician I. He soon proved to be a very quick study and had a great attitude. Because of this and his untiring work habits, he was promoted to a Plant Maintenance Technician II. His peers love to work with him due to his infectious laugh and positive attitude. In 2001, Steve was transferred to the Electrical section as an Electrical Technician and tasked with learning a new trade. He is currently responsible for electrical maintenance at the RP-1 and RP-4 facilities. His enthusiasm has never diminished and he remains dependable and constantly seeks improvement, earning him a great achievement.



"The true meaning of life is to plant trees under whose shade you do not expect to sit."

- Nelson Henderson

Photo: Garden in Every School Program

CERTIFIED PUBLIC ACCOUNTANTS

CONRAD AND ASSOCIATES, L.L.P.

Board of Directors Inland Empire Utilities Agency Chino, California 2301 DUPONT DRIVE, SUITE 200 IRVINE, CALIFORNIA 92612 (949) 474-2020 Fax (949) 263-5520

Independent Auditors' Report

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, 2005, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Inland Empire Utilities Agency. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency at June 30, 2005, and the respective changes in financial position and cash flows of the Agency for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Inland Empire Utilities Agency's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Board of Directors Inland Empire Utilities Agency Chino, California

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2005, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Comadand Associates, L.LP.

September 30, 2005

CERTIFIED PUBLIC ACCOUNTANTS

CONRAD AND ASSOCIATES, L.L.P.

2301 DUPONT DRIVE, SUITE 200 IRVINE, CALIFORNIA 92612 (949) 474-2020 Fax (949) 263-5520

Board of Directors Inland Empire Utilities Agency Chino, California

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Inland Empire Utilities Agency (Agency) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Agency's management and it is not intended to be and should not be used by anyone other than these specified parties.

Comad and Associates, L.LP.

September 30, 2005

CONRAD AND ASSOCIATES, L.L.P. Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS



2301 DUPONT DRIVE, SUITE 200 IRVINE, CALIFORNIA 92612 (949) 474-2020 Fax (949) 263-5520

Board of Directors Inland Empire Utilities Agency Chino, California

<u>Independent Accountants' Report on Agreed-Upon Procedures</u>
<u>Applied to Appropriations Limit Worksheets</u>

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Inland Empire Utilities Agency ("Agency") for the year ended June 30, 2005. These procedures, which were agreed to by the Agency and the League of California Cities (as presented in the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines*) were performed solely to assist the Agency in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution.

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

The procedures performed and the results of those procedures were as follows:

 We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

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

2. We recalculated the mathematical computations reflected in the Agency worksheets.

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

Board of Directors Inland Empire Utilities Agency Page Two

3. We compared the current year information used to determine the current year limit and found that it agreed to worksheets prepared by the Agency and to information provided by the State Department of Finance.

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

4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the Board of Directors for the prior year.

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

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

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

Comad and Associates, L. L.P.

September 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the 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, 2005. 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 within the category as either a Major fund group or Non-major fund group. Because of the nature of the Agency's business, all funds are classified as "Proprietary" funds, using full accrual accounting, which 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 range from: 1) wholesaling of potable water, and management of water resources; 2) sale of recycled water and development of the distribution system; 3) acquisition and construction of conveyance and plant facilities, and treatment of domestic wastewater; 4) co-composting facility and operation; 5) organics management, digestion and marketing; 6) renewable energy production through digestion; and to 7) nonreclaimable wastewater system services, operations and maintenance.

As of April 30, 2005, the first phase of the Regional Recycled Water Expansion Program was completed. Several significant industrial users have signed up to take advantage of using recycled water at a fraction of the cost of portable water.

In addition to the continuous effort in building the recycled water infrastructure, IEUA's joint venture with other local agencies in the Chino Basin Facilities Improvement Project has continued to proceed according to plan.

FINANCIAL HIGHLIGHTS

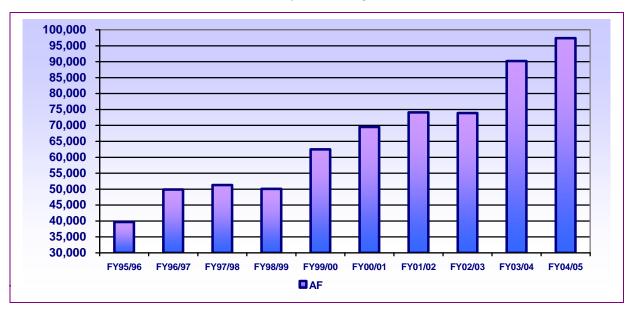
Cash and Investment Management

The Agency has a comprehensive cash and investment program subject to California State Code and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution, which identify the types of investments that are authorized and indicates any restrictions. As required by the State of California Government Code, the Agency annually adopts an investment policy that is intended to minimize credit and market risks, while maintaining a competitive yield on its overall portfolio. The Agency's cash management system is also designed to forecast revenues and expenditures accurately, and to invest idle funds to the fullest extent possible. During the Fiscal Year ended June 30, 2005 idle funds were invested in accordance with policy. These investments primarily consisted of United States Government Securities/Instrumentalities and deposits in a pooled investment fund administered by the State of California.

Water Deliveries

Total imported water deliveries for Fiscal Year 2004/05 were 97,383 acre feet (AF) against a budgeted total of 95,000 AF. There were 30,000 acre feet classified as storage cyclic water. The Fiscal Year 2004/05 AF surcharge charged by IEUA to member agencies was \$9.00/af. The total operating revenue was \$2,103,086 compared to \$1,929,668 for last fiscal year, representing a 10.5% increase. Additionally, the non-operating revenue recorded a significant increase from \$375,496 in FY 03/04 to \$713,388 in FY 04/05. The primary contributor for this increase was due to the increase in MWD conservation programs rebates. The Water Fund recorded an increase in net assets of \$549,610 in FY 04/05.

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



The Agency is committed to encouraging and supporting effective water management and conservation activities in order to help protect the region's vital water supply. IEUA works closely with various agencies to promote the Agency's conservation programs, including: the Metropolitan Water District of Southern California, Chino Basin Watermaster, Cucamonga Valley Water District, Monte Vista Water District, and the cities of Chino, Chino Hills, Ontario, and Upland, as well as the Fontana Water Company and the San Antonio Water Company.

The conservation programs include rebates to residential customers in the Agency's service area for installing ultra-low flush (ULF) toilets, high efficiency clothes washers and other appliances and reward business customers for installing other water efficient apparatus. In addition, IEUA is continuing a native landscaping initiative to promote usage of water-efficient plants, as well as the installation of water-efficient irrigation systems.

In Fiscal Year 2004/05, the conservation programs distributed and/or rebated 4,202 ULF toilets, issued 1,800 residential high efficiency clothes washer rebates, issued 320 Swimming Pool Cover rebates.

Recycled Water Sales

Recycled water recorded sales of \$588,644 in FY 03/04 and \$652,897 in FY04/05, respectively. This was an increase of \$64,253, or 10.9%, over FY 03/04. Total increase consisted of 4,954 AF of recycled water sales. Capital grants receipts increased by \$696,821 to \$2,570,589 in support of the Regional Recycled Water Expansion program.

Total net change in assets for FY 04/05 increased by \$1,077,535 to \$4,711,567 as a result of the additional grant funding and inter-fund transfer from the Regional Capital Improvement fund. At June 30, 2005, the balance of net assets was \$20,143,220.

The IEUA Regional Recycled Water Expansion Program Phase I-V is designed to provide reliable "drought-proof" water supplies to meet future growth needs and reduce costly imported water use in the Chino Basin.

As of June 30, 2005, all capital projects in Phase I have been completed. The total budget for Phase I was \$34,084,276. Activities for Phase II have begun with a revised budget of \$17,000,000. The design work for several projects in Phase II is being done by an outside contractor. The seven capital projects included in Phase II are: 1) Regional Plant No. 4 (RP4) Area 2 million gallons (MG) Regional Recycled Water Reservoir Pipeline and Pump Station; 2) North Etiwanda Regional Water Pipeline and Pump Station; 3) Etiwanda 3 MG Regional Recycled Water Reservoir; 4) RP-1 South Regional Recycled Water Pump Station; 5) San Antonio Channel Recycled Water Pipeline; 6) Etiwanda Avenue 3 MG Regional Recycled Water Reservoir; and 7) North Etiwanda Avenue Recycled Water Pump Station. Also included in Phase II is the Recycled Water Master Plan Update (2005).

Proposed IEUA Regional Recycled Water Expansion Program

- Program will increase recycled water deliveries from IEUA's four water recycling plants to 70,000 AFY.
- 40,000 AFY will replace potable demands for use in green belt irrigation and industrial use applications.
- 30,000 AFY will be used for groundwater replenishment consistent with the Regional Recharge Master Plant and Optimum Basin Management Program approved by the Chino Basin Watermaster and Superior Court.
- Regional system improvements include: transmission and distribution pipelines, system storage, pump stations, system telemetry, service connections, and supplemental ground water recharge facilities.

Recycled Water Sales (continued):

Proposed IEUA Regional Recycled Water Expansion Program, continued:

Construction of proposed recycled water expansion facilities is phased.

Expansion Phase	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total
Proposed Implementation Period (F.Y.)	03/04	04/05	05/06	06/10	07/10	7 years
Additional Customers	180	200	220	220	320	1140
Anticipated Annual Recycled Water Sales (AF)	13,300	18,000	12,000	15,800	12,000	71,100
Estimated Capital Costs (Millions)	24.5	20.2	10.2	32.4	29.1	116.4

Funding for the Regional Recycled Water Expansion Program consists of state and federal grants, state revolving fund loans and support from the Regional Wastewater Capital Improvement Fund.

Regional Recycled Water Program Benefits

- Provides reliable "drought-proof" water supplies to meet future growth needs and reduce costly imported water use in Chino Basin
- o Is an essential element of the regional Chino Basin Optimum Basin Management Program, improving water quality and yield from the Chino Groundwater Basin
- Enhances economic development opportunities in the Chino Basin and throughout Southern California.
- Benefits all of California by reducing demand for imported water supplies, especially in dry years when conflicts within the State are the most intense.



Chino Desalter Operations

Chino Basin Desalter Authority, (CDA), a joint power authority (JPA), was formed in September 2001. The purpose of the JPA was to acquire all assets and liabilities of the Chino Basin Desalter and its operations from the Santa Ana Watershed Project Authority (SAWPA). The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District (JCSD) and the Santa Ana River Water Company.

The CDA and IEUA entered into two separate agreements: 1) an Operations and Maintenance Agreement for IEUA to manage the production, treatment and distribution of the water produced by the desalination facilities; and 2) a Construction Management Agreement for IEUA to manage the design and construction of the Chino Desalter No. 1 Expansion Project and Chino Desalter No. 2.

The Desalter Operations & Maintenance Fund is used to account for labor and other operations and maintenance expenses incurred by IEUA. These expenses are billed to the CDA monthly. In Fiscal Year 2004/05, the total amount billed and reimbursed was \$712,998.

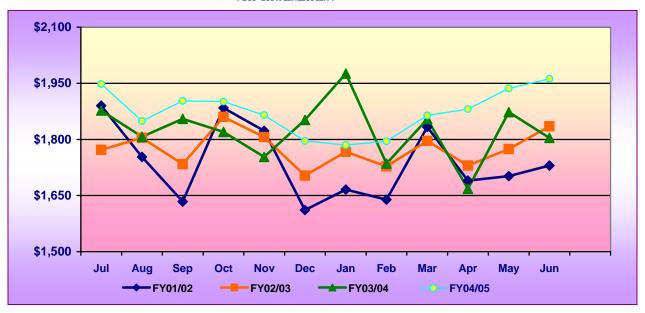
Wastewater Treatment Activities

The Regional Wastewater Treatment Funds had combined operating revenue of \$22,892,255, a 2.3% increase over the Fiscal Year 2003/04. IEUA continued to experience healthy growth in the region both in the North East and South sectors. Again, we held our EDU rate at \$7.69 despite the property tax revenue shift mandated by the state for two fiscal years, starting with FY 04/05. Total property tax revenue recorded at \$15,326,666 after the shift of \$7,261,476 for FY 04/05. Part of the tax shift was offset by the increased property tax revenue due to increase in property values throughout the IEUA service area.

Total number of EDU connections was 7,160 which represented \$27,957,765 in connection revenue at \$3,905 per connection.

The Agency billed and collected a total of \$22,793,244 in revenue for its wastewater treatment operation, which represents a 2.3% increase over the past year. The total EDU's billed were 2,923,933, *(each Equivalent Dwelling Unit equals approximately 98,550 gallons per year for a single residential household, or 270 gallon per day).

Comparative EDU Revenues (In thousands)



Total wastewater collection, treatment and disposal costs incurred in Fiscal Year 2004/05 were \$23,129,609 compared to \$21,737,032 in the prior year, a 6.4% increase. There were three major factors that contributed to the overall increase: 1) higher labor costs in collection – increased by \$142,031; 2) electricity expenses in treatment increased by \$232,764; and 3) higher solid waste disposal cost totaling an increase of \$1,101,518.

There was a negative \$14,019,533 net change in net assets for the fiscal year due to the \$20,290,157 capital transfer to Co-composting Capital Improvement fund to support the construction of the IERCA facility (Refer to Footnote 11 for additional information). The ending net asset balance at June 30, 2005 was \$307,399,027.

Nonreclaimable Wastewater Treatment

Combined service charges of both the Operations and Maintenance and the Capital Improvement Funds totaled \$5,614,477 compared to total revenue of \$4,561,694 in the prior year. This \$1,084,623 increase was primarily due to the sale of 11 capacity units for a total of \$1,133,368.

Total wastewater collection and treatment expenses increased by \$311,010 or 11.7% from prior year. One of the primary factors was the \$239,386 increased in the volumetric fees charged by the Los Angeles County Sanitation District. This represented a 20.3% increase over the last fiscal year. Additionally, the suspended solid and chemical oxygen demand fees both increased by a total of \$83,640.

After combining non-operating revenue and expenses, and the net of inter-fund transfer, the total net change in net assets was \$2,042,955. The ending net assets for the non-reclaimable fund at June 30, 2005 was \$43,588,019.

There were 50 users in the Nonreclaimable Wastewater System during the FY 04/05, with a total flow of 1,054 million gallons.

Co-Composting Operations

Total billing for trucked-in manure for the year was \$278,050, compared to \$167,461 recorded for fiscal year 2003/04. A total of 212,156 tons of manure was processed. Total operating expenses increased by \$859,082 as a result of recording past years' accrued interest on loans from the Regional Capital Improvement fund for the Inland Empire Regional Composting (IERCA) facility. A total of \$792,217 of accrued interest was recorded for the past three fiscal years, starting with FY 00/01.

A total inter-fund transfer of \$20,775,537 was recorded to cover the debt service portion of the 2002 A Bonds related to the IERCA facility, and the construction expenditures for the same facility. Total ending net assets at June 30, 2005 was \$20,912,080 which included a change of \$19,013,953 in net assets for the year.

In February 2002, the Agency entered into an agreement with the County Sanitation Districts of Los Angeles County (CSDLAC), to establish the Inland Empire Regional Composting Authority, (IERCA), a joint power authority (JPA). The IERCA project goals include the construction of a fully enclosed, nuisance odor free composting facility. Operations at the existing outdoor facility will continue until FY 05/06.

The land purchased for the new site included a furniture warehouse building which will be retrofitted to accommodate the composting operations. The estimated total project cost is \$ 65 million, and will be funded by the Agency and CSDLAC in equal shares. The Agency's source for their fifty percent share of the funding includes: 1) proceeds from the sale of the existing Co-Composting site scheduled to close in FY2005/06; 2) bond proceeds from the issuance of 2002A Variable Rate Bonds, and 3) capital and operational support from the Regional Capital Improvement Fund (RC).



Conveyor Supports in the North Composting Area



Steel Trusses for Conveyor Supports

FRP ducts, process air piping and fans at the north side of the composting area.



Organics Management

The RP-5 digester has been out of commission for great portion of the year due to technical problems. As a result, the Biogas production was drastically reduced. Sales went down to \$2,586 this year compared to \$116,957 for prior year. Tipping fees collected for trucked manure processing amounted to \$32,863. Total operating revenue recorded for the Organics Management fund for FY 04/05 was \$60,077.

Operations & Maintenance (O&M) expenses for the year went up 47% to a total of \$1,803,540, compared to \$1,230,676 for prior year. The primary reason for the sharp increase was due to the general allocation of the agency's labor, especially maintenance expenses, to the digestion activities. At the same time, the support from the Regional Operations and Maintenance fund increased inter-fund transfer to \$2,515,825, generating a net change in assets of \$10,423. The total net asset balance at June 30, 2005 was \$8,248,938.



Recharge Water Program Fund

The Recharge Water Program Fund (RW) was established to record the design, construction, and administration of the Chino Basin Facilities Improvement Project (CBFIP): a joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control Department (SBFCD), and the Agency. In January 2002, the Agency's Board of Directors approved the Recharge Master Plan Implementation Memorandum Agreement, and agreed to be the "Contracting Agency" responsible for establishing financing for the CBFIP through grants from the Santa Ana Watershed Authority (SAWPA) under Proposition 13.

The CBFIP is a system comprised of activation of two Metropolitan Water District turnouts from the Rialto Pipeline and construction of a new turnout on the Etiwanda Intertie; modifications to several flood control channels conveying imported water, storm water and recycled water; and, five rubber dams and two drop inlet diversion structures in the flood control channels to divert the water to 18 groundwater recharge sites. The 18 sites have 42 recharge basins varying from 1 to 5 sub-basins at the respective sites. The fully developed groundwater recharge sites will allow for a total annual recharge capacity of 120,000 to 170,000 AF. The total AF is comprised of up to 25,000 AF of recycled water, 25,000 AF of storm water, and 120,000 AF of imported water.

The budget for the CBFIP project is set for \$39.7 million dollars. The state has committed to fund \$19.0 million under Proposition 13 funds and the balance is to be shared by IEUA and Chino Basin Watermaster (CBWM). IEUA and CBWM entered into a financing agreement in May 2002 to issue bonds under the auspice of the Chino Basin Financing Authority. In July 2002 the \$59.0 million Variable Rate Revenue Bonds were issued, of which \$20.0 million was earmarked for the CBFIP project.

Revenues

Combined revenues for the Fiscal Year totaled \$83,329,813 a decrease of \$13,595,747, or 14.0%, less than the prior fiscal year. The following table presents a comparison of revenues by category for the two Fiscal Years 2004/05 and 2003/04.

Combined Revenues by Category - All Funds

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

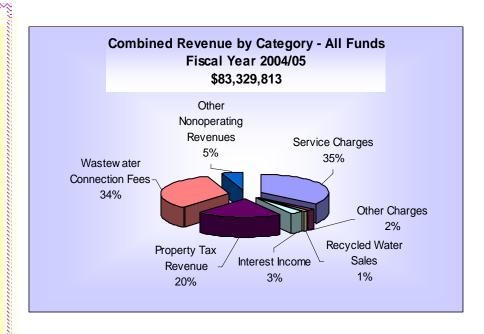
Davanua Catanani	2004/0)5	2003/04		Increase/ <decrease> from 2003/04</decrease>		
Revenue Category	AMOUNT	% OF TOTAL	AMOUNT % OF TOTAL		AMOUNT	% OF CHANGE	
Service Charges	\$29,193,606	35.0%	\$27,509,155	28.0%	\$ 1,684,451	6.0%	
Other Charges	1,754,653	2.0%	1,706,928	2.0%	47,725	3.0%	
Recycled Water Sales	652,897	1.0%	588,644	1.0%	64,253	11.0%	
Interest Income	2,902,608	3.0%	2,874,126	3.0%	28,482	1.0%	
Property Tax Revenue	16,673,512	20.0%	21,507,807	22.0%	(4,834,295)	-22.0%	
Wastewater Connection Fees	27,957,765	34.0%	28,451,240	29.0%	(493,475)	-2.0%	
Other Non-operating Revenues	4,194,772	5.0%	14,287,660	15.0%	(10,092,888)	-71.0%	
Total Revenues	\$83,329,813	100.0%	\$96,925,560	100.0%	(\$13,595,747)	-14.0%	

Other Non-operating Revenues

In FY 03/04 other non-operating revenues reported a sale of SARI pipeline and treatment capacity in the amount of \$11M. No SARI capacity was sold in FY 04/05, resulting in the \$10M decrease shown above.

Property Tax Revenue

The Agency experienced an increase of approximately \$2M in overall property tax revenues; however, due to the State of California withholding property taxes for the Educational Revenue Augmentation Fund (ERAF), property Tax revenue, excluding RDA, decreased by \$7M.



Expenses

Combined expenses for the Fiscal Year totaled \$72,706,837, an increase of \$7,695,921, or 11.8% over the prior fiscal year. The following table presents a comparison of expenses by category for the two Fiscal Years 2004/05 and 2003/04.

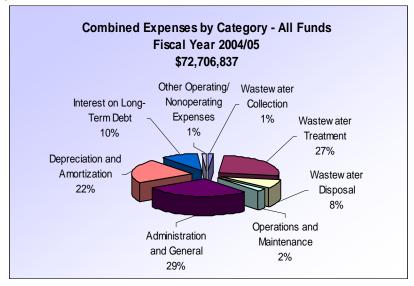
Combined Expenses by Category - All Funds

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

Evnance Catagony	2004/05		2003/04		Increase/ <decrease> from 2003/04</decrease>	
Expense Category	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE
Wastewater Collection	\$ 1,051,905	1.0%	\$ 966,686	1.0%	\$ 85,219	9.0%
Wastewater Treatment	19,193,678	27.0%	18,676,828	29.0%	516,850	3.0%
Wastewater Disposal	5,850,988	8.0%	4,749,470	7.0%	1,101,518	23.0%
Operations and Maintenance	1,687,958	2.0%	1,154,943	2.0%	533,015	46.0%
Administration and General	20,605,025	29.0%	15,047,766	23.0%	5,557,259	37.0%
Depreciation and Amortization	16,310,680	22.0%	14,328,492	22.0%	1,982,188	14.0%
Interest on Long-Term Debt	7,138,409	10.0%	6,875,625	11.0%	262,784	4.0%
Other Operating/ Nonoperating Expenses	868,194	1.0%	3,211,106	5.0%	(\$2,342,912)	-73.0%
Total Expenses	\$72,706,837	100.0%	\$65,010,916	100.0%	\$7,695,921	11.8%

^{*} FY 03/04 Organics Management Fund operations and maintenance, and administration and general numbers were restated to be consistent with the presentation of other funds.



Non-operating Expenses

The FY03/04 non-operating expenses reported a payment of \$2 million to Jurupa Community Services District per MZ. No similar remittances were made in FY 04/05, resulting in the \$2M decrease reflected in the table above.

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Wastewater Treatment

Electricity increases continued, primarily due to Departing Load Responsibility Surcharges and Nonbypassable Charges imposed by Southern California Edison.

Administration & General

The combination of Recycled Water special projects, first year interest on the RC / CC loan, generation of two new departments and related allocations, and a prior year cost related to the Fontana CCRA, comprise the FY 04/05 increase of \$5M.

Changes in Financial Conditions of the Agency

Combined Net Assets-All Funds

For the Fiscal Year Ended June 30, 2005 (With Comparative Totals for the Fiscal Year Ended June 30, 2004)

(with comparative rotals for the risear real Ended dutie 30, 2004)					
	2004/05	2003/04	Increase/ <decrease> fro 2003/04</decrease>		
Assets					
Current Assets	\$125,954,284	\$138,388,190	(\$12,433,906)	-9.0%	
Restricted assets	56,088,771	80,340,949	(24,252,178)	-30.2%	
Capital assets	419,409,377	378,563,401	40,845,976	10.8%	
Other assets	69,112,126	51,235,478	17,876,648	34.9%	
Total Assets	670,564,558	648,528,018	22,036,540	3.4%	
Liabilities					
Current liabilities	22 070 247	20 722 024	2 247 206	7.00/	
	32,070,217	29,722,921	2,347,296	7.9%	
Non-current liabilities	174,900,776	170,080,469	4,820,307	2.8%	
Total liabilities	206,970,993	199,803,390	7,167,603	3.6%	
Net Assets					
Invested in capital assets,					
net of related debt	300,869,289	256,642,331	44,226,958	17.2%	
Restricted	101,161,368	138,874,697	(37,713,329)	-27.2%	
Unrestricted	61,562,908	53,207,600	8,355,308	-15.7%	
TOTAL NET ASSETS	\$463,593,565	\$448,724,628	\$14,868,937	3.31%	

The following denotes explanations on some of the changes between fiscal years, as compared in the above table.

- The \$12 million decrease in Current Assets was primarily due to: 1) the payment received on outstanding Accounts Receivable due from the (1) Santa Ana Watershed Project Authority/State Water Resources Control Board grant for reimbursement of expenses related to the Recharge Facilities Improvement capital project, (\$15,344,242); 2) Interest Receivable in Regional Capital Improvement fund increased by \$922,437 on the loan to Co-composting fund related to the Inland Empire Regional Composting Authority's facility.
- The use of Wastewater Connection Fees held by other governmental agencies to fund various regional sewage capital projects decreased the total amount held by contracting agencies by \$24 million.
- Net Capital assets increased by \$41 million primarily due to additional construction in progress of \$57 million, offset by depreciation and amortization of 16 million.

Changes in Financial Conditions of the Agency (continued):

- The increase of \$18 million in Other Assets was primarily due to IEUA's share of investment in Inland Empire Regional Composting Authority related to the construction of a fully enclosed Biosolids composting facility. This investment is recorded in the Co-composting Capital Improvement fund.
- The increase of \$2.3 million in Current Liabilities consists mainly of the following changes: 1) accounts payable and related liabilities contributed \$1.3 million; 2) compensated absences increased by \$.15 million; 3) Interest payable increased by \$.9 million due to higher interest rates on the Variable Rate debts; 4) and, Notes Payable and Long Term Debt increased by \$2 million; offset by the decrease of \$1.9 million in retention deposits and escrows.

Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets - All Funds For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

Itom Cotogony	2004/05		2003/04		Increase/ <decrease> from 2003/04</decrease>	
Item Category	AMOUNT	% OF TOTAL	AMOUNT % OF TOTAL		AMOUNT	% OF CHANGE
Total Revenue	\$ 83,329,813	18.0%	\$ 96,925,560	22.0%	(\$13,595,747)	-14.0%
Total Expenses	72,706,837	17.0%	65,010,916	14.0%	7,695,921	12.0%
Excess (deficiency) before contrib.	10,622,976	2.0%	31,914,644	7.0%	(21,291,668)	-67.0%
Capital Grants	4,219,952	1.0%	17,480,316	4.0%	(13,260,364)	-76.0%
Contributions	26,009	0.0%	1,482,238	0.0%	(1,456,229)	-98.0%
Change in Net Assets	14,868,937	3.0%	50,877,198	11.0%	(36,008,261)	-71.0%
Beginning Net Assets	448,724,628	97.0%	397,847,430	89.0%	50,877,198	13.0%
Ending Net Assets	\$463,593,565	100.0%	\$ 448,724,628	100.0%	\$14,868,937	3.3%

Capital Assets

Net of accumulated depreciation and amortization, the Agency had total capital assets of \$419,409,377 in Fiscal Year 2004/05 compared to \$378,563,401 in Fiscal Year 2003/04. The increase was primarily due to the completion of various capital projects and the on-going construction in progress as follows:

- Completion and capitalization of Regional Plant No. 5 (\$79,895,954)
- Completion and capitalization of the New Administration Center (\$11,409,771)
- RP4 Liquid Expansion to 14 mgd (\$2,388,560)
- RP2 Three Phase Digestion System Improvement (\$2,046,155)
- RP5 Digestion Expansion and Modification (\$1,773,462)
- Upland Interceptor Relief Phase I (\$2,689,861).

(Refer to Note 8 of the Notes to the Basic Financial Statements)

Debt Management

At June 30, 2005, the Agency had four bond debt issues outstanding; \$ 69,110,648 for the 1994 Revenue Bonds, \$4,880,912 for the 1999 Revenue Bonds, and \$55,382,289 for the 2002A Variable Rate Revenue Bonds, and \$23,583,487 for the 2005A Revenue Bonds. A portion of the outstanding balance of the 1999 Revenue Bonds, \$20,895,000, was refinanced in May 2005, with part of the proceeds of the 2005A Revenue Bonds.

Notes and loans payable at June 30, 2005, included a note from the Santa Ana Watershed Project Authority pertaining to the purchases of pipeline capacity, with an outstanding balance of \$2,365,327, and State Revolving Financing loans in the amount of \$14,079,679 from the State Water Resources Control Board. (Refer to Note 12 of the Notes to the Basic Financial Statements).

Contacting the Agency's Financial Management

This financial report is designed to provide Inland Empire Utilities Agency's elected officials, citizens, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability of 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.

INLAND EMPIRE UTILITIES AGENCY BASIC FINANCIAL STATEMENTS OVERVIEW

Financial Statements

The following Basic Financial Statements, along with the Notes to the Basic Financial Statements, present an overview of the Agency's financial position at June 30, 2005, and the results of operations and the cash flows of its proprietary fund types for the year then ended.

All individual Enterprise Funds are classified as either Major fund groups or Non-major fund group. An Internal Service Fund is used to monitor the General and Administrative expenses of the Agency. Comparative prior year data is provided for a broader picture of the Agency's financial condition.

The Basic Financial Statements consist of:

- Statement of Net Assets the statement denotes the increase/(decrease) of net assets of the Agency.
- 2) Statement of Revenues, Expenses and Changes in Fund Net Assets the statement shows all revenue and expense sources recorded for the period, and their effects on the net assets of the Agency.
- 3) 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.
- 4) Notes to the Basic Financial Statements.

INLAND EMPIRE UTILITIES AGENCY Statement of Net Assets June 30, 2005

	Enterprise Funds		
	Regional	Recharge	
ASSETS	Wastewater	Water	
Current assets	Φ0	Φ0	
Cash (note 2)	\$0	\$0	
Short-term investments (note 2)	58,881,309	4,574,643	
Accounts receivable	4,262,937	737,629	
Interest receivable	1,580,698	36,946	
Taxes receivable	2,200,512	0	
Other receivables	0	0	
Due from other funds (note 15)	0	0	
Inventory	0	0	
Prepaid items	56,588	800	
Total current assets	66,982,044	5,350,018	
Noncurrent assets			
Restricted assets (note 2 & 3)			
Deposits held by governmental agencies	43,687,063	0	
Assets held for 401(a) plan (note 4)	0	0	
Assets held with trustee/fiscal agent	11,505,592	291,452	
Total restricted assets	55,192,655	291,452	
Capital assets (note 8)			
Land	13,931,378	0	
Jobs in progress	44,787,100	39,457,774	
Capital assets, net of	44,707,100	39,437,774	
accumulated depreciation	245,051,996	0	
accamalated aspirostation	210,001,000		
Total capital assets	303,770,474	39,457,774	
Other assets			
Long-term receivables (note 10)	0	0	
Intangible assets, net of	-	-	
accumulated amortization (note 8)	5,450,806	0	
Long-term investments (note 11)	0	0	
Advances to other funds (note 14)	8,500,000	0	
Deferred costs	1,431,375	191,489	
20.0.104 000.0	1,101,010		
Total other assets	15,382,181	191,489	
Total noncurrent assets	374,345,310	39,940,715	
Total assets	441,327,354	45,290,733	

		Tota	ls
Co-Composting	Non-Major	2005	2004
\$0	\$1,985,986	\$1,985,986	\$3,281,539
838,233	37,115,065	101,409,250	91,429,569
1,214,751	9,960,414	16,175,731	38,699,521
758	242,211	1,860,613	479,444
0	193,217	2,393,729	2,442,449
0	83,890	83,890	66,285
0	38,617	38,617	38,193
0	1,826,519	1,826,519	1,691,897
1,311	121,250	179,949	259,293
2,055,053	51,567,169	125,954,284	138,388,190
0	0	43,687,063	68,019,271
0	449,923	449,923	371,957
2	154,739	11,951,785	11,949,721
2	604,662	56,088,771	80,340,949
4.404.000	00.000	40.447.400	7.070.000
4,194,990	20,828	18,147,196	7,070,096
225	33,424,711	117,669,810	155,624,653
5,906,627	32,633,748	283,592,371	215,868,652
10,101,842	66,079,287	419,409,377	378,563,401
0	281,842	281,842	62,233
0	22,795,044	28,245,850	28,504,965
30,337,131	22,793,044	30,337,131	12,249,569
00,007,101	0	8,500,000	8,500,000
124,439		1,747,303	1,918,711
30,461,570	23,076,886	69,112,126	51,235,478
40,563,414	89,760,835	544,610,274	510,139,828
42,618,467	141,328,004	670,564,558	648,528,018
			(continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Net Assets (Continued from previous page) June 30, 2005

	Enterprise Fund Types		
	Regional	Recharge	
LIABILITIES	Wastewater	Water	
0 11 1 1114			
Current liabilities	0.400.050	4 004 700	
Accounts payable	6,198,853	1,921,733	
Accrued liabilities	435,389	0	
Due to other funds (note 15)	38,617	0	
Compensated absences (note 1)	0	0	
Retentions payable	817,397	0	
Notes payable, due within one year (note 12)	89,063	0	
Long-term debt, due within one year (note 12)	4,895,000	400,000	
Interest payable	1,875,044	36,259	
Retention deposits and escrows	207,900	291,448	
Total current liabilities	14,557,263	2,649,440	
Nanaumant liabilities			
Noncurrent liabilities	0	0	
Compensated absences (note 1)	0	0	
Long-term debt, due in more than one year (note 12)	117,085,801	18,373,657	
Notes payable, due in more than one year (note 12)	678,123	0	
Liability for 401(a) plan (note 4)	0	0	
Advances from other funds (note 14)	0	0	
Other noncurrent liabilities	1,607,140	0	
Total noncurrent liabilities	119,371,064	18,373,657	
Total link liston	400,000,007	24 022 027	
Total liabilities	133,928,327	21,023,097	
NET ASSETS			
	400 005 004	00 000 047	
Invested in capital assets, net of related debt	196,895,824	20,839,347	
Restricted for:			
Capital construction	62,625,157	3,164,142	
Debt service	19,739,653	0,104,142	
Bond operating contingency requirement	10,982,385	173,442	
bond operating contingency requirement	10,302,303	175,442	
Total restricted	93,347,195	3,337,584	
Unrestricted	17,156,008	90,705	
Total net assets	\$307,399,027	\$24,267,636	

		Totals		
Co-Composting	Non-Major	2005	2004	
57,503	7,524,968	15,703,057	14,989,301	
0	3,475,054	3,910,443	3,416,519	
0	0	38,617	38,193	
0	1,435,476	1,435,476	1,285,821	
0	95,010	912,407	843,636	
0	775,020	864,083	349,217	
260,000	0	5,555,000	4,050,000	
946,006	171,325	3,028,634	2,135,312	
0	123,152	622,500	2,614,922	
1,263,509	13,600,005	32,070,217	29,722,921	
0	988,319	988,319	924,856	
11,942,878	0	147,402,336	149,917,142	
0	14,895,710	15,573,833	8,689,729	
0	449,923	449,923	371,957	
8,500,000	0	8,500,000	8,500,000	
0	379,225	1,986,365	1,676,785	
20,442,878	16,713,177	174,900,776	170,080,469	
21,706,387	30,313,182	206,970,993	199,803,390	
10,101,842	73,032,276	300,869,289	256,642,331	
0	593,576	66,382,875	105,449,170	
0	0	19,739,653	20,898,943	
492,899	3,390,114	15,038,840	12,526,584	
492,899	3,983,690	101,161,368	138,874,697	
10,317,339	33,998,856	61,562,908	53,207,600	
\$20,912,080	\$111,014,822	\$463,593,565	\$448,724,628	

INLAND EMPIRE UTILITIES AGENCY Statement of Revenues, Expenses, and Changes in Fund Net Assets For the Fiscal Year Ended June 30, 2005 (With Comparative Totals for June 30, 2004)

	Enterprise Fund Types		
	Regional	Recharge	
ODED ATIMO DEVENILEO	Wastewater	Water	
OPERATING REVENUES			
Service charges	\$ 21,137,602	\$0	
Other charges	1,754,653	0	
Recycled water sales	0	0	
Total operating revenues	22,892,255	0_	
OPERATING EXPENSES			
Wastewater collection	513,019	0	
Wastewater treatment	16,765,602	0	
Wastewater disposal	5,850,988	0	
Operations and maintenance	0	0	
Administration and general	9,817,545	520,327	
Depreciation and amortization	13,493,263	0	
Total operating expenses	46,440,417	520,327	
Operating income (loss)	(23,548,162)	(520,327)	
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,958,635	170,173	
Property tax revenue	15,326,666	0	
Wastewater capital connection fees	27,957,765	0	
Other nonoperating revenues	1,401,043	676,246	
Interest on long-term debt	(6,163,709)	(345,253)	
Other nonoperating expenses	(731,177)	(64,227)	
Total nonoperating revenues (expenses)	39,749,223	436,939	
Income (loss) before contributions and transfers	16,201,061	(83,388)	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in (note 16)	45,640,302	3,631,939	
Transfers out (note 16)	(76,791,234)	(1,371,133)	
Capital grants	930,338	673,686	
Contribution in aid	0	0/3,000	
Change in net assets	(14,019,533)	2,851,104	
Total net assets - beginning	321,418,560	21,416,532	
Total net assets - ending	\$307,399,027	\$24,267,636	

			 Totals			
Co	-Composting	Non-Major		2005		2004
\$	278,050	\$ 7,777,954	\$	29,193,606	\$	27,509,155
	0	0	•	1,754,653		1,706,928
	0	652,897		652,897		588,644
	278,050	8,430,851		31,601,156		29,804,727
	0	520,000		4.054.005		000.000
	0	538,886		1,051,905		966,686
	0	2,428,076		19,193,678		18,676,828
	0	1 697 059		5,850,988		4,749,470
	0	1,687,958		1,687,958		1,787,914
	1,497,457	8,769,696		20,605,025		14,414,795
-	158,622	2,658,795		16,310,680		14,328,492
	1,656,079	16,083,411		64,700,234		54,924,185
	(1,378,029)	(7,652,560)		(33,099,078)		(25,119,458)
	2,720	771,080		2,902,608		2,874,126
	0	1,346,846		16,673,512		21,507,807
	0	0		27,957,765		28,451,240
	10,107	2,107,376		4,194,772		14,287,660
	(354,635)	(274,812)		(7,138,409)		(6,875,625)
	(41,747)	(31,043)		(868,194)		(3,211,106)
	(383,555)	3,919,447		43,722,054		57,034,102
	(1,761,584)	(3,733,113)		10,622,976		31,914,644
	20,775,537	10,840,678		80,888,456		70,946,781
	0	(2,726,089)		(80,888,456)		(70,946,781)
	0	2,615,928		4,219,952		17,480,316
	0	26,009		26,009		1,482,238
	19,013,953	7,023,413		14,868,937		50,877,198
	1,898,127	103,991,409		448,724,628		397,847,430
	\$20,912,080	\$111,014,822		\$463,593,565		5448,724,628

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2005

	Enterprise Funds		
	Regional	Recharge	
	Wastewater	Water	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	¢27 520 200	\$14 606 612	
Cash received from interfund services provided	\$27,539,309 0	\$14,606,613 0	
Cash received from others	604,171	676,246	
		•	
Cash payments to suppliers for goods and services	(12,779,396)	(111,441)	
Cash payments to employees for services	(4,340,558)	(67,834)	
Cash payments to others	(11.075.606)	(206.020)	
Cash payments for interfund services used	(11,975,606)	(206,930)	
Net cash provided by (used for) operating activities	(952,080)	14,896,654	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	45,640,302	3,631,939	
Transfers out	(76,791,234)	(1,371,133)	
Tax revenues	15,376,426	(1,571,159)	
Long term receivable	15,576,426	0	
JCSD MZ-3 Contribution	0	0	
Advances from other funds	0	0	
Advances to other funds	0	0	
Advances to other funds			
Net cash provided by (used for) noncapital financing			
activities	(15,774,506)	2,260,806	
CASH FLOWS FROM CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(26,644,189)	(12,894,922)	
Proceeds from sale of assets	0	0	
Proceeds from State Revolving Funds	0	0	
Calls on deposits held by members	51,199,999	0	
Capital grants	930,338	673,686	
Contribution in aid	0	0	
Payments for intangible assets	0	0	
Principal paid on capital debt	332,971	(380,318)	
Interest paid on capital debt	(6,989,842)	(328,046)	
Bond administration fees	(731,177)	(64,227)	
Changes in contractor deposits/retentions	(1,583,658)	112,425	
	(1,000,000)	712,120	
Net cash provided by (used for) capital and related financing activities	16 514 440	(12 901 402)	
inancing activities	16,514,442	(12,881,402)	

		Totals		
Co-Composting	Non-Major	2005	2004	
\$838,660	\$11,346,051	\$54,330,633	\$2,664,819	
0	17,070,502	17,070,502	13,676,156	
10,107	1,653,751	2,944,275	2,273,901	
(3,925,354)	(7,882,108)	(24,698,299)	(21,867,654)	
(50,480)	(17,756,154)	(22,215,026)	(18,983,621)	
0	(4,410)	(4,410)	(5,590)	
(286,405)	(1,725,529)	(14,194,470)	(11,883,822)	
(0.440.470)	0.700.400	40,000,005	(24.405.044)	
(3,413,472)	2,702,103	13,233,205	(34,125,811)	
20,775,537	10,840,678	80,888,456	70,946,781	
0	(2,726,089)	(80,888,456)	(70,946,781)	
0	1,356,920	16,733,346	21,078,168	
0	(228,234)	(228,234)	0	
0	0	0	(2,000,000)	
0	0	0	(200,000)	
0	0	0	200,000	
20,775,537	9,243,275	16,505,112	19,078,168	
		,	,	
(40,007,500)	(40.004.000)	(74.400.700)	(54,000,040)	
(18,087,562)	(16,834,096)	(74,460,769)	(51,999,046)	
0	341,271	341,271	15,922,759	
0	7,009,372	7,009,372	6,473,413	
0	0	51,199,999	0	
0	2,615,928	4,219,952	17,480,316	
0	26,009	26,009	407,203	
(248,083)	(521,710)	(521,710)	5,327,627	
(248,983)	(178,125)	(474,455)	(6,934,454)	
578,987	(180,199)	(6,919,100)	(6,530,354)	
(35,361)	0 (EEC 067)	(830,765)	(283,118)	
(4,000)	(556,067)	(2,031,300)	(1,357,875)	
(17,796,919)	(8,277,617)	(22,441,496)	(21,493,529)	
			(Continued)	

Regional Recharge Wastewater Waster Co-composting		Enterprise Funds		
Mastewater Water Co-composting		•	Recharge	
Interest on investments		Wastewater	_	Co-composting
Interest on investments				
Purchase of investments (21,686,597) 0 0 0 0 0 0 0 0 0	CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on fair value of long term investments 0 0 0 Net cash provided by (used for) investing activities (21,116,522) 133,902 9,137 Net increase (decrease) in cash and cash equivalents (21,328,666) 4,409,960 (425,717) Cash and cash equivalents - beginning 14,085,466 456,133 1,263,953 Cash and cash equivalents - ending (\$7,243,200) \$4,866,093 \$838,236 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities Depreciation and amortization 13,493,263 0 158,621 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 0 Oue from other funds 0 0 0 0 Inventory		**************************************	•	•
Net cash provided by (used for) investing activities (21,116,522) 133,902 9,137 Net increase (decrease) in cash and cash equivalents (21,328,666) 4,409,960 (425,717) Cash and cash equivalents - beginning 14,085,466 456,133 1,263,953 Cash and cash equivalents - ending (\$7,243,200) \$4,866,093 \$838,236 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities 13,493,263 0 158,621 Other nonoperating evenues 1,531,263 676,246 10,107 Other nonoperating evenues (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in 4,646,630 14,606,613 560,611 Other receivables 0 0 0 0 0 Ober for other funds 0 0 0 0 0 0 0 0 0 0 0 0 <td></td> <td></td> <td></td> <td></td>				
Net increase (decrease) in cash and cash equivalents (21,328,666) 4,409,960 (425,717) Cash and cash equivalents - beginning 14,085,466 456,133 1,263,953 Cash and cash equivalents - ending (\$7,243,200) \$4,866,093 \$838,236 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities Depreciation and amortization 13,493,263 0 158,621 Other nonoperating evenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in 4,646,630 14,606,613 560,611 Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Prepaid items 85,414 (800) 0 Prepaid items	Gain (loss) of fail value of long term investments			
Cash and cash equivalents - beginning 14,085,466 456,133 1,263,953 Cash and cash equivalents - ending (\$7,243,200) \$4,866,093 \$838,236 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities 0 158,621 Depreciation and amortization 13,493,263 0 158,621 Other nonoperating evenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in 3 4,646,630 14,606,613 560,611 Other receivables 0 0 0 0 Obusting receivable of the funds 0 0 0 Other receivables 0 0 0 Oherrations 85,414 (800) 0 Prepaid items 85,414 (800) 0 Increase (decrease) in <t< td=""><td>Net cash provided by (used for) investing activities</td><td>(21,116,522)</td><td>133,902</td><td>9,137</td></t<>	Net cash provided by (used for) investing activities	(21,116,522)	133,902	9,137
Cash and cash equivalents - ending (\$7,243,200) \$4,866,093 \$838,236 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities Depreciation and amortization 13,493,263 0 158,621 Other nonoperating revenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Other receivable 4,646,630 14,606,613 560,611 Other receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Other receivable 4,546,630 14,606,613 560,611 <td< td=""><td>Net increase (decrease) in cash and cash equivalents</td><td>(21,328,666)</td><td>4,409,960</td><td>(425,717)</td></td<>	Net increase (decrease) in cash and cash equivalents	(21,328,666)	4,409,960	(425,717)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	Cash and cash equivalents - beginning	14,085,466	456,133	1,263,953
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss) (\$23,548,162) (\$520,327) (\$1,378,029) Adjustments to reconcile operating income to net cash provided by (used for) operating activities 3,493,263 0 158,621 Depreciation and amortization 13,493,263 676,246 10,107 Other nonoperating revenues (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in 3 4,646,630 14,606,613 560,611 Other receivables 0 0 0 0 Due from other funds 0 0 0 0 Inventory 0 0 0 0 0 Prepaid items 85,414 (800) 0 0 Deferred costs 0 7,091 0 0 Increase (decrease) in 4 435,109 (2,764,782) 435,109 (2,764,782) 435,109 (2,764,782) 435,109 0 0 0 0 0 0 0 0 0 0	Cash and cash equivalents - ending	(\$7,243,200)	\$4,866,093	\$838,236
Adjustments to reconcile operating income to net cash provided by (used for) operating activities Depreciation and amortization 13,493,263 0 158,621 Other nonoperating revenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (1,656) 0 0 (Increase) decrease in 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in 4 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 0 0 0 0 Compensated absences 0 0 0 0	CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(\$23 548 162 <u>)</u>	(\$520 327)	(\$1 378 029)
Depreciation and amortization 13,493,263 0 158,621 Other nonoperating revenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0 Compensated absences 0 0 0 Other trust fund 0 0 0 Compensated absences 0 0 0 Other trust fund 0 0 Other trust fund 0 0 0 Other funds 0 0 0	Operating income (loss)	(\$23,340,102)	(\$520,527)	(\$1,376,029)
Other nonoperating revenues 1,531,263 676,246 10,107 Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0				
Other nonoperating expenses (4,656) 0 0 Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Depreciation and amortization	13,493,263	0	158,621
Changes in assets and liabilities (Increase) decrease in Accounts receivable 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in 424,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Other nonoperating revenues	1,531,263	676,246	10,107
(Increase) decrease in 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in 424,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Other nonoperating expenses	(4,656)	0	0
(Increase) decrease in 4,646,630 14,606,613 560,611 Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in 424,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Changes in assets and liabilities			
Other receivables 0 0 0 Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in 424,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	-			
Due from other funds 0 0 0 Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Accounts receivable	4,646,630	14,606,613	560,611
Inventory 0 0 0 Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Other receivables	0	0	0
Prepaid items 85,414 (800) 0 Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Due from other funds	0	0	0
Deferred costs 0 7,091 0 Increase (decrease) in Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 <	Inventory	0	0	0
Increase (decrease) in 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Prepaid items	85,414	(800)	0
Accounts payable 1,542,534 435,109 (2,764,782) Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Deferred costs	0	7,091	0
Accrued liabilities 1,168,810 (307,278) 0 Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Increase (decrease) in			
Mitigation trust fund 0 0 0 Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Accounts payable	1,542,534	435,109	(2,764,782)
Contingent liabilities 132,400 0 0 Due to other funds 424 0 0 Compensated absences 0 0 0	Accrued liabilities	1,168,810	(307,278)	0
Due to other funds 424 0 0 Compensated absences 0 0 0	Mitigation trust fund	0	0	0
Compensated absences000		132,400	0	0
				0
Net cash provided by (used for) operating activities (\$952.080) \$14.896.654 (\$3.413.472)	Compensated absences	0	0	0
Net cash provided by (used for) operating activities (\$952.080) \$14.896.654 (\$3.413.472)				
	Net cash provided by (used for) operating activities	(\$952.080)	\$14.896.654	(\$3,413,472)

	 Totals		
Non-Major	2005	2004	
704,755	1,417,869	3,053,147	
0	(21,686,597)	9,257,677	
(28,500)	(28,500)	0	
676,255	(20,297,228)	12,310,824	
4,344,016	(13,000,407)	(24,230,348)	
34,911,775	50,717,327	74,947,675	
\$39,255,791	\$37,716,920	\$50,717,327	
(\$7,652,561)	(\$33,099,079)	(\$25,119,458)	
2,658,795	16,310,679	14,328,492	
1,766,105	3,983,721	2,324,242	
(511)	(5,167)	(4,061,557)	
2,709,936	22,523,790	(27,308,500)	
(17,605)	(17,605)	113,493	
(424)	(424)	(20,549)	
(134,622)	(134,622)	24,393	
(5,270)	79,344	(90,853)	
0	7,091	66,491	
1,192,603	405,464	843,216	
1,862,024	2,723,556	3,237,479	
0	0	2,637	
110,515	242,915	1,333,973	
0	424	20,549	
213,118	213,118	180,141	
40 70 6 12 5	0.40.00 2.222	(004.155	
\$2,702,103	\$13,233,205	(\$34,125,811)	

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2005

	Enterprise Funds	
	Regional	Recharge
	Wastewater	Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash & cash equivalents at end of year	(\$7,243,200)	\$4,866,093
Investments	77,630,099	0
Total cash, short-term investments and restricted cash	\$70,386,899	\$4,866,093
Cash	\$0	\$0
Short-term investments	58,881,309	4,574,643
Restricted assets	11,505,592	291,452
Total cash, short-term investments and restricted cash	\$70,386,901	\$4,866,095
Noncash capital, financing and investing activities:	2005	2004
Upland Waste Treatment Facility	\$0	\$1,075,035
Wastewater Capital Connection Fees	0	28,451,240
Wastewater Capital Connection Fees, Prior year adjustment	(1,089,974)	0
Gain (Loss) on Long Term Investments	(28,500)	(756,292)

		Totals	
Co-Composting	Non-Major	2005	2004
\$838,236	\$39,255,791	\$37,716,920	\$50,717,327
0	0	77,630,099	55,943,502
O	O .	77,000,000	00,040,002
\$838,236	\$39,255,791	\$115,347,019	\$106,660,829
\$0	\$1,985,986	\$1,985,986	\$3,281,539
838,233	37,115,065	101,409,250	91,429,569
000,200	07,110,000	101, 100,200	01,120,000
2	154,739	11,951,785	11,949,721
\$838,235	\$39,255,790	\$115,347,021	\$106,660,829







Encelia_Fairnosa – Native Plant



INLAND EMPIRE UTILITIES AGENCY

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June 30, 2005

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NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2005

(1) Summary of Significant Accounting Policies:

Description of the Reporting Entity

The Inland Empire Utilities Agency (hereafter referred to as the Agency), was authorized and established by the voters in an election held June 6, 1950. As defined by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board, the financial reporting entity consists of the Agency as the primary government. The Agency has no legally separate component units that require blended or discrete presentation.

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 within the Agency's boundaries, identified as a Division. The Agency's staff is led by the Board-appointed Chief Executive Officer/General Manager, Executive Manager of Finance and Administration, Executive Manager of Operations, the Executive Manager of Engineering, and the Executive Manager of Policy Development as of June 30, 2005. The Agency's staff consisted of 284 budgeted positions. The Board also appointed Legal Counsel and independent auditors to serve as consultants to Agency staff.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as they relate to governmental units (Special Districts). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

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, liabilities, fund equity, 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 the means by which spending activities are controlled. The Agency accounts for its activities in Enterprise Funds and an Administrative Service Fund. These funds are included in the financial statements and have been grouped into fund types described as follows in the section to follow entitled "Proprietary Fund Types." For financial reporting purposes, the Agency has the following major funds: Recharge Water, Regional Wastewater, and Co-Composting. 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, "Individual Funds" section, beginning on pages 106, 90 and 94 respectively.

The composition of the non-major funds by sub-fund is indicated in the accompanying supplementary information statements, "Supplementary Schedules" section, and the "Individual Funds" section.

Measurement Focus

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 revenue of the Agency's enterprise funds include service charges for domestic wastewater flows based on Equivalent Dwelling Units (EDU's) connected to the Contracting Agencies local collection systems and the sale of potable water to member Agencies. The principal operating expenses include the costs associated with the primary and secondary treatment of domestic wastewater delivered to the regional sewage system, and the purchase of potable water from the Metropolitan Water District. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

Enterprise Funds

Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Recharge Water Fund

The Recharge Water Fund is a new fund established to account for the receipts and expenditures associated with the Chino Basin Recharge Facilities Improvement Project. This project is part of a comprehensive Water Supply Enhancement Program jointly sponsored by the Agency and other local agencies in the region. The purpose of the program is to reduce dependence on expensive imported water by replenishing, treating, distributing and conveying waters in and through the Chino Groundwater Basin. Funding comes from debt issuance of \$19.7 million dollars and State grant funding of \$19 million dollars.

Regional Wastewater Fund

The Regional Wastewater Fund accounts for the revenues and operating expenses associated with the primary, secondary and tertiary treatment of domestic wastewater delivered by the contracting agencies to the Agency's interceptors and wastewater facilities. These costs are associated with the domestic wastewater delivered to the regional sewage system, which serves the residential, commercial, and industrial entities within the Agency's 242 square-mile service area. The tertiary process includes 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.

Measurement Focus (continued):

Co-Composting Fund

The Co-Composting Fund records the revenues and the operating costs related to the administration and monitoring of the compost processing for the domestic wastewater treatment plant biosolids and dairy manure. The operation of the Co-Composting facility provides a cost-effective means of processing and disposing of the biosolids generated by the Agency's wastewater treatment activities. Thus, the primary source of funding comes from the Regional Wastewater fund.

In addition, the Co-composting Fund accounts for the funding of the capital improvement of the acquired property by the Inland Empire Regional Composting Authority, a Joint Powers Authority, of which the agency is 50/50 partner with Los Angeles County Sanitation District #2. The purpose of the joint venture is to construct a fully enclosed composting facility.

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.

Recognition of Revenues and Expenses

Effective June 30, 2004 the Agency began recognizing certain water sales and purchases as pass-through transactions. Instead of recording the water deliveries to contracting agencies as gross revenue and corresponding water purchases from Metropolitan Water District of Southern California as expenses, the Agency records only the transaction surcharge as operating revenue. For these transactions, the Agency is merely a conduit or accommodator for the transactions between the Metropolitan Water District and the contracting agencies. The Agency has no control over the pricing of the water delivered to the contracting agencies by Metropolitan Water District.

Also, effective June 30, 2004 the Agency changed its methodology for recognizing its Wastewater Capital Connection Fees. These Wastewater Capital Connection Fees are held by the contracting agencies, on behalf of the Agency. The Agency now recognizes these fees as revenue when the funds are received by each contracting agency, as opposed to recording it as revenue when the Agency calls for the funds.

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 potable and recycled water. Non-operating revenues are generated not directly relating to the Agency's core operations. Examples of non-operating revenues are: 1) property tax revenue; 2) interest income and 3) sewer capital connection fees.

The Agency classifies the type of expenses directly related to the operations of the Agency in providing the core services and/or goods to the public. Typical operating expenses include sewage treatment and disposal costs, cost of purchase of potable water. In contrast, non-operating expenses do not have direct impact on the operations of the agency. Expenses, such as interest expenses and financial services expenses are generally classified as non-operating expenses.

Budgetary Policy and Control

The Agency's Board approves each year's budget submitted by the Executive Manager of Finance and Administration prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. Because the Agency is not required to present budget comparisons, 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. All appropriations lapse at year-end, except for unexpended appropriations for capital projects in excess of \$15,000 that are carried forward.

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 Combining Statement of Cash Flows at June 30, 2005, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency's cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts, and 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 deposit and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

Interest Income Allocation Method

Interest income earned on pooled cash and investments is allocated monthly to the funds, based on month-end cash and investment balances. Interest income from cash and investments in the deferred compensation plan is credited directly to the related fund.

Vacation, Sick and Compensated Absences

A liability is recorded 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.

The Agency allows hourly un-represented employees and laboratory bargaining units to accrue up to a maximum of eighty (80) hours of compensatory time each calendar year. Members of the general and operators bargaining units accrue up to a maximum of seventy (70) hours of compensatory time each calendar year. At the end of each calendar year, hourly un-represented employees, and members of the general, operators and laboratory bargaining units have the option to receive payment for, or roll over to the next calendar year, all accrued compensatory time that has not yet been taken as paid time off.

At June 30, 2005, the accumulated vacation leave payable was \$1,205,058, an increase of \$124,213 over the previous fiscal year; the sick and compensatory leave balance was \$1,218,737, an increase of \$88,905 over the previous fiscal year; and, has been recorded in the Administrative Service Fund as a combined total of \$2,423,795 payable in future years. (Refer to Note 12).

Post - Employment Benefits

In accordance with the Agency's Memorandum of Understanding (MOU), the Agency provides post-employment benefits to all retired employees through the Public Employees' Retirement System (CalPERS) health program, as follows:

- Each employee hired on or after January 1, 1992, and who simultaneously retires from the Agency and CalPERS, who does not meet the requirements of C, D, or E following, will receive health benefits under the Public Employees' Medical and Hospital Care Act in an amount up to a maximum of \$111.41 per month, plus administrative costs.
- Each employee hired on or after July 1, 1980, and prior to January, 1992, and who simultaneously retires from the Agency and CalPERS, who does not meet the requirements of C, D, or E following, will receive health benefits under the Public Employees' Medical and Hospital Care Act in an amount up to a maximum of \$111.41 per month, plus administrative costs.
- Each employee hired on or prior to July 1, 1980, and who simultaneously retire from the Agency and CalPERS, who is a minimum age of 55, with a minimum of 15 years Agency service, and /or eligible dependents, will receive health benefits under the Public Employees' Medical and Hospital Care Act in an amount equal to 100% of the cost of the Agency's basic health plan (Kaiser South), plus administrative costs.
- Each employee hired on or after July 1, 1980, through December 31, 1991, and who simultaneously retires from the Agency and CalPERS, who is a minimum age of 55, with a minimum of 20 years Agency service, and/or eligible dependents, will receive health benefits under the Public Employees' Medical and Hospital Care Act in an amount equal to 50% of the cost of the Agency's basic health plan (Kaiser South), plus administrative costs.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Post - Employment Benefits (continued):

■ Each employee retiring after July 4, 2004, and who simultaneously retires from the Agency and CalPERS, who is a minimum age of 55, with a minimum of 12 years Agency service, who does not meet the requirements of C or D above, will receive health benefits under the Public Employees' Medical and Hospital Care Act in an amount equal to 50% of the cost of the Agency's basic health plan (Kaiser South), plus administrative costs for single party for the employee or surviving spouse.

In accordance with GASB Statement 12, the Agency's fixed fee contributions are financed on a pay-as-you-go basis for retired employees and their eligible dependents, based on the above provisions. Insurance premiums are reduced when a retiree becomes eligible for Medicare. Consequently, the Agency's payments are reduced accordingly. During the Fiscal Year ended June 30, 2005, the Agency paid \$142,807 for 49 retired employees.

Capital Assets

Effective in FY 2004/2005 the Agency's capitalization policy changed. Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation or construction costs, 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	Increases Estimated Life	Enhances Performance
Office Equipment	<u>≥</u> \$ 500	> 1 Year	N/A	N/A
Computer Equipment	<u>></u> \$ 1,000	> 1 Year	N/A	N/A
Other Equipment	≥\$ 2,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥\$ 5,000	> 1 Year	Yes	
Maintenance & Repair Expenditures	≥\$ 5,000	≥ 3 Years		Yes
Capital Projects	≥ \$ 5,000	≥ 3 Years	N/A	N/A
Single Year Capital Projects	≥ \$ 5,000	≥ 3 Years	N/A	N/A
Multi-Year Capital Projects	<u>></u> \$15,000	≥ 3 Years	N/A	N/A

The Agency capitalizes interest on tax exempt debt issued to finance construction projects. The amount of interest capitalized is calculated after offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. During the year ended June 30, 2005, no interest was capitalized on jobs in process related to either the 1994 or the 1999 Revenue Bonds proceeds, since proceeds were completely expended on projects that were placed in operation in prior fiscal years.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Capital Assets (continued):

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful lives of the related capital assets.

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: Ω Furniture, machinery and equipment 5 - 10 years

Improvements 15 years

Interceptors, buildings and plants 5 - 50 years

Inventories

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

Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Any unpaid amounts at the end of the fiscal year are recorded as accounts receivable. The County of San Bernardino bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year. The Agency accrues those taxes which are received from the County within sixty days after year end. The Agency does not collect property taxes in advance; therefore no deferred revenue is shown on the financial statements.

The County is permitted by State Law (Article XIII A of the California Constitution) to levy taxes at 1% of full market value (at the time of purchase) and can increase the property's value no more than 2% per year. In accordance with an agreement with the County, the Agency receives \$0.0625 per hundred dollars levied.

(2) Cash and Investments:

Cash and investments as of June 30, 2005 are classified in the accompanying financial statement as follows:

Statement of net assets:

Cash and investments

Cash and investments held by bond trustee

Total cash and investments

\$103,395,234

11,951,785

\$115,347,019

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 2,250
Deposits with financial institutions	1,983,736
Investments	<u>113,361,033</u>
Total cash and investments	\$115.347.019

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by its Investment Policy. Based on the Agency's Investment Policy, the table also addresses the interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum <u>Maturity</u>	Maximum Percentage <u>of Portfolio</u>	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	None	None
State and Local Agency Obligations	180 days	10%	None
Banker's Acceptances	180 days	None	10%
Commercial Paper	270 days	25%	None
Negotiable Certificate of Deposit	N/A	30%	None
Repurchase Agreements	90 days	50%	None
Medium-Term Notes	5 years	15%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	N/A	20%	None
Local Agency Investment Fund	N/A	None	None

Investments Authorized by Debt Agreements

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

(2) Cash and Investments (continued):

Investments Authorized by Debt Agreements (continued):

The table below identifies the investment types that are authorized for investments held by bond trustee. 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
U.S. Treasury Obligations	None	None
U.S. Agency Securities	None	None
Money Market Funds	AA-m / Aa2	N/A
Certificates of Deposits	None	None
Investment Agreements	None	None
Commercial Paper	A-1 / Prime-1	270 days
Banker's Acceptances	A-1 / Prime-1	1 Year
Repurchase agreements	Α	30 days
LAIF	None	N/A

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 Agency manages its exposure 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 flow an liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investment by maturity:

		Remaining Maturity (in Months)									
Investment Type	<u>Value</u>	12 Months Or Less	13 to 24 Months	25 to 60 <u>Months</u>	More Than 60 Months						
U.S. Agency Securities	\$ 70,569,267	\$19,800,021	\$37,354,134	\$13,415,112	\$0						
Commercial Paper	5,428,952	5,428,952	0	0	0						
Money Market Fund	1,153,805	1,153,805	0	0	0						
State Investment Pool Held by Bond Trustee:	24,280,265	24,280,265	0	0	0						
Money Market Funds Investment Contracts &	382,432	382,432	0	0	0						
Debt Service Money Market Funds	11,546,312	11,546,312	0	0	0						
Total	\$113,361,033	\$62,591,787	\$37,354,134	\$13,415,112	\$0						

(2) Cash and Investments (continued):

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.

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 the Agency's investment policy, and the actual rating as of fiscal year ended June 30, 2005 for each investment type:

				Rating as of June 30, 2005				
Investment Type		Minimum Legal <u>Rating</u>	Not Required <u>To Be Rated</u>	AAA	<u>A-1+</u>	<u>Unrated</u>		
U.S. Agency Securities	\$ 70,569,267	N/A	\$0	\$70,569,267	\$ 0	\$ 0		
Commercial Paper	5,428,952	A-1	0	0	5,428,952	0		
Money Market Fund	1,153,805	N/A	0	1,153,805	0	0		
State Investment Pool Held by Bond Trustee:	24,280,265	N/A	0	0	0	24,280,265		
Money Market Funds Investment Contracts &	382,432	N/A	0	382,432	0	0		
Debt Service Money Market Funds	11,546,312	N/A	0	11,546,312	0	0		
Total	\$113,361,033		\$0	\$83,651,816	\$5,428,952	\$24,280,265		

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the total Agency's investments are in U.S. government securities. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Custodial Credit Risk

The Agency does not have any investments that are uninsured and unregistered which are held by the counterparty or trust department not in the Agency's name.

(2) Cash and Investments (continued):

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 upon 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 basis. Included in LAIF's investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes.

(3) Restricted Assets

Restricted assets consist of deposits held in short-term investments and assets held with Trustee/Fiscal Agents. Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits in a workers compensation bank account for the use of a third party administrator to fund claims resulting from work related incidents; (d) deposits held by contracting agencies for Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional 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. Construction contract retentions are included in Jobs in Progress within the Capital Asset category on the Statement of Net Assets.

(4) Deferred Compensation Plan

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 Section 457 currently 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. The Agency makes no contributions under this plan.

Effective July 1, 1998, the Agency adopted GASB Statement 32 "Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans." The implementation of GASB Statement 32 requires 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. The Deferred Compensation Plan had been included as an asset and liability prior to July 1, 1998.

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). The plan is designed for executive management personnel only. Each participant is expected to contribute 10% of their employee's earnings up to a maximum of \$42,000 per year. All contributions are made with pretax 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 IRS regulations once an employee elects to participate in the plan, he/she cannot change his/her contribution amount or withdraw from the plan until he/she leaves Agency employment.

(4) Deferred Compensation Plan (continued):

Unlike the Deferred Compensation Plan under IRC Section 457, the IRC Section 401(a) Deferred Compensation Plan must be reported in the financial statements. The reported balances were \$449,923 and \$371,957 at Fiscal Years ended June 30, 2005 and 2004, respectively.

(5) Pension Plan

Plan Description

The Agency's defined benefit pension plan, Miscellaneous Plan of the Inland Empire Utilities Agency (Agency's Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Agency's Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS which acts as a common investment and administrative agent for participating public employers 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 P Street - Sacramento, CA 95814.

Funding Policy

Agency employees are required to contribute 7% of their annual covered salary to CalPERS. The Agency makes the contributions required of Agency employees on their behalf and for their account. 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 required employer contribution rate for the Fiscal Year ended June 30, 2005 was 5.856%. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

All full-time Agency employees participate in CalPERS with benefits vesting after five years of CALPERS related service. For each year of service credit, Agency employees who retire at or after age 55 are eligible for annual retirement benefits, payable monthly for life, in an amount equal to 2% of their average salary during the period of 12 consecutive months in which they earned their highest salary.

Annual Pension Costs

The Agency's annual pension cost (employer portion), for the Fiscal Year ended June 30, 2005 was \$2,133,462. The employee portion paid by the Agency was \$2,179,171 and was equal to the Agency's required and actual contributions. The required contributions were determined as part of the June 30, 2002 actuarial valuation.

(5) Pension Plan (continued):

CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. A summary of the principle assumptions and methods used to determine the annual required contribution are shown below.

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method Average Remaining	Level Percentage of Payroll
Period	17 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of	
Return	7.75% (net of administration expenses)
Projected Salary Increases	3.75% to 14.20% depending on age,
	Service, and type of employment.
Inflation	3.00%
Payroll Growth	3.75%
Individual Salary Growth	A merit scale varying by duration of
	employment coupled with an assumed
	annual inflation component of 3.00%
	and an annual production growth of 0.25%

Three-year Trend information for the IEUA CalPERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
6/30/2003	\$ 945,980	100%	0		
6/30/2004	1,034,278	100%	0		
6/30/2005	2,179,171	100%	0		

Required Supplementary Information – Schedule of Funding Progress for the IEUA CalPERS

The Table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated Annual Covered Payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the Annual Covered Payroll.

	Entry Age Normal Accrued	Actuarial Value of	Unfunded Liability (Excess	Funded Ratio	Annual Covered	UAAL as a % of	
Valuation Date	Liability (a)	Assets (b)	Assets) (a-b)	Status (b/a)	Payroll (c)	Payroll [(a) - (b)]/c	
6/30/2001	\$33,579,120	\$42,080,890	\$(8,501,770)	125.30%	\$11,332,444	(75.000)	
6/30/2002	37,782,491	41,018,695	(3,236,204)	108.60%	12,667,634	(25.500)	
6/30/2003	44,955,352	42,432,976	2,522,376	94.40%	14,596,253	17.300	

(5) Pension Plan (continued):

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period. The unfunded actuarial liability is amortized over a period ending June 30, 2032.

(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. The Agency retains the risk of loss for general liability, and, errors and omissions claims of up to \$250,000 per person per occurrence. The Agency also retains the risk of loss for automobile liability and property damage claims of up to \$25,000. Property damage has a \$50,000,000 per occurrence coverage limit. All other claims categories provide coverage up to \$9,000,000 on an annual aggregate basis.

In Fiscal Year 1993/94, the Agency adopted a self-insurance program for risks associated with workers' compensation; accounting for, and financing 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 \$350,000 per person per occurrence. The current commercial insurance provides coverage for workers' compensation claims up to \$10,000,000. 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.

Insurance premiums are paid into the Administrative Services Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the programs. The total charge allocated to each fund 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. As of June 30, 2005, the interfund premiums did not exceed reimbursable expenditures.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage for the past three years. 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 has 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 amount of payouts, and other economic and social factors. The liability for claims and judgments is reported in the accrued liabilities account group.

(6) Risk Management (continued):

Claim Liabilities (continued):

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

	Workers' Co	mpensation	General Liability				
	2004/05	2003/04	2004/05	2003/04			
Unpaid Claims, beginning of fiscal year	\$ 97,423	\$210,084	\$ 0	\$ 0			
Incurred claims (including IBNRs)	(60,510)	(302,839)	36,687	6,397			
Claim payments	41,061	190,178	(36,687)	(6,397)			
Unpaid claims, end of fiscal year	\$ 77,974	\$ 97,423	\$ 0	\$ 0			

(7) 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 expenditures that may be disallowed by the grantor cannot be determined at this time, although the Inland Empire Utilities Agency expects such amounts, if any, to be immaterial.

The contingent liability has been recorded in the amount of \$1,333,639 for departing load cost responsibility surcharges and non-by-passable charges due to Southern California Edison (SCE) as of June 30, 2004. These charges were the result of the California Public Utilities Commission decision to allow SCE to recover operating costs from certain self energy generating customers after January 1, 2001. The Inland Empire Utilities Agency (IEUA) generates its own energy supply at the RP1 facility and is the subject of the contingent amount. The total potential amount due to SCE is \$1,844,932 which includes the \$1,333,639 for FY03/04 and prior fiscal years and \$511,293 pertinent to FY04/05.

At June 30, 2005, 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. It is the opinion of the Agency's legal counsel that the potential losses and/or resolution of these matters will not materially affect the financial condition of the Agency.

(8) Changes in Capital Assets and Intangible Assets

The following is a summary of property, plant and equipment, net jobs in progress and intangible assets at June 30, 2005:

Capital Assets

Capital Assets- <u>Enterprise Funds</u>	Balance at 6/30/04	Additions	Transfers & Retirements			Net Book Value at 6/30/05
Capital Assets-not being depreciated:						
Land	\$ 7,070,096	\$ 11,077,100	\$ 0	\$ 18,147,196	\$ 0	\$ 18,147,196
Jobs in progress	155,624,653	57,644,561	(95,599,404)	117,669,810	0	117,669,810
Total capital assets, not being depreciated	\$162,694,749	\$ 68,721,661	\$(95,599,404)	\$135,817,006	\$ 0	\$ 135,817,006
Capital Assets- being depreciated:						
Interceptors, trunk lines and inter-ties	\$ 9,302,872	\$ 673,176	\$ 1	\$ 9,973,049	\$ (3,556,582)	\$ 6,419,467
Office facilities	4,339,123	11,170,770	0	15,509,893	(2,470,878)	13,039,015
Collection, outfall, and transmission lines	72,813,570	1,745,834	1	74,559,405	(22,748,255)	51,811,150
Reservoirs, settling basins, ponds, and chlorination stations	8,850,827	24,508,457	0	33,359,284	(3,288,863)	30,070,421
Recycled water distribution systems	6,466,740	1,500	0	6,468,240	(805,285)	5,662,955
Treatment plants, pump stations and office buildings	240,919,083	39,099,168	0	280,018,251	(116,975,194)	163,043,057
Equipment	16,467,610	5,326,394	0	21,794,004	(11,399,985)	10,394,019
Land improvement	5,315,613	524,001	0	5,839,614	(2,687,327)	3,152,287
Total capital assets, being depreciated	\$364,475,438	\$ 83,049,300	\$ 2	\$447,524,740	\$(163,932,369)	\$ 283,592,371
Less accumulated depreciation for:						
Interceptors, trunk lines and inter-ties	\$ (3,283,053)	\$ (273,529)	\$ 0	\$ (3,556,582)		
Office facilities	(2,125,166)	(345,714)	2	(2,470,878)		
Collection, outfall, and transmission lines	(20,981,186)	(1,766,870)	(199)	(22,748,255)		
Reservoirs, settling basins, ponds, and chlorination stations	(2,632,707)	(656,156)	0	(3,288,863)		
Recycled water distribution systems	(647,762)	(172,228)	14,705	(805,285)		
Treatment plants, pump	(107,072,775)	(9,808,108)	(94,311)	(116,975,194)		
stations and office buildings						
Equipment	(9,445,313)	(1,950,294)	(4,378)	(11,399,985)		
Land improvement	(2,418,824)	(268,505)	2	(2,687,327)	_	
Total accumulated depreciation	(148,606,786)	(15,241,404)	(84,179)	(163,932,369)	_	
Total capital assets, being depreciated, net	\$215,868,652	\$ 67,807,896	\$ (84,177)	\$283,592,371	_	
Total capital assets-Enterprise Funds, net	\$378,563,401	\$136,529,557	\$(95,683,581)	\$419,409,377	=	

(8) Changes in Capital Assets and Intangible Assets (continued):

Intangible Assets

Intangible Assets- <u>Enterprise Funds</u>	Balance at 6/30/04		Additions		Transfers & Retirements		Balance at 06/30/05		Accumulated Amortization at 6/30/05		Net Book Value at 6/30/05	
Metropolitan Water District connections	\$ 1	98,891	\$	0	\$	0	\$	198,891	\$	(137,235)	\$	61,656
Corps of Engineers-Cucamonga Creek		43,489		0		0		43,489		(17,750)		25,739
San Bernardino County Flood Control- Chino Road Barrier		91,917		0		0		91,917		(19,502)		72,415
County Sanitation Districts of Los Angeles County's facilities and capacity rights	25,9	04,161	1,4	473,000		(92,783)	2	7,284,378	(8,367,320)	18	917,058
Santa Ana Watershed Project Authority capacity rights	13,3	25,510		0	(858,508)		12	2,467,002	(3,418,906)	9	048,096
Organization and master planning	1,5	19,890		0	0 0		1,519,890		(1,399,006)		120,884	
Total intangible assets being amortized	\$ 41,0	83,858	\$ 1,4	473,000	\$ (951,291)		\$ 4	1,605,567	\$(1	3,359,719)	\$28	245,850
Less accumulated amortization for:												
Metropolitan Water District connections	\$ (13	3,257)	\$	(3,978)	\$	0	\$	(137,235)				
Corps of Engineers-Cucamonga Creek berm	(1	6,880)		(870)		0		(17,750)				
San Bernardino County Flood Control- Chino Road Barrier	(1	7,022)		(878)		(1,602)		(19,502)				
County Sanitation Districts of Los Angeles County's facilities and capacity rights	(7,81	5,608)	(5	51,712)		0	(8	,367,320)				
Santa Ana Watershed Project Authority capacity rights	(3,21	5,714)	(8	62,511)		659,319	(3	,418,906)				
Organization and master planning	(1,38	30,412)	(18,594)		0	(1	,399,006)				
Total accumulated amortization	(12,57	78,893)	(1,4	38,543)		657,717	(13	,359,719)				
Total Intangible Assets-Enterprise Funds, net	\$28,5	04,965	\$	34,457	\$ (293,574)	\$ 28	3,245,850	:			

Note:

Amortization of intangible assets has been computed on a straight-line basis over various estimated useful lives ranging from thirty to fifty years. One-half year amortization is recorded in the year of acquisition and disposal.

Intangible Asset Acquisition/CSDLAC Capital Replacements Cost -4R FY 04/05 valued at \$1,473,000.

Ending balance of accumulated depreciation for intangible assets has been adjusted to the Statement of Net Assets for 2005 (rounding difference).

For the fiscal year ended June 30, 2005, depreciation and amortization expense was \$16,106,409.

(8) Changes in Capital Assets and Intangible Assets (continued):

Jobs in Progress

At the Fiscal Year ended June 30, 2005, the Agency had several jobs in progress that would expand or enhance the treatment capacities for wastewater flows, provide for the disposition of wastewater by-products and provide for ancillary facilities that support Agency activities.

The jobs in progress at June 30, 2005, were as follows:

Total jobs in progress	\$ 117,669,810
Brooks Street Basin	1,007,285
Lower Day Creek Basins No. 1 & 2	1,015,334
Pine Avenue Recycled Water Line	1,049,448
Victoria Basin	1,077,470
Recycled Water System-Etiwanda Power Plant	1,108,029
MWD/IEUA/CBWM Dry Year Storage	1,293,949
Wineville Ave Regional Pipeline Phase I	1,375,308
Northern Service Area-Master Plan	1,447,712
Turner Basin No. 1	1,478,438
Turner Basins No. 2, 3, 4	1,505,058
Chino Basin MWD Turnouts	1,549,306
8th Street Basins No. 1 & No. 2	1,942,406
New Administration Center Furniture	1,975,036
RP1 to RP5 By-pass	2,000,390
College Heights Basin	2,232,709
RP5 Renewable Energy Project	2,381,948
RP1 Odor Control – Phase I	2,672,385
Philadelphia Recycled Water Pipeline	2,817,080
RP4 Liquid Expansion to 14 mgd	2,834,313
RP2 Phase 3 Digestion System Improvement Jurupa Basin	2,834,313
RP4 Etiwanda Extension to I210	3,084,675 2,886,978
Upland Interceptor Relief- Phase I	3,113,709
Jurupa Force Main Pipeline	3,281,333
SCADA Systems	4,373,139
Chino Basin Recharge Facility Improvement	4,424,770
RP3 Basin	4,642,040
RP1 Chlorine Contact Tank Expansion	4,806,355
4 th Street Recycled Water Pipelines	7,378,961
RP1/RP4 Recycled Water Pump Station- Phase I	7,809,872
RP4 Energy Load Reduction Facility	9,985,851
Other Projects (less than \$1,000,000 each)	\$ 26,299,057
	\$

(9) Construction Commitments

The Agency is committed to several material construction contracts. Total outstanding obligation was \$44,664,212 at June 30, 2005. Some of the more significant contracts are as follows:

There are several projects on-going throughout the Agency's regional plants, with three major projects on-going at RP1 and RP4, three projects at RP2, and several small projects at each facility with a remaining combined obligation of \$43,531,074. The major projects include: 1) RP-4 Liquid Expansion to 14 mgd – to increase the plant capacity to meet area growth forecasts; 2) Bypass from RP-1 to RP-5 to allow peak flow from RP-1 to be treated at RP-5, and extend the connection of developing areas to facilitate future growth. This will be partially reimbursed by the City of Ontario as connection is made; and 3) RP-1 Food Waste Storage and Pump Station – Pre-design study for design and construction of facilities to feed food oil and grease wastes to the RP-1 anaerobic digesters, including coordinating with agencies that have existing such facilities.

(9) Construction Commitments (continued)

- The Chlorination Facilities Upgrade project, at the Carbon Canyon Facility, has an outstanding obligation of \$776,431. The dangerous chlorine bulk storage tanks are being replaced with facilities for Sodium Hypochlorite.
- The Regional Recycled Water Distribution System has several projects on-going with a combined outstanding obligation of \$164,040. These contracts include; 1) Fourth Street Recycled Water Pipeline that connects RP-1/RP-4 outfall line to the existing west Edison NRW line to provide for groundwater recharge; 2) Addition of 20 hydrants and 10 flow meters to the recycled water line for use by building contractors; and 3) Modification of recycled water and filtrate pipelines at RP5 and addition of a Recycled Water Pump Station at RP2 to provide for better internal usage of recycled water at both plants.
- There are two contracts related to the Chino Basin Recharge Facilities Improvement Project with an outstanding obligation of \$192,667. Both are for improvements to 18 existing recharge basin sites and the design and construction of two new sites. This project is part of the proposed \$50 million Recharge Master Plan Implementation Memorandum of Agreement between San Bernardino County Flood Control District, Chino Basin Water Conservation District, Chino Basin Watermaster, and IEUA which serves as the lead Agency.

(10) Long-Term Receivables

North Perimeter Annexation

In 1968, the Agency annexed 680 acres on its northern perimeter. To provide services to that area, an assessment was levied in the form of annexation fees, in the amount of \$100 per acre. A 4% per annum interest rate on the unpaid balance was stipulated. The annexation fees were to be paid to the Agency through a \$0.0625 tax levy. As of June 30, 2005, \$143,845 has been collected through the taxing process, and interest has accrued in the amount of \$129,453. The receivable amount is \$53,608 and is recorded in the Administrative Services Fund.

Niagara Bottling, L.L.C.

In March 2004, the Agency entered into an agreement with Niagara Bottling, L.L.C. for the construction of a Nonreclaimable Wastewater (NRW) lateral pipeline with a not-to-exceed cost of \$250,000. Niagara is responsible for reimbursing the Agency in equal monthly installments over a ten (10) year period with interest added at 3% per annum. The initial payment on this loan is due June 1, 2005. The receivable amount is \$228,234 and is recorded in the Nonreclaimable Wastewater Capital Improvement Fund.

(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. Since the Agency does not have any equity interests in these joint ventures, and GASB Statement No. 14 provides the guidance on the accounting of joint ventures, these projects are not subject to the equity method of accounting.

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana River Watershed. SAWPA is composed of the five (5) water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agency. Each participating agency appoints two commissioners to SAWPA to form a governing Board of the Authority. 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. The Agency's share of ownership has not been determined. Financial data is available at the Agency's main office.

Unaudited financial information for the operation of SAWPA as of and for the Fiscal Year ended June 30, 2005, the most recent reporting period available, is summarized as follows:

Cash and investments	\$ 59,073,339
Other assets Total assets	157,881,589 \$216,954,928
Total liabilities	
Total labilities Total equity	\$145,018,529 71.936.399
Total liabilities and equity	\$216,954,928
Total revenues	135,336,183
Total expenses	135,578,734
Net decrease in equity	\$ (242,551)

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

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

Santa Ana Watershed Project Authority (continued):

- Over the course of time, IEUA has purchased capacity from SAWPA in the Santa Ana Regional Interceptor (SARI) System. As of June 30, 2005, IEUA has 4.0 mgd SARI pipeline and 2.25 treatment capacity. This consisted of the following:
 - (A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Nonreclaimable Capital Improvement Fund capacity use rights of 2.5 mgd in the SARI pipeline capacity, for a cost of \$2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
 - (B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
 - (C) On June 30, 1989, the Agency purchased through its Regional Capital Improvement Fund 1.5 mgd of SARI pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of .4 mgd SARI discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of SARI pipeline and 1.5 mgd capacity is \$4,650,970. Subsequent annual capital replacement and supplemental costs were \$1,442,010, which brought the total expenditures to \$6,092,980 as of June 30, 2001.
 - (D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of SARI pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Capital Improvement Fund, purchased .5 mgd. The remaining 1.0 mgd was purchased with monies from the Nonreclaimable Capital Improvement Fund. The total cost of the purchase was \$5,625,000, with a 5% down payment. The balance is payable over 20 years with a zero interest rate, and has been discounted by \$2,095,253 at an imputed interest rate of 6%.
 - (E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of SARI pipeline capacity from SAWPA. The purchase price was \$3,750,000, and is recorded in the Nonreclaimable Wastewater Fund. The agreement called for a 5% down payment of \$187,500, and the balance of \$3,562,500 to be financed by SAWPA for a 20 year-period at a 6% interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of \$2,961,171 plus accrued interest of \$167,935.
 - (F) On April 21, 2004, the Agency Board of Directors of approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to Chino Desalter Authority. The sale price totals \$14.25 million payable in three equal installments within one year. The sale has been recorded in two separate funds with \$4.73 million going to the Regional Capital Improvement Fund and \$9.52 million going to the Non-reclaimable Capital Improvement Fund.

Chino Basin Desalter

The Chino Basin Desalter Authority (CDA) was formed in September, 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from SAWPA's Project #14. The purchase was consummated in February, 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency (IEUA). IEUA serves as a non-voting member and handles all Finance and Accounting functions for the JPA.

As of June 30, 2005, the Desalter delivered 3915.3 acre feet of water under IEUA to Cities of Chino and Chino Hills and 4,168.5 under the MWD to Jurupa Community Services District and the City of Norco. Financial data is available at the Agency's main office.

Inland Empire Regional Composting Authority

In February 2002, Inland Empire Utilities Agency (IEUA) entered into a Joint Power Authority Agreement (JPA) with the County Sanitation District No. 2 of Los Angeles County (CSDLAC). The purpose of the JPA is to acquire properties within the IEUA service area to build fully enclosed Biosolid composting facilities. The JPA Agreement calls for 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 adjacent to IEUA's Regional Plant No. 4 was acquired in December, 2001. The cost of the property was \$14,983,738. Subsequent to the property acquisition, preliminary and final designs were launched to modify the property. As of June 30, 2005, the IEUA's share of the total costs is \$30,337,131 recorded in the Co-Composting Fund. Financial data is available at the Agency's main office.

Santa Ana River Watermaster

The Santa Ana River Watermaster (hereafter referred to as Watermaster), was formally established on April 23, 1969 part of a judgment resulting from a lawsuit by the Orange County Water District, the Superior Court of California, in the County of Orange. The Watermaster primarily administers the provisions of the judgment. It also 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 represents the four water districts identified below. The Santa Ana River Watermaster is composed of a committee of five representatives from four water districts. Two representatives serve from Orange County Water District and one representative each serves from Inland Empire Utilities Agency, Western Municipal Water District and the San Bernardino Valley Municipal Water District. Representation is based on percentages as defined by adjudication of the Santa Ana River Watermaster.

<u>Santa Ana River Watermaster (continued):</u>

Costs and expenses incurred by the individual representatives are reimbursed directly from the water districts. Collective Watermaster costs and expenses are budgeted and paid for by the Watermaster after receiving contributions from the 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 20 percent.

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

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

Summary of unaudited financial information for the Fiscal Year ended June 30, 2004, the most recent reporting period available, is as follows:

Total assets - cash	\$10,465
Fund balance	\$10,465
	_
Total revenues	\$12,006
Total expenses	(10,543)
Net increase/(decrease) in equity	\$ 1,463

Santa Ana River Watermaster issues a separate Comprehensive Annual Financial Report. Copies of the report may be obtained upon request to: P.O. Box 5906, San Bernardino, California 92412.

(12) Long-term Debt and Notes Payable

Long-term Debt:

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Bonds Payable:						
1994 Revenue Bonds	\$ 71,049,279	\$ 0	\$ 1,938,631	\$ 69,110,648	\$2,185,000	\$ 66,925,648
1999 Revenue Bonds 2002A Variable Rate	26,413,637	0	21,532,725	4,880,912	905,000	3,975,912
Revenue Bonds 2005A Revenue Bonds	56,504,226	0	1,121,937	55,382,289	1,180,000	54,202,289
(1999 refinancing)	0	23,583,487	0	23,583,487	1,285,000	22,298,487
	\$153,967,142	\$23,583,487	\$24,593,293	\$152,957,336	\$5,555,000	\$147,402,336

<u>Long-term Debt</u> (continued):

1987 Certificates of Participation Refunding

During Fiscal Year 1986/87, the Agency entered into an agreement with the Public Facilities Corporation (PFC), to Lease-Leaseback the Regional Sewage Treatment Plant #1 for \$26,535,000. In order to provide the advance rental funds, the Lessor (PFC), agreed to issue Certificates of Participation (COPs) in the amount of \$26,535,000 and to assign the payments received under the terms of the Lease-Leaseback Agreement, to the certificate holders. The Agency committed to annually budget sufficient funds to cover the principal and interest payments due, and entered into a Trust Agreement with State Street Bank of Los Angeles to act on the certificate holder's behalf. The Certificates of Participation were sold by the PFC in the amount of \$26,535,000, to yield 7.0050489 percent.

A portion of the 1994 bond proceeds (see 1994 Revenue Bonds below), were placed in escrow to achieve the advance refunding of the 1987 COP's. The final defeasance was fully paid April 1, 1997.

In December 1993, the Governmental Accounting Standards Board (GASB) issued Statement Number 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities." Statement Number 23 requires that for current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt should be deferred and amortized as a component of interest expense. The Agency has adopted and implemented Statement Number 23 beginning with the Fiscal Year ended June 30, 1994.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,805,883. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the straight-line allocation method, as defined by GASB Statement Number 23. The Agency completed the advance refunding to reduce its total debt service payments over 23 years by \$2,281,944 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,121,189.

1994 Revenue Bonds

Effective May 1, 1994, the Chino Basin Regional Financing Authority (members: Inland Empire Utilities Agency and Cucamonga Valley Water District) issued the Chino Basin Regional Financing Authority Revenue Bonds, Series 1994 (Chino Basin Municipal Water District Wastewater System Project) in the total amount of \$87,140,000. The 1994 Bonds provided funding for two separate financing efforts. The first was the advance refunding of the 1987 COP's as discussed above.

In addition to the refunding, the 1994 Bonds provided proceeds in the amount of \$59,000,000 to finance a portion of the costs of the 1994 Project. The 1994 Project was comprised of 4 components: (a) a new wastewater treatment facility, Regional Plant No. 4; (b) digester improvements to the Agency's principal wastewater treatment facility, Regional Plant No. 1; (c) odor control improvements at Regional Plant No. 1; and, (d) a Power Reliability Study and co-generation improvements, also at Regional Plant No. 1.

<u>Long-term Debt</u> (continued):

1994 Revenue Bonds (continued):

The bonds maturing through 2011 are serial bonds payable in annual installments ranging from \$1,320,000 to \$3,290,000 with interest rates from 3.75% to 5.90% due on August 1. The bonds maturing between 2012 and 2016 are fixed rate bonds with an interest rate of 6.0% and annual installments ranging from \$3,485,000 and \$4,435,000. The bonds maturing between 2017 and 2022 are equally split as Auction Rate Certificates (ARCs) and Leveraged Reverse Rate Securities (LevRRS) and bear interest at a linked rate of 5.75% with annual sinking fund payments ranging from \$2,300,000 and \$3,100,000.due on August 1. The balance outstanding at June 30, 2005 was \$69,110,648.

On May 19, 2005 the Agency entered into a SWAP transaction that has been rated AAA by Standard & Poor's and AAA by Moody's Investors Service. (Refer to note on Interest Rate SWAP).

1999 Revenue Bonds

On November 1, 1999, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds, Series 1999 (Chino Basin Municipal Water District Wastewater System Project) in the total amount of \$29,860,000.

The 1999 Bonds provided funding to finance a portion of the following projects: (a) A new wastewater treatment facility, Regional Plant No. 5; (b) construction of the Kimball Interceptor; (c) construction of the Archibald/Turner/Cucamonga Relief Wastewater; (d) acquisition of the Etiwanda Trunk wastewater; and, (e) the acquisition of 1.0 mgd of additional nonreclaimable waste capacity.

The bonds maturing through 2009 are serial bonds payable in annual installments ranging from \$905,000 to \$1,090,000 and interest rates ranging from 4.50% to 5.00% on November 1. Bonds maturing in years 2010 through 2022 were refinanced on May 1, 2005, in the amount of \$20,895,000 with a portion of the proceeds of the 2005 Bonds. (Refer to note on 2005 Bonds). The balance outstanding at June 30, 2005 was \$4,880,912.

2002A Variable Rate Revenue Bonds

On July 18, 2002, the Chino Basin Regional Financing Authority issued the Inland Empire Utilities Agency Variable Rate Revenue Bonds, Series 2002A in the total amount of \$59,000,000.

The bonds were issued to finance the:

- a) Acquisition and construction of certain improvements (the Regional Wastewater System Improvements) to the wastewater system (the Wastewater System) of the Inland Empire Utilities Agency.
- b) Agency's share of the acquisition and construction of a composting facility, the Inland Empire Regional Composting Authority (RCA).

<u>Long-term Debt</u> (continued):

2002A Variable Rate Revenue Bonds (continued):

c) Agency's and the Chino Basin Watermaster's share of certain improvements to groundwater recharge facilities (The Chino Basin Recharge Facility Improvement Project) and the issuing costs of the bonds.

The variable rate bonds are due in annual installments through June 1, 2032. Interest is calculated based on a Weekly Interest Rate Period with maximum rate of 12.0% per annum or the maximum rate permitted by law. Interest rates between July 2004 and June 2005 ranged from .9975% and 2.9225% with a fiscal year average of 1.8117%. The balance outstanding at June 30, 2005 was \$55,382,289.

2005A Revenue Bonds

- On May 1, 2005, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Authority Revenue Bonds, Series 2005A in the total amount of \$24,735,000.
 - The bonds were issued to refund a portion of the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 1999. This is a current refunding.
 - The bonds maturing through 2008 are Uninsured Serial Bonds payable in annual installments ranging from \$155,000 to \$1,285,000 with interest ranging from 3.00% to 3.50% on November 1. The bonds maturing between 2009 and 2022 are Insured Serial Bonds payable in annual installments ranging from \$1,290,000 to \$2,120,000 with interest rates from 3.00% to 5.00%. The balance outstanding at June 30, 2005 was \$23,583,487.
- On May 19, 2005, the Agency entered into a SWAP agreement with an AA rated counterpart subsequent to the sale of the bonds. (Refer to note on Interest Rate SWAP.)

Aggregate Long Term Debt

As of June 30, 2005, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2006	\$ 5,555,000	\$ 7,222,679	\$ 12,777,679
2007	4,675,000	7,150,308	11,825,308
2008	4,940,000	7,019,760	11,959,760
2009	5,225,000	6,740,264	11,965,264
2010	6,685,000	6,414,760	13,099,760
2011 / 2015	32,270,000	27,301,200	59,571,200
2016 / 2020	41,290,000	15,421,642	56,711,642
2021 / 2025	35,000,000	5,624,313	40,624,313
2026 / 2030	14,015,000	2,819,250	16,834,250
2031 / 2032	6,410,000	363,000	6,773,000
Subtotal	156,065,000	86,077,176	242,142,176
Less: Deferred amount			
on refunding	(942,200)	0	(942,200)
Less: Discount	(2,165,464)	0	(2,165,464)
Total debt service payable	\$152,957,336	\$86,077,176	\$239,034,512

<u>Long-term Debt</u> (continued):

Debt Covenants

In accordance with bond covenants, property tax revenues are committed to bond debt service. San Bernardino County property tax revenues are distributed December through June annually. Each fiscal year end the agency is required to reserve six months of tax receipts to fund debt service requirements July through November in the following fiscal year. The Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2005. (Refer to the bond disclosures in the statistical section).

Interest Rate SWAP

Interest rate SWAP are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged.

1994 Bonds

On May 19, 2005 the Agency entered into a SWAP transaction for the notional amount of \$70,760,000. The notional amount of the SWAP and the par amount of the bonds each decline according to the same schedule through 2022. Under the SWAP agreement, the Agency payments are linked to the USD-BMA Municipal SWAP Index, and the Agency receives payment at the rate of the sum of (i) 62.40% of USD-LIBOR BBA and (ii) 0.604%. The interest rate swap will expire on August 1, 2022. As of June 30, 2005, the 1994 SWAP agreement had generated an effective loss in the amount of \$1,457 that was included in interest expense.

2005 Bonds

On May 19, 2005 the Agency entered into a SWAP transaction for the notional amount of \$24,735,000. The notional amount of the SWAP and the par amount of the bonds each decline according to the same schedule through 2022. Under the SWAP agreement, the Agency payments are linked to the USD-BMA Municipal SWAP Index, and the Agency receives payment at the rate of the sum of (i) 62.40% of USD-LIBOR BBA and (ii) 0.664%. The interest rate swap will expire on November 1, 2022. As of June 30, 2005, the 2005 SWAP agreement had generated an effective gain in the amount of \$1,263 that was included in interest income.

Associated Bond Issue	Notional Amounts	Effective Date	Variable Rate Paid	Variable Rate Received	Fair Values as of June 30	Swap Termination Date	Counterparty Credit Rating (*)
1994 Bond	\$70,760,000	5/19/2005	ВМА	62.4%LIBOR + 0.604	\$ (856,065)	8/1/2022	AA/Aa1
2005 Bond	24,735,000	5/19/2005	ВМА	62.4%LIBOR + 0.664	(201,990)	11/1/2022	AA/Aa1
	\$95,495,000				\$(1,058,055)		

(*) Credit Ratings: Standard and Poor's and Moody's

<u>Long-term Debt</u> (continued):

Interest Rate SWAP (continued):

Fair Value

As of June 30, 2005, the SWAP had a negative fair value of \$856,065 and \$201,990 respectively. The fair values were estimated on the basis of mid market levels, and include accrued interest.

Credit risk

The SWAP's fair values represent the Agency's credit exposure to the counterparties as of June 30, 2005. Should the counterparty to this transactions fail to perform according to the terms of the swap contract, the Agency would face a maximum possible loss equivalent to the SWAP's fair value. As of June 30, 2005, the counterparty was rated AA by Standard and Poor's and Aa1 by Moody's.

Basis Risk

Since the payment received by the Agency for the basis SWAP transaction is based on a percentage of a taxable index and the payment made by the Agency is based on a tax-exempt index, the trading relationship exposes the Agency to basis risk as payments received by the Agency could be less than payments made by the Agency to the counterparty.

Tax Risk

As with other forms of variable rate exposure and the relationship between the taxable and the tax-exempt markets, the Agency is exposed to tax risk should tax-exempt interest rates rise faster that taxable rates thereby resulting in narrower spreads between taxable and tax-exempt indices over the term of the swap agreement.

Notes Payable:

Summary of notes payable activity for the Fiscal Year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Notes Payable:						
SARI Pipeline Capacity -1.5 mgd	\$2,483,504	\$ 0	\$118,177	\$ 2,365,327	\$125,268	\$ 2,240,059
State Revolving Fund Loan	6,534,146	7,599,844	54,311	14,079,679	596,895	13,482,784
Total Notes Payable	\$9,017,650	\$7,599,844	\$172,488	\$16,445,006	\$722,163	\$15,722,843

The Agency's participation in the joint ventures referenced in Note 11 has resulted in the following notes payable.

Notes Payable (continued):

Santa Ana Watershed Project Authority

As a result of the purchase of 1.5 mgd SARI pipeline capacity from the Santa Ana Watershed Project Authority (SAWPA) in Fiscal Year 1997/98, the Agency signed a 20 year term note in the amount of \$5,625,000 with an initial deposit of \$281,250, and zero interest. The balance of \$5,343,750 is payable in 20 annual installments of \$267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at 6%, to derive a principal balance of \$2,981,310. The seventh installment is due on July 15, 2004. This is a combined note payable from the Nonreclaimable Wastewater and Regional Wastewater Funds.

As of June 30, 2005, the future payments for the remaining note payable obligation by year is as follows:

Year Ending	Principal	Imputed	
June 30	Payments	Interest	Total
2006	\$ 125,268	\$ 141,920	\$ 267,188
2007	132,784	134,404	267,188
2008	140,751	126,437	267,188
2009	149,196	117,992	267,188
2010	158,148	109,040	267,188
2011-2015	944,986	390,953	1,335,939
2016-2018	714,194	87,367	801,561
Total notes payable - SAWPA	\$2,365,327	\$1,108,110	\$3,473,437

State Water Resources Control Board

■ The Regional Recycled Water Distribution System Phase I-V projects are in part funded by the State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2005, four of the five projects in Phase I had been completed and received \$14,133,390 of SRF funding. The SRF loans are due one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%.

As of June 30, 2005, the future payments for the remaining loan obligation by year are as follows:

Year Ending	Principal	Interest	Total
June 30	Payments	Payment	Payment
2006	\$ 596,895	\$ 171,325	\$ 768,220
2007	596,895	323,292	920,187
2008	596,895	309,210	906,105
2009	599,552	294,781	894,333
2010	614,337	279,996	894.333
2010-2014	3,306,560	1,165,105	4,471,665
2015-2019	3,681,494	736,733	4,418,227
2016-2020	4,087,051	252,839	4,339,890
Total notes payable - SRF Loans	\$14,079,679	\$3,533,281	\$17,612,960

Compensated Absences

The Agency's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. This liability will be paid in future years from the Administrative Services Fund.

Long Term Debt and Notes Payable:

A summary of long-term debt and notes payable activity for the Fiscal Year ended June 30, 2005 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
1990 Co-Composting Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1994 Revenue Bonds	71,049,279	0	1,938,631	69,110,648	2,185,000	66,925,648
1999 Revenue Bonds	26,413,637	0	21,532,725	4,880,912	905,000	3,975,912
2002A Variable Rate Bonds	56,504,226	0	1,121,937	55,382,289	1,180,000	54,202,289
2005A Bonds (1999 refinancing)	0	23,583,487	0	23,583,487	1,285,000	22,298,487
SARI Pipeline Capacity -1.5 mgd	2,483,504	0	118,177	2,365,327	125,268	2,240,059
State Revolving Fund Loan	6,534,146	7,599,844	54,311	14,079,679	596,895	13,482,784
Compensated Absences	2,210,677	362,773	149,655	2,423,795	1,435,476	988,319
Total Long-term Debt and Notes Payable	\$165,195,469	\$31,546,104	\$ 24,915,436	\$171,826,137	\$7,712,639	\$164,113,498

(13) Arbitrage Rebate Obligation

Arbitrage rebate refers to the required payment, to the U.S. Treasury, of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. The Agency has elected to have the arbitrage liability calculated annually. The 1994, 1999 Revenue and 2002A, 2005A Variable Rate Bonds are all subject to arbitrage limitations. As such, the initial arbitrage rebate installment on the 1994 Revenue Bonds was made in September 1998, and the second installment was paid on September 2003. The initial arbitrage rebate on the 1999 Revenue Bonds was made November, 2004. The initial arbitrage rebate on the 2002A and 2005A Variable Rate Revenue Bonds will be due July 2007 and May 2010, respectively. The Agency's arbitrage rebate liability was calculated by MuniFinancial Inc. and is reflected on the Statement of Net Assets at June 30, 2005 as a combined total of \$141,101.

(14) Advances to/from Other Funds

Regional Capital Improvement Fund & Co-Composting Capital Improvement Fund

On November 21, 2001 the Board of Directors approved a loan from the Regional Capital Improvement Fund to the Co-Composting Capital Improvement Fund, for the purchase of land for the Inland Empire Regional Composting Authority, plus engineering and CEQA (California Environmental Quality Act) compliance activities. At June 30, 2005, the loan principal was \$8,500,000.

(14) Advances to/from Other Funds (continued):

Nonreclaimable Wastewater Capital Improvement Fund & Administrative Services Fund

In June 1997, the Nonreclaimable Wastewater Capital Improvement Fund received a ten-year advance (loan) of \$5,000,000 from the Administrative Services Fund. The first five years of the loan require interest payments only, paid on an annual basis, at the average LAIF rate as of May 31st of the previous year. Repayment of the principal was to be paid in equal installments over five years beginning in Fiscal Year 2002/2003. The sale of SARI (Santa Ana River Inceptor) pipeline and treatment capacity to the Chino Basin Desalter Authority in June 2004, in the amount of \$9.5 million, provided funds for the early payment of the remaining principal balance of \$4 million to the Administrative Services Fund. At June 30, 2005, no balance was outstanding against the advance.

Administrative Services Fund & Organics Management Operations and Maintenance Fund

On November 21, 2001, the Board of Directors adopted Resolution #2001-11-2 approving an advance (loan) from the Administrative Services Fund to the Organics Management Operations and Maintenance Fund in the amount of \$200,000 to cover the initial three months of operation expenses. The loan was not-to-exceed 24 months with the payment due on or before November 21, 2003. The loan was paid in full as of June 30, 2004. No outstanding balance for the advance was due as of June 30, 2005.

(15) Due to/from Other Funds

Regional Wastewater & Administrative Services Funds

To properly reflect the cash balance of the Agency's Funds, monthly entries are recorded to account for property tax surcharges that have been invoiced but are not collected at year-end. As of June 30, 2005, the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Administrative Services	Regional Operations	\$ 38,617
	Total	\$ 38,617

(16) Transfers In/Out

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2005.

	Regiona <u>l</u> <u>Wastewater</u>	Recharge <u>Water</u>	Co- Composting	Non-Major Enterprise <u>Funds</u>	<u>Total</u>
Transfers out:					
Regional Wastewater Fund	\$42,714,897	\$3,631,939	\$20,775,537	\$ 9,668,861	\$76,791,234
Recharge Water Fund	1,371,133	0	0	0	1,371,133
Non-Major Funds	1,554,272	0	0	1,171,817	2,726,089
Total Transfers	\$45,640,302	\$3,631,939	\$20,775,537	\$10,840,678	\$80,888,456

The Transfers reported in the Regional Wastewater Funds are primarily for debt service reserves maintained in the OP Fund and funded by the Regional Capital Improvement Fund (RC) and Tertiary Operations and Maintenance Fund (TO).

(16) Transfers In/Out (continued):

Co-Composting Funds received \$20,775,537 from the Regional Capital Improvement Fund for the construction of the Inland Empire Regional Composting Facility (IERCA) that is anticipated to be completed in late calendar year 2005.

The Recharge Water Fund received administrative and capital support from the Regional Capital Improvement Fund in the amount of \$1,371,133.

Non-Major Enterprise Funds received transfers in the amount of \$10,840,678 including \$9,668,861 from the Regional Wastewater Funds. These transfers included \$8,212,498 in capital support from the RC Fund to the Recycled Water Capital Improvement Fund (WC), Administrative Service Fund (GG), Organics Capital Improvement Fund (OC), and Nonreclaimable Capital Improvement Fund (NC). The remaining amount of \$1,406,363 primarily consisted of operational support to the Organics Management Operations and Maintenance Fund (OM) and debt service from the OP and GG Fund.

(17) Operating Leases

The Agency has two operating leases at June 30, 2005:

- One 2000 KW Generator for RP5 beginning December, 2003 through December 28, 2005
- One postage meter lease extending to August, 2009.

Total operating lease costs were \$51,646 for the year ended June 30, 2005. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	<u>Amount</u>
2006	\$42,602
2007	2,856
2008	2,856
2009	2,856
2010	476
Total	\$51,646





California Poppies -Native Plants



INLAND EMPIRE UTILITIES AGENCY SUPPLEMENTARY INFORMATION – ALL FUNDS

SUPPLEMENTARY SCHEDULES -

Non-Major Enterprise Funds Statements.

INDIVIDUAL FUNDS -

Individual Schedules of all funds are provided as supplementary information.

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Assets

June 30, 2005

(With Comparative Totals for June 30, 2004)

	Non-Major Enterprise Funds				
		Recycled	Nonreclaimable		
ASSETS	Water	Water	Wastewater	Desalter	
Current assets					
Cash	\$0	\$0	\$0	\$0	
Short-term investments	2,863,113	1,521,341	17,947,417	0	
Accounts receivable	4,727,486	2,599,552	1,832,699	756,492	
Interest receivable	18,040	8,271	109,659	0	
Taxes receivable	0	0	26,761	0	
Other receivables	0	0	21,766	0	
Due from other funds	0	0	0	0	
Inventory	0	0	0	0	
Prepaid items	0	3,500	0	20	
Total current assets	7,608,639	4,132,664	19,938,302	756,512	
Noncurrent assets					
Restricted assets					
Assets held for 401(a) plan	0	0	0	0	
Assets held with trustee/fiscal agent	0	96,294	0	0	
Total restricted assets	0	96,294	0	0	
Capital assets					
Land	0	0	0	0	
Jobs in progress	1,293,949	27,292,482	1,331,877	7,688	
Capital assets, net of					
accumulated depreciation	35,283	5,469,479	3,576,065	0	
Total capital assets	1,329,232	32,761,961	4,907,942	7,688	
Other assets					
Long-term receivables	0	0	228,234	0	
Intangible assets, net of					
accumulated amortization	73,038	45,672	22,676,334	0	
Total other assets	73,038	45,672	22,904,568	0	
Total noncurrent assets	1,402,270	32,903,927	27,812,510	7,688	
Total assets	9,010,909	37,036,591	47,750,812	764,200	

Management Services 2005 2004 \$0 \$1,985,986 \$1,985,986 \$3,281,539 1,227,598 13,555,596 37,115,065 30,822,286 5,527 38,658 9,960,414 12,670,350 6,218 100,023 242,211 178,375 0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 58,445 154,739 807,950 0 58,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 </th <th>Organics</th> <th>Administrative</th> <th colspan="3">Totals</th>	Organics	Administrative	Totals		
1,227,598 13,555,596 37,115,065 30,822,286 5,527 38,658 9,960,414 12,670,350 6,218 100,023 242,211 178,375 0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 58,445 154,739 807,950 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608	Management	Services			
1,227,598 13,555,596 37,115,065 30,822,286 5,527 38,658 9,960,414 12,670,350 6,218 100,023 242,211 178,375 0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 58,445 154,739 807,950 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608		-			
5,527 38,658 9,960,414 12,670,350 6,218 100,023 242,211 178,375 0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,891,897 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608	\$0	\$1,985,986	\$1,985,986	\$3,281,539	
6,218 100,023 242,211 178,375 0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	1,227,598	13,555,596	37,115,065	30,822,286	
0 166,456 193,217 192,177 0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	5,527	38,658	9,960,414	12,670,350	
0 62,124 83,890 66,285 0 38,617 38,617 38,193 0 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	6,218	100,023	242,211	178,375	
0 38,617 38,617 38,193 0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	166,456	193,217	192,177	
0 1,826,519 1,826,519 1,691,897 0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	62,124	83,890	66,285	
0 117,730 121,250 115,980 1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	38,617	38,617	38,193	
1,239,343 17,891,709 51,567,169 49,057,082 0 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	1,826,519	1,826,519	1,691,897	
0 449,923 449,923 371,957 0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	117,730	121,250	115,980	
0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	1,239,343	17,891,709	51,567,169	49,057,082	
0 58,445 154,739 807,950 0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	440 023	440 023	371 057	
0 508,368 604,662 1,179,907 0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473			·		
0 20,828 20,828 20,828 0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473			104,700	007,330	
0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	508,368	604,662	1,179,907	
0 3,498,715 33,424,711 29,088,017 7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473					
7,438,009 16,114,912 32,633,748 22,266,267 7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473					
7,438,009 19,634,455 66,079,287 51,375,112 0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	0	3,498,715	33,424,711	29,088,017	
0 53,608 281,842 62,233 0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	7,438,009	16,114,912	32,633,748	22,266,267	
0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473	7,438,009	19,634,455	66,079,287	51,375,112	
0 0 22,795,044 22,804,240 0 53,608 23,076,886 22,866,473					
0 53,608 23,076,886 22,866,473	0	53,608	281,842	62,233	
	0	0	22,795,044	22,804,240	
7,438,009 20,196,431 89,760,835 75,421,492	0	53,608	23,076,886	22,866,473	
	7,438,009	20,196,431	89,760,835	75,421,492	
8,677,352 38,088,140 141,328,004 124,478,574	8,677,352	38,088,140	141,328,004	124,478,574	
				(continued)	

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Assets (Continued from previous page) June 30, 2005 (With Comparative Totals for June 30, 2004)

_	Non-Major Enterprise Funds			
		Recycled	Nonreclaimable	
LIABILITIES	Water	Water	Wastewater	Desalter
Current liabilities				
Accounts payable	4,051,120	2,241,763	263,767	211,829
Accrued liabilities	81,235	30,608	2,271,251	0
Compensated absences	0	0	0	0
Retentions payable	0	0	36,725	0
Notes payable, due within one year	0	596,895	178,125	0
Interest payable	0	171,325	0	0
Retentions deposits and escrows	0	96,294	0	0
Total current liabilities	4,132,355	3,136,885	2,749,868	211,829
Noncurrent liabilities				
Compensated absences	0	0	0	0
Notes payable, due in more than one year	0	13,482,785	1,412,925	0
Liability for 401(a) plan	0	0	0	0
Advances from other funds	0	0	0	0
Other noncurrent liabilities	0	273,701	0	0_
Total noncurrent liabilities	0	13,756,486	1,412,925	0
Total liabilities	4,132,355	16,893,371	4,162,793	211,829
NET ASSETS				
Invested in capital assets, net of related debt	1,402,270	18,556,628	25,993,226	7,688
Restricted for:				
Capital construction	0	50,000	0	0
Bond operating contingency requirement	0	649,890	1,320,496	0_
Total restricted	0	699,890	1,320,496	0
Unrestricted	3,476,284	886,702	16,274,297	544,683
Total net assets	\$4,878,554	\$20,143,220	\$43,588,019	\$552,371

Organics	Administrative	- Totals	
Management	Services	2005	2004
200 005	400.004	7.504.000	F 740 70F
332,605	423,884	7,524,968	5,716,795
0	1,091,960	3,475,054	3,094,345
0	1,435,476	1,435,476	1,285,821
58,285	0	95,010	0
0	0	775,020	260,154
0	0	171,325	0
0	26,858	123,152	632,201
390,890	2,978,178	13,600,005	10,989,316
0	988,319	988,319	924,856
0	0	14,895,710	7,969,850
0	449,923	449,923	371,957
0	0	0	0
37,524	68,000	379,225	231,186
37,524	1,506,242	16,713,177	9,497,849
428,414	4,484,420	30,313,182	20,487,165
7,438,009	19,634,455	73,032,276	65,949,348
543,576	0	593,576	1,913,361
267,353	1,152,375	3,390,114	2,556,540
810,929	1,152,375	3,983,690	4,469,901
0	12,816,890	33,998,856	33,572,160
\$8,248,938	\$33,603,720	\$111,014,822	\$103,991,409

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Revenues, Expenses, and **Changes in Fund Net Assets**

(With Comparative Totals for June 30, 2004)

For the Fiscal Year Ended June 30, 2005

Non-Major Enterprise Funds Recycled Nonreclaimable

		Recycled	Nonreclaimable	
	Water	Water	Wastewater	Desalter
OPERATING REVENUES				
Service charges	\$2,103,086	\$0	\$5,614,477	\$0
Recycled water sales	0	652,897	0	0
Total operating revenues	2,103,086	652,897	5,614,477	0
OPERATING EXPENSES				
Wastewater collection	0	0	538,886	0
Wastewater treatment	0	0	2,428,076	0
Operations and maintenance	30,842	0	0	590,244
Administration and general	2,449,881	2,034,654	994,525	117,089
Depreciation and amortization	10,279	140,270	997,429	0
Total operating expenses	2,491,002	2,174,924	4,958,916	707,333
Operating income (loss)	(387,916)	(1,522,027)	655,561	(707,333)
NONOPERATING REVENUES (EXPENSES)				
Interest income	72,239	17,737	387,048	0
Property tax revenue	0	0	26	0
Other nonoperating revenues	713,388	87,091	382,505	712,998
Interest on long-term debt	0	(180,199)	(94,613)	0
Other nonoperating expenses	0	0	0	0
Total nonoperating revenues (expenses)	785,627	(75,371)	674,966	712,998
Income (loss) before contributions and transfers	397,711	(1,597,398)	1,330,527	5,665
TRANSFERS AND CAPITAL CONTRIBUTION	NS			
Transfers in	125,000	3,995,428	1,645,917	0
Transfers out	0	(257,052)	(933,489)	0
Capital grants	889	2,570,589	0	0
Contribution in aid	26,009	0	0	0
Change in net assets	549,609	4,711,567	2,042,955	5,665

Transfers in	125,000	3,995,428	1,645,917	0
Transfers out	0	(257,052)	(933,489)	0
Capital grants	889	2,570,589	0	0
Contribution in aid	26,009	0	0	0
Change in net assets	549,609	4,711,567	2,042,955	5,665
Total net assets - beginning	4,328,945	15,431,653	41,545,064	546,706
Total net assets - ending	\$4,878,554	\$20,143,220	\$43,588,019	\$552,371

Organics	Administrative	Totals	
Management	Services	2005	2004
\$60,077	\$314	\$7,777,954	\$6,646,408
0	0	652,897	588,644
60,077	314	8,430,851	7,235,052
0	0	538,886	608,714
0	0	2,428,076	2,047,238
1,066,872	0	1,687,958	1,154,943
736,669	2,436,878	8,769,696	6,685,987
260,983	1,249,834	2,658,795	2,288,248
2,064,524	3,686,712	16,083,411	12,785,130
(2,004,447)	(3,686,398)	(7,652,560)	(5,550,078)
8,754	285,302	771,080	650,276
0	1,346,820	1,346,846	1,737,743
10,291	201,103	2,107,376	7,177,083
0	0	(274,812)	(214,088)
0	(31,043)	(31,043)	(833,365)
40.045	4 000 400	0.040.447	0.547.040
19,045	1,802,182	3,919,447	8,517,649
(4.005.402)	(4.004.046)	(2.722.442)	2 067 574
(1,985,402)	(1,884,216)	(3,733,113)	2,967,571
2,515,825	2,558,508	10,840,678	7,543,476
(520,000)	(1,015,548)	(2,726,089)	(3,120,572)
0	44,450	2,615,928	1,993,418
0	0	26,009	407,203
		<u> </u>	
10,423	(296,806)	7,023,413	9,791,096
8,238,515	33,900,526	103,991,409	94,200,313
60.045.55	Фоо ооо ===	0444.044.055	0400 004 :55
\$8,248,938	\$33,603,720	\$111,014,822	\$103,991,409

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2005

(With Comparative Totals for June 30, 2004)

	Non-Major Enterprise Funds			ınds
	·	Recycled	Nonreclaimable	
	Water	Water	Wastewater	Desalter
				_
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$686,385	\$920,875	\$9,310,597	(\$67,747)
Cash received from interfund services provided	0	0	0	0
Cash received from others	713,388	197,606	19,468	712,998
Cash payments to suppliers for goods and services	(2,310,006)	906,079	(2,272,507)	(118,552)
Cash payments to employees for services	(290,555)	(97,550)	(436,970)	(539,274)
Cash payments to others	0	0	0	0
Cash payments for interfund services used	(261,294)	(771,874)	(512,684)	(80,159)
Net cash provided by (used for) operating activities	(1,462,082)	1,155,136	6,107,904	(92,734)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	125,000	3,995,428	1,645,917	0
Transfers out	0	(257,052)	(933,489)	0
Tax revenues	0	0	30	0
Long term receivable	0	0	(228,234)	0
Capital advances to other funds	0	0	0	0
Advances from other funds	0	0	0	0
Advances to other funds	0	0	0	0
Net cash provided by (used for) noncapital financing activities	125,000	3,738,376	484,224	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(23,561)	(13,999,564)	(1,521,671)	(7,688)
Proceeds from sale of assets	0	0	341,271	0
Payments for intangible assets	0	0	(521,710)	0
Proceeds from State Revolving Funds	0	7,009,372	0	0
Capital advances from other funds	0	0	0	0
Capital grants	889	2,570,589	0	0
Contribution in Aid	26,009	0	0	0
Principal paid on capital debt	0	0	(178,125)	0
Interest paid on capital debt	0	(180,199)	0	0
Changes in contractor deposits/retentions	0	21,779	6,484	0
Net cash provided by (used for) capital and related				
financing activities	3,337	(4,578,023)	(1,873,751)	(7,688)

Organics	Administrative	Tota	ls
Management	Services	2005	2004
\$234,496	\$261,445	\$11,346,051	(\$1,712,316)
0	17,070,502	17,070,502	13,676,156
10,291	0	1,653,751	895,283
(463,046)	(3,624,076)	(7,882,108)	(10,508,499)
(1,007,641)	(15,384,164)	(17,756,154)	(13,838,491)
0	(4,410)	(4,410)	(5,590)
(99,518)	0	(1,725,529)	(578,421)
(1,325,418)	(1,680,703)	2,702,103	(12,071,878)
2 545 925	2 559 509	10,840,678	7 400 476
2,515,825	2,558,508		7,423,476
(520,000)	(1,015,548)	(2,726,089)	(3,120,572)
0	1,356,890	1,356,920	1,734,569
0	0	(228,234)	0
0	0	0	4,000,000
0	0	0	(200,000)
0	0	0	200,000
1,995,825	2,899,850	9,243,275	10,037,473
97,145	(1,378,757)	(16,834,096)	(10,401,373)
0	0	341,271	5,855,964
0	0	(521,710)	5,327,627
0	0	7,009,372	6,473,413
0	0	0	(4,000,000)
0	44,450	2,615,928	1,951,768
0	0	26,009	150,000
0	0	(178,125)	(178,124)
(53.503)	(530,939)	(180,199)	(110,289)
(53,502)	(530,828)	(556,067)	(763,629)
43,643	(1,865,135)	(8,277,617)	4,305,357
			(Continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows (Continued from previous page) For the Fiscal Year ended June 30, 2005

	Non-Major Enterprise Funds			
		Recycled	Nonreclaimable	
	Water	Water	Wastewater	Desalter
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	77,289	14,754	346,061	0
Gain (loss) on fair value of long term investments	0	0	0	0_
Net cash provided by (used for) investing activities	77,289	14,754	346,061	0
Net increase (decrease) in cash and cash equivalents	(1,256,456)	330,243	5,064,438	(100,422)
Cash and cash equivalents - beginning	4,119,570	1,287,392	12,882,979	100,422
Cash and cash equivalents - ending	\$2,863,113	\$1,617,635	\$17,947,417	\$0
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	(\$387,915)	(\$1,522,027)	\$655,559	(\$707,333)
Adjustments to reconcile operating income to				
net cash provided by (used for) operating activities				
Depreciation and amortization	10,279	140,270	997,429	0
Other nonoperating revenues	713,388	87,091	41,234	712,998
Other nonoperating expenses	0	0	0	0
Changes in assets and liabilities				
(Increase) decrease in				
Accounts receivable	(1,416,701)	267,978	3,696,120	(67,747)
Other receivables	0	0	(21,766)	0
Due from other funds	0	0	0	0
Inventory	0	0	0	0
Prepaid items	0	0	0	(20)
Deferred costs	0	0	0	0
Increase (decrease) in				
Accounts payable	459,362	764,450	164,815	(30,632)
Accrued liabilities	(840,495)	1,306,859	574,513	0
Mitigation trust fund	0	0	0	0
Other liabilities	0	110,515	0	0
Compensated absences	0	0	0	0
Net cash provided by (used for) operating activities	(\$1,462,082)	\$1,155,136	\$6,107,904	(\$92,734)

Organics	Administrative	Tota	als
Management	Services	2005	2004
4,453	262,198	704,755	658,134
0	(28,500)	(28,500)	(756,292)
4,453	233,698	676,255	(98,158)
	,		
718,503	(412,290)	4,344,016	2,172,794
509,095	16,012,317	34,911,775	28,619,411
\$1,227,598	\$15,600,027	\$39,255,791	30,792,205
(\$2,004,447)	(\$3,686,398)	(7,652,561)	(\$5,166,779)
260,983	1,249,834	2,658,795	2,275,847
10,291	201,103	1,766,105	945,625
0	(511)	(511)	(3,055,102)
174,419	55,867	2,709,936	(7,184,304)
0	4,161	(17,605)	113,493
0	(424)	(424)	(1,788)
0	(134,622)	(134,622)	24,393
0	(5,250)	(5,270)	(8,007)
0	0	0	59,400
233,336	(398,728)	1,192,603	(1,361,371)
0	821,147	1,862,024	1,103,603
0	0	0	2,637
0	0	110,515	334
0_	213,118	213,118	180,141
(\$1,325,418)	(\$1,680,703)	\$2,702,103	(\$12,071,878)
			(Continued)

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows - (Continued from previous page)

For the Fiscal Year Ended June 30, 2005

		Non-Major Ente	erprise Funds	
		Recycled	Nonreclaimable	
	Water	Water	Wastewater	Desalter
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Cash & cash equivalents at end of year	\$2,863,113	\$1,617,635	\$17,947,417	\$0
Total cash, short-term investments and restricted cash	\$2,863,113	\$1,617,635	\$17,947,417	\$0
Cash	\$0	\$0	\$0	\$0
Short-term investments	2,863,113	1,521,341	17,947,417	0
Restricted assets	0	96,294	0	0
Total cash, short-term investments and restricted cash	\$2,863,113	\$1,617,635	\$17,947,417	\$0

Organics	Administrative	Total Non-Majo	or Funds
Management	Services	2005	2004
\$1,227,598	\$15,600,027	\$39,255,790	\$30,792,205
\$1,227,598	\$15,600,027	\$39,255,790	\$30,792,205
\$0	\$1,985,986	\$1,985,986	\$3,281,539
φυ	φ1,300,300	φ1,300,300	ψ3,201,339
1,227,598	13,555,596	37,115,065	26,702,716
0	58,445	154,739	807,950
		·	
\$1,227,598	\$15,600,027	\$39,255,790	\$30,792,205



"A Sensory Experience"

Photo: Garden in Every School Program

INLAND EMPIRE UTILITIES AGENCY WATER FUND COMPARATIVE SCHEDULES

Water Fund

The Water Resources Program fund records the revenue and expenses associated with providing water resource programs within the Agency's service area. These programs include management and distribution of imported water supplies, development and implementation of regional water conservation initiatives, water resource planning and provision of support for regional water supply programs including recycled water, groundwater recharge, and storm water management.

The objectives of the Fund are to provide supplemental water supplies, at the lowest possible cost, to the Agency's member agencies; to develop and expand water conservation efforts, and to identify and develop water quality improvement projects that have regional benefits.

The Agency adds a surcharge onto each acre-foot of imported water sold by the Agency. In FY 2004/05 the surcharge increased from \$8 to \$9, with the additional \$1 being added to the existing \$3 acre-foot surcharge dedicated to funding water conservation programs consistent with the Agency's Urban Water Management Plan. The Urban Water Management Plan is updated every five years.





Consider native and drought-tolerant plants and grasses when making landscape choices.



Use a broom or rake rather than a hose to remove leaves and debris From driveway, walk, patio, and pool desks.



In Fiscal Year 2004/05, the conservation programs distributed and/or rebated 4,202 Ultra Low Flush (ULF) Toilets.

INLAND EMPIRE UTILITIES AGENCY Water Fund Schedule of Net Assets June 30, 2005

	Totals	
	2005	2004
ASSETS		
Current assets Short-term investments	\$2,863,113	\$4,119,570
Accounts receivable	4,727,486	3,310,785
Interest receivable	18,040	23,090
Total current assets	7,608,639	7,453,445
Noncurrent assets		
Capital assets Jobs in progress	1,293,949	1,270,388
Capital assets, net of accumulated depreciation	35,283	40,741
Total capital assets	1,329,232	1,311,129
Other assets		
Intangible assets, net of accumulated amortization	73,038	77,859
Total other assets	73,038	77,859
Total noncurrent assets	1,402,270	1,388,988
Total assets	9,010,909	8,842,433
LIABILITIES		
Accounts payable	4,051,120	3,591,758
Accrued liabilities	81,235	921,730
Total liabilities	4,132,355	4,513,488
NET ASSETS		
Invested in capital assets, net of related debt	1,402,270	1,388,988
Unrestricted	3,476,284	2,939,957
Total net assets	\$4,878,554	\$4,328,945

INLAND EMPIRE UTILTIES AGENCY
Water Fund
Schedule of Revenues, Expenses, and
Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

	Totals		
	2005	2004	
OPERATING REVENUES			
Service charges	\$2,103,086	\$1,929,868	
Total operating revenues	2,103,086	1,929,868	
OPERATING EXPENSES			
Operations and maintenance Administration and general Depreciation and amortization	30,842 2,449,881 10,279	7,182 2,293,584 12,401	
Total operating expenses	2,491,002	2,313,167	
Operating income (loss)	(387,916)	(383,299)	
NONOPERATING REVENUES (EXPENSES)			
Interest income Other nonoperating revenues	72,239 713,388	54,707 375,496	
Total nonoperating revenues (expenses)	785,627	430,203	
Income (loss) before contributions and transfers	397,711	46,904	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in Capital grants Contribution in aid	125,000 889 26,009	120,000 41,650 257,203	
Change in net assets	549,609	465,757	
Total net assets - beginning	4,328,945	3,863,188	
Total net assets - ending	\$4,878,554	\$4,328,945	



"If you give a man a fish, you feed him today.

If you teach him how to fish,

you feed him his entire life."

Asian Proverb

INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND COMBINING SCHEDULES

The Recycled Water Fund consists of the following sub-funds:

Recycled Water Capital Improvement

Accounts for the development costs associated with the Agency's Regional Recycled Water System and the various funding sources.

Recycled Water Operations and Maintenance

Accounts for revenues and operating expenses associated with the operation of specific facilities to distribute recycled water supplied from the Agency's water recycling facilities. The WO Fund Programs currently include the operation of the Carbon Canyon and other Regional Plants distribution systems, and the Ely Basin Groundwater Recharge Project,

Phase I Etiwanda Recycled Water Pipeline







INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Combining Schedule of Net Assets by Subfund June 30, 2005

	Capital	Operations &	Totals	S
ASSETS	Improvement	Maintenance	2005	2004
A55E15				
Current assets				
Short-term investments	\$77,574	\$1,443,767	\$1,521,341	\$1,212,877
Accounts receivable	2,352,633	246,919	2,599,552	2,867,530
Interest receivable	690	7,581	8,271	5,288
Prepaid items	3,500	0	3,500	3,500
Total current assets	2,434,397	1,698,267	4,132,664	4,089,195
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agents	96,294	0	96,294	74,515
Total restricted assets	96,294	0	96,294	74,515
Capital assets				
Jobs in progress	27,292,482	0	27,292,482	13,292,918
Capital assets, net of accumulated depreciation	5,469,479	0	5,469,479	5,608,146
Total capital assets	32,761,961	0	32,761,961	18,901,064
Other assets				
Intangible assets, net of accumulated amortization	45,672	0	45,672	47,275
Total other assets	45,672	0	45,672	47,275
Total noncurrent assets	32,903,927	0	32,903,927	19,022,854
Total assets	35,338,324	1,698,267	37,036,591	23,112,049 (Continued)

	Capital	Operations &	Totals	
LIABILITIES	Improvement	Maintenance	2005	2004
Current liabilities				
Accounts payable	1,851,610	390,153	2,241,763	861,741
Accrued liabilities	30,608	0	30,608	25,512
Notes payable, due within one year	596,895	0	596,895	82,029
Interest Payable	171,325	0	171,325	0
Retention deposits and escrows	96,294	0	96,294	74,515
Total current liabilities	2,746,732	390,153	3,136,885	1,043,797
Noncurrent liabilities				
Notes payable, due in more than one year	13,482,785	0	13,482,785	6,473,413
Other non current liabilities	59,500	214,201	273,701	163,186
Total noncurrent liabilities	13,542,285	214,201	13,756,486	6,636,599
Total liabilities	16,289,017	604,354	16,893,371	7,680,396
NET ASSETS				
Invested in capital assets, net of related debt	18,556,628	0	18,556,628	12,392,897
Restricted for				
Capital construction	50,000	0	50,000	1,728,151
Bond operating contingency requirement	442,679	207,211	649,890	323,086
Total Restricted	492,679	207,211	699,890	2,051,237
Unrestricted	0	886,702	886,702	987,519
Total net assets	\$19,049,307	\$1,093,913	\$20,143,220	\$15,431,653

INLAND EMPIRE UTILITIES AGENCY
Recycled Water Fund
Combining Schedule of Revenues, Expenses, and
Changes in Fund Net Assets by Subfund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

	Capital	Operations &		
	Improvement	Maintenance	2005	2004
OPERATING REVENUES				
Recycled water sales	\$0_	\$652,897	\$652,897	\$588,644
Total operating revenue	0	652,897	652,897	588,644
OPERATING EXPENSES				
Administration and general Depreciation and amortization	1,413,021 140,270	621,633 0	2,034,654 140,270	969,257 138,525
Total operating expenses	1,553,291	621,633	2,174,924	1,107,782
Operating income (loss)	(1,553,291)	31,264	(1,522,027)	(519,138)
NONOPERATING REVENUES (EXPENSES)				
Interest income	376	17,361	17,737	42,455
Other nonoperating revenues Interest on long-term debt	87,091 (180,199)	0 0	87,091 (180,199)	28,794 (21,296)
interest on long-term debt	(160,199)		(100,199)	(21,290)
Total nonoperating revenues (expenses)	(92,732)	17,361	(75,371)	49,953
Income (loss) before contributions and transfers	(1,646,023)	48,625	(1,597,398)	(469,185)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	3,895,428	100,000	3,995,428	2,322,012
Transfers out	(113,328)	(143,724)	(257,052)	(92,563)
Capital grants	2,570,589	0	2,570,589	1,873,768
Change in net assets	4,706,666	4,901	4,711,567	3,634,032
Total net assets - beginning	14,342,641	1,089,012	15,431,653	11,797,621
Total net assets - ending	\$19,049,307	\$1,093,913	\$20,143,220	\$15,431,653

INLAND EMPIRE UTILITIES AGENCY CHINO BASIN DESALTER FUND COMPARATIVE SCHEDULES

Chino Basin Desalter Fund

The Chino Basin Desalter Fund was created in Fiscal Year 1999/00. The Fund was established to account for receipts and the Agency's costs related to the operations and maintenance (O&M) of the Chino Basin Desalter No-1 Project.

Initially, Inland Empire Utilities Agency (IEUA) entered into a project agreement with the Santa Ana Watershed Project Authority (SAWPA), the Western Municipal Water District of Riverside County, and the Orange County Water District to construct, operate and maintain the Chino Basin Desalter I Project.

In conjunction with the sale of the Chino Basin Desalter No-1, from SAWPA to the Chino Basin Desalter Authority (CDA), the Agency entered into a contract with the CDA, to provide operation and maintenance personnel to conduct the day-to-day activities of the Desalter. All operations and maintenance expenses are reimbursable by the CDA.



Desalter CMMS Platform #3

INLAND EMPIRE UTILITIES AGENCY Chino Basin Desalter Fund Schedule of Net Assets June 30, 2005

2005 2004 ASSETS Current assets Short-term investments \$0 \$100,422 Accounts receivable 756,492 688,745 Prepaid items 20 0 Total current assets 756,512 789,167 Noncurrent assets 7,688 0 Capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706 Total net assets \$552,371 \$546,706		Totals	S
Current assets \$0 \$100,422 Accounts receivable 756,492 688,745 Prepaid items 20 0 Total current assets 756,512 789,167 Noncurrent assets 756,512 789,167 Noncurrent assets 7,688 0 Capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706			
Short-term investments \$0 \$100,422 Accounts receivable 756,492 688,745 Prepaid items 20 0 Total current assets 756,512 789,167 Noncurrent assets 76,88 0 Capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 0 Total liabilities 211,829 242,461 0 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706			
Accounts receivable 756,492 688,745 Prepaid items 20 0 Total current assets 756,512 789,167 Noncurrent assets 20 0 Noncurrent assets 756,512 789,167 Noncurrent assets 7,688 0 Total capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Current assets		
Prepaid items 20 0 Total current assets 756,512 789,167 Noncurrent assets 20 0 Capital assets 7,688 0 Jobs in progress 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Short-term investments	\$0	\$100,422
Total current assets 756,512 789,167 Noncurrent assets 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 20 2	Accounts receivable	756,492	688,745
Noncurrent assets Capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Prepaid items	20	0
Capital assets 7,688 0 Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Total current assets	756,512	789,167
Total capital assets 7,688 0 Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706			
Total noncurrent assets 7,688 0 Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Jobs in progress	7,688	0
Total assets 764,200 789,167 LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Total capital assets	7,688	0
LIABILITIES Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Total noncurrent assets	7,688	0
Accounts payable 211,829 242,461 Retentions payable 0 0 Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Total assets	764,200	789,167
Retentions payable00Total liabilities211,829242,461NET ASSETSInvested in capital assets, net of related debt7,6880Unrestricted544,683546,706	LIABILITIES		
Total liabilities 211,829 242,461 NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Accounts payable	211,829	242,461
NET ASSETS Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Retentions payable	0	0
Invested in capital assets, net of related debt 7,688 0 Unrestricted 544,683 546,706	Total liabilities	211,829	242,461
Unrestricted <u>544,683</u> <u>546,706</u>	NET ASSETS		
	Invested in capital assets, net of related debt	7,688	0
Total net assets \$552,371 \$546,706	Unrestricted	544,683	546,706
	Total net assets	\$552,371	\$546,706

INLAND EMPIRE UTILTIES AGENCY Chino Basin Desalter Fund Schedule of Revenues, Expenses and Changes in Fund Net Assets For the Fiscal Year Ended June 30, 2005

	Totals		
	2005	2004	
OPERATING REVENUES			
Sales	\$0	\$0	
Total operating revenue	0	0	
OPERATING EXPENSES			
Operations and maintenance	590,244	550,056	
Administration and general	117,089	165,119	
Total operating expenses	707,333	715,175	
Operating income (loss)	(707,333)	(715,175)	
NONOPERATING REVENUES (EXPENSES)			
Other nonoperating revenues	712,998	727,211	
Total nonoperating revenues (expenses)	712,998	727,211	
Income (loss) before contributions and transfers	5,665	12,036	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	0	400,000	
Change in net assets	5,665	412,036	
Total net assets - beginning	546,706	134,670	
Total net assets - ending	\$552,371	\$546,706	



"When we try to pick anything out by itself, we find it hitched to everything else in the universe."

- John Muir

Photo: Garden in Every School Program

INLAND EMPIRE UTILITIES AGENCY REGIONAL WASTEWATER FUND COMBINING SCHEDULES

The Regional Wastewater Fund consists of the following sub-funds:

Regional Capital Improvement

Accounts for the financial transactions of acquiring, constructing, upgrading and expanding of the Agency's domestic wastewater treatment plant facilities, under the 1972 Regional Sewage Service Contract; and includes principal, interest and related administrative costs associated with the debt service required for the Series 1994, 1999, and 2002 Revenue Bonds.

Regional Operations and Maintenance

Accounts for the revenues and operating costs directly related to providing primary and secondary treatment of domestic wastewater delivered by the contracting agencies to the Agency's interceptors and wastewater treatment facilities.

Tertiary Operations and Maintenance

Accounts for the receipts, and the costs, attributable to the operations and maintenance the Agency's domestic wastewater tertiary treatment facilities.

Obligation Payment

Accounts for the monthly deposit of debt service reserves as required by the Agency's Master Resolution.



Regional Water Recycling Plant No. 1

Carbon Canyon Waste Reclamation Facility



INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Fund Combining Schedule of Net Assets by Subfund June 30, 2005

	Regional Capital	Regional Operations &	Tertiary Operations &	Obligation		Tota	lo.
	Improvement	Maintenance	Maintenance	Payment	Eliminations _	2005	2004
ASSETS	Improvement	Maintenance	Maintenance	Payment	Eliminations	2005	2004
Current assets							
Short-term investments	\$23,356,593	\$20,251,180	\$6,972,676	\$8,300,860	\$0	\$58,881,309	\$59,066,221
Accounts receivable	264,379	3,854,132	144,426	φο,300,600 0	0	4,262,937	8,909,567
Interest receivable	1,414,750	121,922	44,026	0	0	1,580,698	293,217
Taxes receivable	1,637,291	0	563,221	0	0	2,200,512	2,250,272
Due from other funds	176,149	0	47,935	0	(224,084)	2,200,312	2,230,272
Prepaid items	15,403	41,185	47,933	0	(224,004)	56,588	142,002
Frepala items	15,403	41,105			0	56,566	142,002
Total current assets	26,864,565	24,268,419	7,772,284	8,300,860	(224,084)	66,982,044	70,661,279
Noncurrent assets							
Restricted assets							
Deposits held by governmental agencies	43,687,063	0	0	0	0	43,687,063	68,019,271
Assets held with trustee/fiscal agents	11,505,592	0	0	0	0	11,505,592	10,962,747
Total restricted assets	55,192,655	0	0	0	0	55,192,655	78,982,018
Capital assets							
Land	13,931,378	0	0	0	0	13,931,378	2,854,277
Jobs in progress	44,787,100	0	0	0	0	44,787,100	99,945,453
Capital assets, net of accumulated depreciation	245,051,996	0	0	0	0	245,051,996	187,565,245
Total capital assets	303,770,474	0	0	0	0	303,770,474	290,364,975
Other assets							
Intangible assets, net of accumulated amortization	5,450,806	0	0	0	0	5,450,806	5,700,725
Advance to other funds	8,500,000	0	0	0	0	8,500,000	8,500,000
Deferred costs	1,431,375	0	0	0	0	1,431,375	1,591,083
Deletted costs	1,431,373				0	1,431,373	1,591,005
Total other assets	15,382,181	0	0	0	0	15,382,181	15,791,808
Total noncurrent assets	374,345,310	0	0	0_	0	374,345,310	385,138,801
Total assets	401,209,875	24,268,419	7,772,284	8,300,860	(224,084)	441,327,354	455,800,080 (Continued)

	Regional Capital	Regional Operations &	Tertiary Operations &	Obligation		Tota	alo.
	Improvement	Maintenance	Maintenance	Payment	Eliminations	2005	2004
LIABILITIES	Improvement	Maintenance	Wallterlance	rayınent	Liiiiiiiations	2003	2004
Current liabilities							
Accounts payable	4,561,003	1,373,227	264,623	0	0	6,198,853	4,656,319
Accrued liabilities	93,961	299,033	42,395	0	0	435,389	318,174
Due to other funds	0	262,701	0	0	(224,084)	38,617	38,193
Retentions payable	817,397	0	0	0	0	817,397	843,636
Notes payable, due within one year	89,063	0	0	0	0	89,063	89,063
Long-term debt, due within one year	4,895,000	0	0	0	0	4,895,000	3,417,966
Interest payable	1,875,044	0	0	0	0	1,875,044	2,103,876
Retention deposits and escrows	207,900	0	0	0	0	207,900	1,803,698
Total current liabilities	12,539,368	1,934,961	307,018	0	(224,084)	14,557,263	13,270,925
Noncurrent liabilities							
Long-term debt, due in more than one year	117,085,801	0	0	0	0	117,085,801	118,945,117
Notes payable, due in more than one year	678,123	0	0	0	0	678,123	719,879
Other noncurrent liabilities	141,101	1,466,039	0	0	0	1,607,140	1,445,599
Total noncurrent liabilities	117,905,025	1,466,039	0	0	0	119,371,064	121,110,595
Total liabilities	130,444,393	3,401,000	307,018	0	(224,084)	133,928,327	134,381,520
NET ASSETS							
Invested in capital assets, net of related debt	196,895,824	0	0	0	0	196,895,824	181,427,967
Restricted for							
Capital construction	43,687,063	13,924,682	5,013,412	0	0	62,625,157	89,781,192
Debt service	11,438,793	0	0	8,300,860	0	19,739,653	20,898,943
Bond operating contingency requirement	1,587,794	6,942,737	2,451,854	0	0	10,982,385	9,745,955
Unrestricted	17,156,008	0	0	0	0	17,156,008	19,564,503
Total net assets	\$270,765,482	\$20,867,419	\$7,465,266	\$8,300,860	\$0	\$307,399,027	\$321,418,560

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Fund
Combining Schedule of Revenues, Expenses and
Changes in Fund Net Assets by Subfund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

	Regional Capital	Regional Operations &	Tertiary Operations &	Obligation	То	tals
	Improvement	Maintenance	Maintenance	Payment	2005	2004
OPERATING REVENUES						
Service charges	\$29,129	\$21,038,591	\$69,882	\$0	\$21,137,602	\$20,695,286
Other charges	0	1,754,653	0	0	1,754,653	1,706,928
Total operating revenues	29,129	22,793,244	69,882	0	22,892,255	22,402,214
OPERATING EXPENSES						
Wastewater collection	0	513,019	0	0	513,019	357,972
Wastewater treatment	0	10,532,555	6,233,047	0	16,765,602	16,629,590
Wastewater disposal	0	5,850,988	0	0	5,850,988	4,749,470
Administration and general	4,763,382	3,931,649	1,122,514	0	9,817,545	7,500,832
Depreciation and amortization	13,493,263	0	0	0	13,493,263	11,883,630
Total operating expenses	18,256,645	20,828,211	7,355,561	0	46,440,417	41,121,494
Operating income (loss)	(18,227,516)	1,965,033	(7,285,679)	0	(23,548,162)	(18,719,280)
NONOPERATING REVENUES (EXPENSES)						
Interest income	1,312,796	455,982	189,857	0	1,958,635	2,049,971
Property tax revenue	10,750,711	0	4,575,955	0	15,326,666	19,770,064
Wastewater capital connection fees	27,957,765	0	0	0	27,957,765	28,451,240
Other nonoperating revenues	1,215,284	185,169	590	0	1,401,043	6,455,336
Interest on long-term debt	(6,163,709)	0	0	0	(6,163,709)	(6,311,320)
Other nonoperating expenses	(731,177)		0	0	(731,177)	(2,163,996)
Total nonoperating revenues (expenses)	34,341,670	641,151	4,766,402	0	39,749,223	48,251,295
Income (loss) before contributions						
and transfers	16,114,154	2,606,184	(2,519,277)	0	16,201,061	29,532,015
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	20,396,835	0	6,175,179	19,068,288	45,640,302	58,398,347
Transfers out	(49,207,200)	(2,452,296)	(6,154,341)	(18,977,397)	(76,791,234)	(57,713,977)
Capital grants	930,338	0	0	0	930,338	142,656
Contribution in aid	0	0	0	0	0	1,075,035
Change in net assets	(11,765,873)	153,888	(2,498,439)	90,891	(14,019,533)	31,434,076
Total net assets - beginning	282,531,356	20,713,531	9,963,704	8,209,969	321,418,560	289,984,484
Total net assets - ending	\$ 270,765,483	\$ 20,867,419	\$ 7,465,265	\$ 8,300,860	\$ 307,399,027	\$ 321,418,560

INLAND EMPIRE UTILITIES AGENCY CO-COMPOSTING FUND COMBINING SCHEDULES

The Co-Composting Fund consists of the following sub-funds:

Co-Composting Capital Improvement

Accounts for the costs of acquisition and construction of facilities for the processing of wastewater sludge and dairy manure into a marketable compost fertilizer material. Additionally, principal payments, interest expense, and related administrative costs associated with the debt service required for the Series 1990 Statewide Communities Development Authority Bonds are recorded in this Fund.

Co-Composting Operations and Maintenance

Accounts for the revenues and operating costs attributable to operating and maintaining the cocomposting facilities. The Co-Composting facility provides a cost-effective means of processing and disposing of biosolids generated by the Agency's wastewater treatment activities. Similarly, the use of cow manure as a bulking agent in the composting process allows the simultaneous removal of wastes. The process produces a soil amendment/fertilizer product that removes large quantities of salt (nitrogen compounds) from the Agency's service area and the Chino Basin Watershed, and thus prevents salts from reaching the groundwater basin under the service area.



INLAND EMPIRE UTILITIES AGENCY Co-Composting Fund Combining Schedule of Net Assets by Subfund June 30, 2005

	Capital	Operations &	Totals		
	Improvement	Maintenance	2005	2004	
ASSETS					
Current assets					
Short-term investments	\$712,243	\$125,990	\$838,233	\$1,263,953	
Accounts receivable	1,164,160	50,591	1,214,751	1,775,362	
Interest receivable	0	758	758	7,175	
Prepaid items	1,311	0	1,311	1,311	
Total current assets	1,877,714	177,339	2,055,053	3,047,801	
Noncurrent assets					
Restricted assets					
Assets held with trustee/fiscal agents	2	0	2	0	
Total restricted assets	2	0	2	0	
Capital assets					
Land	4,194,990	0	4,194,990	4,194,990	
Jobs in progress	225	0	225	28,331	
Capital assets, net of accumulated depreciation	5,906,627	0	5,906,627	6,037,141	
Total capital assets	10,101,842	0	10,101,842	10,260,462	
Other assets					
Long term investments	30,337,131	0	30,337,131	12,249,569	
Deferred costs	124,439	0	124,439	129,048	
Total other assets	30,461,570	0	30,461,570	12,378,617	
Total noncurrent assets	40,563,414	0	40,563,414	22,639,079	
Total assets	42,441,128	177,339	42,618,467	25,686,880 (Continued)	

	Capital	Operations &	Totals		
	Improvement	Maintenance	2005	2004	
LIABILITIES					
Current liabilities					
Accounts payable	29,165	28,338	57,503	2,822,285	
Accrued liabilities	0	0	0	4,000	
Long-term debt, due within one year	260,000	0	260,000	248,983	
Interest payable	946,006	0	946,006	12,384	
Total current liabilities	1,235,171	28,338	1,263,509	3,087,652	
Noncurrent liabilities					
Advance from other funds	8,500,000	0	8,500,000	8,500,000	
Long-term debt, due in more than one year	11,942,878	0	11,942,878	12,201,101	
Total noncurrent liabilities	20,442,878	0	20,442,878	20,701,101	
Total liabilities	21,678,049	28,338	21,706,387	23,788,753	
NET ASSETS					
Invested in capital assets, net of related debt	10,101,842	0	10,101,842	10,260,462	
Restricted for					
Bond operating contingency requirement	343,898	149,001	492,899	150,579	
Total Restricted	343,898	149,001	492,899	150,579	
Unrestricted	10,317,339	0	10,317,339	(8,512,914)	
Total net assets	\$20,763,079	\$149,001	\$20,912,080	\$1,898,127	

INLAND EMPIRE UTILITIES AGENCY
Co-Composting Fund
Combining Schedule of Revenues, Expenses and
Changes in Fund Net Assets by Subfund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

	Capital	Capital Operations &		Totals		
	Improvement	Maintenance	2005	2004		
OPERATING REVENUES						
Service charges	\$0	\$278,050	\$278,050	\$167,461		
Total operating revenues	0	278,050	278,050	167,461		
OPERATING EXPENSES						
Administration and general	1,031,691	465,766	1,497,457	640,418		
Depreciation and amortization	158,622	0	158,622	156,614		
Total operating expenses	1,190,313	465,766	1,656,079	797,032		
Operating income (loss)	(1,190,313)	(187,716)	(1,378,029)	(629,571)		
NONOPERATING REVENUES (EXPENSES)						
Interest income	89	2,631	2,720	90,413		
Other nonoperating revenues	861	9,246	10,107	279,042		
Interest on long-term debt	(354,635)	0	(354,635)	(164,692)		
Other nonoperating expenses	(41,747)	0	(41,747)	(154,560)		
Total nonoperating revenues (expenses)	(395,432)	11,877	(383,555)	50,203		
Income (loss) before contributions and transfers	(1,585,745)	(175,839)	(1,761,584)	(579,368)		
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	20,554,372	221,165	20,775,537	2,916,856		
Transfers out	0	0	0	(10,112,232)		
Change in net assets	18,968,627	45,326	19,013,953	(7,774,744)		
Total net assets - beginning	1,794,452	103,675	1,898,127	9,672,871		
Total net assets - ending	\$20,763,079	\$149,001	\$20,912,080	\$1,898,127		

INLAND EMPIRE UTILITIES AGENCY ORGANICS MANAGEMENT FUND COMPARATIVE SCHEDULES

The Organics Management Fund consists of the following subfunds:

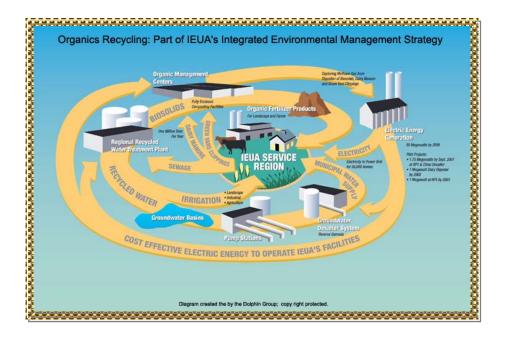
Organics Management Capital Improvement

Accounts for the transactions related to capital acquisition, construction, and receipts for the organics related program. The objectives of this Fund are to improve the availability, quantity and quality of water delivered within the Agency's service area.

Organics Management Operations and Maintenance

Accounts for the receipts and expenses associated with the organics management activities.

This Fund focuses on those projects which include addressing the problem of excess salts (nitrogen salts) in the domestic wastewater system, the groundwater basin, and in the imported water supplies; and the production of clean, renewable electric energy from methane gas produced by anaerobic manure digesters.



INLAND EMPIRE UTILITIES AGENCY Organics Management Fund Combining Schedule of Net Assets by Subfund

June 30, 2005

	Capital	Operations &	Tota	als
	Improvement	Maintenance	2005	2004
ASSETS				
Current assets				
Short-term investments	\$1,020,298	\$207,300	\$1,227,598	\$359,784
Accounts receivable	0	5,527	5,527	179,946
Interest receivable	4,958	1,260	6,218	1,917
Total current assets	1,025,256	214,087	1,239,343	541,647
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agents	0	0	0	149,311
Total restricted assets	0	0	0	149,311
Capital assets				
Jobs in progress	0	0	0	97,145
Capital assets, net of accumulated depreciation	7,438,009	0	7,438,009	7,698,992
Total capital assets	7,438,009	0	7,438,009	7,796,137
Total noncurrent assets	7,438,009	0	7,438,009	7,945,448
Total assets	8,463,265	214,087	8,677,352	8,487,095 (Continued)

	Capital	Operations &	Tota	ıls
	Improvement	Maintenance	2005	2004
LIABILITIES				
Current liabilities				
Accounts payable	315,361	17,244	332,605	99,269
Accrued liabilities	0	0	0	149,311
Retentions Payable	58,285		58,285	0
Total current liabilities	373,646	17,244	390,890	248,580
Noncurrent liabilities				
Other noncurrent liabilities	0	37,524	37,524	0
Total noncurrent liabilities	0	37,524	37,524	0
Total liabilities	373,646	54,768	428,414	248,580
NET ASSETS				
Invested in capital assets, net of related debt	7,438,009	0	7,438,009	7,796,137
Restricted for				
Bond operating contingency requirement	108,034	159,319	267,353	257,168
Capital construction	543,576	0	543,576	185,210
Total restricted	651,610	159,319	810,929	442,378
Total net assets	\$8,089,619	\$159,319	\$8,248,938	\$8,238,515

INLAND EMPIRE UTILITIES AGENCY

Organics Management Fund
Combining Schedule of Revenues, Expenses and
Changes in Fund Net Assets by Subfund
For the Fiscal Year Ended June 30, 2005

	Capital	Operations &	Totals		
	Improvement	Maintenance	2005	2004	
OPERATING REVENUES					
Service charges	\$0	\$60,077	\$60,077	\$149,539	
Total operating revenues	0	60,077	60,077	149,539	
OPERATING EXPENSES					
Operations and maintenance Administration and general Depreciation and amortization	0 324,102 260,983	1,066,872 412,567 0	1,066,872 736,669 260,983	597,705 632,971 130,491	
Total operating expenses	585,085	1,479,439	2,064,524	1,361,167	
Operating income (loss)	(585,085)	(1,419,362)	(2,004,447)	(1,211,628)	
NONOPERATING REVENUES (EXPENSES)					
Interest income	4,794	3,960	8,754	9,188	
Other nonoperating revenues	610	9,681	10,291	45,000	
Other nonoperating (expenses)	0	0	0	(4,356)	
Total nonoperating revenues (expenses)	5,404	13,641	19,045	49,832	
Income (loss) before contributions and transfers	(579,681)	(1,405,721)	(1,985,402)	(1,161,796)	
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Transfers in	1,109,462	1,406,363	2,515,825	905,773	
Transfers out	(520,000)	0	(520,000)	0	
Contribution in aid	0	0	0	150,000	
Change in net assets	9,781	642	10,423	(106,023)	
Total net assets - beginning	8,079,838	158,677	8,238,515	8,344,538	
Total net assets - ending	\$8,089,619	\$159,319	\$8,248,938	\$8,238,515	

INLAND EMPIRE UTILITIES AGENCY NONRECLAIMABLE WASTEWATER FUND COMBINING SCHEDULES

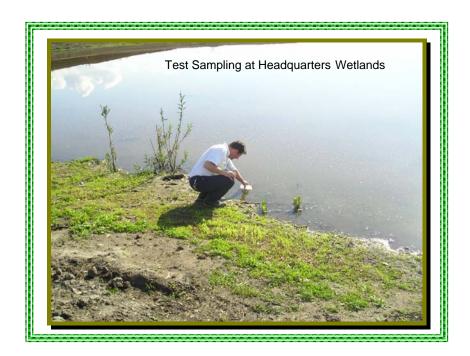
The Nonreclaimable Wastewater Fund consists of the following sub-funds:

Nonreclaimable Capital Improvement

Accounts for the financial transactions of acquisition, expansion and construction of wastewater lines, interceptors and appurtenant facilities and treatment capacity. Additionally, administrative costs associated with the implementation of the capital projects required for the expansion and development of the Nonreclaimable Wastewater System are recorded in this Fund.

Nonreclaimable Operations and Maintenance

Accounts for the revenues and costs attributable to the operations and maintenance of the Agency's nonreclaimable wastewater system. In addition to the operating and maintenance costs of the pipelines, lift stations, and appurtenances, this Fund maintains necessary reserves to make the pre- payment of the Annual Wastewater Disposal Charge to the County Sanitation Districts of the Los Angeles County (CSDLAC).



INLAND EMPIRE UTILITIES AGENCY Nonreclaimable Wastewater Fund Combining Schedule of Net Assets by Subfund June 30, 2005

	Capital	Operations &	Tota	ls
	Improvement	Maintenance	2005	2004
ASSETS				
Current assets				
Short-term investments	\$14,591,710	\$3,355,707	\$17,947,417	\$12,882,979
Accounts receivable	1,365,707	466,992	1,832,699	5,528,819
Interest receivable	94,248	15,411	109,659	68,672
Taxes receivable	26,761	0	26,761	26,765
Other receivable	21,766	0	21,766	0
Total current assets	16,100,192	3,838,110	19,938,302	18,507,235
Noncurrent assets				
Capital assets				
Jobs in progress	1,331,877	0	1,331,877	473,852
Capital assets, net of accumulated depreciation	3,576,065	0	3,576,065	3,385,366
Total capital assets	4,907,942	0	4,907,942	3,859,218
Other assets				
Long-term receivables	228,234	0	228,234	0
Intangible assets, net of accumulated amortization	22,676,334	0	22,676,334	22,679,106
Total other assets	22,904,568	0	22,904,568	22,679,106
Total noncurrent assets	27,812,510	0	27,812,510	26,538,324
Total assets	43,912,702	3,838,110	47,750,812	45,045,559
				(Continued)

	Capital	Operations &	Tota	Totals	
LIADUITIES	Improvement	Maintenance	2005	2004	
LIABILITIES					
Current liabilities					
Accounts payable	15,471	248,296	263,767	98,954	
Accrued liabilities	1,550,463	720,788	2,271,251	1,726,979	
Retentions payable	36,725	0	36,725	0	
Notes payable, due within one year	178,125	0	178,125	178,125	
Interest payable	0	0	0	0	
Total current liabilities	1,780,784	969,084	2,749,868	2,004,058	
Noncurrent liabilities					
Notes payable, due in more than one year	1,412,925	0	1,412,925	1,496,437	
Total noncurrent liabilities	1,412,925	0	1,412,925	1,496,437	
Total liabilities	3,193,709	969,084	4,162,793	3,500,495	
NET ASSETS					
Invested in capital assets, net of related debt	25,993,226	0	25,993,226	24,863,762	
Restricted for					
Bond operating contingency requirement	55,849	1,264,647	1,320,496	1,161,879	
Total restricted	55,849	1,264,647	1,320,496	1,161,879	
Unrestricted	14,669,918	1,604,379	16,274,297	15,519,423	
Total net assets	\$40,718,993	\$2,869,026	\$43,588,019	\$41,545,064	

INLAND EMPIRE UTILITIES AGENCY
Nonreclaimable Wastewater Fund
Combining Schedule of Revenues, Expenses and
Changes in Fund Net Assets by Subfund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

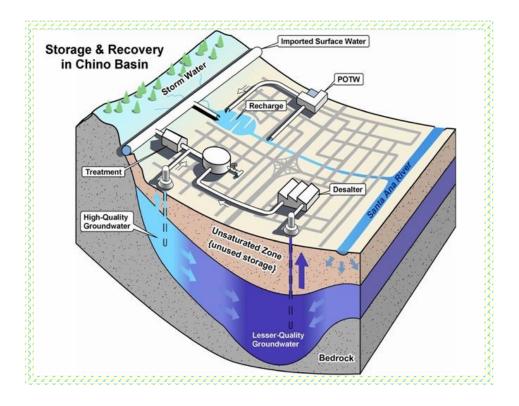
	Capital	Operations &	erations & Totals		
	Improvement	Maintenance	2005	2004	
OPERATING REVENUES					
Service charges	\$2,338,710	\$3,275,767	\$5,614,477	\$4,561,694	
Total operating revenues	2,338,710	3,275,767	5,614,477	4,561,694	
OPERATING EXPENSES					
Wastewater collection	0	538,886	538,886	608,714	
Wastewater treatment	0	2,428,076	2,428,076	2,047,238	
Administration and general	167,547	826,978	994,525	829,686	
Depreciation and amortization	997,429	0	997,429	1,043,017	
Total operating expenses	1,164,976	3,793,940	4,958,916	4,528,655	
Operating income (loss)	1,173,734	(518,173)	655,561	33,039	
NONOPERATING REVENUES (EXPENSES)					
Interest income	334,952	52,096	387,048	251,624	
Property tax revenue	26	0	26	138	
Other nonoperating revenues	357,918	24,587	382,505	5,876,516	
Interest on long-term debt	(94,613)	0	(94,613)	(192,792)	
Other nonoperating expenses	0	0	0	(56,224)	
Total nonoperating revenues (expenses)	598,283	76,683	674,966	5,879,262	
Income (loss) before contributions and transfers	1,772,017	(441,490)	1,330,527	5,912,301	
TRANSFERS					
Transfers in	945,917	700,000	1,645,917	1,184,717	
Transfers out	(777,303)	(156,186)	(933,489)	(1,185,374)	
Change in net assets	1,940,631	102,324	2,042,955	5,911,644	
Total net assets - beginning	38,778,362	2,766,702	41,545,064	35,633,420	
Total net assets - ending	\$40,718,993	\$2,869,026	\$43,588,019	\$41,545,064	

INLAND EMPIRE UTILITIES AGENCY RECHARGE WATER FUND COMPARATIVE SCHEDULES

Recharge Water Fund

Established in FY 2002/03, the Recharge Water Fund accounts for the receipts and expenditures associated with the Chino Basin Recharge Facilities Improvement Project, (CBFIP): a joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control Department (SBFCD), and the Agency.

The program includes proposed improvements to 18 existing recharge basin sites and 2 new sites. Once completed, the improvements will be completed and the fully developed groundwater recharge sites will allow for a total annual recharge capacity of 120,000 to 170,000 acre feet (AF).



INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Net Assets June 30, 2005 (With Comparative Totals for June 30, 200

(With Comparative	Totals 1	for June 30	, 2004)
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	Capital	Operations & _ Maintenance	Totals	
	Improvement		2005	2004
ASSETS				
Current assets				
Short-term investments	\$4,437,264	\$137,379	\$4,574,643	\$277,109
Accounts receivable	737,629	0	737,629	15,344,242
Interest receivable	36,083	863	36,946	677
Prepaid items	0	800	800	0
Total current assets	5,210,976	139,042	5,350,018	15,622,028
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agents	291,452	0	291,452	179,024
Total restricted assets	291,452	0	291,452	179,024
Capital assets				
Jobs in progress	39,457,774	0	39,457,774	26,562,852
Total capital assets	39,457,774	0	39,457,774	26,562,852
Other assets				
Deferred costs	191,489	0	191,489	198,580
Total other assets	191,489	0	191,489	198,580
Total noncurrent assets	39,940,715	0	39,940,715	26,940,456
Total assets	45,151,691	139,042	45,290,733	42,562,484
				(Continued)

	Capital	Operations &	Tota	ıls
	Improvement	Maintenance	2005	2004
LIABILITIES				
Current liabilities				
Accounts payable	1,898,938	22,795	1,921,733	1,793,902
Long-term debt, due within one year	400,000	0	400,000	383,051
Interest payable	36,259	0	36,259	19,052
Retention deposits and escrows	291,448	0	291,448	179,023
Total current liabilities	2,626,645	22,795	2,649,440	2,375,028
Noncurrent liabilities				
Long-term debt, due in more than one year	18,373,657	0	18,373,657	18,770,924
Total noncurrent liabilities	18,373,657	0	18,373,657	18,770,924
Total liabilities	21,000,302	22,795	21,023,097	21,145,952
NET ASSETS				
Invested in capital assets, net of related debt	20,839,347	0	20,839,347	7,588,405
Restricted for				
Capital construction	3,164,142	0	3,164,142	13,754,617
Bond operating contingency requirement	147,900	25,542	173,442	73,510
Total Restricted	3,312,042	25,542	3,337,584	13,828,127
Unrestricted	0	90,705	90,705	0
Total net assets	\$24,151,389	\$116,247	\$24,267,636	\$21,416,532

INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Revenues, Expenses and Changes in Fund Net Assets For the Fiscal Year Ended June 30, 2005 (With Comparative Totals for June 30, 2004)

	Capital	Operations &	Tota	als
	Improvement	Maintenance	2005	2004
OPERATING REVENUES				
Recycled water sales	\$0	\$0	\$0	\$0
Total operating revenues	0	0	0	0
OPERATING EXPENSES				
Administration and general	443,702	76,625	520,327	220,529
Total operating expenses	443,702	76,625	520,327	220,529
Operating income (loss)	(443,702)	(76,625)	(520,327)	(220,529)
NONOPERATING REVENUES (EXPENSES)				
Interest income	166,128	4,045	170,173	83,466
Other nonoperating revenues	487,419	188,827	676,246	376,199
Other nonoperating expenses	(64,227)	0	(64,227)	(59,185)
Interest on long-term debt	(345,253)	0	(345,253)	(185,525)
Total nonoperating revenues (expenses)	244,067	192,872	436,939	214,955
Income (loss) before contributions				
and transfers	(199,635)	116,247	(83,388)	(5,574)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	3,631,939	0	3,631,939	2,088,102
Transfers out	(1,371,133)	0	(1,371,133)	0
Capital grants	673,686	0	673,686	15,344,242
Change in net assets	2,734,857	116,247	2,851,104	17,426,770
Total net assets - beginning	21,416,532	0	21,416,532	3,989,762
Total net assets - ending	\$24,151,389	\$116,247	\$24,267,636	\$21,416,532

INLAND EMPIRE UTILITIES AGENCY ADMINISTRATIVE SERVICES FUND COMPARATIVE SCHEDULES

Administrative Services Fund

The Administrative Services Fund accounts for the administrative and overhead expenses for the various departments and cost centers, the costs of performing certain contracts on a cost-reimbursable basis and the acquisition of common Agency assets.

This Fund records the costs of the main office assets, multi-purpose assets, and, general and administrative expenses of various cost centers. The cost centers reflect the costs for the administration of the Agency's many activities as well as the overhead costs of various departments and work centers, which are structured to allow allocation of appropriate and pertinent expenses to other Agency Funds.



INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Net Assets June 30, 2005

(With Comparative Totals for June 30, 2004)

	Totals	
	2005	2004
ASSETS		
Current assets		
Cash	\$1,985,986	\$3,281,539
Short-term investments	13,555,596	12,146,654
Accounts receivable	38,658	94,525
Interest receivable	100,023	79,408
Taxes receivable	166,456	165,412
Other receivables	62,124	66,285
Due from other funds	38,617	38,193
Inventory	1,826,519	1,691,897
Prepaid items	117,730	112,480
Total current assets	17,891,709	17,676,393
Noncurrent assets		
Restricted assets		
Assets held for 401(a) plan	449,923	371,957
Assets held with trustee/fiscal agent	58,445	584,124
·		
Total restricted assets	508,368	956,081
Capital assets		
Land	20,828	20,828
Jobs in progress	3,498,715	13,953,714
Capital assets, net of accumulated depreciation	16,114,912	5,533,022
Total capital assets	19,634,455	19,507,564
Other assets		
Long-term receivables	53,608	62,233
. J		
Total other assets	53,608	62,233
Total noncurrent assets	20,196,431	20,525,878
Total assets	38,088,140	38,202,271
		(Continued)

	Totals		
	2005	2004	
LIABILITIES			
Current liabilities			
Accounts payable	423,884	822,612	
Accrued liabilities	1,091,960	270,813	
Compensated absences	1,435,476	1,285,821	
Retention deposits and escrows	26,858	557,686	
Current liabilities	2,978,178	2,936,932	
Noncurrent liabilities			
Compensated absences	988,319	924,856	
Liability for 401(a) plan	449,923	371,957	
Other noncurrent liabilities	68,000	68,000	
Total noncurrent liabilities	1,506,242	1,364,813	
Total liabilities	4,484,420	4,301,745	
NET ASSETS			
Invested in capital assets, net of related debt	19,634,455	19,507,564	
Restricted for			
Bond operating contingency requirement	1,152,375	814,407	
Total Restricted	1,152,375	814,407	
Unrestricted	12,816,890	13,578,555	
Total net assets	\$33,603,720	\$33,900,526	

INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Revenues, Expenses and Changes in Fund Net Assets For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for June 30, 2004)

	Totals		
	2005	2004	
OPERATING REVENUES			
Service charges	\$314	\$5,307	
Total operating revenues	314	5,307	
OPERATING EXPENSES			
Administration and general Depreciation and amortization	2,436,878 1,249,834	1,795,370 963,814	
Total operating expenses	3,686,712	2,759,184	
Operating income (loss)	(3,686,398)	(2,753,877)	
NONOPERATING REVENUES (EXPENSES)			
Interest income	285,302	292,302	
Property tax revenue	1,346,820	1,737,605	
Other nonoperating revenues	201,103	124,066	
Other nonoperating expenses	(31,043)	(772,785)	
Total nonoperating revenues (expenses)	1,802,182	1,381,188	
Income (loss) before contributions and transfers	(1,884,216)	(1,372,689)	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	2,558,508	2,610,974	
Transfers out	(1,015,548)	(1,842,635)	
Capital grants	44,450	78,000	
Change in net assets	(296,806)	(526,350)	
Total net assets - beginning	33,900,526	34,426,876	
Total net assets - ending	\$33,603,720	\$33,900,526	



"Tell me, I forget. Show me, I remember. Involve me, I understand."

- Asian Proverb

Photo: Garden in Every School Program

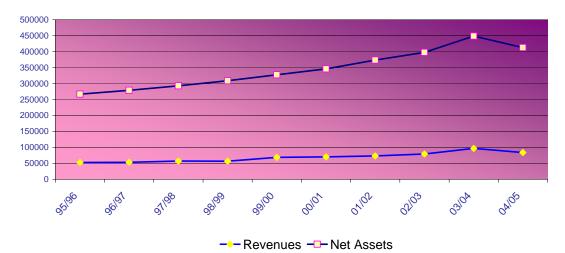
Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets

- All Funds -

For The Past Ten Fiscal Years (Dollars in Thousands)

	2004/05	2003/04	2002/03	2001/02	2000/01
Operating revenues		<u></u>			
Service charges	\$29,194	\$27,509	\$26,586	\$25,781	\$23,963
Other Charges	1,755	1,707	1,677	1,608	1,590
Recycled water sales	653	589	586	1,642	1,809
Total operating revenues	31,601	29,805	28,849	29,031	27,362
Operating expenses					
Wastewater collection	1,052	967	1,521	875	584
Wastewater treatment	19,194	18,677	15,790	15,876	13,472
Wastewater disposal	5,851	4,749	4,663	4,037	3,735
Administration and general	20,605	14,415	13,515	11,898	11,128
Depreciation and amortization	16,311	14,328	13,769	13,700	13,310
Operations and maintainenance	1,688	1,788	1,367	1,606	1,808
Total operating expenses	64,700	54,924	50,625	47,992	44,037
Operating income (loss)	(33,099)	(25,119)	(21,776)	(18,961)	(16,675)
Nonoperating revenues (expenses)					
Interest income	2,903	2,874	4,246	4,657	6,601
Property tax revenue	16,674	21,508	19,292	17,269	15,934
Wastewater capital connection fees	27,958	28,451	23,999	20,135	17,672
Other nonoperating revenues	4,195	14,288	2,848	2,013	2,850
Interest on long-term debt	(7,138)	(6,876)	(7,355)	(7,037)	(7,153)
Other nonoperating expenses	(868)	(3,211)	(1,176)	(160)	(668)
Total nonoperating revenues (expenses)	43,722	57,034	41,854	36,877	35,236
Income (loss) before contributions and transfers	10,623	31,915	20,078	17,916	18,561
Capital grants	4,220	17,480	3,104	9,679	0
Contributions in aid	26	1,482	866	188	75
Total net assets -beginning	448,725	397,847	373,799	346,016	327,380
Total net assets - ending	\$463,594	\$448,725	\$397,847	\$373,799	\$346,016

Operating & Nonoperating Revenues & Net Assets Trends For the Past Ten Fiscal Years

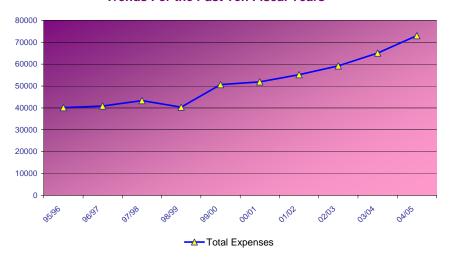


Combined Schedule of Revenues, Expenses and Changes in Fund Net Assets - All Funds -

For The Past Ten Fiscal Years (continued) (Dollars in Thousands)

1999/00	1998/99	1997/98	1996/97	1995/96
\$29,387	\$22,567	\$24,992	\$20,763	\$23,482
1,568	1,499	1,977	1,983	2,039
985	599	0	0	0
31,940	24,665	26,969	22,746	25,521
670	467	537	801	649
12,591	12,511	13,157	12,188	13,061
3,942	3,771	4,042	3,863	3,791
13,783	7,023	10,534	10,465	8,557
12,483	10,667	9,417	9,006	8,835
116	121	133	115_	130
43,585	34,560	37,820	36,438	35,023
(11,645)	(9,895)	(10,851)	(13,692)	(9,502)
5,753	3,941	3,855	4,231	5,198
15,135	14,268	13,125	13,397	12,617
15,028	13,367	12,539	11,161	8,216
993	530	776	1,462	1,237
(6,921)	(5,644)	(5,467)	(4,400)	(5,083)
(113)	(106)	(7)	(7)	0
29,875	26,356	24,821	25,844	22,185
18,230	16,461	13,970	12,152	12,683
0	0	0	0	0
0	0	0	0	0
309,150	292,689	278,719	266,567	253,884
\$327,380	\$309,150	\$292,689	\$278,719	\$266,567

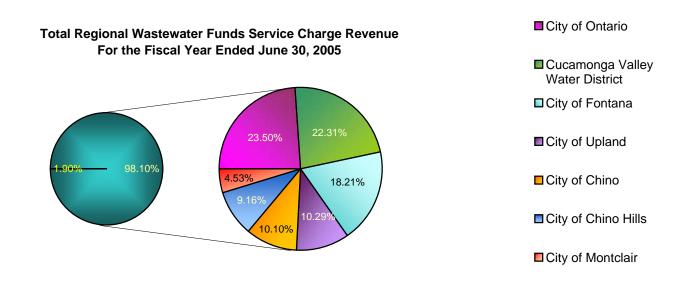
Operating & Nonoperating Expense Trends Trends For the Past Ten Fiscal Years



Regional Wastewater Funds Service Charge Revenue For the Fiscal Year Ended June 30, 2005

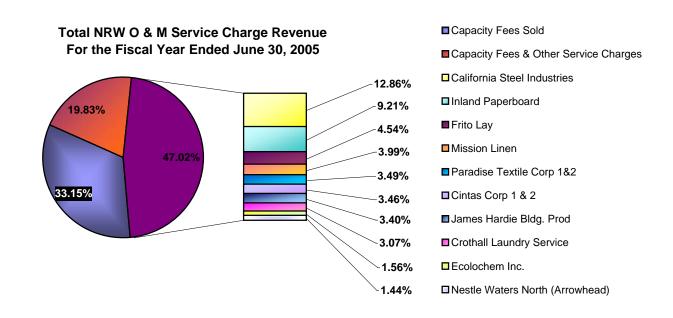
Through hard work, commitment and discipline, the IEUA team provides the communities they live and work in with wastewater and related utility services, at some of the lowest rates in the State. The following table displays the Fiscal Year 2004/05 service charge revenue billed to each of the seven communities (Contracting Agencies):

Contracting Agency	Service Charge Revenue	% of Service Charge Revenue
Service Charge Revenue By Contracting Agency:		
City of Ontario	\$4,966,937	23.50%
Cucamonga Valley Water District	4,715,192	22.31%
City of Fontana	3,848,210	18.21%
City of Upland	2,174,573	10.29%
City of Chino	2,135,309	10.10%
City of Chino Hills	1,937,254	9.16%
City of Montclair	956,534	4.53%
Total Contracting Agencys' Service Charge Revenue	20,734,009	98.10%
Other Service Charge Revenue	403,593	1.90%
Total Regional Wastewater Funds Service Charge Revenue	\$21,137,602	100.00%



Nonreclaimable Wastewater Operations & Maintenance Fund Service Charge Revenue For the Fiscal Year Ended June 30, 2005

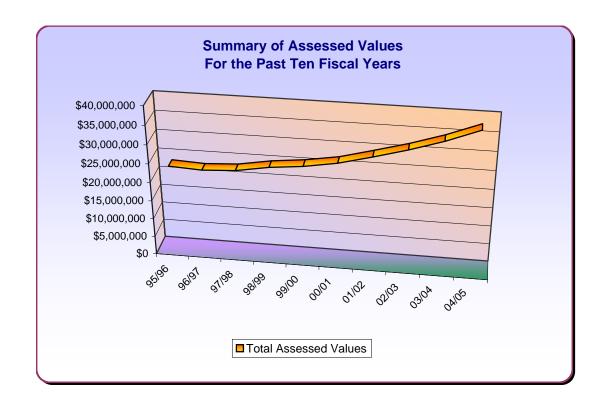
Customer Name	Business Type	Service Charge Revenue	% of Service Charge Revenue				
Service Charge Revenue of the Ten Largest Industrial Wastewater Customers:							
California Steel Industries	Steel Processing	\$722,215	12.86%				
Inland Paperboard and	Recycled Paper	516,995	9.21%				
Packaging Inc.	Processing						
Frito-Lay, Inc.	Food Products	254,965	4.54%				
Mission Linen Companies	Industrial Laundry	223,760	3.99%				
Paradise Textile Co.	Fabric Dying	195,865	3.49%				
Cintas #1 and Cintas #2	Industrial Laundry	194,482	3.46%				
James Hardie Bldg. Products	Home Bldg. Products	191,108	3.40%				
Crothall Laundry Service (formerly Tartan Textile)	Industrial Laundry	172,371	3.07%				
Ecolochem Inc.	Water Softeners	87,830	1.56%				
Nestle Waters North	Water Products	80,969	1.44%				
Total for the Ten Largest Industrial W	astewater Customers	2,640,560	47.02%				
Capacity Fees Sold		1,113,368	19.83%				
Other Service Charge Revenue From Remaining Customers		1,860,549	33.15%				
Total NRW Operations & Maintenar Service Charge Revenue	nce Fund	\$5,614,477	100.00%				



Summary of Assessed Values For the Past Ten Fiscal Years

Assessed Values - Excludes Redevelopment Agency Incremental Value (Dollars in Thousands)

Fiscal	Original	Mid-Valley	Bryant	North		Annual
Year	Area	Area	Area	Perimeter	Total	Increase/(Decrease)
1995/96	12,320,133	11,004,827	42,336	10,239	23,377,535	(661,830)
1996/97	12,030,113	10,870,747	33,805	9,871	22,944,536	(432,999)
1997/98	12,224,338	11,157,105	25,361	9,808	23,416,612	472,076
1998/99	12,731,087	12,144,585	27,127	9,658	24,912,457	1,495,845
1999/00	12,878,393	12,862,105	36,847	9,901	25,787,246	874,789
2000/01	13,429,944	13,743,015	37,795	10,368	27,221,122	1,433,876
2001/02	14,114,400	15,316,981	28,680	10,674	29,470,735	2,249,613
2002/03	14,586,122	17,209,045	29,062	11,390	31,835,619	2,364,884
2003/04	15,627,835	18,937,535	29,910	13,489	34,608,769	2,773,150
2004/05	16,951,298	20,980,992	29,534	15,264	37,977,088	3,368,319



Summary of Tax Rates and Tax Allocations For the Past Ten Fiscal Years

TAX RATES LEVIED

The following tax rates levied by the Agency are expressed as a percentage of dollars per hundred dollars of appraised valuation and were levied against secured taxable property for the period indicated.

Fiscal	North
Year	Perimeter
1995/96	0.062500
1996/97	0.062500
1997/98	0.062500
1998/99	0.062500
1999/00	0.062500
2000/01	0.062500
2001/02	0.062500
2002/03	0.062500
2003/04	0.062500
2004/05	0.062500

TAX ALLOCATIONS

The following equivalent tax rates represent the Agency's allocated share of the County-wide \$1.00 property tax levy pursuant to 1979, 1980 and 1993 Statutory changes to the California Revenue and Taxation Code as expressed in dollars per hundred dollars of appraised valuation.

Fiscal Year	Original Area	Mid-Valley Area	Bryant Area	North Perimeter	Improvement District C
I C ai	Alea	Alta	Alta	rennietei	DISTRICT
1995/96	0.016380	0.015175	0.016421	0.036545	0.028580
1996/97	0.016479	0.015013	0.016943	0.037028	0.028532
1997/98	0.016426	0.014956	0.016848	0.036885	0.028432
1998/99	0.016424	0.015002	0.016878	0.036889	0.028489
1999/00	0.016435	0.015000	0.016900	0.036958	0.028482
2000/01	0.016535	0.015116	0.017016	0.037222	0.028679
2001/02	0.016429	0.015015	0.016888	0.037022	0.028478
2002/03	0.016415	0.015017	0.016850	0.036970	0.028468
2003/04	0.016566	0.015157	0.017002	0.037493	0.028732
2004/05	0.016440	0.015170	0.016916	0.037459	0.028647

INLAND EMPIRE UTILITIES AGENCY Computation of Direct and Overlapping Bonded Debt As of June 30, 2005

 $\underline{2004/2005 \ Assessed \ Valuation}: \$38,666,283,094 \ (after \ deducting \ \$15,908,846,949 \ Redevelopment \ Incremental \ Valuation)$

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/05	
	2.915%	·	
Metropolitan Water District Chaffey Community College District	99.518	\$12,190,239 119,585,805	
San Bernardino Community College District	0.222		
Chino Valley Unified School District	100.	150,072 72,775,000	
Colton Joint Unified School District	2.224	1,127,073	
Fontana Unified School District	96.807	56,698,265	
		71,923	
Rialto Unified School District	0.128 99.814	32,878,512	
Upland Unified School District Chaffay Union High School District	99.715	115,375,241	
Chaffey Union High School District Alta Loma School District	99.713	27,386,260	
Central School District	100.	16,679,342	
Mountain View School District & School Facilities Improvement District No. 1	100.	16,794,416	
Ontario-Montelair School District	100.	17,720,000	
Inland Empire Utilities Agency	100.	17,720,000	(1)
City of Chino Community Facilities Districts	100.	60,735,000	(1)
City of Chino Hills Community Facilities Districts	100.	32,960,000	
Chino Valley Unified School District Community Facilities Districts	100.	315,000	
Etiwanda School District Community Facilities Districts	100.	61,425,000	
Rancho Etiwanda Public Facilities Community Facilities District No. 1	100.	2,403,000	
Upland Unified School District Community Facilities District No. 99-1	100.	2,445,000	
City of Fontana Community Facilities Districts	4.930-100.	78,404,186	
Mountain View School District Community Facilities District	100.	8,930,000	
San Bernardino County Community Facilities Districts No. 2002-1	100.	23,585,000	
City of Ontario Community Facilities District	100.	11,287,019	
City of Rancho Cucamonga Community Facilities Districts	100.	48,330,000	
City of Upland Community Facilities Districts	100.	43,900,000	
City of Chino 1915 Act Bonds	100.	6,490,000	
City of Chino Hills 1915 Act Bonds	100.	14,040,000	
City of Fontana 1915 Act Bonds	100.	2,280,000	
City of Ontario 1915 Act Bonds	100.	35,849,487	
City of Rancho Cucamonga 1915 Act Bonds	100.	6,175,000	
City of Upland 1915 Act Bonds	100.	945,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		945,360,840	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Bernardino County General Fund Obligations	45.804	424,850,422	
San Bernardino County Pension Obligations	45.804	358,091,362	
Chino Valley Unified School District Certificates of Participation	100.	58,435,000	
Fontana Unified School District Certificates of Participation	96.807	39,729,593	
Upland Unified School District Certificate of Participation	99.814	6,433,012	
Cucamonga School District Certificate of Participation	100.	13,685,000	
Ontario-Montclair School District Certificate of Participation	100.	5,450,000	
Other School District General Fund Obligations	Various	2,158,508	
City of Fontana Certificates of Participation	92.135	20,946,892	
City of Montclair General Fund Obligations	100.	30,300,000	
City of Ontario General Fund Obligations	100.	30,917,290	
Other City General Fund Obligations	100.	4,329,723	
Monte Vista County Water Authority	100.	650,000	
West Valley Vector Control District Certificates of Participation	100.	4,226,990	
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		1,001,203,792	
COMBINED TOTAL DEBT		\$1,947,564,632	(2)

Computation of Direct and Overlapping Bonded Debt, (continued) As of June 30, 2005

Ratios to 2004-05 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.73%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt	5.04%
State School Building Aid Repayable As Of 6/30/05:	\$0

Source: California Municipal Statistics, Inc.

Footnotes:

- (1) Excludes revenue issues.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Schedule of Insurance As of June 30, 2005

COVERAGE	POLICY NUMBER	INSURER/ BROKER	TERM	ANNUAL PREMIUM	LIMITS	SELF-INSURED RETENTION PER OCCURRENCE
					Per	
EXCESS LIABILITY					Occurrence	
General Public Official incl. Employment Practices Liability Auto Liability/	4704-2380	Insurance Company of the State of PA	10/04 to 10/05	\$210,971	\$10,000,000	\$250,000 \$25,000 \$1,000 ACV
WORKERS' COMPEN	ISATION					
Workers' Comp. Self Insurance	Self-Insured Certificate #7855	Self Insurance	07/04 to 07/05	\$ 0	Statutory	\$0
Excess for Workers Compensation and Employers Liability	EWC006649	Midwest Employers Casualty Co.	07/04 to 07/05	\$ 27,829	\$25,000,000 WC \$1,000,000 EL	\$1,000,000
FIDUCIARY LIABILI	ТҮ					
General	104031958	The Travelers Ins. Co.	04/05 to 04/06	\$1,788	\$50,000	\$1,000
CEO/GM Chief Fin Officer	103214683 104491294	The Travelers Ins. Co. The Travelers Ins. Co.	04/05 to 04/06 04/05 to 04/06	\$175 \$263	\$50,000 \$75,000	\$ 0 \$ 0
Treasurer	104505372	The Travelers Ins. Co.	01/05 to 04/06	\$375	\$75,000	\$ 0
PROPERTY						
Property	Various	California Public Entity/ Property Program	07/04 to 07/05	\$142,991	TIV: \$235,453,371	\$25,000
Boiler & Machinery	FBP3917011 45D009402	Hartford Steam Boiler Travelers	07/04 to 07/05	B&M premium included in property premium	\$500,000,000 Shared Limit	\$25,000
Misc. Equip Floater	KG0001305	Twin City Fire Ins. Company	07/04 to 07/05	\$10,584	\$437,318	\$2,000
Auto Physical Damage	7476854	Lexington Ins. Co.	07/04 - 07/05	\$520	ACV	\$1,000

Historical Operating Results

$Was tewater\ Revenue\ Funds'\ Combined\ Statement\ of\ Revenues,\ Expenses$

and Changes in Fund Net Assets

Fiscal Years Ended June 30, 2001 through 2005

(Dollars in Thousands)

	2005	2004	2003	2002	2001
Operating Revenues					
Service charges	\$27,091	\$25,579	\$25,253	\$24,768	\$22,970
Other charges	1,755	1,707	1,677	1,609	1,590
Total operating revenues	28,845	27,286	26,930	26,376	24,560
Operating Expenses					
Wastewater collection	2,941	967	1,521	875	584
Wastewater treatment	17,832	18,677	15,790	15,876	13,472
Wastewater disposal	5,851	4,749	4,663	4,037	3,735
Administration and general	15,483	11,997	10,937	8,514	8,691
Depreciation and amortization	16,160	14,178	13,614	13,555	13,167
Total operating expenses	58,268	50,568	46,525	42,857	39,649
Operating income (loss)	(29,424)	(23,282)	(19,595)	(16,481)	(15,089)
Nonoperating Revenues (Expenses)					
Interest income	2,642	2,693	3,735	4,449	6,345
Property tax revenue	16,674	21,508	19,292	17,269	15,933
Wastewater Capital Connection Fees	27,958	28,451	23,999	20,135	17,672
Other nonoperating revenues	2,005	12,780	935	963	544
Interest on long-term debt	(6,613)	(6,669)	(7,134)	(7,038)	(6,915)
Other nonoperating expenses	(804)	(3,152)	(908)	(86)	(662)
Total nonoperating revenues (expenses)	41,862	55,612	39,919	35,693	32,917
Income (loss) before contributions and transfers	12,438	32,329	20,324	19,212	17,828
Capital Grants	975	221	79	1,010	0
Contribution in Aid	0	1,225	0	0	0
Transfers (to non-sewer funds)	(6,124)	(4,838)	(3,888)	(4,080)	(6,085)
Change in net assets	7,289	28,938	16,515	16,142	11,743
Total net assets - beginning	407,001	378,063	361,548	345,406	333,664
Total net assets - ending	\$414,289	\$407,001	\$378,063	\$361,548	\$345,406

Wastewater Revenue Funds' Coverage Ratio For Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	2004/05	2003/04
Operating revenues		
Service charges	\$27,030,443	\$25,429,748
Other Charges	1,754,653	1,706,928
Total operating revenues	28,785,096	27,136,676
Nonoperating revenues		
Interest income	2,633,705	2,531,980
Property tax revenue	16,673,512	21,507,807
* Wastewater capital connection fees	27,957,765	28,451,240
Other nonoperating revenues	1,994,758	12,734,960
Capital Contributions	974,788	1,295,691
Total nonoperating revenues	50,234,528	66,521,678
Operating expenses		
Wastewater collection	1,051,905	966,686
Wastewater treatment	19,193,678	18,676,828
Wastewater disposal	5,850,988	4,749,470
Administration and general	14,746,405	10,766,307
Depreciation and amortization	15,899,148	14,047,075
Total operating expenses	56,742,124	49,206,366
Nonoperating expenses		
Interest on long-term debt	6,612,957	6,307,029
Other nonoperating expenses	803,967	3,147,565
Transfers	8,120,007	5,743,323
Total nonoperating expenses	15,536,931	15,197,917
Change in net assets	6,740,569	29,254,071
Total net assets - Beginning of Year	330,684,699	329,881,868
Total net assets - End of Year	337,425,268	359,135,939
*Less: Wastewater capital connection fees	(27,957,765)	(28,451,240)
Total adjusted net assets	\$309,467,503	\$330,684,699

Wastewater Revenue Funds' Coverage Ratio For Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	2004/05	2003/04
Funds available for coverage	-	
Net income	\$34,698,334	\$29,254,071
Less: Wastewater capital connection fees	(27,957,765)	(28,451,240)
Add: Interest on long-term debt	6,612,957	6,307,029
Depreciation and Amortization	15,899,148	14,047,075
Total funds available for coverage	\$29,252,674	\$21,156,935
Debt service payments Interest expense Principal payments	\$5,882,369 2,920,000	\$6,062,337 3,098,125
Total debt service	\$8,802,369	\$9,160,462
Debt coverage ratio	3.32	2.31

The Agency's wastewater funds, per the 1994 & 1999 Revenue Bond Debentures, are required to maintain a minimum specified debt coverage ratio. This ratio must be at least 1.20 times the sum of all obligation service on all parity obligations in the sewer funds. As reflected in the above calculation, the Agency met this requirement with a ratio of 3.32 and 2.31 for the Fiscal Years Ended June 30, 2005 and June 30, 2004, respectively.

In July 2003, the Agency issued the Chino Basin Regional Financing Variable Rate Demand Revenue Bonds (Inland Empire Utility Agency), Series 2002A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds. The Subordinate debt coverage ratio must be at least 1.20 times the sum of all obligations on all parity and subordinate debt. Refer to Agency System Subordinate Debt Coverage Ratio schedule.

In May 2005, the Agency issued the Chino Basin Regional Financing Revenue Bonds (Inland Empire Utility Agency), Series 2005A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds. The Subordinate debt coverage ratio must be at least 1.15 times the sum of all obligations on all parity and subordinate debt. Refer to Agency System Subordinate Debt Coverage Ratio schedule.

In addition, the Agency wastewater funds are required to maintain operating reserves sufficient to cover four (4) months of budgeted operating and maintenance expenses.

- > The Fiscal Year 2004/05 amended budget for operating and maintenance expenses for four months was \$16,565,412
- > As of the Fiscal Year Ended June 30, 2005, the Agency had reserves of \$44,033,925. This balance exceeded the stated minimum requirement.

Agency System Subordinate Debt Coverage Ratio For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	2004/05	2003/04
Operating revenues	- -	
Recycled water sales	\$652,897	\$588,644
Service charges	27,090,520	25,579,287
Property tax recovery surcharge	1,754,653	1,706,928
Total operating revenues	29,498,070	27,874,859
Nonoperating revenues		
Interest income	2,828,911	2,819,419
Property tax revenue	16,673,512	21,507,807
*Wastewater Connection Fees	27,957,765	28,451,240
Other nonoperating revenues	2,790,361	13,184,953
Capital Contributions	4,197,088	18,663,701
Total nonoperating revenues	54,447,637	84,627,120
Operating expenses		
Wastewater collection	1,051,905	966,686
Wastewater treatment	19,193,678	18,676,828
Wastewater disposal	5,850,988	4,749,470
Administration and general	17,301,391	11,956,093
Operations and maintenance	1,803,540	1,230,676
Depreciation and amortization	16,300,401	14,316,091
Total operating expenses	61,501,903	51,895,844
Nonoperating expenses		
Interest on long-term debt	7,136,951	6,875,625
Other nonoperating expenses	868,194	3,211,106
Transfers	(23,437,352)	519,999
Total nonoperating expenses	(15,432,207)	10,606,730
Changes in net assets	37,876,011	49,999,405
Total net assets - Beginning of Year	375,829,705	354,281,540
Total net assets - End of Year	413,705,716	404,280,945
*Less: Wastewater capital connection fees	(27,957,765)	(28,451,240)
Total adjusted net assets	\$385,747,951	\$375,829,705

^{*} Wastewater capital connection fees are deposits held by other governmental agencies, (i.e. members of the Regional Sewage Contract). These connection fee deposits are restricted for capital construction costs associated with the regional program, and not available for debt coverage

Agency System Subordinate Debt Coverage Ratio For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	2004/05	2003/04
Funds available for coverage		
Net income	\$37,876,011	\$49,999,405
Less: Wasterwater capital connection fees	(27,957,765)	(28,451,240)
Add: Interest on long-term debt	7,136,951	6,875,625
Depreciation and Amortization	16,300,401	14,316,091
Total funds available for coverage	\$33,355,598	\$42,739,881
Debt service payments Interest expense Principal payments	\$7,298,580 4,377,921	\$6,609,637 4,288,858
Total debt service	\$11,676,501	\$10,898,495
Debt coverage ratio	2.86	3.92

In July 2003, the Agency issued the Chino Basin Regional Financing Variable Rate Demand Revenue Bonds (Inland Empire Utilities Agency), Series 2002A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds. Pursuant to the 2002 Installation Purchase Agreement, the debt ratio must be at least 1.2 times the sum of all obligation service on all parity and subordinate debt. The Agency met this requirement with a ratio of 2.86 and 3.92 for Fiscal Years Ended June 30, 2005, and June 30, 2004, respectively.

Wastewater Revenue Funds' Capital Requirements 'For the Ten Fiscal Years Ending June 30, 2014* '(Dollars in Thousands)

	Actual Thru	Projected	
Project Description	04/05	05/06	06/07
Replacement Projects			
RP1-Aeriation Basin Modifications	\$612	\$500	\$0
Various Replacement Projects	1,382	4,680	195
Total Replacement Projects	1,994	5,180	195
Equipment Projects			
Install Blower #4 at RP-1	0	1,385	0
Various Equipment Projects	869	628	41
Total Replacement Projects	869	2,013	41
Construction Projects			
RP1 Tertiary Filter Expansion	0	0	0
RP4: Energy Load Reduction Facilities	9,986	0	0
RP1 Chlorine Contact Tank Expansion	4,806	0	0
Chino Creek Park	883	2,000	1,622
San Bernardino Ave. Pump Station	15	100	100
RP5 Renewable Energy Generation Efficiency Project	2,382	6,000	3,000
RP4- Liquids Expansion to 14 MGD	2,819	10,600	19,175
RP5 System Facility Upgrade & Improvement	0	1,500	2,800
RP1 Dewatering Facilities Expansion	0	1,000	3,500
RP4 Liquid & Solids Expansion to 21 MGD	0	0	0
CCWRP Aeration System Modification	440	1,000	2,050
RP1 Secondary Treatment System Modifications	0	0	500
MWD Ion Exchange	529	2,700	500
Upland Interceptor Relief, Phase II	8	500	10,780
RP1 & RP2 Digester Gas System Modification	393	500	3,650
RP5 Warehouse/Maintenance Facility	0	0	0
RP5 Expansion to 27 MGD	0	0	0
CCWRF Filter & Contact Tank Exchange	96	2,263	1,002
Upland Interceptor Relief, Phase I	3,114	10	0
RP5: Regional Plant 2 Replacements	79,896	0	0
RP1 to RP5 By Pass	2,000	22,502	0
RP1 Phase I Odor Control	2,672	3,347	
RP1 Modernization	73	65	0
RP4 Land Acquisition	132	165	0
Various Construction Projects	13,467	11,514	3,403
Total Construction Projects	123,711	65,766	52,082
Total Projected Capital Costs	\$126,574	\$72,959	\$52,318

^{*} Source: Projections were derived from the IEUA Ten Year Capital Improvement Plan.

As of the date of this publication, the most current Ten Year Capital Improvement Plan provides projections through the Fiscal Year 2013/14.

Wastewater Revenue Funds' Capital Requirements For the Ten Fiscal Years Ending June 30, 2014* (continued) (Dollars in Thousands)

Projected

Projected							
<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	13/14	<u>Total</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,112
224	35	0	1,305	0	0	0	7,821
224	35	0	1,305	0	0	0	8,933
0	0	0	0	0	0	0	1,385
0	0	0	455	0	0		1,993
0	0	0	455	0	0		3,378
370	2,000	1,425	0	0	0	0	3,795
0	0	0	0	0	0	0	9,986
0	0	0	0	0	0	0	4,806
0	0	0	0	0	0	0	4,505
2,100	3,800	0	0	0	0	0	6,115
0	0	0	0	0	0	0	11,382
700	0	0	0	0	0	0	33,294
3,400	0	0	0	0	0	0	7,700
5,500	0	0	0	0	0	0	10,000
0	0	4,000	25,000	31,000	0	0	60,000
0	0	0	0	0	0	0	3,490
1,500	12,600	12,686	0	0	0	0	27,286
0	1,620	0	0	0	0	0	5,349
3,000	0	0	0	0	0	0	14,288
1,000	0	0	0	0	0	0	5,543
500	2,500	2,978	0	0	0	0	5,978
2,000	4,000	0	0	19,500	25,000	15,500	66,000
4,000	1,628	100	1,235	0	0	0	10,324
0	0	0	0	0	0	0	3,124
0	0	0	0	0	0	0	79,896
0	0	0	0	0	0	0	24,502
0	0	0	0	0	0	0	6,019
0	0	2,161	2,161	0	0	0	4,460
0	0	200	2,000	1,860	0	0	4,357
2,156	3,200	541	3,577	0	316	2,001	40,175
26,226	31,348	24,091	33,973	52,360	25,316	17,501	452,374
\$26,450	\$31,383	\$24,091	\$35,733	\$52,360	\$25,316	\$17,501	\$464,685

INLAND EMPIRE UTILITIES AGENCY Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
1995/96	8,948,324	3,475,005	9,425,295	11,164,692
1996/97	10,146,157	3,624,144	11,262,056	11,589,567
1997/98	8,355,789	2,508,563	7,125,472	9,672,510
1998/99	8,236,580	2,273,096	6,988,151	10,467,774
1999/00	11,609,500	2,970,900	8,341,223	14,805,620
2000/01	13,715,384	2,288,452	5,190,571	12,556,458
2001/02	5,265,645	1,273,911	1,426,677	4,069,138
2002/03	15,471,378	2,656,591	3,456,762	11,624,023
2003/04	30,879,647	5,949,450	5,774,412	17,316,903
2004/05	16,709,735	4,073,882	2,848,819	10,823,845
Percentage	45.3%	8.7%	8.5%	25.4%

Wastewater Capital Connection Fee Agreement

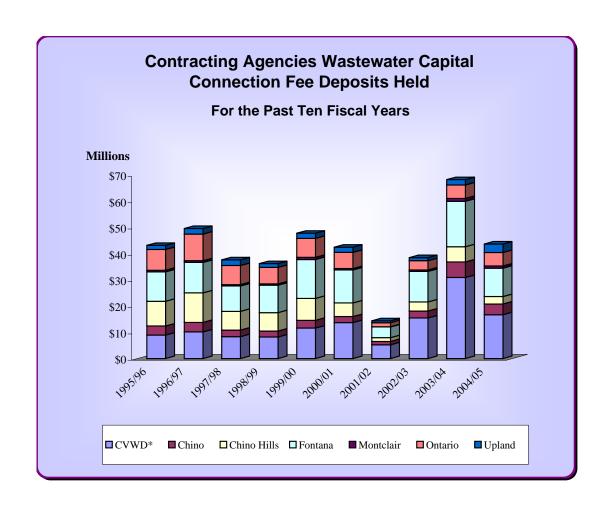
On April 12, 1984, an Amendment was made to the Chino Basin Regional Sewage Service Contract (the 1984 Amendment), wherein each Contracting Agency agreed to contribute Wastewater Funds (Connection Fees) to the Inland Empire Utilities Agency (IEUA) for the improvement and expansion of the Regional Wastewater System. According to the Chino Basin Regional Sewage Service Contract, the Contracting Agencies must deposit or credit an amount for each wastewater connection into a Capital Capacity Reimbursement Account. While the source of these funds is left to the discretion of the individual agencies, it is generally obtained by a connection assessment against new construction. Such funds deposited into the Capital Capacity Reimbursement Account may be used only to provide Supplemental Capital Outlay Contributions to IEUA. According to the Chino Basin Regional Sewage Service Contract, each Contracting Agency must report monthly building (permit) activity to IEUA, and the ending monthly balance of funds in each respective Capital Capacity Reimbursement Account.

In accordance with the Chino Basin Regional Sewage Service Contract, IEUA must provide each Contracting Agency: a) a quarterly report concerning the level of Capital Capacity Reimbursement Account reserves, b) Regional wastewater capital improvement expenditures and, c) the estimated amount of Supplemental Capital Outlay Contributions which will be necessary for each Contracting Agency to contribute in order for IEUA to maintain a minimum Regional Wastewater Capital Improvement Fund balance of \$1,000,000.

Connection fee payments to IEUA are calculated based on the percentage of each Contracting Agency's Reimbursement Account balance relative to the total balance of all Contracting Agency held funds. That percentage is then utilized to calculate each Contracting Agency's (pro rata) contribution of an IEUA "Call" for funds from the Reimbursement Accounts. The table above represents the connection fee balances reported in the respective Contracting Agency's Annual Financial Reports. Balances reported for fiscal year 2004/05 are subject to further adjustment after audit.

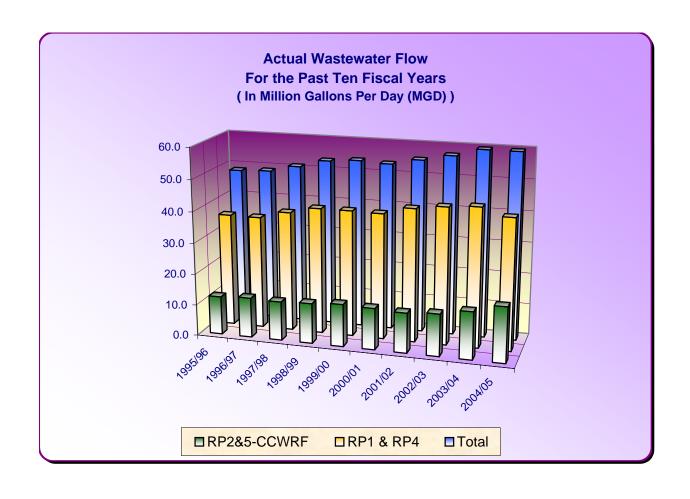
INLAND EMPIRE UTILITIES AGENCY Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Fiscal Year	Montclair	Ontario	Upland	Total
1995/96	636,268	7,897,262	1,590,238	43,137,084
1996/97	660,089	10,158,646	2,144,114	49,584,773
1997/98	510,257	7,296,189	2,144,114	37,612,894
1998/99	483,396	6,279,099	1,449,551	36,177,647
1999/00	827,955	7,236,695	1,991,221	47,783,114
2000/01	561,524	6,144,974	1,991,221	42,448,584
2001/02	100,714	1,517,605	734,711	14,388,401
2002/03	560,484	3,531,167	1,177,653	38,478,058
2003/04	1,109,833	5,132,842	2,041,227	68,204,314
2004/05	831,738	5,137,652	3,244,291	43,669,962
Percentage	1.6%	7.5%	3.0%	100.0%



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

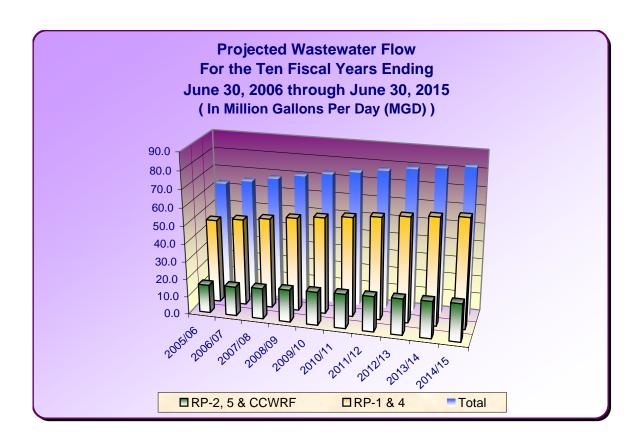
	scal ear	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
199	95/96	36.2	12.3	48.5
199	96/97	36.1	12.8	48.9
199	97/98	38.4	12.5	50.9
199	98/99	40.4	12.9	53.3
199	99/00	40.4	13.6	54.0
200	00/01	40.2	13.3	53.5
200	01/02	42.5	12.8	55.3
200	02/03	43.7	13.5	57.2
200	03/04	44.4	15.2	59.6
200	04/05	41.9	17.7	59.6



Projected Wastewater Flow

For the Ten Fiscal Years Ending June 30, 2006 through June 30, 2015*
(In Million Gallons Per Day (MGD))

Fiscal Year	RP-1 & 4 (MGD)	RP-2, 5 & CCWRF (MGD)	Total (MGD)
0005/00	47.0	45.0	00.4
2005/06	47.2	15.9	63.1
2006/07	49.0	16.6	65.6
2007/08	50.9	17.4	68.3
2008/09	52.7	18.3	71.0
2009/10	54.4	18.9	73.3
2010/11	56.0	19.5	75.5
2011/12	57.6	20.0	77.6
2012/13	59.2	20.5	79.7
2013/14	60.5	20.9	81.4
2014/15	61.7	21.4	83.1

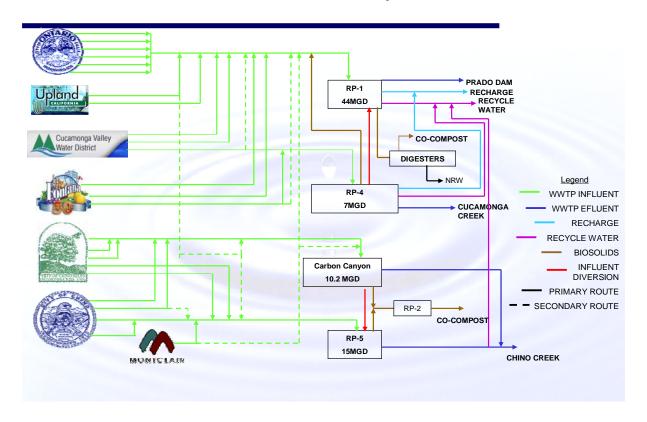


^{*} Source: Statistics were derived from IEUA Ten Year Capital Plan.

Wastewater Facilities Design Capacity and Average Flow As of June 30, 2005

Currently, the Agency operates five wastewater treatment plants: Regional Plant No. 1 (RP-1) is located in the City of Ontario, Regional Plant No. 2 (RP-2) is located in the southern area of the City of Chino, Carbon Canyon Water Recycling Facility (CCWRF) is located in the City of Chino, Regional Plant No. 4 (RP-4) is located in the northeast service area in the City of Rancho Cucamonga and Regional Plant No. 5 (RP-5) located in the unincorporated area of the City of Chino.

IEUA Wastewater System



The following table presents the current design capacities and flows of the Agency's wastewater treatment as of June 30, 2005:

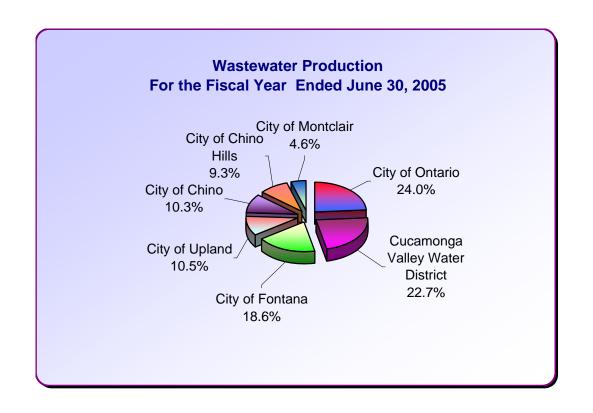
Facility	Design Capacity (MGD)	Average Flow (MGD)	Average Flow as % of Design Capacity
RP-1	44.0	39.6	90.9%
RP-2/RP-5	15.0	8.1	54.0
RP-4	7.0	2.3	32.9
CCWRF	11.4	9.6	84.2
Total	77.4	59.6	77.0 %

Wastewater Production of the Contracting Agencies For the Fiscal Year Ended June 30, 2005

The following table displays Fiscal Year 2004/05 wastewater production within the Agency:

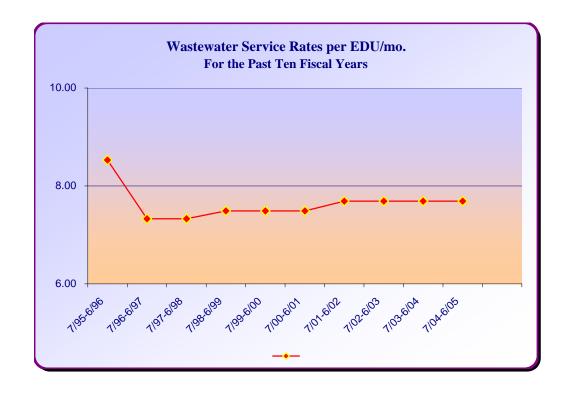
User	Total EDU's*	Wastewater (MGD)	Percentage of EDU's
City of Ontario	700,555	14.3	24.0%
Cucamonga Valley Water District	665,048	13.6	22.7%
City of Fontana	542,766	11.0	18.6%
City of Upland	306,710	6.3	10.5%
City of Chino	301,172	6.1	10.3%
City of Chino Hills	272,769	5.6	9.3%
City of Montclair	134,913	2.7	4.6%
Total	2,923,933	59.6	100.0%

*Equivalent D welling U nits (EDU). E DU Is a numerical value designation where 1 EDU represents the estimated wastewater flow (production) from a single family residential household and approximates 270 gallons per day of sewage discharge.



Summary of Historical Wastewater Service Rates For the Past Ten Fiscal Years

Wastewater			
Rates			
per EDU/mo.			
8.53			
7.33			
7.33			
7.49			
7.49			
7.49			
7.69			
7.69			
7.69			
7.69			
7.00			



INLAND EMPIRE UTILITIES AGENCY Historic and Projected Population and Assessed Values

The Agency's population serviced in Fiscal Year 2004/2005 is estimated to be approximately 748,000 and its total gross assessed valuation was determined to be in excess of \$51.5 billion. The Agency's ten-year historic and projected population and gross assessed valuation totals are presented in the charts below.

Historic Population and Gross Assessed Values For the Past Ten Fiscal Years			
Fiscal Year	Population (Thousands)	Assessed Value (Billions)	
1995/96	603	31.1	
1996/97	613	32.0	
1997/98	624	33.2	
1998/99	638	34.4	
1999/00	656	35.7	
2000/01	678	37.8	
2001/02	680	41.2	
2002/03	691	45.0	
2003/04	711	49.5	
2004/05	739	51.5	

Projected Population* and Gross Assessed Values For Fiscal Years Ending June 30, 2006 through June 30, 2015

Fiscal Year	Population (Thousands)	Assessed Value (Billions)
2005/06	766	54.5
2006/07	785	56.8
2007/08	802	59.6
2008/09	820	62.6
2009/10	838	65.7
2010/11	855	69.0
2011/12	872	72.4
2012/13	888	76.1
2013/14	906	79.9
2014/15	951	83.9

^{*} Population statistics were derived from the "Wastewater Facilities Plan".



California Native Plants







School Gardens as Outdoor Classrooms

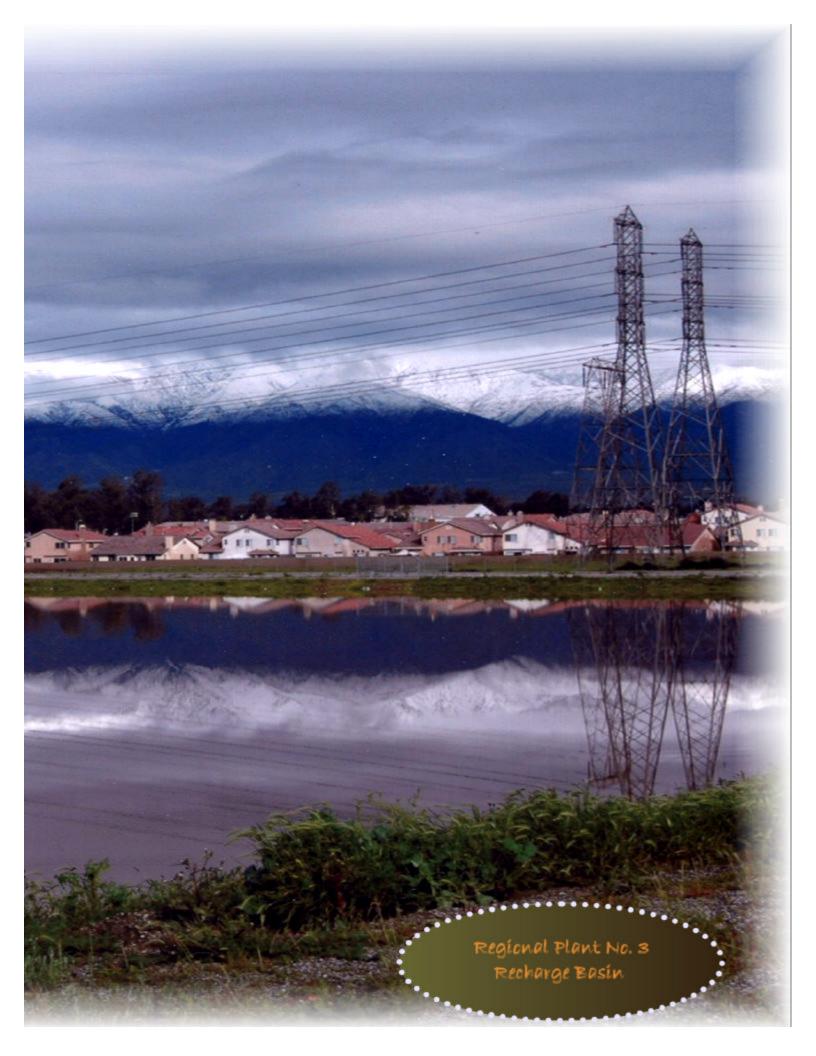
- Encourages wise-water usageUnderscores good nutritional habitsIllustrates the web of life
- > Celebrates multi-cultural awareness
- > Effective with different learning modalities
- > Increases students' self-esteem
- > Enhances academic instruction
- > Builds teamwork















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